Box 1: Negative Currency Mismatch of Colombia’s Real Sector in 2021 - Financial Stability Report, First Half 2022

Download Keep in mind
The main purpose of these documents is to provide semiannual information on the vulnerabilities and risks of the financial system. The views presented and potential errors are the sole responsibility of the authors and their contents do not compromise the Board of Directors of *Banco de la República*

AUTHOR OR EDITOR Carmona-Duarte, Álvaro David Martínez-Osorio, Adrián Niño-Cuervo, Jorge
Publication Date: Monday, 25 of September 2023
In an increasingly globalized world, it is common for companies, governments, and households to make transactions in currencies other than those of their own economy. This type of capital movement makes it possible, for example, to increase current spending, finance capital expansion projects, and even restructure the financial assets and liabilities of the various economic agents. However, when the difference between assets and liabilities in foreign currency widens, a phenomenon known as currency mismatch which can be positive if these assets are greater than the liabilities and negative in the opposite case, the dynamics of the exchange rate may generate substantial changes in the balance sheets of real sector companies and, in turn, increase the economy’s foreign vulnerability through investment, growth, liquidity, and capital adequacy.

Fuente: https://d1b4gd4m8561gs.cloudfront.net/en/publications-research/financial-stability-reports/box1-negative-currency-mismatch-colombias