Box 1
Recent Changes in the Savings-Investment Balance and its Financing

Banco de la República (Banrep) and DANE jointly disclosed the results of the Quarterly National Accounts of Institutional Sectors (CNTSI in Spanish) as of June 2021. This work is the result of a joint effort made by the two entities seeking to generate statistics that meet international quality standards, and thus represents major progress in producing macroeconomic statistics in Colombia. The CNTSI ensures macroeconomic coherence and consistency of real and financial results since it provides a valuable tool for analyzing and monitoring the Colombian economy.

In the CNTSI, DANE registers the production, income, and expenditures of the economy by institutional sectors in a measurement known as "above the line" (non-financial accounts). Banrep, in turn, is in charge of measuring the financing of the economy by institutional sectors through the movement of financial assets and liabilities, a measurement identified as "below the line" (financial accounts). Both measures correspond to the current account balance of the balance of payments and enable analysis of the savings and investment balances and the financing for both the economy and the institutional sectors. Conceptually, these two measurements should be the same, but as is the case in Colombia, discrepancies could be generated related to methodological issues, coverage, sources of information, etc.

This box presents the changes in the savings-investment balance based on the CNTSI in the post-pandemic period starting in the fourth quarter of 2020 up to the latest publication (corresponding to the first quarter of 2023). In order to make comparisons between quarters possible and eliminate their volatility, the values of the different macroeconomic variables and their changes correspond to the moving sum of four quarters and are presented in relative terms with respect to the annual nominal GDP under the same treatment.

In general terms, there was an increase in the foreign imbalance or current account deficit between the fourth quarter of 2020 and the first quarter of 2023. According to Banrep's Financial Accounts, this imbalance rose 2.4 percentage points (pp) and went from 3.0% to 5.4% of GDP between these two periods. DANE's measurement using income and expenditures suggests the same trend with an imbalance in the Colombian economy between savings and investment that rose 1.0 pp, going from 4.9% to 5.9% of the GDP.

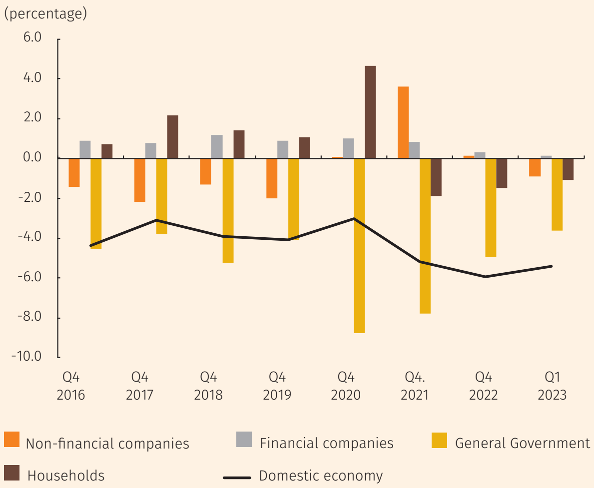
The analysis by institutional sector suggests that the increase in the foreign deficit between the same periods was mainly due to higher household and non-financial corporate deficits.[1] These went from surpluses of 4.6% and 0.1% of the GDP in the fourth quarter of 2020 to deficits of 1.1% and 0.9% of the GDP in the first quarter of 2023 respectively. These results were partially offset by a significant decrease in the general government deficit[2] that went from 8.8% to 3.6% of the GDP between the same periods (Graph B1.1).

Moreover, the analysis by financial instrument, constructed from Banrep's Financial Accounts, shows that the financing of the Colombian economy came from funds from the rest of the world. Greater foreign financing through 4.6 pp in equity investments was seen from the fourth quarter of 2020 to the first quarter of 2023 as it went from a 1.0% of GDP net investment by Colombians in the rest of the world to a 3.6% one in the first quarter of 2023. Foreign financing through loans has remained relatively stable at around 3.1% while the preference for financing the Colombian economy through debt securities in the rest of the world has declined 1.6 pp. Finally, there has been a 0.6 pp increase in the net accumulation of Colombian deposits in the rest of the world between the same periods (Graph B1.2).

1 This sector includes public and private non-financial companies.

2 This sector includes the central government, regional and local governments, and social security.

Graph B1.1
Colombia's Current Account Deficit and Savings and Investment Balances by Institutional Sector
(percentage of nominal GDP[a/])



a/ Refers to the fourth-order moving sum of quarterly nominal GDP.
Source: calculations by *Banco de la República* (financial accounts).

Graph B1.3 makes it easier to understand the above results. The breakdown of the savings-investment imbalance suggests that the higher current account deficit between late 2020 and early 2023 was mainly due to the increase in investment as a share of the GDP. This went from 19.1% to 20.5% of the GDP (an increase of 1.4 pp). The economy's savings, in turn, showed little change as it went from 14.2% to 14.6% of the GDP. The above was the result of a 1.9 pp decrease in the economy's final consumption that was almost completely offset by a 1.5 pp decrease in disposable income.

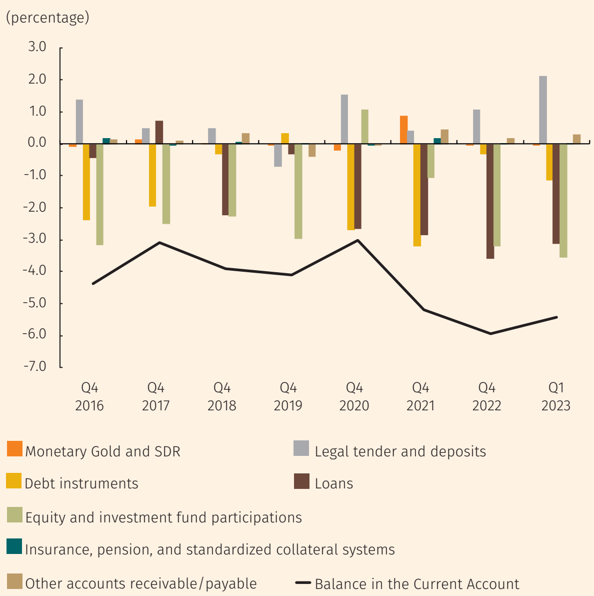
Furthermore, as part of the savings-investment analysis, it is useful to do a detailed study of the behavior of the institutional sectors that have shown the greatest changes in their savings and investment balances between the fourth quarter of 2020 and the first quarter of 2023.

Households

Graph B1.4 shows the changes in the savings-investment balance for Colombian households which dropped significantly between the periods under comparison (-6.4 pp) as it went from a surplus of 4.7% to a deficit of 1.7% of GDP. This change was mainly due to lower disposable income that went from 84.2% to 79.5% of the GDP (-4.7 pp). The levels of final consumption and investment as a percentage of the GDP showed little change (they from 77.1% to 77.2% and from 3.5% to 4.5% respectively).

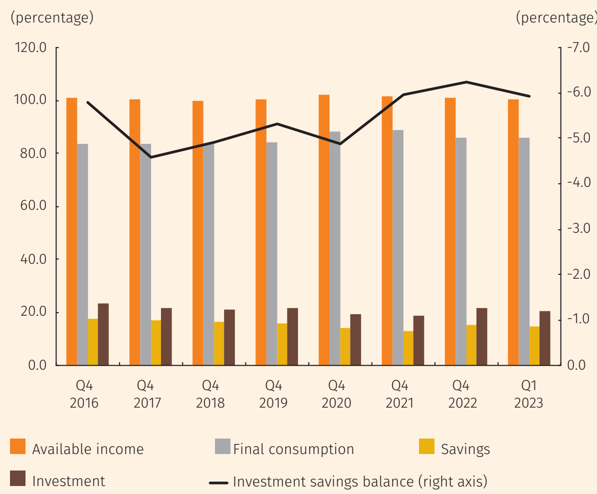
As shown in Graph B1.5, within the period under analysis, households financed the widening of the savings-investment imbalance, mainly, through reduced deposits that went from a net accumulation of 4.0% to -0.4% of the GDP. Another source of financing for households was

Graph B1.2
Financing of Colombia's Current Account Deficit by Financial Instrument
(percentage of nominal GDP[a/])



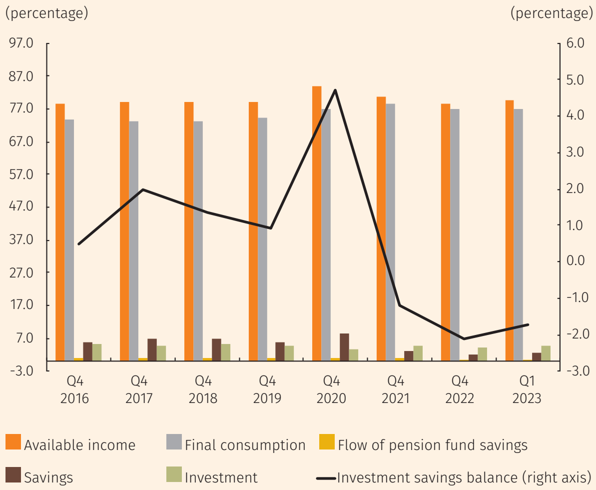
a/ Refers to the fourth-order moving sum of quarterly nominal GDP.
Source: calculations by *Banco de la República* (financial accounts).

Graph B1.3
Colombia's Investment Savings Balance by Income and Expenditure Components (percentage of nominal GDP[a/])



a/ Refers to the fourth-order moving sum of quarterly nominal GDP.
Source: DANE, calculations by *Banco de la República*.

Graph B1.4
Households' Investment Savings Balance by Income and Expenditure Components (percentage of nominal GDP[a/])



a/ Refers to the fourth-order moving sum of quarterly nominal GDP.
Source: DANE, calculations by *Banco de la República*.

the 1.8 pp net reduction of accounts receivable in that period. This trend was partially offset by a 1.6 pp acquisition of debt securities in the portfolio.

Non-financial companies

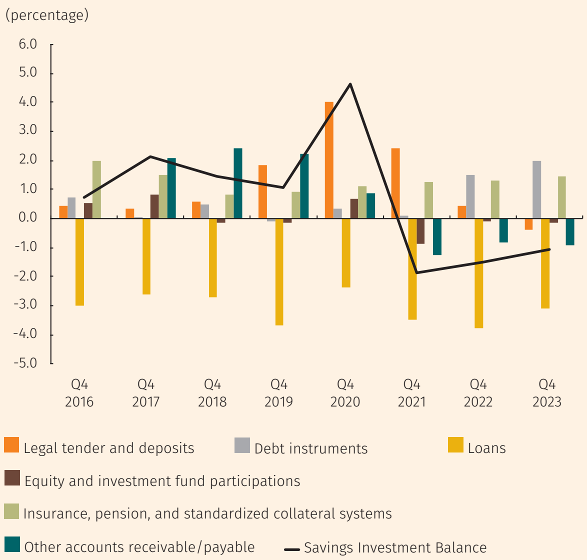
After the increase in the savings-investment surplus in 2021, the non-financial corporations sector showed a 2.1 pp reduction between the fourth quarter of 2021 and the first quarter of 2023 as they went from a surplus of 2.0% to a deficit of 0.1% of the GDP. This performance was mainly explained by an increase in investment that went from 11.4% to 13.8% (2.4 pp). Along the same lines, but to a lesser extent, savings rose 0.4 pp as it went from 13.3% to 13.7% of the GDP (Graph B1.6).

Colombian non-financial corporations went from a savings-investment balance of 3.6% to an imbalance of 0.9% of the GDP (-4.5 pp) during the same period. This decrease was financed by the deaccumulation of 5.1 pp in deposits, and by higher indebtedness through 1.5 and 1.1 pp in loans and accounts payable respectively. Non-financial companies mitigated the above by increasing their debt securities and equity portfolio by 2.2 and 1.1 pp respectively (Graph B1.7).

General Government

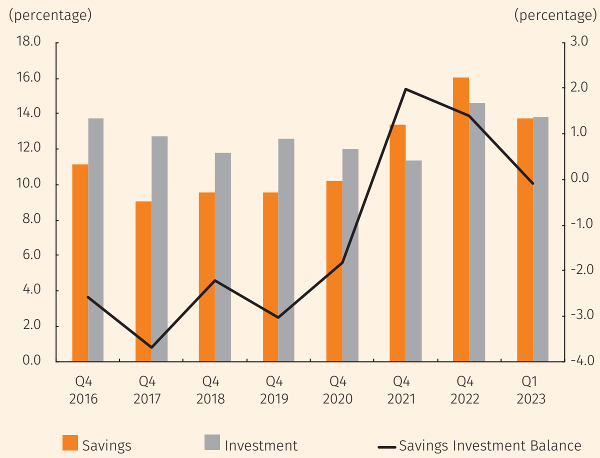
The significant 5.2 pp reduction in the general government deficit between the fourth quarter of 2020 and the first quarter of 2023 was the result of a decrease in total expenditures and an increase in total revenue of 4.1 pp and 1.0 pp respectively. The reduction in expenses,

Graph B1.5
Household Investment Savings Balance by Financial Instrument (percentage of nominal GDP[a/])



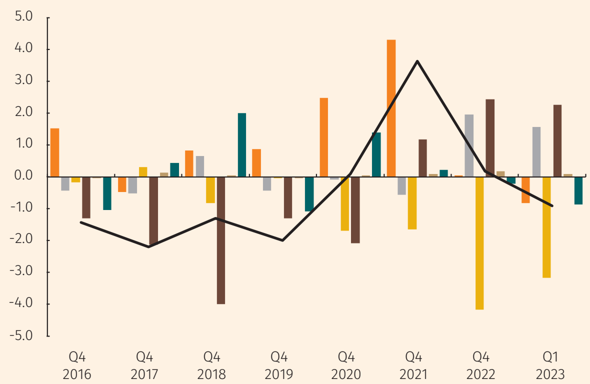
a/ Refers to the fourth-order moving sum of quarterly nominal GDP.
Source: calculations by *Banco de la República* (financial accounts).

Graph B1.6
Non-financial Companies' Investment Savings Balance Sheet by Income and Expenditure Components (percentage of nominal GDP[a/])



a/ Refers to the fourth-order moving sum of quarterly nominal GDP.
Source: DANE, calculations by *Banco de la República*.

Graph B1.7
Non-financial Companies' Investment Savings Balance by Financial Instrument (percentage of nominal GDP[a/])

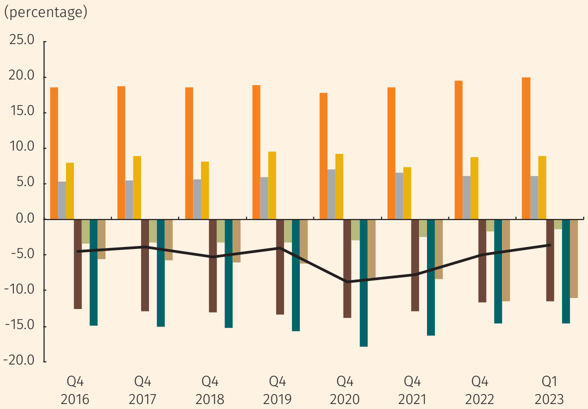


a/ Refers to the fourth-order moving sum of quarterly nominal GDP.
Source: calculations by *Banco de la República* (financial accounts).

in turn, was made possible by lower social security payments and operational expenses that were partially offset by an increase in other expenses. The higher total revenue as a percentage of GDP, in turn, was due to an increase in tax revenue and a fall in the revenue from social security contributions (Graph B1.8).

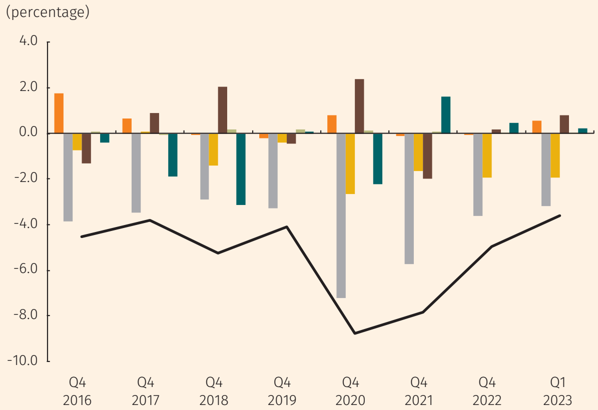
The general government's lower financing needs meant a decrease in the issuance of debt securities and other accounts payable of 4.0 and 2.4 pp respectively. This was mitigated by the 1.6 pp decrease in net investments in trusts that went from 2.4% to 0.8% of the GDP (Graph B1.9).

Graph B1.8
General Government's Investment Savings Balance by Nominal Income and Expenditure Components (percentage of nominal GDP[a/])



a/ Refers to the fourth-order moving sum of quarterly nominal GDP.
Source: DANE, calculations by *Banco de la República*.

Graph B1.9
General Government's Investment Savings Balance by Nominal Income and Expenditure Components (percentage of nominal GDP[a/])



a/ Refers to the fourth-order moving sum of quarterly nominal GDP.
Source: calculations by *Banco de la República* (financial accounts).