

Box 2: Recent Trends in the Financial Position of Households

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This box analyzes the recent changes in a battery of indicators on the financial position of households and their trends with respect to their historical behavior. These indicators were calculated based on the quarterly national accounts by institutional sector published by DANE and the financial accounts published by *Banco de la República* with a cut-off as of June 2022.¹ The following conclusions can be drawn from the analysis: 1) household consumption has risen significantly in the recent past, and this has placed it above its long-term trend, 2) the above has occurred in a context of recovering in the disposable income and higher indebtedness, and 3) the accumulation of equity by households during the pandemic appears to have not been sufficient to finance the increase in their consumption in the recent period. In an environment in which a slowdown, high indebtedness, and lower accumulation of financial equity are expected, it is important to monitor the vulnerabilities that households may generate for CIs in the near future.

Household income, expenditures, assets, and debt

Graph B2.1 describes the changes in the main aggregates of household financial accounts (solid line) and compares them to their long-term trends (dotted lines).² Over the course of 2021 and so far in 2022, the growth of household disposable income has surged hand in hand with the economic recovery that occurred after the Covid-19 shock (panel A). Household income has been accompanied by a sustained increase in consumption as a percentage of disposable income, which is at historical highs and above its long-term trend (panel B). Likewise, recent months have seen a recovery in household investment as a percentage of income. However, this item is below its pre-pandemic values (panel C). The above household flows have occurred in a context of a growing debt-to-income ratio, a lower ratio of financial assets to income, and lower financial equity as a percentage of available income (panels D to F).

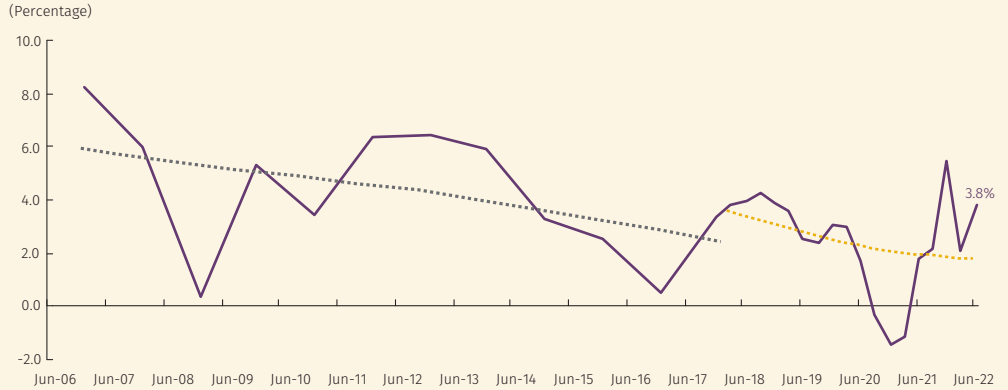
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1 For more information on the quarterly financial accounts calculated by *Banco de la República*, see <https://www.banrep.gov.co/es/contenidos/cuentas-financieras>. For more information on DANE's quarterly national accounts by institutional sector see <https://www.dane.gov.co/index.php/estadisticas-por-tema/cuentas-nacionales/cuentas-nacionales-trimestrales-por-sector-institucional-cntsi>

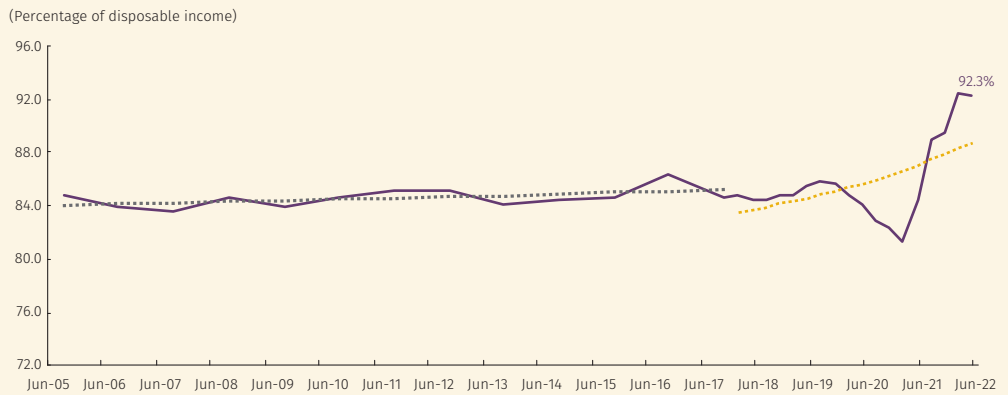
2 Calculated with a Hodrick-Prescott filter.

Graph B2.1. Main Aggregates of Household Financial Accounts

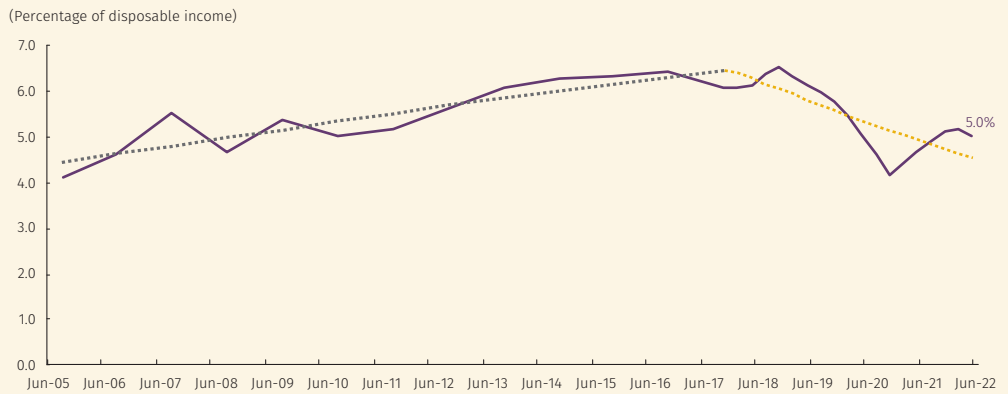
A. Real Growth in Household Disposable Income



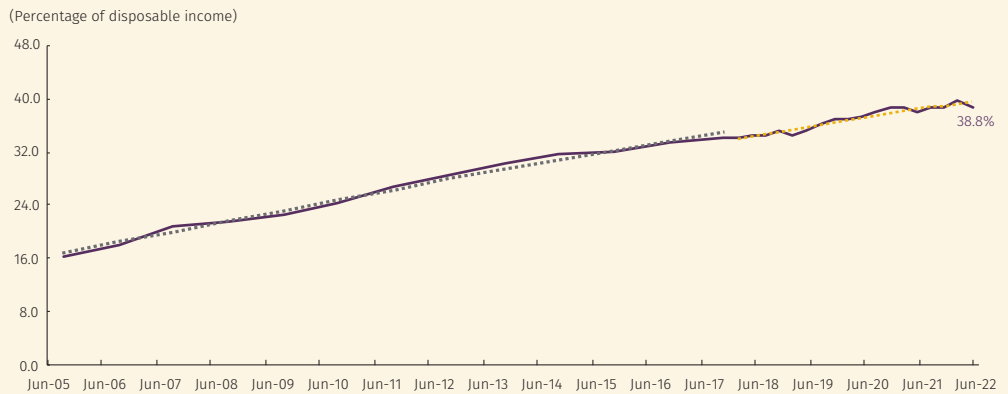
B. Consumption of Households



C. Net household investment



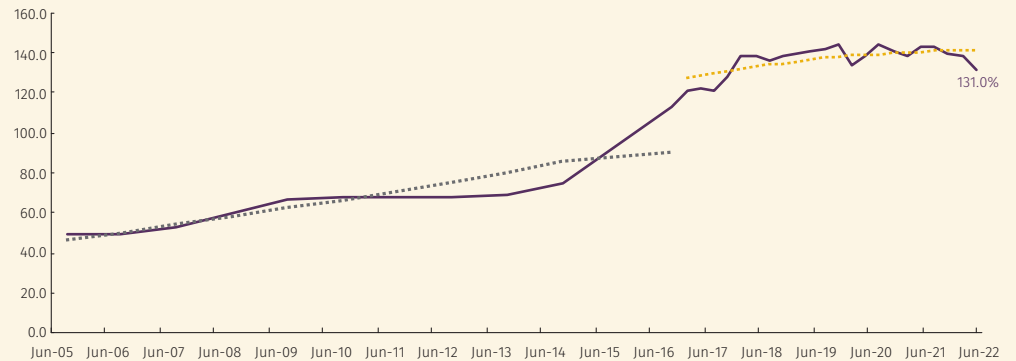
D. Household debt



Graph B2.1. Main Aggregates of Household Financial Accounts (continuation)

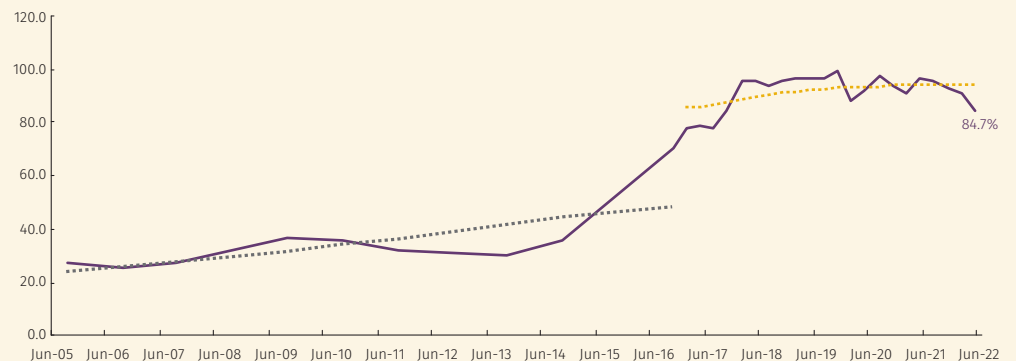
E. Household Financial Assets

(Percentage of disposable income)



F. Household Financial Equity

(Percentage of disposable income)

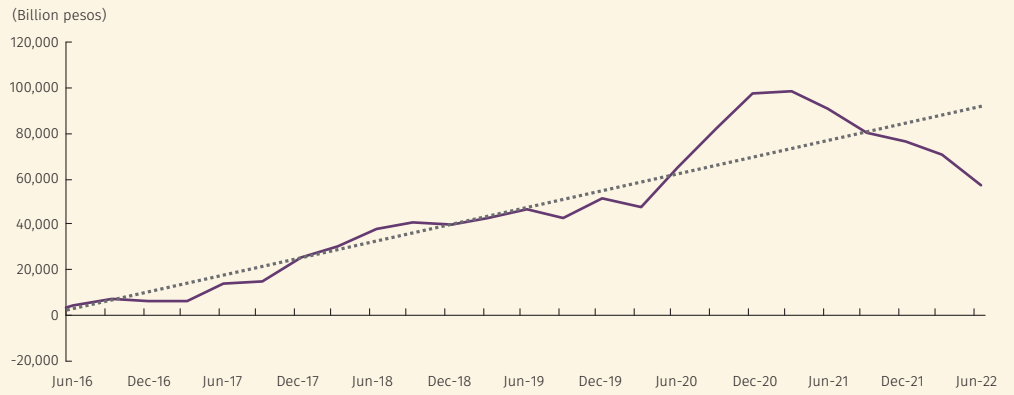


Note: the dotted lines indicate the trend of the series calculated with a Hodrick and Prescott filter. Up to 2016, the series had an annual frequency and from this date onwards they have a quarterly frequency. Therefore, two trend lines were drawn to differentiate between the two periods with their change in frequency.

Source: DANE, calculations by Banco de la República.

Last of all, Graph B2.2, shows the nominal accumulation of financial assets by households since 2016. As can be seen, the series has a growth trend that surged significantly during the pandemic. This performance was to be expected given that, in a context of greater uncertainty, households had incentives to accumulate more assets to face times of financial difficulty. Once the most restrictive period of the health emergency had been overcome, households began to increase their consumption as was shown previously. The recent behavior of financial asset accumulation leads to the conclusion that households not only used the assets they had accumulated during the pandemic but continued to disaccumulate financial assets to finance their consumption, and this took the indicator below its long-term trend.

Graph B.2.2 Accumulation of Financial Wealth by Households since 2016



Note: the dotted line corresponds to the linear trend of the series.
Source: Banco de la República, calculations by Banco de la República.