

Financial conditions index: Early and leading indicator for Colombia

Temas de Estabilidad Financiera

Número:

55

DOI:

<https://doi.org/10.32468/tef.55>

Publicado:

Lunes, 24 Octubre 2011

Clasificación JEL:

E32, E44, E47, E51

Palabras clave:

Índice de condiciones financieras, Indicadores de alerta temprana, Indicadores principales, Supervisión macroprudencial

[Descargar documento](#)

Lo más reciente

[Evaluación de los efectos de las recientes normas de provisiones sobre la asignación del crédito de consumo en Colombia](#)

Diego Fernando Cuesta-Mora, Fredy Alejandro Gamboa-Estrada, Camilo Eduardo Sánchez-Quinto

[Educación e inclusión financieras en América Latina y el Caribe: programas de los bancos centrales y las superintendencias financieras](#)

María José Roa-García, Gloria Amparo Alonso Masmela, Nidia García Bohórquez, Diego A. Rodríguez-Pinilla

[Deuda Pública, Expectativas sobre el Déficit Fiscal y su Transmisión al Componente Cíclico de las Tasas de Interés de Largo Plazo](#)

José Vicente Romero-Chamorro, Hernando Vargas-Herrera

[Otras Publicaciones](#)

This paper is an attempt at constructing a simple and effective macroprudential tool for policymakers. By integrating the joint occurrences of the main financial markets in Colombia into a single Financial Conditions Index (FCI), we hope to synthesize the information embedded in them regarding possible future economic outcomes. To do this, we use monthly data on 21 variables for the period comprised between July, 1991 - June, 2010 and apply PCA on their correlation matrix. On the one hand, we evaluate the predictive capacity of the FCI in forecasting GDP growth at different time horizons and find that it performs better as a leading indicator of real activity than other individual financial variables and an autoregressive model of GDP growth. Additionally, we are interested in testing the FCI's long-term capability to correctly anticipate periods of distress in the economy, and find that the index could be used as an effective early-warning indicator. Hence, our FCI seems to represent a useful instrument for both financial stability and macroprudential supervision purposes.
