

Determinants of the credit cycle in Bolivia

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Abstract

The credit or financial cycle in developing economies plays an important role in the sustainability of growth in the medium and long term. The synchronization of the credit cycle with the economic cycle determines the length of expansive or contractive periods of real activity. Episodes of systemic risk help to identify deteriorated variables for the application of countercyclical policies. Based on Holló et al. (2012) methodology and in combination with quasi cross-correlations, a Composite Indicator of Systemic Stress (CISS) was build up. CISS' decomposition in last period indicates that liquidity, credit growth, spread in foreign currency and the housing price cycle determine, in a greater extent, the behavior of the created indicator, warning possible scenarios of systemic stress.

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