Policy responses to the current state of the financial cycle

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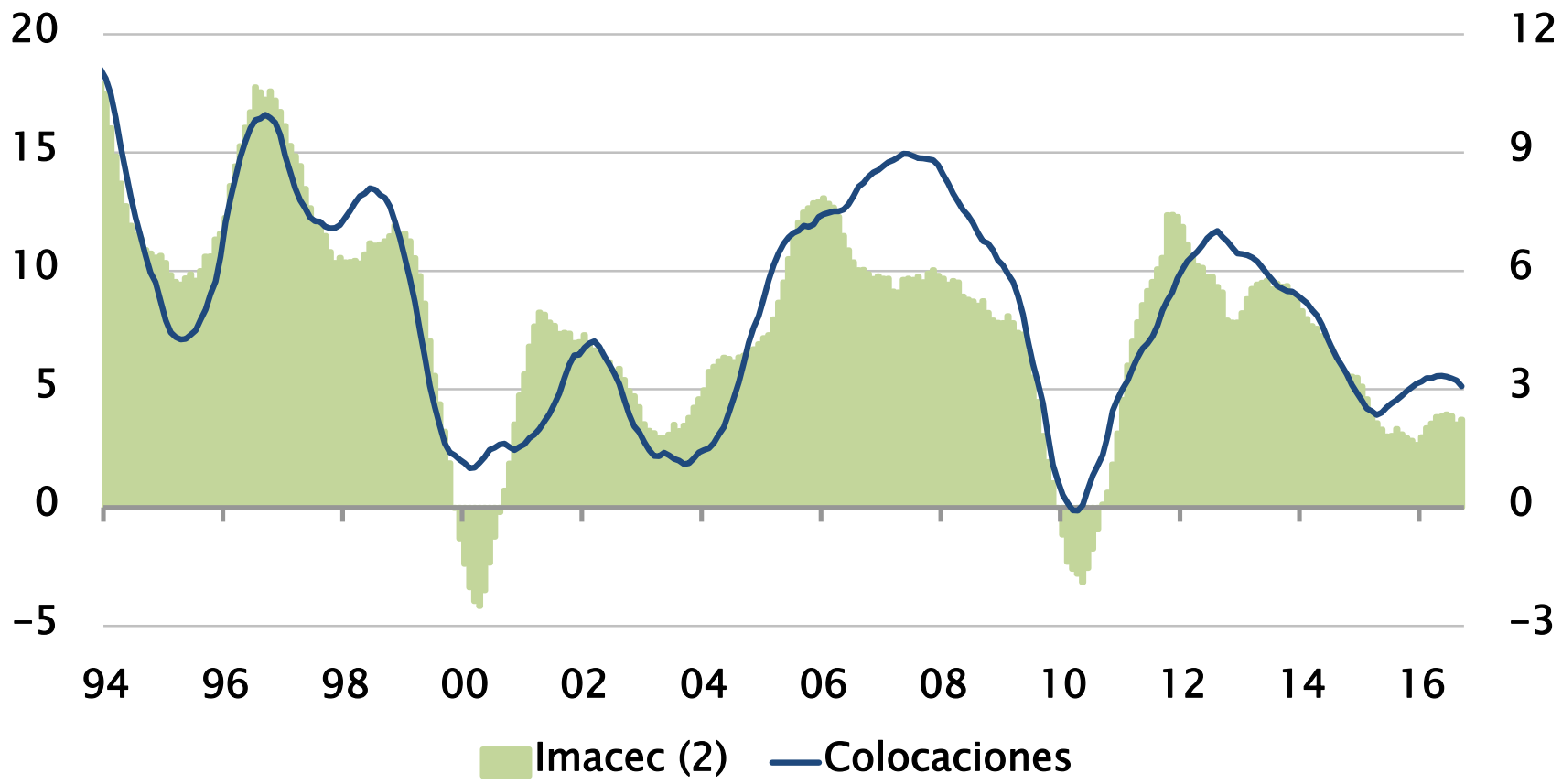
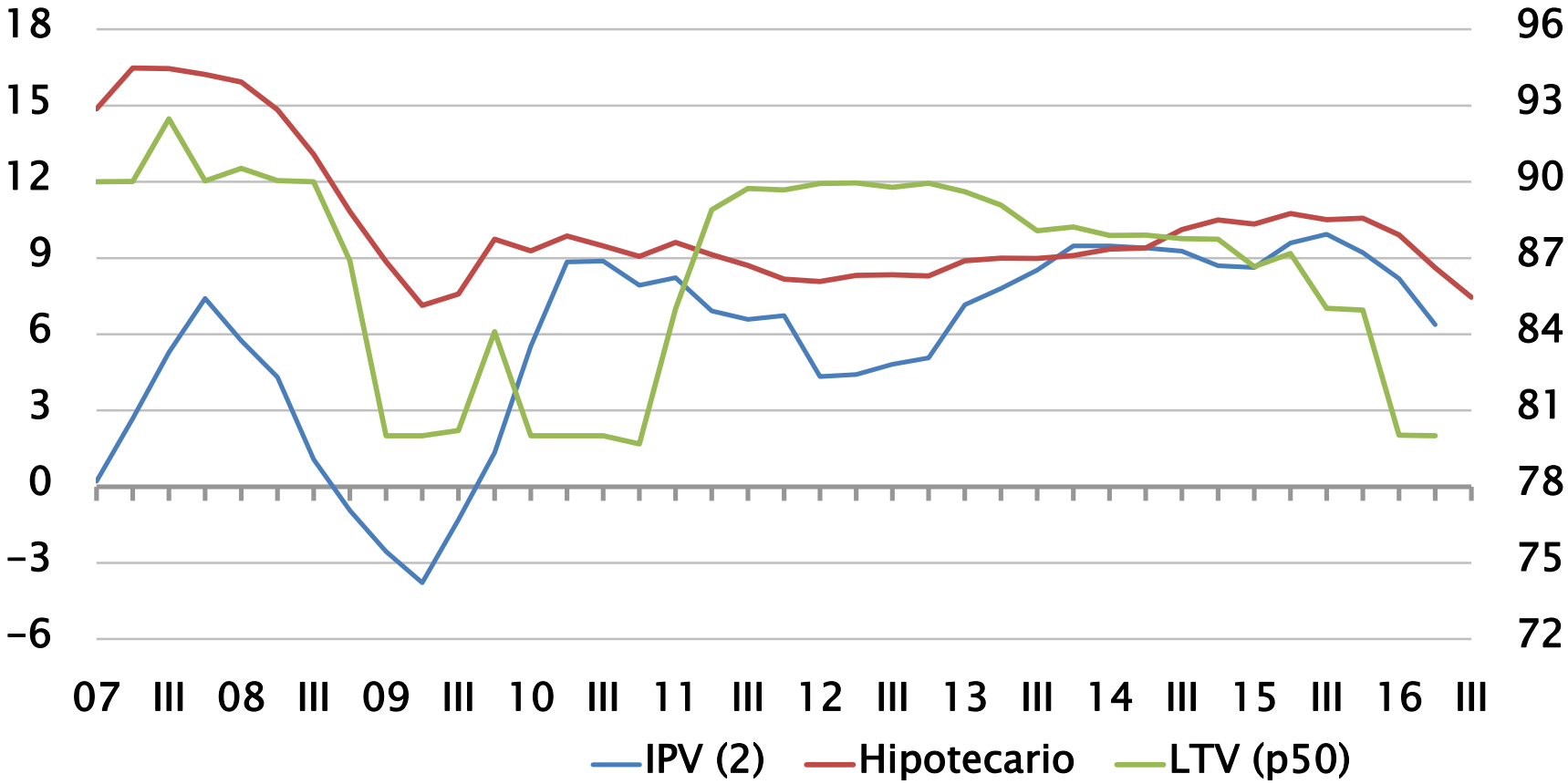
IDB-BIS Workshop on Financial Cycles and Policy Responses

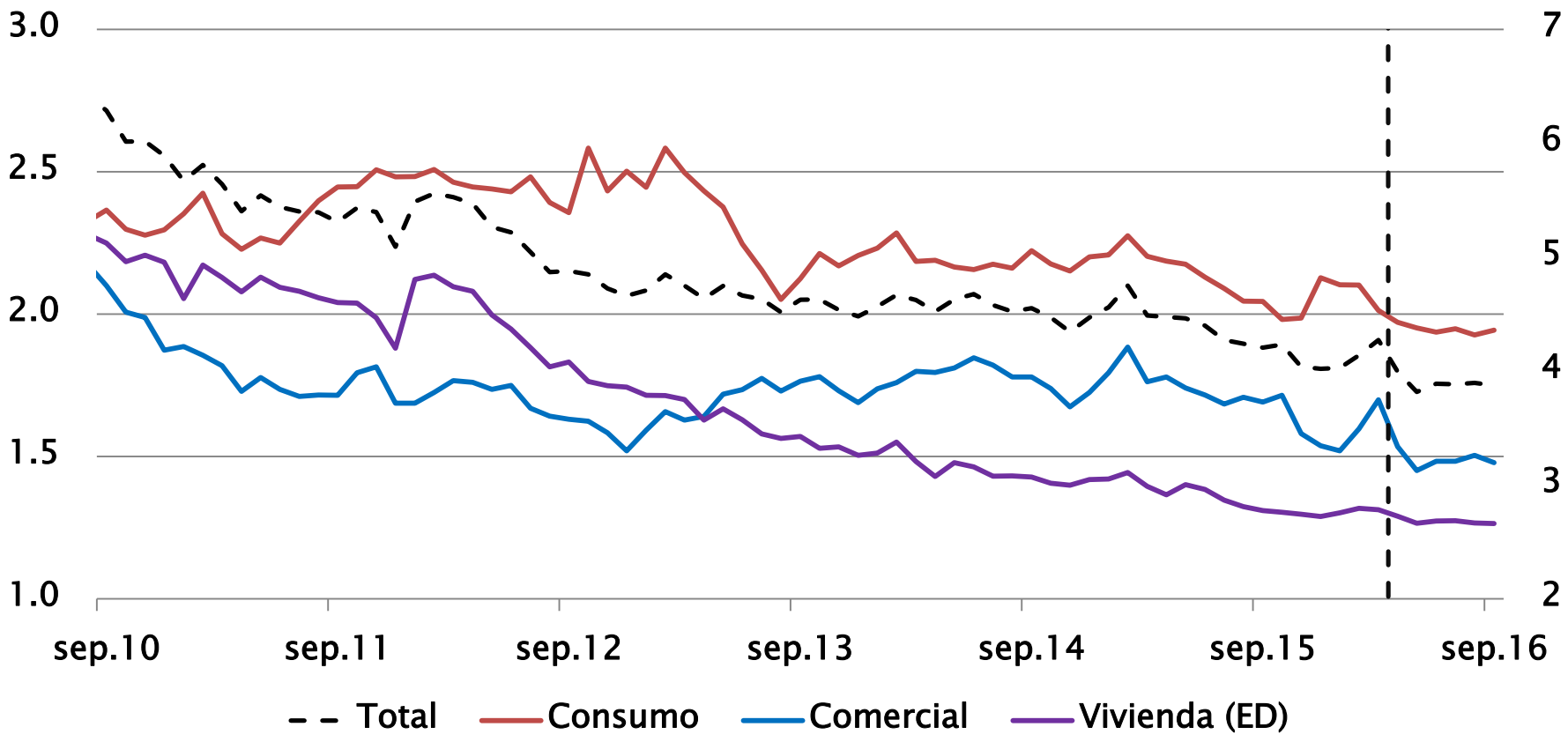
Credit activity has evolved in line with economic activity



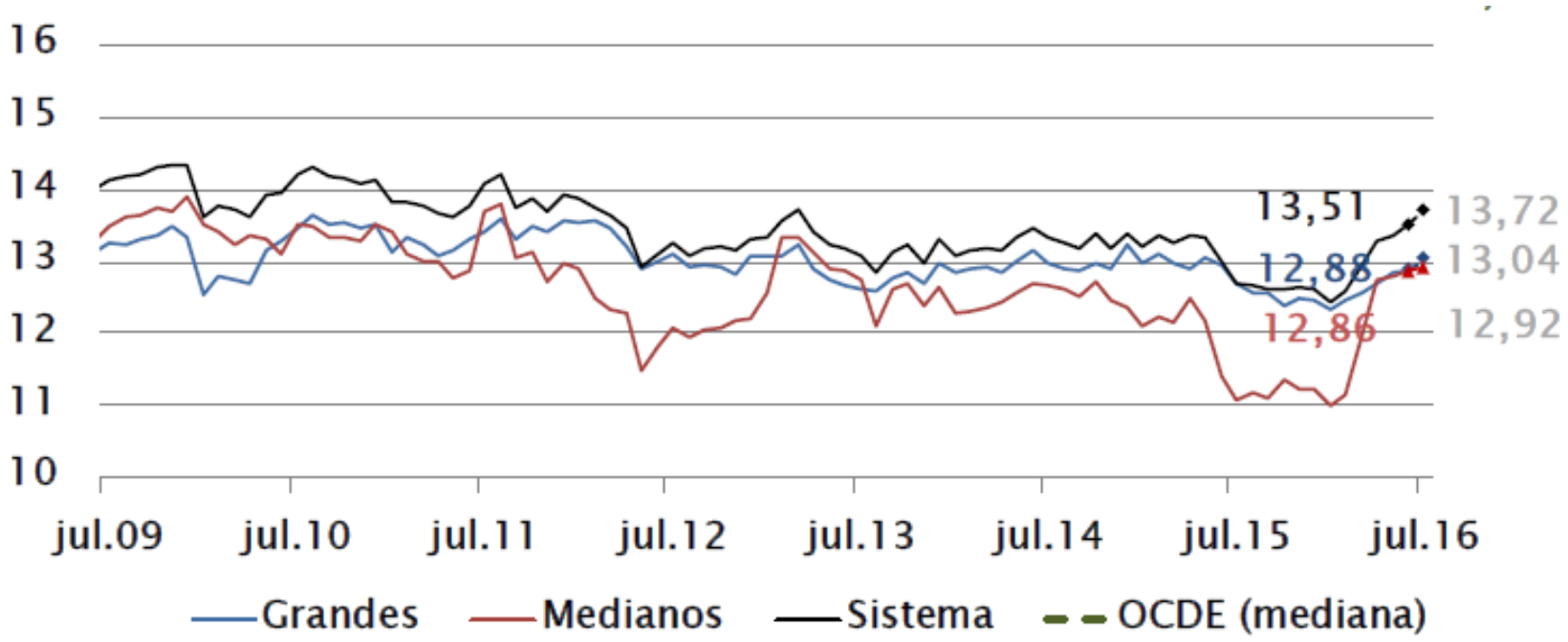
Past concerns about residential sector were addressed through messages, coordination, and regulation



Banks, which are the main credit providers, do not show signs of strain



Capital trend driven by increase in leverage with recent reversals



Prudential framework has worked so far. Change motivated by structural reasons

- Conservative regulatory framework with clear attempts to contain systemic risk.
- MaP should not substitute for adequate macroeconomic policies and good microprudential regulation and supervision.
- Tilbergen principle: we do not consider using the policy rate for financial stability purposes in the regular curse of business.
- CAM and FX: we are not in favor of actively managing them.
- Careful analysis to identify sources of problems and tackling the source with the best type of policy, hopefully through the cycle. CEF, CCB, CMF.

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