

Monthly Monetary Report

June 2014



BANCO CENTRAL
DE LA REPÚBLICA ARGENTINA

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The closing date for statistics in this report was July 10, 2014. All figures are provisional and subject to review.

1. Summary¹

- In June, the broadest monetary aggregate in pesos (M3) grew 2.5%, keeping its y.o.y. change rate stable, at around 22%. Concerning its components, a rise was observed in cash held by the public (4%) and in private sector deposits (2.7%), while the stock of public sector deposits remained stable.
- Financial institutions' liquidity in the domestic currency segment (cash in banks, institutions' current account with the Central Bank, net repos with such Institution, plus LEBAC and NOBAC holdings) increased in June. In terms of total deposits in pesos, the broad liquidity ratio averaged 37.2%, up 0.7 p.p. against May. The rise in such ratio was boosted by items making up surplus liquidity, especially by the hike in the ratio of LEBAC and NOBAC holdings.
- Loans in pesos to the private sector recorded a 1.1% rise (\$5.4 billion), which was similar to that of the previous month, going up 25.1% in the past 12 months. Regarding the different credit lines, financing arranged through overdrafts and personal loans led the growth recorded over the month. Particularly, personal loans climbed 1.4% (\$1.4 billion), increasing 21.1% in the past 12 months. This credit line would be boosted by the launch of the Pro.Cre.Auto program in the coming months which is calculated to underpin sales of locally-manufactured vehicles through loan facilities from Banco de la Nación Argentina at regulated interest rates and a maximum 60-month period.
- Following its policy to stimulate lending to productive activity, the Central Bank established a new financing quota for the second half of 2014 within the framework of the Credit Line for Productive Investment (LCIP). On this occasion, financial institutions falling within the scope of this regulation shall grant loans for at least 5.5% of their deposits in pesos from the private sector by the end of May 2014. The entire quota should be granted to micro, small and medium-sized enterprises at a minimum 36-month period and a 19.5% maximum fixed interest rate. However, if banks fail to use such quota, it may be allocated for other purposes: it may either be channeled to micro, small and medium-sized enterprises for discounting deferred payment checks, or to clients other than micro, small and medium-sized enterprises. Regarding the latter, it could be mortgage loans for the purchase, construction or remodeling of housing units — for a minimum 10-year period and at a 17.50% maximum fixed interest rate, — or finance investment projects with specific purposes; or other facilities in pesos to natural persons² (personal and car loans, basically) granted by financial institutions from Group II³ as from June 11 that financial entities incorporates through financial trust's portfolio purchase or claims.
- Interest rates paid on time deposits by financial institutions fell in June. Considering the wholesale segment, the BADLAR rate at private banks averaged 23%, evidencing a 1.6 p.p. monthly drop. In turn, the monthly average of the interest rate paid by private institutions on time deposits of up to \$100,000 and at up to 35 days reached 20.1% in the retail segment, down 1.1 p.p. against May.
- Most interest rates on loans in pesos to the private sector declined. Interest rates on loans arranged through notes decreased, driven by a greater share of loans granted within the framework of the LCIP in June, the month where the fourth stage of that program ended. The monthly average of the interest rate on discounted documents stood at 26.3%, falling 1.3 p.p. in the month; while the monthly average of the interest rate on promissory notes fell by 2.9 p.p., standing at 26.6%. Considering lines with a greater term, the 4 p.p. decline observed in the monthly average of the interest rate on personal loans should be highlighted, which reached 40.5%. In this regard, it should be borne in mind that Communication "A" 5590 became effective by mid-June; under such communication, maximum interest rates were implemented for personal and car loans for natural persons. In addition, the interest rate on pledge-backed loans was also reduced (2.4 p.p.), averaging 23%.

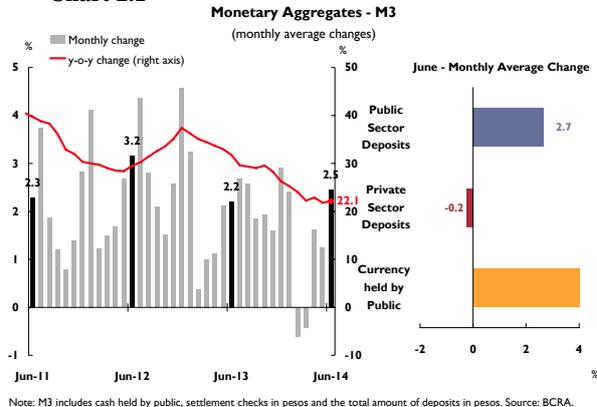
¹ Unless otherwise stated, figures to which reference is made are monthly averages of daily data.

² Financing mentioned in paragraph "X".3.2. on the rules on "Interest Rates on Credit Transactions" (Communication "A" 5590).

³ It makes reference to the ensemble of banks defined in Communication "A" 5590.

2. Monetary aggregates¹

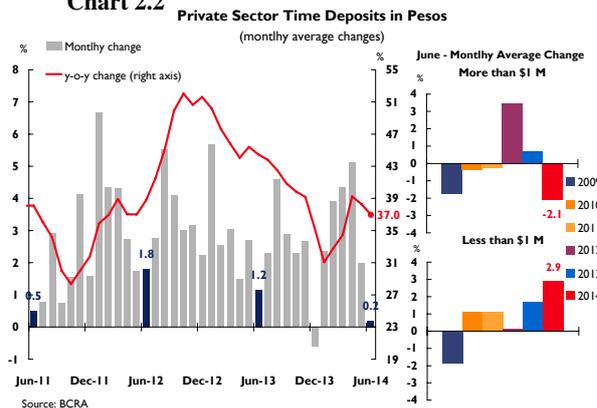
Chart 2.1



In June, the broadest monetary aggregate in pesos ($M3^4$) grew 2.5%, in line with the change observed for this month in previous years (see Chart 2.1); therefore, it kept its y.o.y. change rate stable, at around 22%. Concerning its components, a rise was observed in cash held by the public (4%) and in private sector deposits (2.7%), while the stock of public sector deposits remained stable.

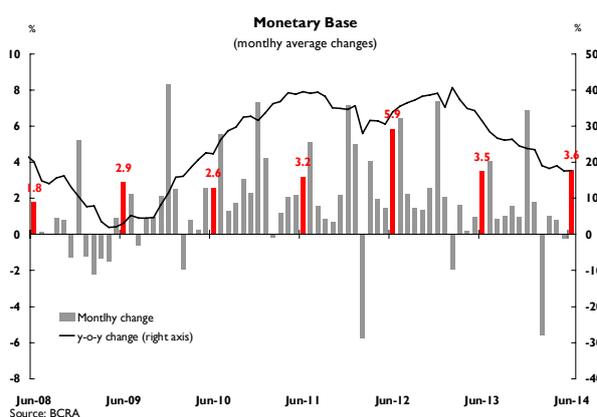
In the case of private sector deposits, the hike was mainly boosted by sight deposits. In turn, time deposits increased 0.2% (see Chart 2.2); such increase was primarily driven by the segment under \$1 million (2.9%). Meanwhile, deposits corresponding to the wholesale tranche fell (2.1%) over a period characterized by high demand for liquidity by companies due to tax maturities in the first half of the month and the payment of the semi-annual complementary wage. Private sector time deposits posted a 37% change — which still remains at a high level — in y.o.y. terms.

Chart 2.2



Deposits in foreign currency increased in June, particularly in the public sector. Thus, the broadest monetary aggregate, $M3^{*5}$, exhibited a 2.6% rise, recording a 24.3% y.o.y. change.

Chart 2.3



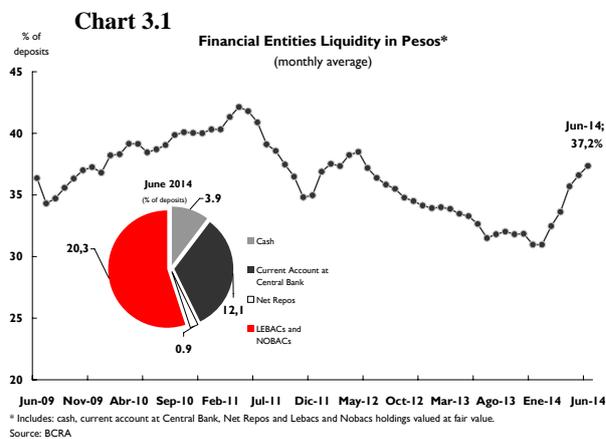
The monetary base climbed 3.6%, keeping its y.o.y. change rate stable, at 17.7% (see Chart 2.3). Concerning its components, the hike was mainly concentrated in cash held by the public, though bank reserves (consisting of cash in financial institutions' and financial institutions' current account balance with the Central Bank) also increased. In June, the Central Bank raised once again the level of its international reserves through the purchase of foreign currency at the foreign exchange market. These transactions, together with those related to the public sector, led to an expansion in the monetary base. Part of the expansion effect related to such factors was sterilized, especially through the issue of LEBACs and NOBAC.

3. Financial institutions' liquidity¹

Financial institutions' liquidity in the domestic currency (cash in banks, institutions' current account with the

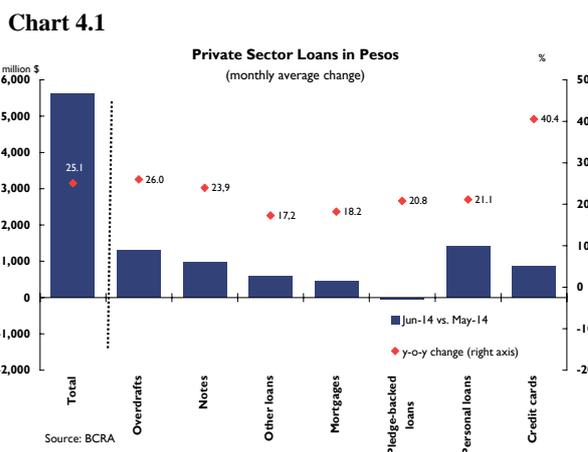
⁴ It includes cash held by the public, settlement checks in pesos and deposits in pesos of the non-financial private and public sectors.

⁵ It includes M3 and deposits in foreign currency of the non-financial public and private sectors.



Central Bank, net repos with the institution plus LEBAC and NOBAC holdings) increased in June. In terms of total deposits in pesos, the broad liquidity ratio averaged 37.2%, up 0.7 p.p. against May (see Chart 3.1). The rise in such ratio was boosted by items making up surplus liquidity, especially, by a hike in the share of LEBAC and NOBAC holdings, which was partially offset by a fall in repos with the Central Bank. In turn, the average estimated surplus of the month corresponding to the minimum cash regime amounted to 0.3% of total deposits in pesos (see Chart 3.2).

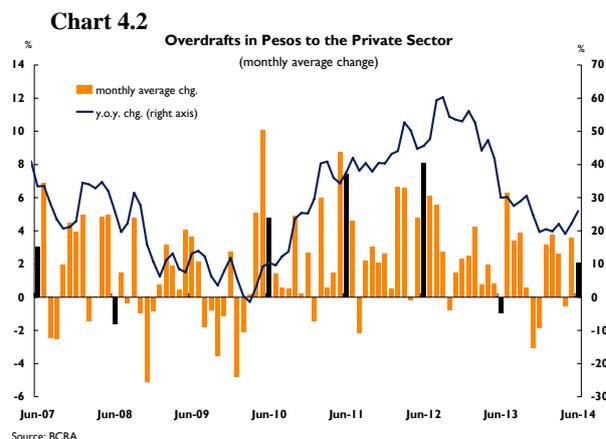
Liquidity fell slightly in the foreign currency segment, standing at 103.3% of total deposits in dollars (down 0.6 p.p. against May). Such reduction was primarily explained by a decrease in the ratio of cash in banks and, to a less extent, by a drop in the stock of LEBACs, partially offset by a slight rise in repos and the current account with the Central Bank.



4. Loans¹⁶

In June, loans in pesos to the private sector recorded a 1.1% rise (\$5.4 billion), which was similar to that of the previous month, going up 25.1% in the past 12 months. Regarding the different credit lines, financing arranged through overdrafts and personal loans led the growth recorded over the month (see Chart 4.1).

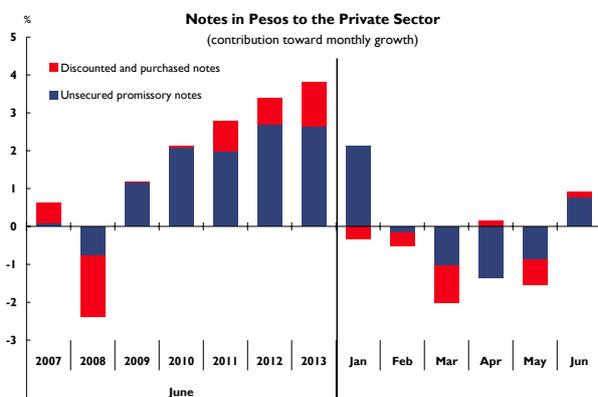
Favored by companies' liquidity needs to pay the semi-annual complementary wage and their tax obligations, overdrafts increased 2.1% (\$1.3 billion). This hike contrasts with the fall observed in the same month in 2013, which led to a 3.2 p.p. rise in the y.o.y. growth rate, which stood at 26% (see Chart 4.2). In addition, considering loans for commercial purposes, financing arranged through promissory notes resumed their growth trend (see Chart 4.3). The increase recorded over the month totaled 0.9% (\$970 million) and was primarily accounted for by unsecured promissory notes, which were boosted by greater amounts at the end of the fourth stage of the Credit Line for Productive Investment (LCIP). They increased around 24% in y.o.y. terms. The remaining loans for commercial purposes, classified under the "Other loans" heading rose 1.6% (\$560 million).



The fourth stage of the LCIP implementation ended in June. According to preliminary information, loans for up

⁶ Monthly changes of loans are presented in accounting records and are fundamentally caused by transfers of loans in financial institutions' portfolios to financial trusts. In this report, "amounts granted" or "new loans" refer to loans (new and renewed) arranged in a given period. In contrast, a change in stock consists of arranged loans minus amortizations and repayments for the period.

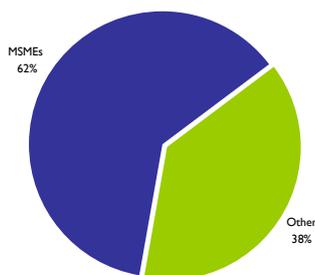
Chart 4.3



Source: BCRA

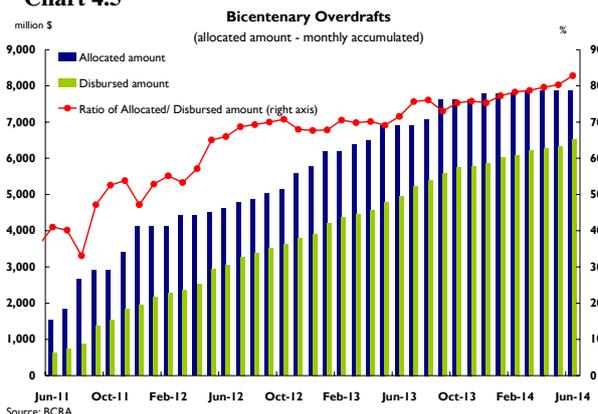
Chart 4.4

Credit Line for Productive Investment
(agreed loans in the frame of the fourth stage of the LCIP)



Note: preliminary information at April 2014
Source: BCRA

Chart 4.5



Source: BCRA

to 45% of the quota set for the second half of 2014 (\$22.8 billion) had been awarded; more than 60% of the quota was channeled to micro, small, and medium-sized enterprises (see Chart 4.4). The Central Bank set a new quota for the second half of 2014 (Communication “A” 5600), continuing with its stimulus policy for lending to the productive sector. On this occasion, financial institutions falling within the scope of this regulation⁷ shall grant loans for at least 5.5% of their private sector deposits in pesos by the end of May 2014.

The entire quota should be granted to micro, small, and medium-sized enterprises, at a minimum 36-month period and a 19.50% maximum fixed interest rate. However, if not used, such quota may further be allocated to: 1) micro, small and medium-sized enterprises for the discount of deferred payment checks, provided that the interest rate does not exceed 19.50% and the quotas applied in August and in November are kept in September and December, respectively, or 2) clients other than micro, small, and medium-sized enterprises. Regarding the latter, it could be mortgage loans for the purchase, construction or remodeling of housing units — for a minimum 10-year period and at a 17.50% maximum fixed interest rate, — or finance investment projects with specific purposes; or other facilities in pesos to natural persons⁸ (personal and car loans, basically) granted by financial institutions from Group II⁹ as from June 11 that financial entities incorporates through financial trust’s portfolio purchase or claims. .

Additionally, the Central Bank continued disbursing long term funds for investment purposes at a total fixed financial cost in pesos within the framework of the Bicentennial Productive Financing Program (PFPB). In June, \$200 million were awarded; thus, total funds granted since the start of the program have amounted to \$6.5 billion (around 80% of the amount awarded; see Chart 4.5).

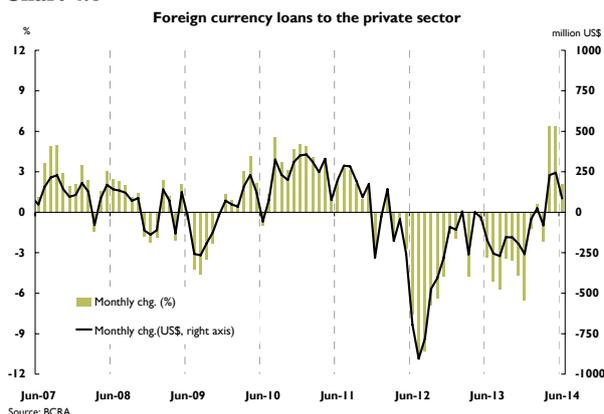
With respect to loans aimed at household consumption, financing arranged through credit cards increased 0.8% (\$700 million), and its y.o.y. change rate remained at high levels of around 40%. In turn, personal loans posted a 1.4% rise (\$1.4 billion), in line with the growth recorded in May, going up 21.1% in the past 12 months. It is of interest to note that the Pro.Cre.Auto program

⁷ Financial institutions operating as financial agents from the National, provincial and/or municipal government or the government of the City of Buenos Aires and/or whose amount of deposits in pesos from the non-financial private sector (considering the average of the last three months prior to June 1, 2014) is equal to or in excess of 1% of total deposits in pesos from the non-financial private sector of the financial system.

⁸ Financing mentioned in paragraph “X”.3.2. on the rules on “Interest Rates on Credit Transactions” (Communication “A” 5590).

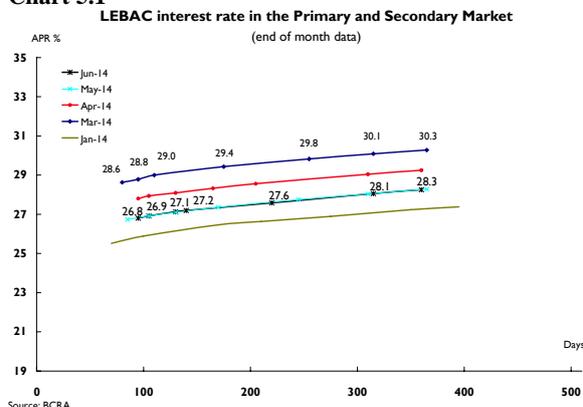
⁹ It makes reference to the ensemble of banks defined in Communication “A” 5590.

Chart 4.6



was launched in June calculated to underpin sales of locally-manufactured vehicles through loan facilities from Banco de la Nación Argentina. These are personal loans (without collateral) granted to the public at large at a 19% subsidized fixed interest rate for the first 36 months, and at 17% for clients with agreements for the payment of salaries and retirees and pensioners receiving their payments through the Banco de la Nación Argentina, at a financing term of up to 60 months¹⁰. Thus, personal loans would be boosted by the Pro.Cre.Auto program.

Chart 5.1



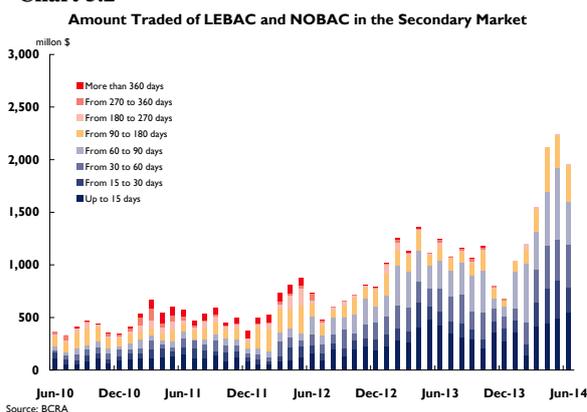
Regarding collateralized loans, mortgage-backed loans increased 1% (\$460 million), the greatest hike in the past 5 months reaching an 18.2% y.o.y. change rate. It should be noted that a part of the demand for mortgage loans for housing is not computed in the statistics on bank loans because it is channeled through the Bicentennial Credit for Housing Program. Moreover, pledge-backed loans kept their monthly average stock stable, going up 20.8% in y.o.y. terms.

Finally, loans to the private sector in foreign currency continued the growing trend observed in the past few months. In June, they increased 2.3% (US\$90 million; see Chart 4.6), boosted by financing related to foreign trade. Thus, June's average stock totaled around US\$4.2 billion.

5. Interest rates¹¹

Central Bank securities¹²

Chart 5.2



Following the reduction observed in April and May, interest rates paid by the Central Bank on issues of Bills and Notes remained stable in June. Thus, the interest rate on LEBACs auctioned at pre-determined cut-off rates — 95 and 105 days — stood at 26.8% and 26.9%, respectively. Likewise, the interest rate on the instrument with the longest maturity — 360 days — stood at 28.3% (see Chart 5.1). In turn, two NOBAC issues were recorded at 112 and 154 days and a spread that remained practically stable, at around 0.9 p.p. — over the BADLAR rate at private banks.

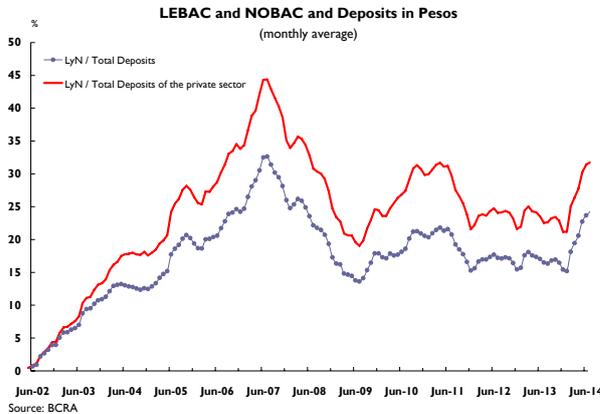
Regarding the secondary market, interest rates on LEBACs at terms exceeding 70 days remained practically unchanged in line with the performance

¹⁰ The Secretary of Transport subsidizes 4 p.p. of the interest rate. In addition, and in case of good compliance (payment on time) and if the user is under category 1 (in accordance with BCRA's debtors' Classification), the Banco de la Nación Argentina subsidizes 1 p.p. of the interest rate.

¹¹ Interest rates mentioned in this section are expressed as annual percentage rates (APR).

¹² In this section, figures are end-of-month data unless otherwise stated.

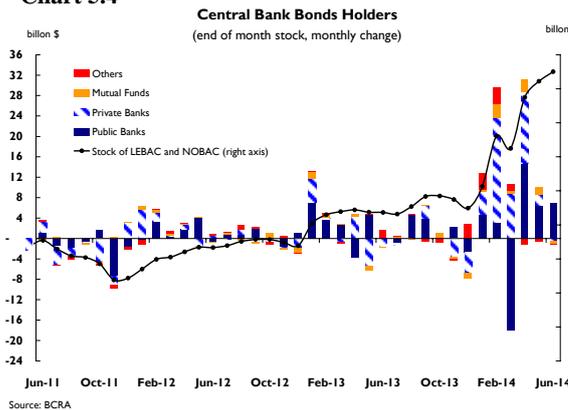
Chart 5.3



registered in the primary market. Meanwhile, interest rates for the shortest terms, especially on instruments at less than 30 days, posted rises in accordance with the performance recorded in the call money market. The total average amount traded in LEBACs and NOBACs in the secondary market fell \$377 million and stood at \$1.9 billion on a daily basis. Nevertheless, it remained at historically high levels. The fall was driven by transactions with LEBACs at terms ranging from 60 to 90 days (see Chart 5.2).

LEBAC and NOBAC auctions carried out by the Central Bank every week were the main sterilization instrument for monetary expansion over the month. The outstanding nominal stock of LEBACs and NOBACs in pesos increased \$5.6 billion (3%) and reached \$190 billion by the end of June. The rise was driven by the hike observed in LEBACs, which was partially offset by the drop recorded in the stock of NOBACs. Thus, the outstanding stock has reached around 24% of total deposits (see Chart 5.3).

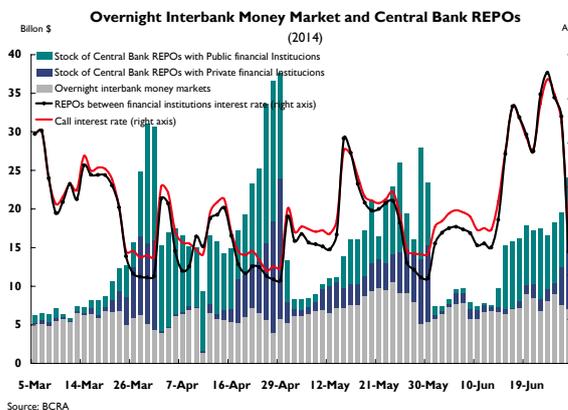
Chart 5.4



Regarding holders of Central Bank securities, public financial institutions led the rise in the stock, followed, to a lesser extent, by insurance companies, and Workers' Compensation Insurance; in contrast, private banks and mutual funds recorded drops (see Chart 5.4).

Finally, regarding the foreign currency segment, the outstanding stock decreased US\$48 million and amounted to US\$907 million. The drop was driven by fewer holdings at private banks. Interest rates paid by the Central Bank on its issues in this segment also remained unchanged.

Chart 5.5



Interest rates on reverse repos remained practically unchanged, standing at 9% overnight and at 9.50% at seven days; in contrast, interest rates on repo loans stood at 11% overnight and at 11.50% at seven days.

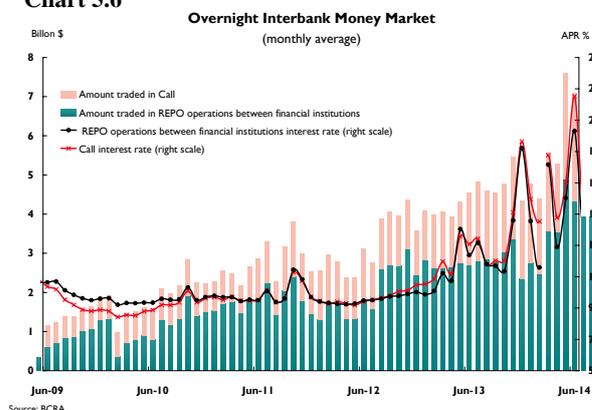
The average stock of reverse repos for the Central Bank — for all terms — went down \$2.4 billion, totaling \$11.1 billion. The reduction was mainly boosted by the fall observed in financial institutions' stock, especially in private ones. In turn, no repo loans were recorded for the institution.

Call money market¹

Interest rates increased in the call money market in June. The rise was boosted, once again, by specific liquidity needs explained, amongst other factors, by tax

maturities at the start of the month and the payment of the semi-annual complementary wage at the end of June.

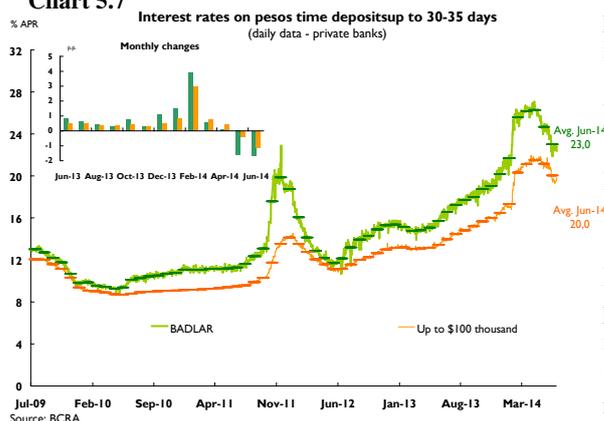
Chart 5.6



The average interest rate on overnight transactions rose 5.5 p.p. in the unsecured market (call), standing at 22.5%. Likewise, the average interest rate on overnight transactions between financial institutions in the secured market (REPO round) climbed 4.3 p.p., amounting to 20.3% (see Chart 5.6). Nevertheless, it should be pointed out that, on the last day of the month, interest rates in the call money market recorded levels similar to those of the month before.

The daily average amount traded in the call money market (including the REPO round between institutions and the call market) fell \$500 million against the month before but remained at historically high levels, amounting to a \$7.2 billion. Foreign institutions and non-banking financial institutions (NBFIs) were net fund borrowers in the call market as opposed to national private institutions and, to a lesser extent, public institutions which played the role of lenders.

Chart 5.7

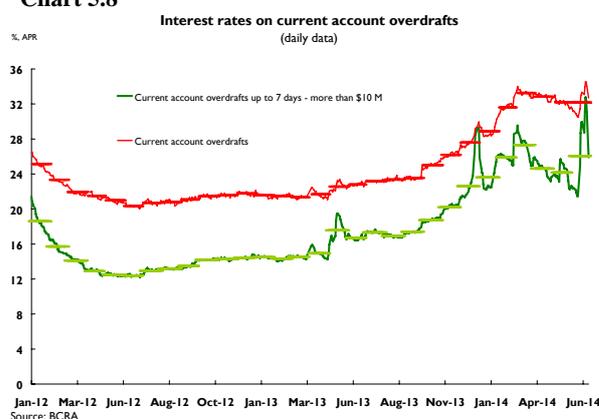


Borrowing rates¹

Interest rates paid by financial institutions on their time deposits decreased in June.

Regarding the wholesale segment, the BADLAR of private banks — interest rate on time deposits of \$1 million and more and of 30-35 days — averaged 23%, with a 1.6 p.p. monthly drop, similar to the decline recorded in May.

Chart 5.8



In the case of the retail segment, the monthly average of the interest rate paid by private institutions on time deposits of up to \$100,000 and up to 35 days stood at 20%, falling 1.1 p.p. against May (see Chart 5.7).

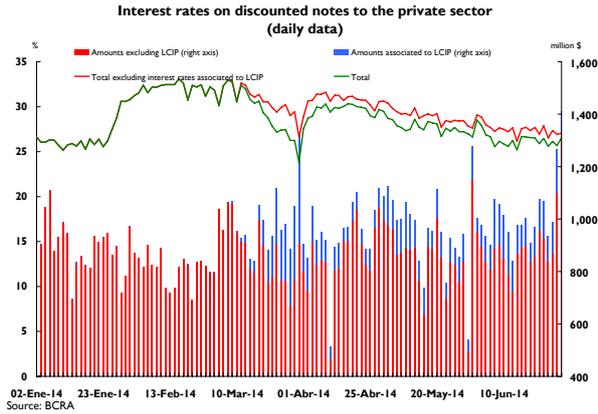
Lending rates^{1 13}

Most interest rates on loans in pesos to the private sector continued falling in June.

With respect to commercial loans, interest rates exhibited heterogeneous performances. On the one hand, the monthly average of the interest rate on current account overdrafts remained unchanged, at 32.2%, whilst that of the interest rate on overdrafts to companies exceeding \$10 million and up to 7 days stood at 26.1%, posting a 1.9 p.p. monthly hike. This rise did

¹³ Interest rates mentioned in this section are annual percentage rates and do not include assessment or granting expenses or other expenditures (e.g. insurance) which are taken into account in the total financial cost of loans.

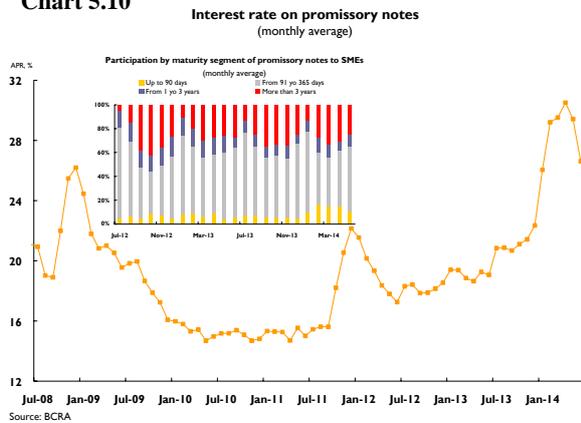
Chart 5.9



not take place homogeneously over the month: the interest rate kept a falling trend in the first half of the month, whilst it rose sharply as from mid-June, in line with the evolution of the interest rate of the call money market, as a consequence of specific liquidity needs.

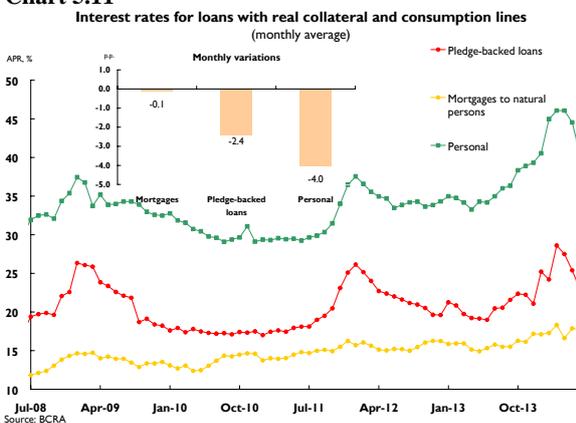
In contrast, interest rates on financing arranged through promissory notes kept on falling, driven by the greater share of loans granted within the framework of the LCIP. Particularly, the monthly average of the interest rate applied to the discount of notes reached 26.3%, falling 1.3 p.p. over the month (Chart 5.9). Likewise, the monthly average of the interest rate on unsecured promissory notes dropped 2.8 p.p., amounting to 26.6%. Considering the amounts granted in June, a rise was also observed in the share of longer-term transactions (Chart 5.10).

Chart 5.10



In turn, interest rates on credit lines with longer maturity also decreased during the month. Particularly, the 4 p.p. decline of the monthly average of the interest rate on personal loans stood out. This interest rate averaged 40.5% in June. In this regard, the interest rate on pledge-backed loans decreased (2.3 p.p.), averaging 23.1%. Meanwhile, the monthly average of the interest rate on mortgage loans granted to natural persons reached 17.8%, declining 0.1 p.p. over the month (Chart 5.11).

Chart 5.11



Finally, it is worth pointing out that Communication “A” 5590 became effective in mid-June; such communication set, based on LEBACs’ yields, maximum interest rates particularly for personal loans and car loans for natural persons. According to this regulation, institutions are classified into two groups each of which will have a different benchmark rate which will be published monthly by the Central Bank.

6. International reserves and foreign exchange market¹

In a context of greater seasonal settlement of foreign currencies by exporters, international reserves increased US\$737 million in June, ending the month at US\$29.3 billion. Thus, international reservers held by the Central Bank rose US\$2.3 billion in the last quarter (see Chart 6.1). The hike was mainly explained by foreign currency purchases by the Institution in the foreign exchange market.

Regarding exchange rates, the US dollar rate was, on average, 1% higher than that of May (8.13 \$/US\$, see Chart 6.2), while the real and the euro exchange rates remained, on average, at 3.6 \$/real and 11.1 \$/euro,

Chart 6.1

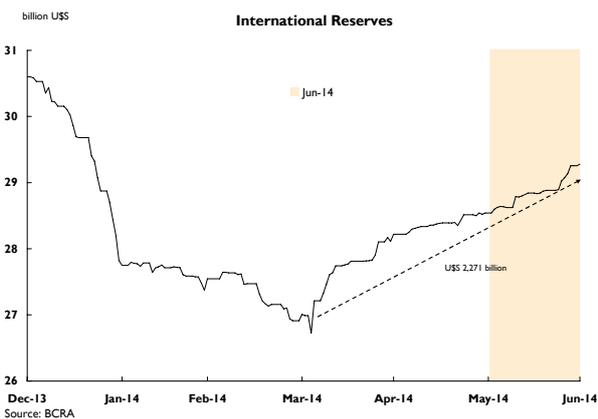
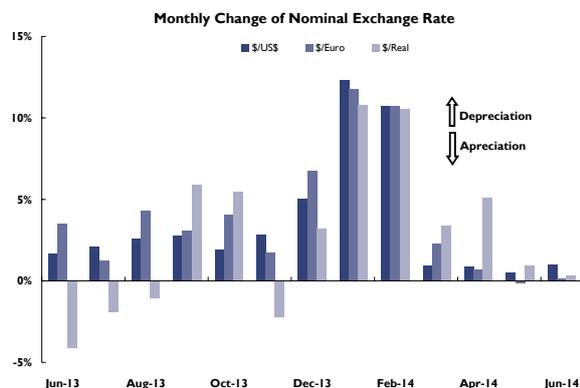
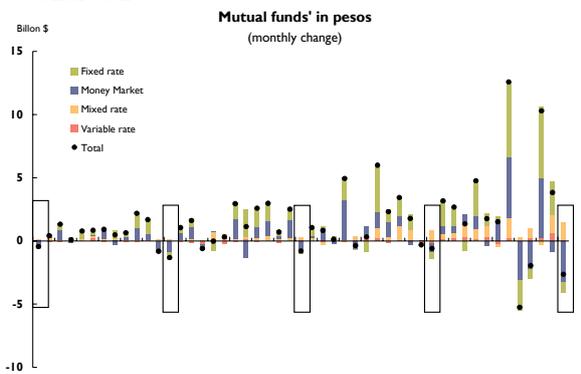


Chart 6.2



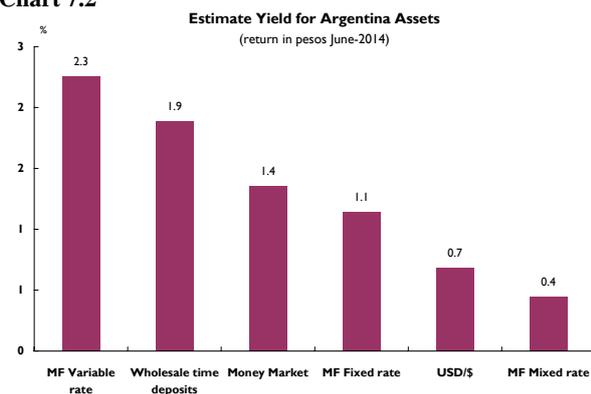
Source: BCRA

Chart 7.1



Source: CAFICI and BCRA

Chart 7.2



Source: BCRA

respectively. In turn, rates expected on the futures market (ROFEX) for the coming months remained stable, while the volume traded fell around 32%.

7. Collective investment vehicles

Mutual funds

In June, equity of mutual funds in pesos and in foreign currency went down \$2.5 billion, standing at \$90 billion.

The seasonal drop was mainly observed by the end of the month in the segment in pesos and was explained by the redemption of money market funds that were used for the payment of the semi-annual complementary wage, which recorded drops of \$3.2 billion (12.1%) and fixed income funds, which went down \$860 million (2%). Meanwhile, funds investing most of their portfolio in mixed income assets posted a rise of \$1.4 billion (8.4%) driven by an increase in the amount of unit shares, and variable income funds expanded \$70 million (2%) as a result of greater profitability.

Variable income funds continued recording the best performance in terms of profitability and registered a 2.5% monthly return in June, followed by money market funds, which registered a 1.4% monthly return. In turn, fixed income funds recorded a monthly return of around 1.1%, while the return of mixed income funds amounted to 0.4%.

Finally, equity in foreign currency increased US\$10 million, totaling US\$317 million. The performance was boosted by fixed income funds and, to a less extent, mixed income funds.

Financial trusts¹⁴

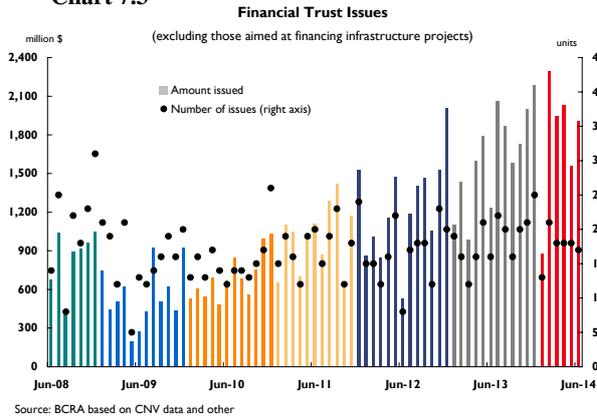
In June, financial trust (FT) conducted 17 transactions which amounted to the tune of \$1.9. This amount accounted for a 23% hike against May, returning to a level similar to that of March and April (see Chart 7.3). Thus, excluding public sector issues and others aimed at financing infrastructure works, FT issues amounted to over \$10.6 billion in the first half of the year, evidencing a 30% increase y.o.y. (see Chart 7.4)

It should be highlighted that, within the framework of benchmark interest rates for personal loans adopted in early June¹⁵, those trusts with this kind of financing as underlying assets that were incorporated by a financial

¹⁴ Only publicly-traded financial trusts are considered.

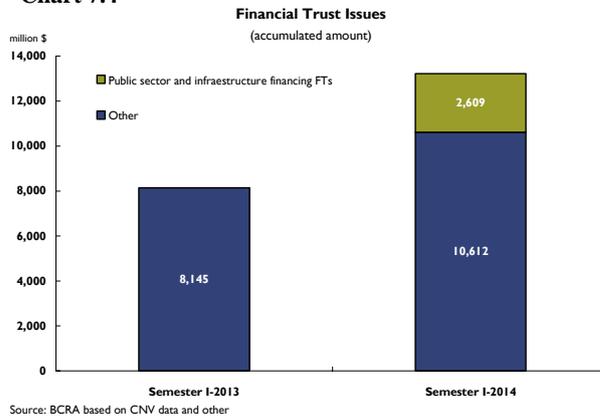
¹⁵ Communication "A" 5590.

Chart 7.3



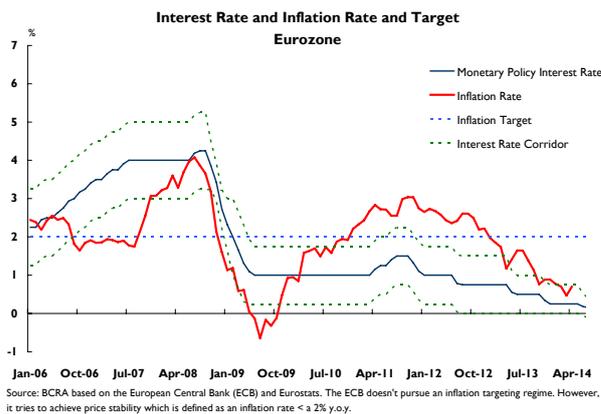
institution as financial claims, fall under the scope of the regulation on maximum interest rates. Therefore, in order to comply with the regulation, FTs subscribed by financial institutions must be backed by loans granted at interest rates that are lower than, or equal to, those established by the Central Bank¹⁶. In addition, as mentioned earlier here, financial institutions may include such loans into the new LCIP quota, provided that loans had been granted as from June 11 by a financial institution from Group II (see “Loans” section).

Chart 7.4



Regarding trustors, financial institutions issued \$540 million, up 50% against May. Apart from loans related to consumption, they securitized leasing contracts. “Mutual associations, cooperatives, non-bank issuers of credit cards and other financial service companies” also issued around \$540 million, doubling the figure of the previous month. In turn, the retail sector securitized around \$230 million, which implied a 60% decrease against May. The rest corresponded to companies from the farming sector and to a non-financial service company, which securitized commercial loans.

Chart 8.1



Regarding cut-off interest rates (weighted average by amount), the rate on senior bonds in pesos, with a duration below 14 months and agreed upon at a variable rate, stood at 24.7%, down 1.6 p.p. against the previous month, while in the case of the fixed rate segment, a single transaction was recorded, at a 27.8% cut-off interest rate.

8. Major policy measures taken by other Central Banks

Unlike the two previous months, June was a month with several news in terms of monetary policy in the main advanced and emerging countries. The main measure was taken by the European Central Bank (ECB)¹⁷ by announcing a broad package of measures geared to have a more expansionary policy and to promote lending towards the real economy (see Chart 8.1). In turn, the Federal Reserve (FED) met for the fourth time over the year and reduced the monetary stimulus level. Regarding emerging countries, the primary measures were taken by the monetary authorities from China, India, Peru, Mexico, Turkey, Colombia, and New Zealand.

In the case of the FED, the Federal Open Market Committee (FOMC) continued its tapering process,

¹⁶ The restriction is not applied to FT the underlying assets of which are loans disbursed before June 11, 2014.

¹⁷ See Monthly Monetary Report, May 2014.

Chart 8.2

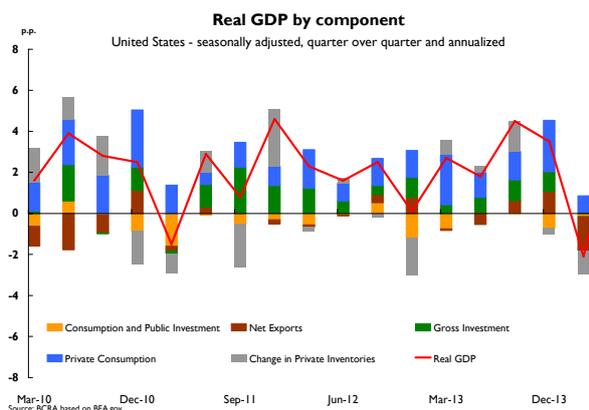


Chart 8.3

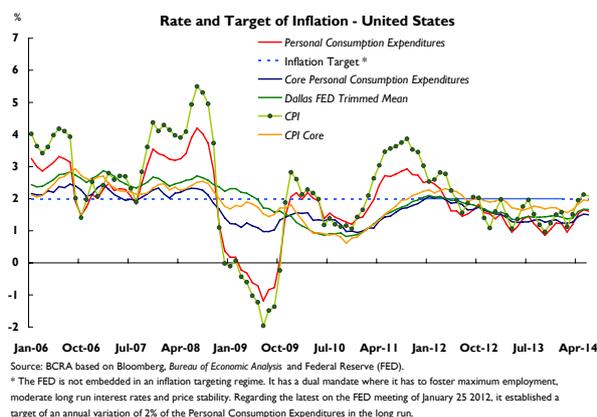
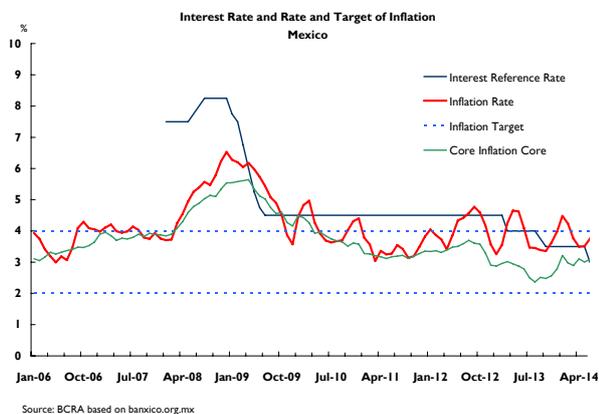


Chart 8.4

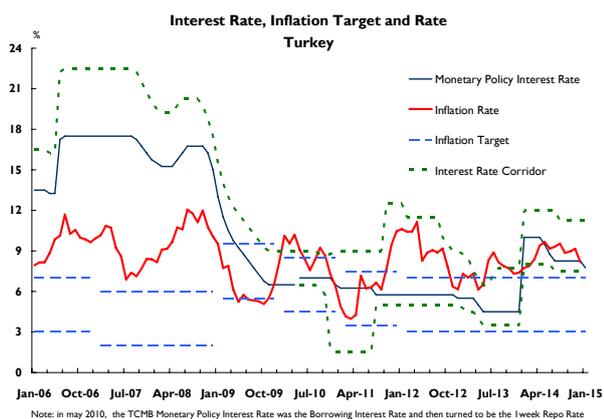


from US\$45 billion a month to US\$35 billion. According to the minutes of such meeting, the asset purchase program would end in October 2014. At the same time, the FOMC, as is usually the case after every other meeting, published an update of its projections. By analyzing such projections, it was observed a reduction in the GDP growth forecasted for 2014 from 2.9% in March to 2.2% in June, in a context where the third GDP adjustment led to a 2.9% fall in the production in the first quarter (see Chart 8.2) against the previous quarter (seasonally adjusted). Regarding prices, the FED kept its forecasts for 2014 practically unchanged, despite the recent hike in the CPI and in the household expenditure deflator (PCE - see Chart 8.3), which — in the FED’s opinion — results from temporary factors. On the other hand, the FOMC expects a faster rise in the target of the federal fund rate (FFR), which would end 2015 at 1.25% and would stand at 2.5% at the end of 2016 (previously at 1% and 2.25%, respectively). In turn, three quarters of the FOMC members expect the first FFR hike to take place in 2015 (practically unchanged against March’s forecasts), which would most surely occur by mid-2015. Finally, regarding data on the labor market, the FED has anticipated lower unemployment rates for the 2014-2016 three-year period, expecting that the unemployment rate end this year at 6.05%.

In turn, the Bank of England set a limit to households’ indebtedness to prevent an excessive surge in prices in the real estate market. This measure was mainly taken through the indebtedness/income ratio, which may exceed the 4.5 ratio in only 15% of the new mortgage-backed loans.

In the case of emerging economies, the monetary authorities of China, India, and Peru reduced their minimum reserve requirement ratios, whilst the central banks of Mexico and Turkey decreased their benchmark interest rates. The People’s Bank of China reduced, once again, its minimum reserve requirement by 0.5 p.p. for banks that channel funds to small companies and agricultural economies; the Reserve Bank of India reduced the statutory liquidity ratio from 23% to 22.5% in order to boost credit to the private sector; the Central Reserve Bank of Peru decreased its minimum reserve requirement ratio for deposits in domestic currency by 0.5 p.p., to 12%, to further boost lending in that currency. In turn, given the absence of inflation pressure and in a context of weak economic activity, the Bank of Mexico reduced its target for the overnight interbank interest rate by 0.5 p.p., to 3% (see Chart 8.4). In addition, in a context of less foreign exchange uncertainty and improvement in indicators of premium risk, the Central Bank of the Republic of Turkey

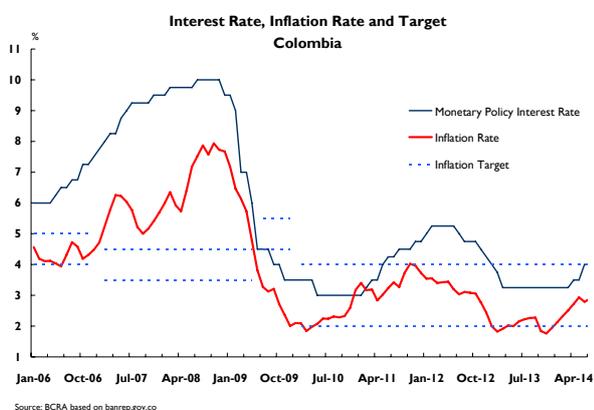
Chart 8.5



adjusted its monetary policy rate from 10% to 9.5%, and started to gradually reverse the sharp contraction measures implemented in January (see Chart 8.5).

Likewise and in response to the macroeconomic context, the central banks of New Zealand and Colombia increased their monetary policy rates again. The Central Bank of New Zealand decided to continue undergoing the process to restore interest rates which, following the earthquakes that hit the country in the past few years, have already impacting on the economy (particularly, the construction sector) and on prices. The Central Bank of Colombia extended its “timely and gradual adjustment” policy to reduce the need for sharp adjustments in the future when the economy is reaching its potential (see Chart 8.6).

Chart 8.6



9. Monetary and financial indicators

Figures in millions, expressed in their original currency.

Main monetary and financial system figures	Monthly average				Average change in	
	Jun-14	May-14	Dec-13	Jun-13	Monthly	Last 12 months
Monetary base	366,004	353,311	361,580	311,003	3.6%	17.7%
Currency in circulation	277,800	267,035	277,095	238,161	4.0%	16.6%
Held by public	249,617	239,956	247,158	214,502	4.0%	16.4%
Held by financial entities	28,182	27,077	29,935	23,657	4.1%	19.1%
Settlement check	1	2	2	0	-	-
BCRA current account	88,205	86,276	84,484	72,842	2.2%	21.1%
Repos stock						
Reverse repos	11,123	13,493	6,351	11,604	-17.6%	-4.1%
Repos	0	0	0	0	0.0%	0.0%
BCRA securities stock (in face value)						
In banks	197,196	185,585	111,491	107,720	6.3%	83.1%
LEBAC	170,647	158,586	98,364	94,392	7.6%	80.8%
In pesos	175,616	162,191	107,309	101,240	8.3%	73.5%
In Dollars	940	926	0	0		
NOBAC	14,000	15,951	4,183	6,480	-12.2%	116.1%
International reserves excluded 2009 SDRs allocations	28,863	28,386	30,612	38,234	1.7%	-24.5%
Private and public sector deposits in pesos ⁽¹⁾	727,740	713,941	667,632	585,674	1.9%	24.3%
Current account ⁽²⁾	215,126	201,090	190,954	159,613	7.0%	34.8%
Savings account	147,262	133,574	140,307	117,161	10.2%	25.7%
Not CER-adjustable time deposits	336,445	350,895	309,655	286,254	-4.1%	17.5%
CER-adjustable time deposits	7	7	6	7	0.0%	7.1%
Other deposits ⁽³⁾	28,900	28,375	26,710	22,639	1.8%	27.7%
Private sector deposits	546,309	532,075	484,439	420,555	2.7%	29.9%
Public sector deposits	181,431	181,867	183,193	165,119	-0.2%	9.9%
Private and public sector deposits in dollars ⁽¹⁾	8,613	8,336	8,263	8,300	3.3%	3.8%
Loans to private and public sector in pesos ⁽¹⁾	524,734	520,925	498,212	423,682	0.7%	23.9%
Loans to private sector	483,145	478,054	457,095	386,360	1.1%	25.1%
Overdrafts	65,425	64,082	56,649	51,909	2.1%	26.0%
Promissory bills	108,505	107,536	111,440	87,550	0.9%	23.9%
Mortgages	45,481	45,016	43,075	38,475	1.0%	18.2%
Pledge-backed loans	31,909	31,948	31,304	26,413	-0.1%	20.8%
Personal loans	103,863	102,779	98,468	85,735	1.1%	21.1%
Credit cards	91,355	90,648	80,716	65,045	0.8%	40.4%
Other loans	36,607	36,044	35,442	31,231	1.6%	17.2%
Loans to public sector	41,589	42,871	41,117	37,323	-3.0%	11.4%
Loans to private and public sector in dollars ⁽¹⁾	4,166	4,075	3,694	4,982	2.2%	-16.4%
Total monetary aggregates ⁽¹⁾						
M1 (currency held by public + settlement check in pesos+ current account in pesos)	464,744	441,047	438,115	374,117	5.4%	24.2%
M2 (M1 + savings account in pesos)	612,006	574,621	578,422	491,278	6.5%	24.6%
M3 (currency held by public + settlement check in pesos + total deposits in pesos)	977,358	953,899	914,793	800,178	2.5%	22.1%
M3* (M3 + total deposits in dollars + settlement check in foreign currency)	1,049,619	1,023,033	968,730	844,418	2.6%	24.3%
Private monetary aggregates						
M1 (currency held by public + settlement check in pesos + priv.current account in pesos)	383,136	368,873	367,407	323,079	3.9%	18.6%
M2 (M1 + private savings account in pesos)	514,426	491,463	493,877	428,600	4.7%	20.0%
M3 (currency held by public + settlement check in pesos + priv. total deposits in pesos)	795,927	772,032	731,599	635,058	3.1%	25.3%
M3* (M3 + private total deposits in dollars + settlement check in foreign currency)	855,849	830,850	775,729	672,288	3.0%	27.3%

Explanatory factors	Average Change							
	Monthly		Quarterly		YTD 2014		Last 12 months	
	Nominal	Contribution ⁽⁴⁾	Nominal	Contribution ⁽⁴⁾	Nominal	Contribution ⁽⁴⁾	Nominal	Contribution ⁽⁴⁾
Monetary base	12,693	3.6%	14,655	4.2%	4,424	1.2%	55,001	18.3%
Financial sector	2,472	0.7%	646	0.2%	-4,513	-1.2%	1,444	0.5%
Public sector	11,353	3.2%	12,991	3.7%	31,846	8.8%	106,397	35.4%
Private external sector	6,163	1.7%	31,835	9.1%	31,495	8.7%	-4,172	-1.4%
BCRA securities	-6,831	-1.9%	-28,586	-8.1%	-58,478	-16.2%	-54,028	-18.0%
Others	-463	-0.1%	-2,231	-0.6%	4,074	1.1%	5,361	1.8%
International reserves excluded 2009 SDRs allocations	477	1.7%	1,531	5.6%	-1,749	-5.7%	-9,371	-24.0%
Foreign exchange market intervention	763	2.7%	3,971	14.5%	3,738	12.2%	-2,285	-5.9%
International financial institutions	27	0.1%	-255	-0.9%	-353	-1.2%	192	0.5%
Other public sector operations	-355	-1.3%	-870	-3.2%	-1,699	-5.5%	3,624	9.3%
Dollar liquidity requirements	24	0.1%	-1,129	-4.1%	-3,066	-10.0%	-2,315	-5.9%
Others (incl. change in US\$ market value of nondollar assets)	19	0.1%	-185	-0.7%	-381	-1.2%	-8,601	-22.0%

1 Excludes financial sector and foreign depositors. Loans's figures correspond to statistical information, without being adjusted by financial trusts. Provisory figures.

2 Net of the use of unified funds.

3 Net of deposits pending of swap by public bonds (BODEN).

4 "Contribution" field refers to the percentage of change of each factor versus the main variable corresponding to the month respect which the change is being calculated.

5 Provisory data subjected to changes in valuation.

Sources: BCRA Accounting Department and SISCEN Informative Regime.

Minimum Cash Requirement and Compliance

	Jun-14	May-14	Apr-14
(1)			
Domestic Currency	% of total deposits in pesos		
Requirement	11.7	11.8	11.7
Compliance	12.0	12.0	12.0
Position ⁽²⁾	0.3	0.2	0.3
<i>Residual time structure of term deposits used for the calculation of the requirement ⁽³⁾</i>	%		
Up to 29 days	67.2	68.7	68.9
30 to 59 days	20.5	19.5	20.7
60 to 89 days	6.0	6.4	5.5
90 to 179 days	4.8	4.0	3.5
more than 180 days	1.4	1.4	1.4
Foreign Currency	% of total deposits in foreign currency		
Requirement	49.2	44.8	49.4
Compliance (includes default application resource)	82.9	83.0	94.2
Position ⁽²⁾	33.7	38.2	44.9
<i>Residual time structure of term deposits used for the calculation of the requirement ⁽³⁾</i>	%		
Up to 29 days	48.3	48.2	49.8
30 to 59 days	22.4	23.2	21.7
60 to 89 days	11.1	11.2	12.2
90 to 179 days	12.7	12.8	12.2
180 to 365 days	5.0	4.3	3.9
more than 365 days	0.5	0.3	0.2

⁽¹⁾ Estimates data of Requirement, Compliance and Position.

⁽²⁾ Position= Requirement - Compliance

⁽³⁾ Excludes judicial time deposits.

Source: BCRA

Interest rates in annual nominal percentage and traded amounts in million. Monthly averages.

b

b

Borrowing Interest Rates	Jun-14	May-14	Apr-14	Dec-13	Jun-13
Interbank Loans (overnight)					
Interest rate	22.50	17.12	14.85	19.67	13.24
Traded volume (million pesos)	2,845	2,810	1,990	2,144	1,963
Time Deposits					
<u>In pesos</u>					
30-44 days	20.92	21.29	21.66	17.67	15.08
60 days or more	23.42	24.45	25.70	19.00	13.51
Total BADLAR (more than \$1 million, 30-35 days)	20.17	20.17	20.00	17.45	15.04
Private Banks BADLAR (more than \$1 million, 30-35 days)	23.02	24.66	26.28	20.18	16.58
<u>In dollars</u>					
30-44 days	0.93	0.97	0.99	0.34	0.50
60 days or more	1.67	1.64	1.62	0.65	0.99
Total BADLAR (more than \$1 million, 30-35 days)	0.79	0.79	0.98	0.39	0.56
Private Banks BADLAR (more than \$1 million, 30-35 days)	1.02	0.99	1.30	0.33	0.70
Lending Interest Rates	Jun-14	May-14	Apr-14	Dec-13	Jun-13
Stock Repos					
Gross interest rates 30 days	23.33	23.74	25.01	21.64	18.28
Traded volume (all maturities, million pesos)	299	274	288	316	247
Loans in Pesos ⁽¹⁾					
Overdrafts	32.20	32.21	32.85	27.59	22.80
Promissory Notes	26.62	29.43	30.52	22.38	19.07
Mortgages	21.08	17.44	17.19	16.56	14.63
Pledge-backed Loans	23.09	25.43	27.50	21.07	18.97
Personal Loans	40.51	44.54	46.10	39.33	34.19
Credit Cards	s/d	40.05	39.07	37.16	32.31
Overdrafts - 1 to 7 days - more than \$10 million	26.05	24.17	24.62	22.62	16.70
International Interest Rates	Jun-14	May-14	Apr-14	Dec-13	Jun-13
LIBOR					
1 month	0.15	0.15	0.15	0.17	0.19
6 months	0.32	0.32	0.32	0.35	0.41
US Treasury Bonds					
2 years	0.44	0.37	0.40	0.33	0.32
10 years	2.59	2.55	2.69	2.88	2.27
FED Funds Rate	0.25	0.25	0.25	0.25	0.25
SELIC (1 year)	11.00	11.00	10.99	10.00	8.00

(1) Observed data from Monthly Informative Regime SISCEN 08 up to April and estimated data based on Daily Informative Regime SISCEN 18 for May and June.

Interest rates in annual nominal percentage and traded amounts in million. Monthly averages.

Reference Interest Rates	Jun-14	May-14	Apr-14	Dec-13	Jun-13
BCRA Repo Interest Rates					
Overnight reverse repo	9.00	9.00	9.00	9.00	9.00
7-day reverse repo	9.50	9.50	9.50	9.50	9.50
7-day repo	11.50	11.50	11.50	11.50	11.50
Total Repo Interest Rates					
Overnight	13.89	12.16	10.29	15.81	10.17
7 days	13.73	12.47	13.63	13.12	9.57
Repo traded volumen (daily average)	10,271	12,691	17,279	3,981	8,139
Peso LEBAC Interest Rate¹					
1 month	s/o	s/o	s/o	s/o	s/o
2 months	s/o	s/o	s/o	s/o	14.73
3 months	26.83	26.80	28.25	15.52	15.31
9 months	27.90	s/o	29.85	s/o	s/o
12 months	28.26	28.26	29.66	17.80	17.95
Peso NOBAC with variable coupon Spread¹					
200 days BADLAR Private Banks	s/o	0.90	0.98	s/o	s/o
Dollars LEBAC Interest Rate¹					
1 month	2.50	2.50	2.50	s/o	s/o
3 months	3.00	3.00	3.00	s/o	s/o
6 months	3.50	3.50	3.50	s/o	s/o
12 months	4.00	4.00	4.00	s/o	s/o
LEBAC and NOBAC traded volume (daily average)	1862	2239	2116	673	1243
Foreign Exchange Market	Jul-12	Aug-12	Aug-12	Oct-12	Nov-12
Dollar Spot					
Exchange agencies	8.12	8.04	8.00	6.32	5.33
BCRA Reference	8.13	8.05	8.01	6.33	5.33
Future dollar					
NDF 1 month	8.34	8.20	8.13	6.75	5.46
ROFEX 1 month	8.31	8.20	8.12	6.56	5.41
Traded volume (all maturities, million pesos)	1,992	2,621	2,134	1,618	723
Real (Pesos/Real)	3.63	3.62	3.59	2.69	2.46
Euro (Pesos/Euro)	11.05	11.04	11.05	8.67	7.04
Capital Market	Jun-14	May-14	Apr-14	Dec-13	Jun-13
MERVAL					
Index	7,839	7,166	6,543	5,330	3,213
Traded volume (million pesos)	193	141	110	109	46
Government Bonds (parity)					
BODEN 2015 (US\$)	122.82	125.35	117.65	132.63	130.67
DISCOUNT (US\$ - NY legislation)	104.96	105.13	99.09	106.64	90.78
BODEN 2014 (\$)	98.45	98.32	98.85	93.47	93.27
DISCOUNT (\$)	76.61	78.53	81.60	63.95	47.68
Country risk					
Spread BODEN 2015 vs. US Treasury Bond	1,080	921	921	826	1,402
EMBI+ Latin America (without Argentina)	344	361	366	412	384

¹ Corresponds to average results of each month primary auctions.

10. Glossary

ANSES: *Administración Nacional de Seguridad Social.* Social Security Administration

APR: Annual percentage rate.

BADLAR: Interest rate for time deposits over one million pesos between 30 and 35 days for the average of financial institutions

BCRA: *Banco Central de la República Argentina.* Central Bank of Argentina

BODEN: Bonos optativos del Estado Nacional. Optional federal bonds

BOVESPA: Sao Paulo Stock Exchange Index (Brazil)

CAFCI: *Cámara Argentina de Fondos comunes de inversión*

CDS: Credit Default Swaps

CER: Coeficiente de Estabilización de Referencia. Reference Stabilization Coefficient

CNV: Comisión Nacional de Valores. National Securities Commission

CPI: Consumer Price Index

DISC: Discount Bond

EMBI: Emerging Markets Bonds Index

FCI: Mutual Funds

Fed: Federal Reserve

FTs: Financial Trusts

GBA: Greater Buenos Aires metropolitan area

GDP: Gross Domestic Product

IAMC: Instituto Argentino de Mercado de Capitales.

IGBVL: Lima Stock Exchange Index (Peru)

IGPA: Santiago Stock Exchange Index (Chile)

LEBAC: *Letras del Banco Central.* BCRA Bills

LCIP: Credit Line for Productive Investment.

LIBOR: London Interbank Offered Rate

M2: Notes and Coins + Current Accounts and Savings Accounts in \$

M3: Notes and Coins + Total Deposits in \$.

M3*: Notes and Coins + Total Deposits in \$ and US\$

MERVAL: *Mercado de Valores de Buenos Aires.* Buenos Aires Stock Exchange Index

MEXBOL: Mexico Stock Exchange Index

NBFI: Non-Banking Financial Institutions

NDF: Non Deliverable Forward

NOBAC: Notas del Banco Central. BCRA Notes

NV: Nominal value

ONs: Corporate Bonds

PyME: Small and medium enterprises

ROFEX: Rosario Futures Exchange Rate Market

SELIC: Brazilian Central Bank's Benchmark Interest Rate

SISCEN: *Sistema Centralizado de Requerimientos Informativos.* BCRA Centralized Reporting Requirement System

S&P: Standard and Poor's 500 Index

TIR: Internal rate of return (IRR).

y.o.y.: Year-on-year