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

El desarrollo económico de Colombia desde finales de la Guerra de los Mil Días hasta la Gran Depresión
Juliana Jaramillo-Echeverri, María Teresa Ramírez-Giraldo
Experimentando con los LLM para el pronóstico de la inflación en Colombia
Aarón Levi Garavito-Acosta, Wilmer Martinez-Rivera, Juan J. Ospina-Tejeiro, Edgar Caicedo-García
Evaluando el seguro de desempleo en una economía en desarrollo: evidencia para Colombia
Leonardo Fabio Morales, Diego Astorga-Rojas, Nicolas Guida-Johnson
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.