

Objectives and Plans for the Development of Monetary, Financial, Credit and Foreign Exchange Policy for 2019



BANCO CENTRAL
DE LA REPÚBLICA ARGENTINA

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Contents

Page 3 | Overview

Page 4 / 1. Monetary Policy

Page 12 / 2. Financial and Credit Policies

Page 18 / 3. Financial Inclusion and Streamlining of Payment Systems

Overview

Pursuant to Section 3 of the Central Bank's Charter, the main purpose of the Central Bank is to ensure monetary stability in Argentina. As from October 1, 2018, the BCRA has been following a scheme to achieve an anti-inflationary policy targeting zero growth in the monetary base, with foreign exchange intervention and non-intervention ranges. Such a scheme has been implemented, in the absence of an effective inflation targeting, to ensure price stability under current operating conditions of Argentina's economy. In 2019, the BCRA will continue implementing this zero growth scheme until June. Monetary base is expected to record a 1% monthly growth between July and December. In particular, monetary base is forecast to grow in June and December due to high seasonality in the demand for money. The limits of the non-intervention range will be updated daily at a 2% monthly rate from January 1 to March 31, 2019, using as benchmark the limits effective on December 31, 2018; subsequent updates will be determined by the BCRA Monetary Policy Council.

The priority of this Central Bank is to encourage the stability and growth of the financial sector with a view to achieving its ultimate objective: economic development with social equality. The soundness of the financial system in the face of the turbulence that began in May 2018 underscores the importance of building an adequate macro- and micro-prudential regulatory framework. The Central Bank will strive for the development of the domestic financial system in a context of stability while promoting such saving instruments in domestic currency that stimulate savings in pesos. These measures will cause credit supply to return to the path of growth within a solid framework.

Another important objective is to promote financial inclusion and streamline means of payment. Recently, the BCRA has allowed different types of businesses to carry out banking transactions. In 2019, the BCRA will strive for clearing the way for people to access savings and credit in the financial system, especially through electronic means, which are less expensive and safer to use.

Based on these fundamental guidelines, the Central Bank announces the following objectives and plans for 2019.

1. Monetary Policy

Pursuant to Section 3 of the Central Bank's Charter, the main purpose of the Central Bank is to ensure monetary stability in Argentina. In this sense, the Central Bank will continue to draw on all the tools available in order to achieve its long-term, single-digit inflation target like that of most economies worldwide.

Between April and August 2018, the Argentine economy experienced a high level of foreign exchange rate volatility caused by a number of internal and external factors. A rise in the interest rate in the United States and the commercial tension between the United States and some of its main trading partners triggered capital outflows from emerging economies. This situation became even worse with one of the severest droughts in recent decades and wrong corrections for Argentina's economic imbalances made by previous administrations (as evidenced by a lack of consistency between the speed of fiscal and monetary base adjustments and the adjustments required in utility rates). The combination of these factors has placed the Argentine economy in a weaker position than the rest of the emerging countries.

Tension in the foreign exchange market along with the second quarter's drought led to a depreciation of the currency, an increase in the observed and expected inflation rate, and a fall in the level of economic activity. Thus, the foreign exchange rate increased 118% between end December 2017 and September 2018, while the inflation rate—25% y.o.y. at the beginning of the year—increased to 40.5% y.o.y. in September, when inflation stood at 6.5% vis-à-vis August. The expected inflation for the next 12 months has increased from 18.6% to 31.9%¹, while data surveyed evidenced greater atomization of participant's expectations due to a lack of baseline data. This hindered any possible formation of inflationary expectations causing a potential rise in nominal instability values.

In this context, the BCRA no longer resorts to the inflation targeting scheme. Although this scheme has widespread acceptance among developed and emerging countries, its use in Argentina was limited by the economic conditions prevailing at the beginning of its implementation. These conditions included: high inflation, pending adjustment of relative prices (foreign exchange rate and utility rates) and a high deficit in public accounts financed, in part, with transfers from the BCRA. In turn, we started to follow the disinflation process by the end of 2015.

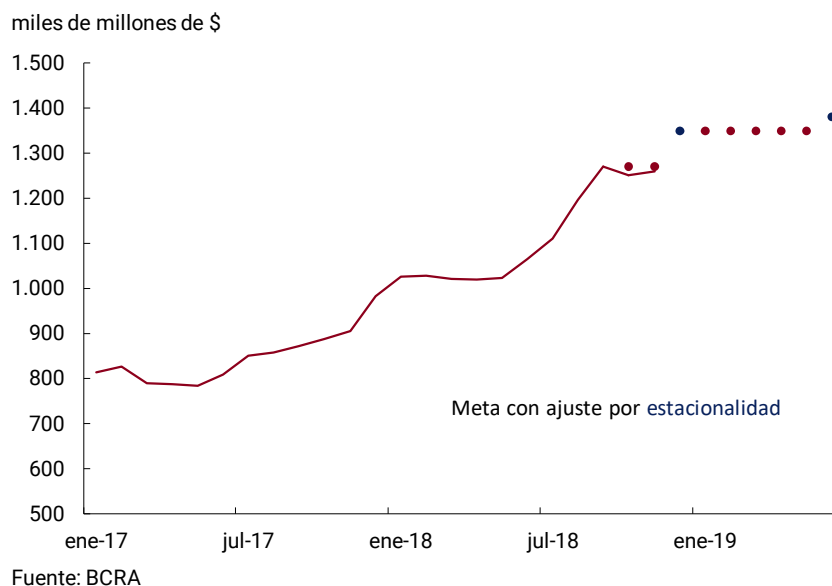
Given the need to establish a more powerful and clear pricing guide, the Central Bank adopted a new monetary scheme on October 1, 2018 which ensures the strict control of the growth in the monetary base until December 2019. There is extensive international evidence on the medium- and long-term relationship between monetary growth and inflation, particularly in economies with high inflation and low financial sector development. The scheme also establishes limits on intervention and non-intervention ranges in the foreign exchange market, which combines two benefits: foreign exchange rate flexibility, and the Central Bank's intervention in the market when necessary. Thus, the new monetary scheme proves to be a strong commitment to lowering inflation, which will allow Argentina to recover the so needed price stability and predictability.

1.1 Monetary Base Control as Nominal Anchor for Economy

The BCRA will not increase the monetary base level until June 2019 (see Chart 1.1). The monetary base consists of the banknotes and coins issued by the BCRA (both held by the public and by banks) and the banks' current account deposits held at the BCRA. Monetary base was chosen among other monetary aggregates because it is under the direct control of the BCRA. The zero nominal monthly growth target of the monetary base was determined based on September 2018's monthly average of daily balances, and will be seasonally adjusted in line with the increase in the demand for money in December and June. The aim of monthly growth targets is to avoid an unnecessary contractionary bias in the monetary policy (setting up 6.3% for December 2018 and 2.45% for June 2019). The monetary base is published on a daily basis so that everybody can verify that the target has been met.

¹ Source: Market Expectations Survey (REM) prepared by the BCRA.

Chart 1.1 2019 Monetary Base and Targets (monthly average balances)



ESPAÑOL	INGLÉS
Gráfico 1.1	Chart 1.1
miles de millones de \$	Billion ARS
Meta con ajuste por estacionalidad	Seasonally Adjusted Target
Fuente: BCRA	Source: BCRA

The monetary target is achieved by conducting daily auctions of Liquidity Bills (LELIQs) with banks. In this way, the benchmark interest rate was set as the average rate resulting from the daily auctions of LELIQ bills.

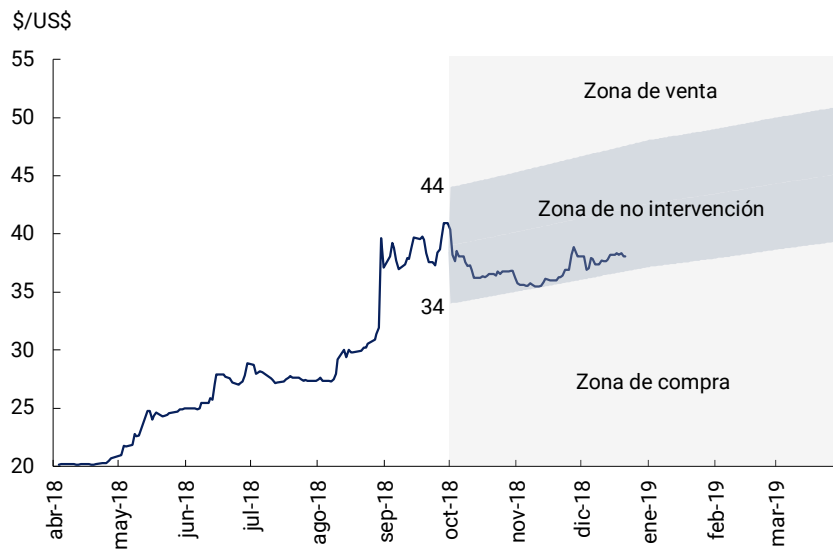
By imposing a ceiling on the amount of money in circulation, the benchmark interest rate started to be endogenously determined by the supply and demand for liquidity; the benchmark will continue to be so set until reaching zero growth of the monetary base.

1.2 Foreign Exchange Policy: Foreign Exchange Intervention and Non-Intervention Ranges

The commitment to zero growth in the monetary base is accompanied by an explicit policy towards the foreign exchange market. In order to ensure the predictability and transparency of market interventions, the BCRA has determined foreign exchange intervention and non-intervention ranges.

The BCRA would not intervene in the foreign exchange market when the foreign exchange rate was between ARS34 and ARS44. In the fourth quarter of 2018, this range was adjusted daily at a 3% monthly rate until the end of the year. In the first quarter of 2019, the non-intervention range limits will be adjusted daily at a 2% monthly rate, using as benchmark the limits effective on December 31, 2018 (ARS37.117 and ARS48.034, see Chart 1.2).

Chart 1.2 Scheme of Foreign Exchange Intervention and Non-Intervention Ranges



Fuente: BCRA

ESPAÑOL	INGLÉS
Gráfico 1.2	Chart 1.2
\$/US\$	ARS/USD
Zona de venta	Selling Range
Zona de no intervención	Non-intervention Range
Zona de compra	Buying Range
Fuente: BCRA	Source: BCRA

If the peso depreciates and the foreign exchange rate climbs above the non-intervention range, the BCRA will be able to sell up to USD150 million on a daily basis through auctions. In this way, the BCRA will withdraw pesos from the market in exchange for dollars, reinforcing the contraction of the monetary base in the face of a significant decrease in the demand for money.

On the contrary, a quick nominal appreciation means greater confidence and an increase in the demand for pesos. If the foreign exchange rate were below the non-intervention range, the BCRA would be able to purchase up to USD150 million on a daily basis through auctions. The BCRA is going through the disinflation

process with caution, and has committed itself neither to purchase more than USD50 million per day nor to expand the monetary base by over 2% per month through auctions during December 2018. From now onwards the Monetary Policy Council will cautiously decide on the course of action to be followed in order to ensure that inflation is pushed down. The monetary base can only grow if there are clear signs of confidence in the Argentine Peso.

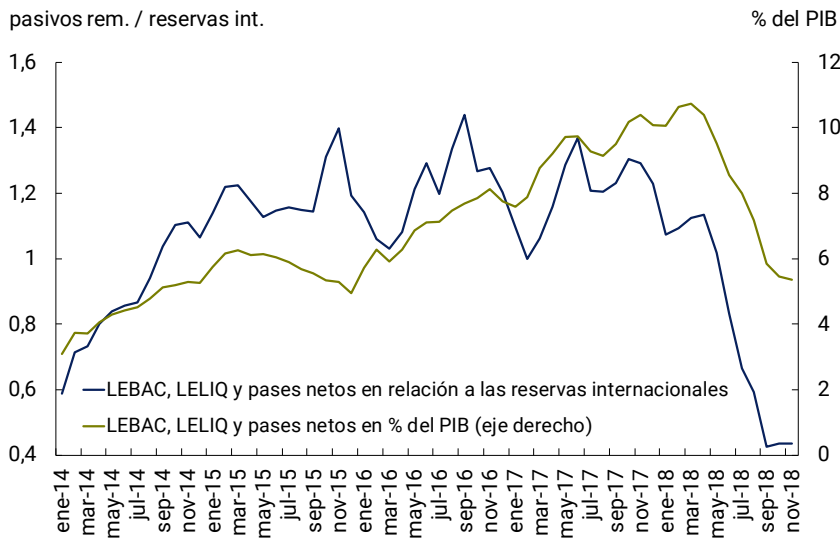
This foreign exchange policy derives benefit from a flexible foreign exchange rate, allowing Argentina to smooth out real shocks and, at the same time, to minimize potential disruptions associated with extremely high foreign exchange rates. In turn, the intervention and non-intervention ranges supplement the monetary base target. Monetary conditions can even be more contractive where international reserves are sold in the case the foreign exchange rate stands above the non-intervention range. On the other hand, the BCRA may increase money supply by purchasing foreign currency in the face of clear signs of greater demand for money.

1.3 Sustainability of the Monetary Scheme

The new scheme is sustained by several factors: the BCRA's balance sheet has been strengthened; the fiscal dominance has been completely eliminated since the BCRA is no longer granting financial assistance to the Treasury; and the real foreign exchange rate is competitive.

The stock of BCRA's LEBAC bills, notes and repos is low both in terms of gross domestic product (GDP) and international reserves, which takes some pressure off the new monetary policy (Chart 1.3). This is mainly explained by both a drop in the demand for LEBAC bills by the non-banking private sector at the inception of the financial turbulence in April 2018 and the program implemented by the BCRA to reduce the stock of LEBAC bills since August 2018.

Chart 1.3 BCRA's Non-Monetary Liabilities in Terms of GDP and International Reserves



Fuente: BCRA

ESPAÑOL	INGLÉS
Gráfico 1.3	Chart 1.3
pasivos rem./reservas int.	Remunerated Liabilities/Intl. Reserves
% del PIB	% of GDP

LEBAC, LELIQ y pases netos en relación a las reservas internacionales	LEBAC bills, LELIQ bills and net repos in relation to international reserves
LEBAC, LELIQ y pases netos en % del PIB (eje derecho)	LEBAC bills, LELIQ bills and net repos as a % of GDP (right axis)
Fuente: BCRA	Source: BCRA

Different simulation results show that LELIQ bills performance is expected to remain stable even in stress scenarios. For example: compliance with the monetary base target could mean high interest rates for LELIQ bills; this would imply an increase in the stock of LELIQ bills as a way to avoid monetizing the payment of interest. Even in a scenario where the monthly real interest rate of LELIQ bills remained stable at 2.5%, the remunerated liabilities to GDP ratio would remain virtually stable at around 6%. On the other hand, in a scenario where the nominal interest rate of LELIQ bills remained close to current levels (60.3% annually), the share of remunerated liabilities in GDP accounted for 6.2% in December 2019. However, these liabilities would still be about 4.5 p.p. below the peak value recorded in March 2018 (see Chart 1.4).

Chart 1.4 Evolution of BCRA's Remunerated Liabilities-to-GDP ratio in Scenarios of Constant Nominal and Real Interest Rates

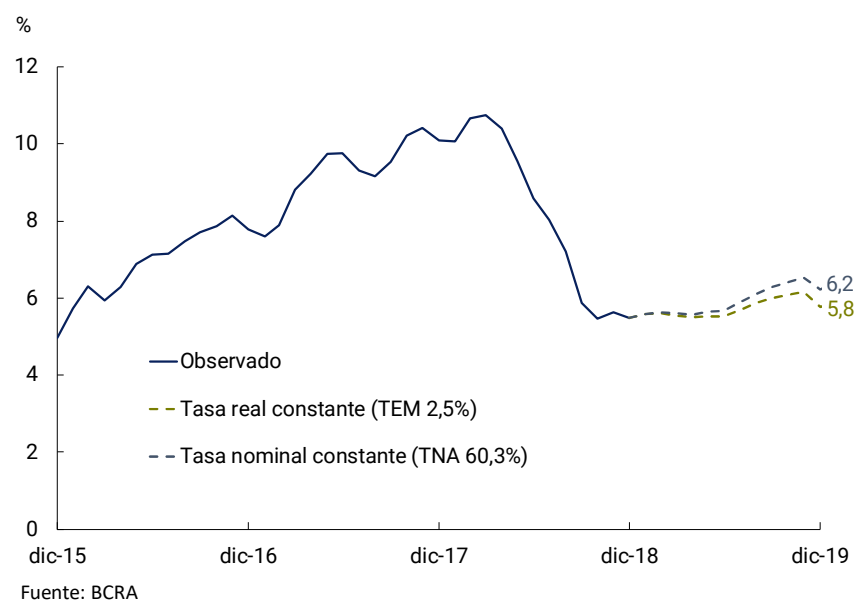
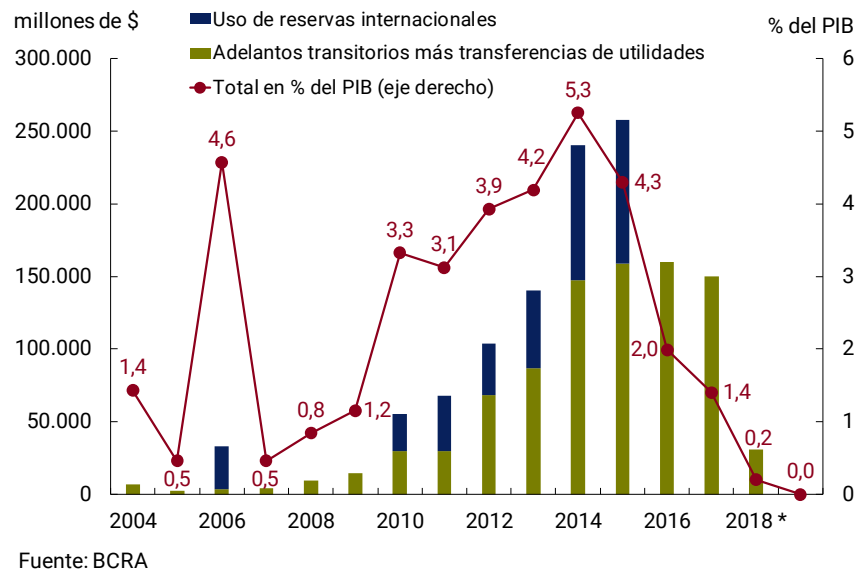


Chart 1.5 BCRA transfers to the National Treasury



ESPAÑOL	INGLÉS
Gráfico 1.4	Chart 1.4
observado	Actual Value Recorded
Tasa real constante (TEM 2,5%)	Constant Real Interest Rate (2.5% monthly effective rate)
Tasa nominal constante (TNA 60,3%)	Constant Nominal Interest Rate (60.3% Annual Percentage Rate)
Fuente: BCRA	Source: BCRA

In this new stage, fiscal dominance came to an end. The underlying reason for this was the removal of the factors that expanded the monetary base in the past. In turn, the monetary base used to be sterilized, in part, by increasing remunerated liabilities.

ESPAÑOL	INGLÉS
Gráfico 1.5	Chart 1.5
millones de \$	In million pesos
% del PIB	% of GDP
Uso de reservas internacionales	Use of International Reserves
Adelantos transitorios más transferencias de utilidades	Temporary advances + transfers of profits
Total en % del PIB (eje derecho)	Total as a % of GDP (right axis)
Fuente: BCRA	Source: BCRA

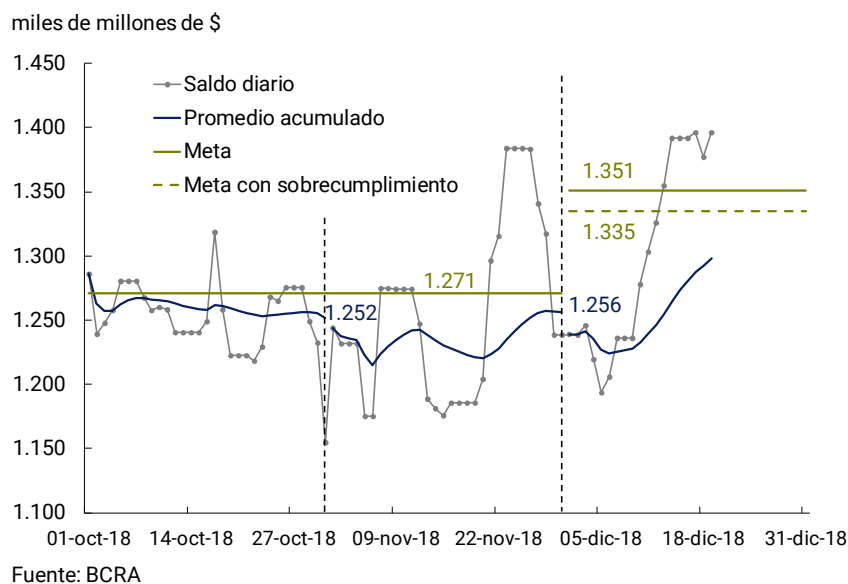
Thus, financial assistance granted by the BCRA to the National Treasury plummeted from 4.3% of GDP in 2015 to 0.2% in 2018 (down to 0 in the second half of the year) and it will remain 0% in the future (Chart 1.5). This is consistent with the reduction of the primary fiscal deficit until reaching the target of primary fiscal balance in 2019.

The new monetary and foreign exchange scheme is based on real foreign exchange rates that are in harmony with Argentina's macroeconomic equilibrium. The real multilateral foreign exchange rate shown at the ceiling of the non-intervention range proves to be comparable to that of 2003, when the foreign exchange rate overreacted in the aftermath of Convertibility in Argentina. The real multilateral foreign exchange rate shown at the floor of the non-intervention range proves to be comparable to that observed at the end of 2011, when the economy recorded a current account deficit substantially lower than the current one.

1.4 First results and perspectives for 2019

After the first few months of implementation, the new monetary and foreign exchange scheme looks promising. During October, November and December 2018, the BCRA acted with caution, overperforming its monetary base target at all times, which enabled to maintain the contractionary bias of the monetary policy. In October, overperformance reached ARS19 billion (1.5% of the target), and in November, ARS15 billion (1.1%): Finally, it is expected to amount to ARS16 billion (1.1%; see Chart 1.6) in December.

Chart 1.6 Monitoring of the Monetary Base Target



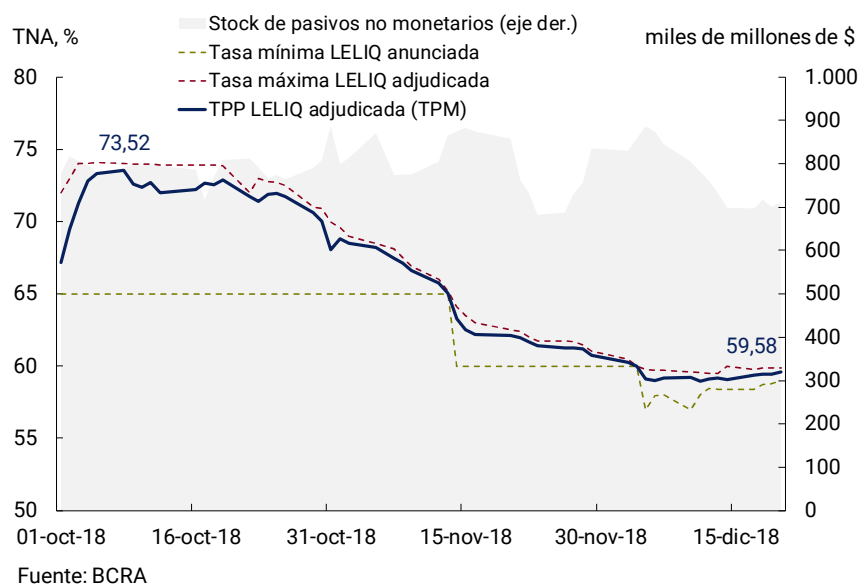
ESPAÑOL	INGLÉS
Gráfico 1.6	Chart 1.6
miles de millones de \$	Billion ARS
Saldo diario	Daily Stock
Promedio acumulado	Cumulative Average
Meta	Target
Meta con sobrecumplimiento	Overperformance on Target

Fuente: BCRA

Source: BCRA

In turn, the interest rate determined by the market at the beginning of the program to meet the monetary base target reached 73.5% annually. However, since then, it started to fall down steadily to about 60% annually in December (see Chart 1.7). The decrease in this rate occurred in tandem with a monetary base contraction below the target and a reduction in the non-monetary liabilities of the BCRA. From the beginning of the new monetary scheme through December 20, 2018, the stock of LELIQ bills, LEBAC bills, net repos and notes in exchange for cash decreased 12%.

Chart 1.7 LELIQ bills: Maximum, Minimum and Weighted Average Rate (Monetary Policy Rate)

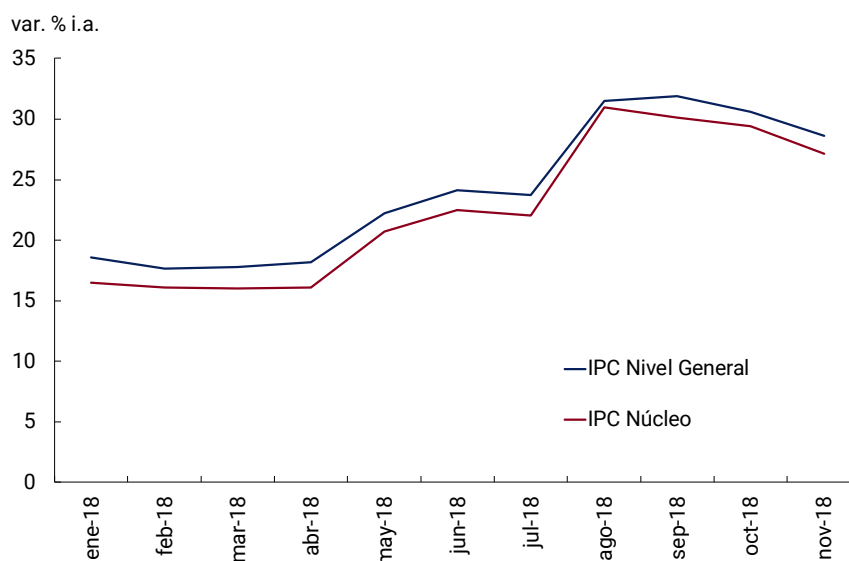


ESPAÑOL	INGLÉS
Gráfico 1.7	Chart 1.7
TNA, %	APR %
miles de millones de \$	Billion ARS
Stock de pasivos no monetarios (eje der.)	Stock of Non-Monetary Liabilities (right axis)
Tasa mínima de LELIQ anunciada	Minimum Rate of LELIQ Bills Announced
Tasa máxima LELIQ adjudicada	Maximum Rate of LELIQ Bills Awarded
TPP LELIQ adjudicada (TPM)	Weighted Average Rate of LELIQ Bills Awarded (Monetary Policy Rate)
Fuente: BCRA	Source: BCRA

Twelve-month inflation expectations fell since the start of the new scheme: at the end of November, the Headline CPI dropped by 2.9 p.p., and the Core component by 3.9 p.p. compared to the peaks observed in August 2018² (see Chart 1.8). As a result, on December 5, the “floor” interest rate of 60% for LELIQ bills was removed. This floor had been announced by the BCRA as a sign of its commitment to the contractive policy.

² Data recorded includes all information up to the latest Market Expectations Survey (Relevamiento de Expectativas de Mercado, REM), corresponding to November 2018. The REM is a survey carried out by the BCRA with the participation of the major local consultants and research centers, as well as local financial institutions and foreign analysts.

Chart 1.8 Inflation Expectations (Median - Next 12 months)



Fuente: BCRA

ESPAÑOL	INGLÉS
Gráfico 1.8	Chart 1.8
var. % i.a.	y.o.y. % chg.
IPC Nivel General	Headline CPI
IPC Núcleo	Core CPI
Fuente: BCRA	Source: BCRA

Since October 2018, foreign exchange rate volatility has plunged. After the Argentine Peso hit ARS40.9 per US dollar at the end of September, the foreign exchange rate fell close to the floor of the non-intervention range during the last few months of the year (ARS37.7 per US dollar, recording an 8% appreciation), but staying at all times within the non-intervention range (see Chart 1.2).

In 2019, the Central Bank will continue to implement its policy scheme based on the control of monetary aggregates, keeping the target of zero growth in the monetary base until June (when it is seasonally adjusted) and 1% growth from July to December. It will keep on conducting daily LELIQ auctions to control the amount of money. In addition, the monetary authority will continue to implement its foreign exchange scheme consisting of intervention and non-intervention ranges; the latter will be adjusted daily at a 2% monthly rate until March. The Monetary Policy Council will establish in the first quarter of 2019 the rate at which the non-intervention range will be adjusted in the following months. The BCRA will act cautiously and strive for predictability in the implementation of the monetary policy. Against the backdrop of this policy, the contractionary bias set by the new monetary scheme is expected to bring about a reduction of the inflation rate along 2019, and a decrease in interest rates as inflation expectations decline.

1.5 Communication and Institutional Enhancement

In 2019, the Central Bank will continue disclosing its objectives and policy actions in a transparent manner with a view to enhancing credibility.

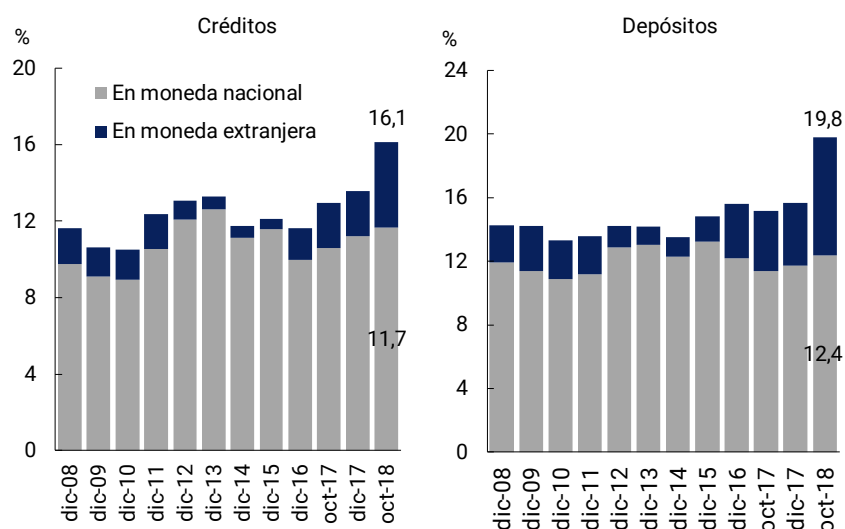
The following reports will be released through several communication channels: **Monetary Policy Report (IPOM)**, a quarterly publication containing the BCRA's monetary policy and outlook for the evolution of the economy and prices; **Report on the Monitoring of the Monetary Base Target**, a report released every two weeks that analyzes the evolution of the monetary aggregate and checks the achievement of the target; **Financial Stability Report**, a half-yearly publication which analyzes the financial system context and the initiatives for its development, and assesses its stability; **Report on Banks**, which analyzes the context of the financial system on a monthly basis; and **Monthly Monetary Report**, which describes the evolution of key monetary variables. The IPOM will continue to be presented in a press conference (which can be viewed on the BCRA's site). Finally, the speeches given by the BCRA's authorities in meetings, seminars, as well as economic and financial forums will continue to be posted on the BCRA's website.

2. Financial and Credit Policies

In 2019, the Central Bank will strive for a deeper financial system, encouraging households and companies to bring their savings into it. This will be attained by leveraging the intermediation of financial resources allocated to finance productive activities and consumption. In this context, the Central Bank will further technological innovation in order to reduce bank costs, and to make the industry more efficient and competitive. The regulatory framework will be adjusted from time to time in line with international best practices and recommendations to achieve financial stability, without overlooking the characteristic features of the domestic financial system.

In a challenging domestic and external context, with a fall in GDP and high inflation, the intermediation activity of the domestic financial system slowed down in 2018. Financial institutions as a whole posted high liquidity and solvency levels, and low exposure to intrinsic risks, notably reduced levels of credit, currency and interest rate risk. The ratio of total private sector credit and deposits—including domestic and foreign currency—to GDP increased compared to end-2017, mainly on account of the depreciation of the peso against the US dollar. In particular, the bank financing in pesos/GDP ratio and deposits in pesos/GDP ratio stood at 11.7% and 12.4%, respectively, in October, slightly above the figures recorded at the end of 2017 (see Chart 2.1).³

Chart 2.1 Intermediation with the Private Sector – As a % of GDP



Nota: Se considera promedios trimestrales. Tercer y cuarto trimestre del PIB estimados.
Fuente: BCRA e INDEC

ESPAÑOL	INGLÉS
Gráfico 2.1	Chart 2.1
Créditos	Credit
Depósitos	Deposits

³ For a detailed analysis of intermediation in the financial system and major risks, see the 2018 issues of the [Report on Banks](#) and the [Financial Stability Report](#).

En moneda nacional	In domestic currency
En moneda extranjera	In foreign currency
Nota: se considera promedios trimestrales. Tercer y cuarto trimestre del PIB estimados.	Note: Quarterly averages. Estimated GDP for the third and fourth quarters.
Fuente: BCRA e INDEC	Source: BCRA and INDEC

Economic activity is expected to start a gradual recovery on a sustainable basis in 2019, generating an upturn in banks' financial intermediation. Lending nominal interest rates are expected to drop in line with lower inflation expectations, thus helping credit to companies and households recover.

2.1 Competition

In 2019, the BCRA will continue taking measures to foster competition in the financial system, and to consolidate the progress made in the past few years. At the end of 2018, the BCRA authorized some types of businesses other than banks to carry out banking transactions as if they were "correspondent banks". This new mechanism will broaden people's access to bank services and will help improve service quality, which is likely to intensify competition among institutions across the country.

In 2018, the BCRA provided that users can close accounts and cancel other financial and non-financial services by means of various electronic channels (e-mail, telephone, online banking or ATMs and self-service terminals) or going in person to a branch. Moreover, the deposit insurance scheme has been modified in order to stimulate competition in the banking sector while pursuing the BCRA's prudential objectives.

Such measures are part of a set of initiatives that foster the adoption of new technologies for financial services, which have brought about a broader range of products and services.

The interaction between the fintech sector and the financial system is expected to be stronger in 2019 on two grounds: the interoperability between bank accounts (with a single banking code known as *CBU* or *alias CBU*) and non-bank accounts (with a single virtual code known as *CVU* or *alias CVU*); and the adoption of different regulations that have led banks to draw on technology more intensively (such as remote opening of accounts, transfers initiated by the recipient called *DEBIN*, and digital client files). In turn, the BCRA will continue monitoring the fintech sector in line with the initiatives of different international organizations. This will enable to acquire in-depth knowledge of non-traditional channels for making payments and granting loans, which is critically important on account of their potential impact on financial system stability and financial inclusion. The Financial Innovation Work Team will remain active as a forum for sharing ideas and cooperating with fintech companies and other players of the financial system. The Financial Innovation Program will also be conducted this year to encourage the community's participation.

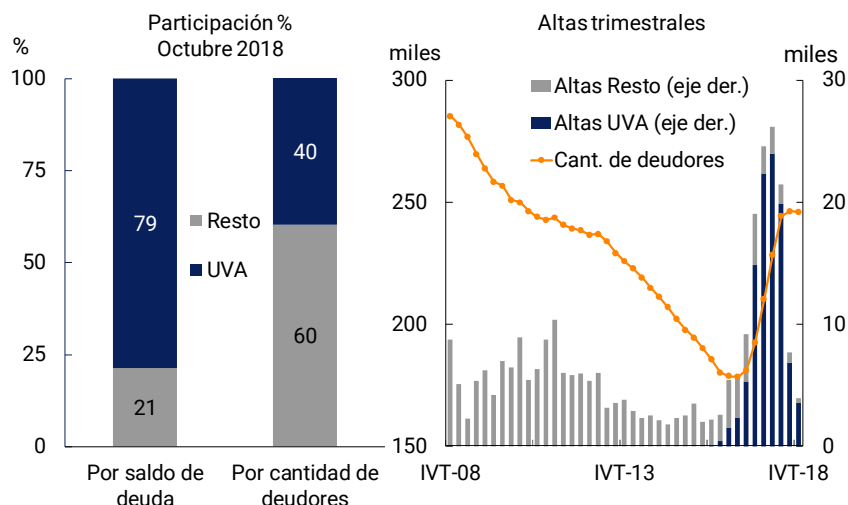
2.2 Credit

In 2019, the BCRA will foster the development of the credit market, facilitating access to financial services within an appropriate framework of micro- and macro-prudential regulation.

In a context of moderate behavior of loans channeled to the private sector in 2018, home mortgage-backed loans granted to households gained some momentum, especially in the first half of the year. The lower growth was partly explained by higher foreign exchange rate volatility, which resulted in an increase in the price of real estate in pesos. The stock of mortgage-backed loans to households virtually doubled in the past 12 months, mainly boosted by lending in Units of Purchasing Power (*Unidad de Valor Adquisitivo, UVA*): 79% of the total stock of mortgage-backed loans to households were *UVA*-denominated loans (see Chart 2.2). With a view to boosting financial institutions' funding in *UVAs*, the minimum period for term deposits and other investments in *UVAs*, as well as the period for savings accounts known as "*UVA Moneybox*" were

reduced to 90 days. Home loans are expected to regain momentum in 2019 in a context of improved economic conditions.

Chart 2.2 Stock of Mortgage-Backed Loans to Households



Nota: el cálculo de "altas" se realiza computando los CUILs de personas humanas que figuran en la central de deudores de cada mes (t) y que no se encontraban presentes en el mes anterior (t-1). Último dato construido a partir de oct-18. Fuente: BCRA

ESPAÑOL	INGLÉS
Gráfico 2.2	Chart 2.2
Participación % Octubre 2018	% share October 2018
Resto	Others
UVA	UVA
Por saldo de deuda	By stock of lending
Por cantidad de deudores	By number of debtors
miles	thousand
Altas trimestrales	Quarterly new loans
Altas Resto (eje der.)	New loans - Others (right axis)
Altas UVA (eje der.)	New loans - UVA (right axis)
Cant. de deudores	Number of debtors
IVT-08	Q4-08
IVT-13	Q4-13
IVT-18	Q4-18
miles	thousand
Nota: el cálculo de "altas" se realiza computando los CUILs de personas humanas que figuran en la central de deudores de cada mes (t) y que no se encontraban presentes en el mes anterior (t-1). Último dato construido a partir del oct-18.	Note: The number of "new loans" is calculated taking into account the employee identification numbers (<i>Código Único de Identificación Laboral, CUIL</i>) of the individuals who are recorded in the debtors' database each month (t) but were not part of that database in the previous month (t-1). Latest data as from Oct-18.

Fuente: BCRA

Source: BCRA

In 2018 the BCRA also adopted measures to strengthen the credit market of micro-, small- and medium-sized enterprises (*micro, pequeñas y medianas empresas, MiPyMEs*). In this sense, banks are now allowed to channel a higher amount of minimum capital requirements to finance MiPyMEs and the "Ahora 12" program. In turn, the cap on discounted documents taken as preferred collateral was removed; and the number of eligible borrowers along with the maximum amount that may be financed to MiPyMEs were increased on the basis of specific assessment methods. The maximum amount of exposure to *MiPyMEs* to be considered as retail portfolio was raised, among other measures serving a similar purpose.

In response to weather conditions that have adversely affected various sectors, lending in zones in state of emergency and/or agricultural disaster has been facilitated, and even treating repayment terms in a more flexible manner. Also, the BCRA relaxed the requirements for the granting of loans to agricultural producers with coverage against adverse weather conditions. In 2018, the Central Bank expanded the instruments that can be posted as collaterals to pledges or collateral assignment of income derived from public-private sector contracts; of preliminary agreements for the purchase of property to be built or under construction; and ship mortgages or registered chattel mortgage on ships or ship equipment. In addition, financial institutions were allowed to collateralize transactions of residents abroad under certain conditions.

2.3 Profitability and Efficiency

In a context of higher foreign exchange rate volatility and high inflation, the nominal profitability of the financial system in 2018 exceeded the figures recorded in previous years (see Table 2.1). Such performance was mainly due to higher income on securities and accounts adjusted by a foreign exchange rate change and by the Reference Stabilization Coefficient (*Coeficiente de Estabilización de Referencia, CER*). Next year, banks' financial margins are expected to gradually drop in a context of lower inflation and positive real returns on certain savings instruments. The banking sector will thus have to face the challenge of improving its efficiency in order to achieve a level of performance similar to that reached by other

Table 2.1. Financial System Profitability

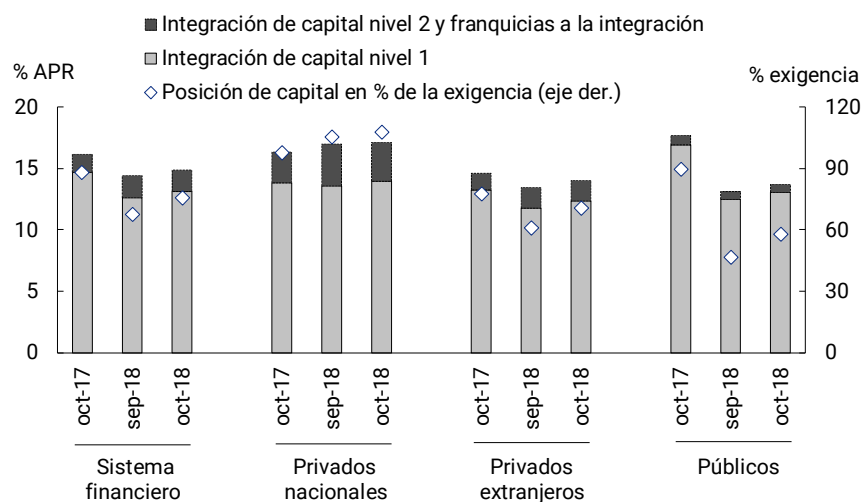
Anualizado (a). En % del activo netado	Anual				Trimestral															
	2015	2016	2017	2018*	IVT-15	IT-16	IIT-16	IIIT-16	IVT-16	IT-17	IIT-17	IIIT-17	IVT-17	IT-18	IIT-18	IIIT-18	IVT-18*	IT-18	IIT-18	IIIT-18
Margen financiero	11,8	11,4	10,1	10,6	12,8	12,1	12,0	11,2	10,6	9,5	11,0	10,5	9,4	10,3	11,0	10,8	10,2			
Ingresos por intereses	12,6	12,5	10,5	11,0	12,8	12,8	13,4	12,8	11,2	9,9	10,4	10,6	11,1	10,5	10,8	11,1	12,2			
Ajustes CER y CVS	0,2	0,3	0,3	1,3	0,2	0,4	0,4	0,4	0,2	0,1	0,3	0,2	0,5	0,7	1,1	1,3	2,4			
Diferencias de cotización	0,8	1,0	0,8	0,8	1,5	1,6	0,7	0,7	0,9	0,4	1,0	0,9	0,9	0,7	1,2	0,8	0,4			
Resultado por títulos valores	5,6	5,5	3,8	6,2	5,6	6,0	6,5	5,4	4,4	3,7	4,0	4,3	3,2	4,6	5,2	6,9	9,9			
Primas por pases	0,1	0,2	0,5	0,2	0,2	0,1	0,3	0,2	0,1	0,9	0,9	0,2	0,2	0,5	0,2	0,1	0,1			
Egresos por intereses	-7,3	-7,9	-5,7	-8,9	-7,6	-8,4	-9,1	-8,3	-6,2	-5,4	-5,6	-5,6	-6,0	-6,8	-7,4	-9,9	-14,6			
Otros resultados financieros	-0,2	-0,2	-0,2	0,1	0,1	-0,5	-0,1	0,0	0,0	-0,1	-0,1	-0,1	-0,5	0,0	-0,2	0,5	-0,2			
Resultado por servicios	3,7	3,3	2,8	2,2	3,6	3,1	3,4	3,4	3,2	3,0	2,9	2,7	2,8	2,2	2,3	2,2	2,2			
Cargos por incobrabilidad	-0,9	-0,8	-1,0	-1,3	-1,1	-0,7	-0,8	-0,9	-0,9	-0,9	-1,1	-1,0	-1,1	-1,1	-1,4	-1,3	-1,5			
Gastos de administración	-7,7	-7,7	-7,1	-6,3	-7,8	-7,4	-8,0	-7,7	-7,6	-7,0	-7,3	-6,9	-7,4	-6,6	-6,3	-6,0	-6,2			
Impuestos y otros	-2,8	-2,5	-2,0	-2,0	-2,7	-2,7	-2,7	-2,3	-2,5	-1,6	-2,4	-2,0	-1,9	-1,9	-2,5	-2,1	-1,1			
Otros resultados integrales (ORI)	0,0	0,0	0,0	0,7	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,1	0,8	0,9	1,0			
Diferencia de cambio x conversión de estados fin.	0,0	0,0	0,0	0,4	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,1	0,8	0,9	-1,0			
Resultado total (ROA)	4,1	3,6	2,7	3,9	4,8	4,3	3,9	3,7	2,8	3,0	3,0	3,3	1,8	2,9	3,8	4,4	4,7			
Resultado total / Patrimonio neto (ROE). En %	32,4	29,6	23,4	34,1	38,5	35,4	30,8	29,0	24,5	27,1	26,0	26,8	15,0	23,6	32,8	41,2	43,0			

*A octubre

Fuente: BCRA

countries in the region. This process will go hand in hand with potential changes to BCRA's regulations.

Chart 2.3 Regulatory Capital Compliance and Excess (Position)



Integración de capital nivel 1: Patrimonio neto básico
 Integración de capital nivel 2: Patrimonio neto complementario
 Fuente: BCRA

ESPAÑOL	INGLÉS
Tabla 2.1	Table 2.1
Anualizado (a.). en %a. del activo neteado	Annualized (a.) in %a. of netted assets
Margen financiero	Financial margin
Ingresos por intereses	Income from interest
Ajustes CER y CVS	CER and CVS adjustments
Diferencias de cotización	Exchange rate differences
Resultado por títulos valores	Gains (losses) on securities
Primas por pases	Repo premiums
Egresos por intereses	Interest outflows
Otros resultados financieros	Other financial income
Resultado por servicios	Service income
Cargos por incobrabilidad	Loan losses
Gastos de administración	Overhead expenses
Impuestos y otros	Taxes and others
Otros resultados integrales (ORI)	Other comprehensive income (OCI)
Diferencia de cambio x conversión de estados fin.	Exchange difference on translation of financial statements
Resultado total (ROA)	Total income (ROA)
Resultados total/Patrimonio neto (ROE). En %	Total income / Net worth (ROE). In %

Anual	Annual
Trimestral	Quarterly
IVT-15	Q4-15
IT-16	Q1-16
IIT-16	Q2-16
IIIT-16	Q3-16
IVT-16	Q4-16
IT-17	Q1-17
IIT-17	Q2-17
IIIT-17	Q3-17
IVT-17	Q4-17
IT-18	Q1-18
IIT-18	Q2-18
IIIT-18	Q3-18
IVT-18*	Q4-18*
*A octubre	* As of October.
Fuente: BCRA	Source: BCRA

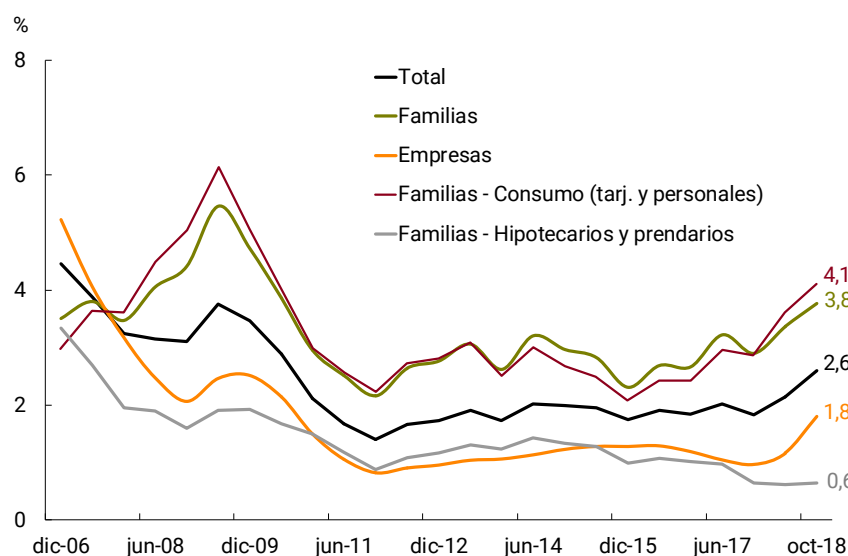
ESPAÑOL	INGLÉS
Gráfico 2.3	Chart 2.3
%APR	% RWA
Integración de capital nivel 2 y franquicias a la integración	Tier 2 capital compliance and exemptions
Integración de capital nivel 1	Tier 1 capital compliance
Posición de capital en % de la exigencia (eje der.)	Capital position as a % of the requirement (right axis)
% exigencia	% requirement
Sistema financiero	Financial system
Privados nacionales	National private banks
Privados extranjeros	Foreign private banks
Públicos	Public banks
Integración de capital nivel 1: Patrimonio neto básico	Tier 1 capital compliance: Basic net worth
Integración de capital nivel 2: Patrimonio neto complementario	Tier 2 capital compliance: Complementary net worth
Fuente: BCRA	Source: BCRA

The BCRA aims at maintaining a financial system with adequate capital levels in 2019. In this regard, financial institutions' aggregate data showed comfortable solvency levels in 2018. Financial institutions' regulatory capital compliance remained significantly above the minimum requirement –14.9% of risk-weighted assets (RWAs) in October (see Chart 2.3), 88% of which may be explained by the segment most capable of facing unexpected losses (Tier 1 capital). The aggregate financial system overcomplied with minimum capital requirements by 76%.

As for the major risks inherent to intermediation, non-performing private sector loans slightly increased in 2018. Such rise was observed in both households (mainly, personal loans and credit cards) and companies (mostly trade and industry). However, this indicator remained at low levels compared to previous years (see

Chart 2.4) and to the figures reported by other countries of the region. In turn, total provisioning for bad debts remained high, standing at 117% of the private sector non-performing portfolio as of October 2018. The low level of delinquency of the private sector coupled with a reduced exposure to the public sector and relatively high levels of capital and provisioning for bad debts contributed to moderate the net credit risk exposure of the ensemble of banks in 2018.⁴ In 2019, the BCRA will continue monitoring risks taken by financial institutions with a view to ensuring that the level of required capital is adequate, should those risks crystallize.

Chart 2.4 Non-Performing Loans to the Private Sector by Segment
Non-Performing Portfolio / Financing (%)



Fuente: BCRA

ESPAÑOL	INGLÉS
Gráfico 2.4	Chart 2.4
Total	Total
Familias	Households
Empresas	Companies
Familias – Consumo (tarj. y personales)	Households – Consumption (credit cards and personal loans)
Familias – Hipotecarios y prendarios	Households – Mortgage and pledge-backed loans
Fuente: BCRA	Source: BCRA

2.4 Prudential Regulation

⁴ For a detailed discussion of financial intermediation and major risk exposures, together with an assessment of aggregate financial institutions' relatively high level of resilience to extreme risk events, see the 2018 issues of the [Report on Banks](#) and the [Financial Stability Report](#).

The BCRA will continue boosting the development of the financial system in 2019 by monitoring existing risk sources and assessing the possibility of implementing new micro- and macro-prudential policy instruments—or adjusting the existing ones—in order to safeguard financial stability. In recent months, the BCRA's prudential regulations have been revised so that they are in line with international best practices and recommendations. Based on the international standards set by the Basel Committee on Banking Supervision (BCBS), the BCRA has recently issued regulations on “Large Exposures to Credit Risk”, which supersede the regulations on “Diversification of Credit Risk” of the private sector as from January 1, 2019. This supplements the Basel standard by defining minimum capital requirements in order to protect financial institutions from losses that would result from the default of a large debtor. This criterion has already been applied to the regulations on diversification of credit risk. However, Large Exposures to Credit Risk includes some nuances in line with new international standards.

In early 2018, the BCRA issued the regulations on “Leverage Ratio” (Basel III), which also supplement the minimum capital requirements set out in the regulations on “Financial Institutions’ Minimum Capital Requirements”. In order to improve the banking supervision process, the BCRA released new guidelines for interest rate risk management in the banking book, and adjusted the regulations on minimum capital requirements in the light of the new standard on securitizations revised by the BCBS. As regards the interest rate risk management in the banking book, the BCRA established—taking into consideration the assessment of economic capital adequacy in terms of risk profile (Internal Capital Adequacy Assessment Process, ICAAP)—that smaller financial institutions could apply internal models or a simplified methodology as long as they meet certain parameters. The Net Stable Funding Ratio (NSFR)⁵ became effective in 2018, supplementing the Liquidity Coverage Ratio (LCR) so that long-term assets can be funded with stable resources, thus improving the liquidity profile of financial institutions.

Finally, in order to contribute to the successful implementation of the monetary policy and to ensure domestic conditions of stability, the BCRA has put in place several changes in the domestic minimum reserve requirement scheme since mid-2018. Rates in the minimum cash regime were raised from June 21 to September 14. Against a backdrop of rising time deposits, the BCRA established that minimum cash requirements could be fully complied with Liquidity Bills (LELIQ) in late September. This measure proved to be useful to promote the raising of time deposits in pesos and to reduce the spread between the benchmark rate (LELIQ) and the rate on these deposits. Private-sector time deposits in pesos grew at an average pace exceeding 10% monthly in October and November, and the spread between the benchmark rate and the average rate on time deposits was reduced by over 900 basis points between September and December. Given that time deposits grew at different rates across the financial system, the proportion of minimum cash requirements to be complied with in pesos started to change between institutions even when the temporary structure of their time deposits was exactly the same.

On December 20, the BCRA made the minimum cash structure simpler and changed the incentive to raise time deposits—in place since October 1—for that aimed at promoting the extension of terms with no impact on the monetary base. To this end, cash requirements in pesos became equal for all banks pertaining to the same group. This change was also made in a manner that would neutralize the impact on the monetary base while stimulating the extension of terms of deposits in pesos in the financial system. The change to the minimum cash regime has no impact on the total requirements or the monetary base; however, it does imply changes to the requirements at the institution level. In order to ensure a smooth transition, the new regime—effective as from February 2019—will apply to larger institutions or those related to global systemically important groups, which exhibit the greatest differences compared to the prior regime. The BCRA will continue reviewing the regime in force to make it simpler during the rest of 2019.

In 2019, the BCRA will continue working to improve its institutional framework and operating performance by reviewing the regulations on additional capital buffer applied to domestic systemically important banks (DSIBs) in the light of the BCBS standards, and the definition and administration of the countercyclical capital buffer.

⁵ The major guidelines were approved in August 2017.

3. Financial Inclusion and Streamlining of Payment Systems

In a context of economic development with social equity, the BCRA is mainly concerned with the encouragement of people's financial inclusion, which involves having access and using financial services (transfers, payments, saving, and credit) at an affordable cost and on a safe manner for consumers and a sustainable fashion for suppliers.

Furthermore, the BCRA promotes the consolidation and widespread use of electronic means of payment in the economy in line with the main international trends. This brings about significant benefits to financial service users as a growing portion of the population is having more access to different means of payment that prove to be secure, flexible, and effective. At the same time, the BCRA replaces cash in circulation at reduced printing costs precisely because it is aware of the significance of improving the process of daily payments.

In 2019, the BCRA will continue working towards further financial inclusion, a more widespread use of electronic means of payments and a more effective traditional payment system.

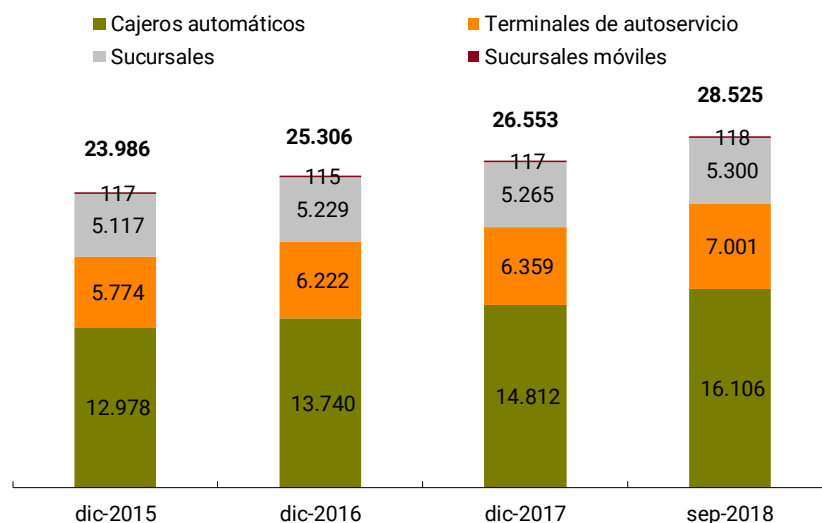
3.1 Financial Inclusion

Access to financial services is key for financial inclusion given that the number and coverage of access of points define the chances to use financial services. In late 2018, the BCRA authorized a pivotal channel to expand access to financial services: some types of businesses other than banks may carry out banking transactions as if they were "correspondent banks". These are existing businesses through which people can make banking transactions, especially in geographical areas where it is difficult to set up bank branches due to low population density or particular economic reasons.

In around 2,100 districts (59% of all districts across the country) mostly inhabited by less than 2,000 adults and in farming areas, these businesses may become, for many people, the main point of contact with the financial system. In this way, the area of coverage, use and quality of these businesses will be maximized. In 2019, the BCRA will monitor the performance of these businesses to assess their development, geographical reach and impact on the access and use of financial services such as opening accounts, time deposits, and applications for loans.

Furthermore, this new channel is expected to contribute to improving the banking infrastructure which, as of September 2018, amounted to 28,525 businesses (see Chart 3.1), up 9.7% against 2017, mainly driven by an increase in ATMs and self-service terminals, which grew 12.1% each. On another note, cash back gained significant momentum in 2018; over 7,000 shops were recorded as of June 2018. This new methodology allows shops to have a better administration of their cash surpluses.

Chart 3.1 Financial System Pointes of Access



Fuente: BCRA

ESPAÑOL	INGLÉS
Gráfico 3.1	Chart 3.1
Cajeros automáticos	ATMs
Sucursales	Branches
Terminales de autoservicio	Self-service terminals
Sucursales móviles	Branches on Wheels
Fuente: BCRA	Source: BCRA

In 2018, the BCRA's regulations on branches on wheels were also relaxed by both allowing financial institutions to establish the periods when they will operate and removing the existing temporary restriction.

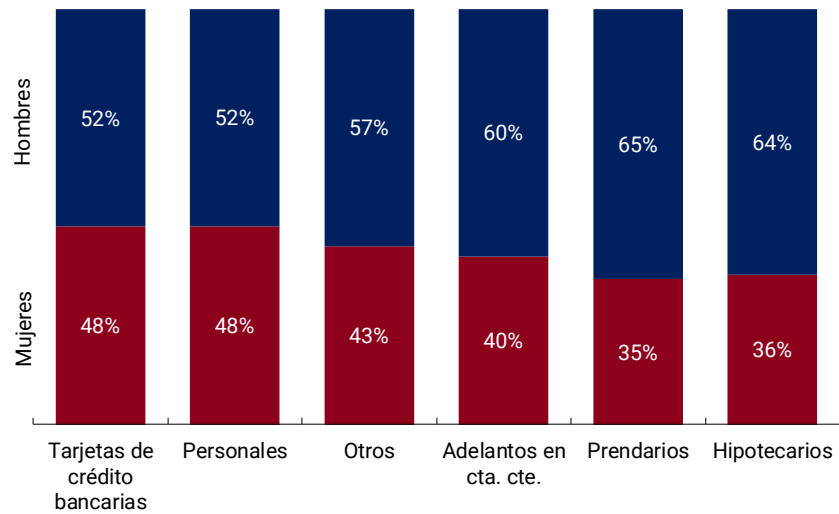
In turn, 80.4% of Argentine adult population have at least one deposit account as of March 2018, which proves to be another basic indicator of financial inclusion. Although this figure mirrors a high degree of financial inclusion compared to other countries in the region or other countries with similar economic development, the BCRA will continue analyzing different initiatives in order to reach a higher coverage and, essentially, to increase its use. In this regard, “businesses acting as bank correspondents” have a crucial role for the opening of new accounts and to maximize the use of existing ones.

Gender equality contributes to economic development and promotes social equity. Following this line of thought, the BCRA has started to analyze instances of gender inequality in key financial inclusion indicators by drawing on different data basis. It is worth pointing out that there is no significant difference between women's and men's access to accounts (80.7% of adult women and 80.1% of adult men). However, there is a gap in the financing variable; in March 2018, 47% of adult women had at least resorted to one kind of financing as opposed to 54.2% of adult men. This gap tends to grow as either the financing term or the amount of the loans increase or where a guarantee is required (around 30 percentage points of car and mortgage-backed loans; see Chart 3.2). In 2019, the BCRA will keep on analyzing data on demand and supply broken down by gender in order to find out the reasons lying behind gender gaps in the financial system.

Access to lending is another pillar for financial inclusion. In Argentina, 50.7% of the adult population had obtained, as of May 2018, at least one kind of financing; and a large proportion of individuals financed themselves with credit cards (32.1% of adult population), in contrast to a smaller proportion of personal loans (21.6%), car loans (1.7%), and mortgage-backed loans (0.8%). The BCRA will keep on analyzing the trends in the access to financing in order to facilitate and promote equal distribution.

In 2019, the BCRA will continue analyzing all data that may contribute to paint the picture of Argentina’s financial inclusion and to determine the most suitable course of action. The analysis of these data will also allow to decide whether such indicators should be published to allow all stakeholders to take decisions based on available information.

Chart 3.2 Debtors according to type of Financing and Gender



Fuente: BCRA

ESPAÑOL	INGLÉS
Gráfico 3.2	Chart 3.2
Hombres	Men
Mujeres	Women
Tarjetas de crédito bancarias	Bank credit cards
Personales	Personal loans
Otros	Other
Adelantos en cta. cte.	Current account overdrafts
Prendarios	Car loans
Hipotecarios	Mortgage-backed loans
Fuente: BCRA	Source: BCRA

3.2 Electronic Means of Payment: Recent Measures, System Performance and Initiatives for 2019

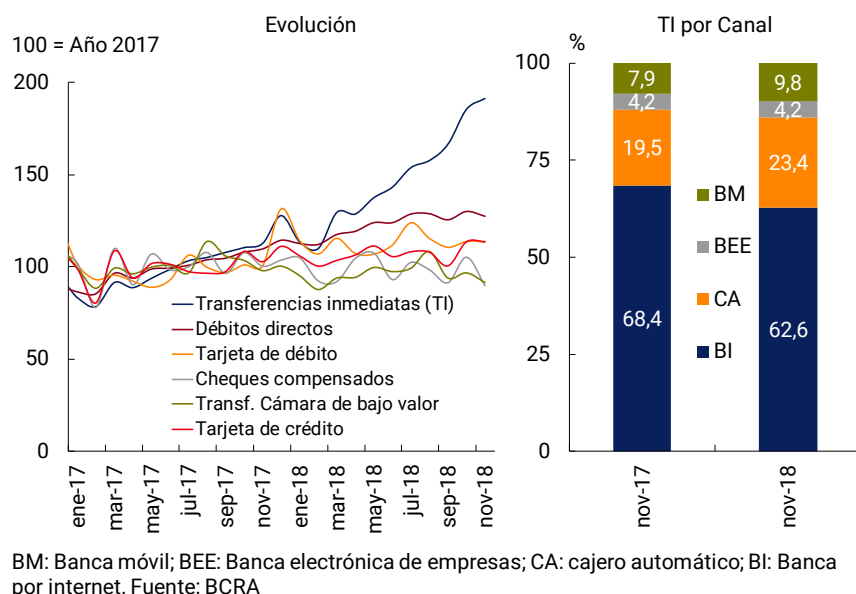
In 2018, the BCRA continued to adopt measures aimed at promoting a widespread use of electronic means of payment. The DEBIN (instant debit) process was improved by adding new systemic controls and scoring of transactions, among other changes.

In furtherance of making collection management more secure and effective, and in an effort to reduce the grounds to reject checks, the electronic check (ECHEQ) was regulated in 2018. The ECHEQ is a check issued electronically which has all the features of a physical check (regular or deferred payment), and may be endorsed but it is not subject to any of the limitations imposed on traditional checks.

In turn, in order to continue contributing to the development and modernization of means of payment, a uniform code called single virtual code ("CUV") was launched to expedite interoperability between payment service providers and bank accounts. In addition, the operation to make payments through the so-called quick response code (QR codes) was regulated.

In 2018, the use of instant transfers by the population increased steadily followed by direct debits (see Chart 3.3).⁶ Regarding channels to make instant transfers, the use of mobile banking and ATMs increased in the last few months in detriment to the use of online banking which decreased slightly.

Chart 3.3 Means of Payment



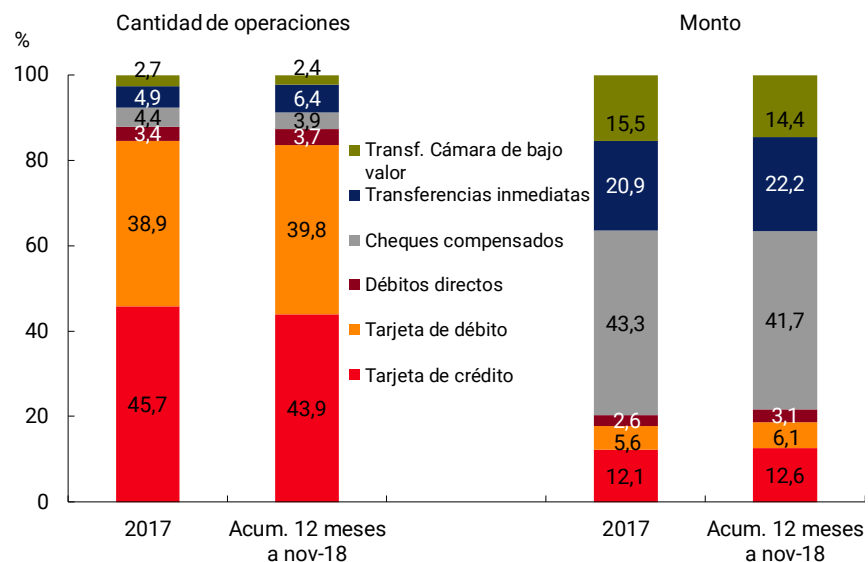
ESPAÑOL	INGLÉS
Gráfico 3.3	Chart 3.3
Evolución	Evolution
100= Año 2017	100 = Year 2017

⁶ For further information, see [Financial Stability Report](#), 2018 editions.

Transferencias inmediatas (TI)	Instant transfers
Débitos directos	Direct debits
Tarjetas de débito	Debit cards
Cheques compensados	Cleared checks
Transf. Cámara de bajo valor	Transfers Low-value clearing house
Tarjeta de crédito	Credit card
TI por Canal	Instant Transfers by Channel
BM	MB
BEE	BeB
CA	ATM
BI	OLB
BM: Banca móvil; BEE: Banca electrónica de empresas; CA: cajero automático; BI: Banca por internet.	MB: Mobile Banking; BeB: Business Electronic Banking; ATM: Automated Teller Machine; OLB: Online Banking
Fuente: BCRA	Source: BCRA

In this context, both instant transfers and direct debits continued gaining share in transactions alternative to cash in the last few months. Instant transfers grew by 1.4 p.p. in terms of turnover, and 1.5 p.p. in terms of number of transactions. In turn, checks continued evidencing a declining share (see Chart 3.4).

Chart 3.4 Means of Payment – Share



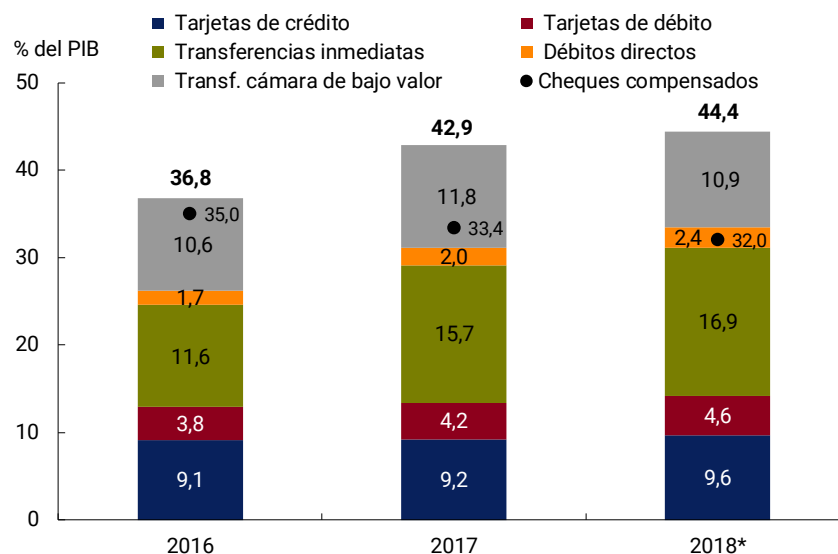
Fuente: BCRA

ESPAÑOL	INGLÉS
Gráfico 3.4	Chart 3.4
Cantidad de operaciones	Number of transactions
Monto	Amount
Transf. Cámara de bajo valor	Transfers Low-value clearing house
Transferencias inmediatas	Instant transfers
Cheques compensados	Cleared checks

Débitos directos	Direct debits
Tarjeta de débito	Debit card
Tarjeta de crédito	Credit card
Acum. 12 meses a nov-18	Accumulated 12 months as of Nov-18
Acum. 12 meses a nov-18	Accumulated 12 months as of Nov-18
Fuente: BCRA	Source: BCRA

Thus, in 2018 there was a growing trend towards the use of electronic means of payment in the economy (see Chart 3.5). Instant transfers stood at 16.9% in the GDP on a year-to-date basis (January-November 2018), going up against the same period in 2017 and 2016. The remaining transfers made by households (through the low-value clearing house) reached 10.9% of GDP in 2018 in line with the two previous years. The volume of purchases made with debit and credit cards kept on climbing up to 4.6% and 9.6% of GDP, respectively. In addition, direct debits showed a positive performance. Thus, electronic means of payment (instant transfers and low-value clearing house, direct debits, and credit and debit cards) posted a y.o.y. rise of up to 44.4% of GDP.

Chart 3.5 Retail Means of Payment (excluding cash) - January-November (annualized) in GDP terms



*Estimado. Fuente: BCRA e INDEC

ESPAÑOL	INGLÉS
Gráfico 3.5	Chart 3.5
Tarjetas de crédito	Credit cards
Transferencias inmediatas	Instant transfers
Transf. Cámara de bajo valor	Transfers Low-value clearing house
Tarjetas de débito	Debit cards
Débitos directos	Direct debits
Cheques compensados	Cleared checks
% del PIB	% of GDP

*Estimado. Fuente: BCRA en INDEC	*Estimated. Source: BCRA and National Consumer Price Index (INDEC)
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In 2019, the BCRA will continue to improve and promote new financial instruments in an attempt to bring financial services closer to people's needs, especially in segments that have largely been neglected.

The BCRA will keep on moving towards the improvement of procedures for clearing transfers and checks through more flexible, secure and efficient mechanisms. The BCRA is particularly concerned with the establishment and improvement of channels for instant transfers. In this context, it is determined to adopt reasonable measures that may allow to efficiently mitigate the risks related to different types of settlements.

Additionally, ECHEQs will be implemented in 2019, and will coexist with checks in paper format. As per regulations, all banks shall offer their clients—both companies and individuals—the chance to deposit or cash sight e-checks (drawn against savings or current accounts) with a bank teller. The Interbank Commission on Means of Payment will keep on working on the operating aspects of e-checks. This commission is composed of the BCRA, bank representing associations, and other players in the system—such as ATM networks and clearing houses—and usually analyzes proposals regarding the performance of, and the progress achieved in, means of payment. E-checks are expected to bring about some advantages for customers. They are more convenient because they avoid the need to deliver paper checks. Moreover, e-checks reduce the chances of fraud since the chain of payments can be monitored closely, particularly where a check is endorsed many times. E-checks also avoid any rejection grounded on formal defects. Given that checks in Argentina are orders of payment and financing instruments as well, e-checks are expected to facilitate their negotiation electronically and remotely, thereby reducing charges for operation, transportation and document verification.

Furthermore, we will redouble our efforts to leverage the systems of Immediate Electronic Payment (PEI) and the Instant Debit (DEBIN) by implementing measures that ensure transparency and tools for customers to take informed decisions upon making payments. In addition, we are drawing up rules about the return and repudiation of PEI transactions and a fair playing field with a view to encourage competition in the market.

On the other hand, the BCRA will continue working to develop the Argentine payment ecosystem by fostering the interoperability of payment service providers (PSP) and bank accounts through measures that allow the use of the CVU (single virtual code) implemented in 2018. By extending the routing system of traditional bank accounts (single banking code known as CBU) to payment service providers, the interoperability and tracing of these transactions become easier. For example, bank clients with a traditional account may, through online banking, make a transfer to a person who has an account in an electronic wallet by entering a CVU.

Finally, the BCRA is committed to contribute towards the development of projects on the improvement and amendment to the National Payments System in the context of the Western Hemisphere Payments and Securities Clearance and Settlement Initiative coordinated by the Center for Latin American Monetary Studies (CEMLA). In addition, the BCRA is determined to reaffirm its participation in the Committee on Payments and Market Infrastructures (CPMI) of the Bank for International Settlements of which it is member since 2018. The Committee analyzes surveillance management methods applied to payment systems in the euro area and in Latin American countries; reviews international standards; assesses financial innovation resources; promotes joint projects and projects for regional integration; and analyzes information from different participating countries with a view to applying such data to the local environment.

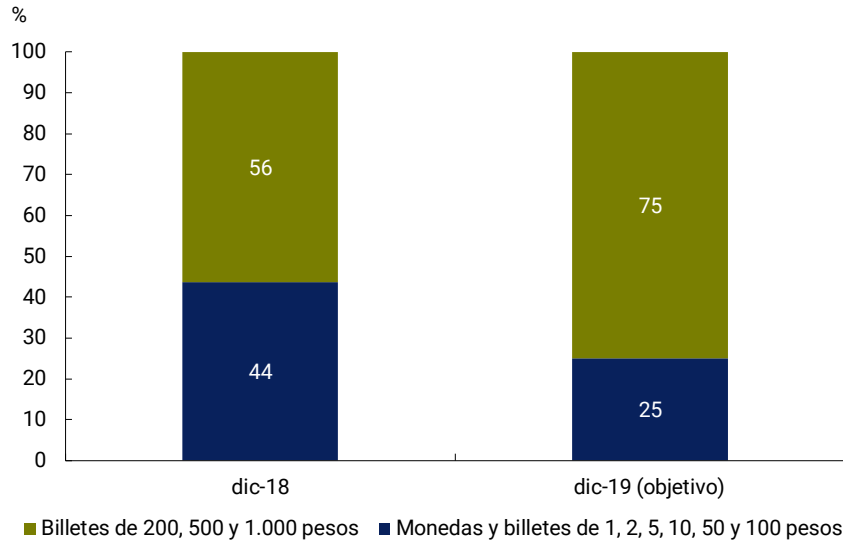
3.3 Banknotes and Coins

In the second half of 2018, the BCRA continued working on the implementation of two new banknotes of the peso series entitled “Argentina’s Native Fauna” (ARS50 and ARS100 banknotes featuring the condor and the taruca, respectively) and two coins of the series known as “Trees of the Argentine Republic” (ARS2 and ARS10 coins displaying the silk floss tree and the calden tree, respectively). Looking ahead, the BCRA plans to improve the quality of banknotes in circulation and the provision of metal pieces across the country in 2019.

Therefore, it will take some steps to make daily cash transactions easier; to increase the use of electronic means of payment; to ensure a fair distribution of cash through the network of bank branches and ATMs across the country; to streamline cash management; and to reduce the cost of transport and storage of money by distributing banknotes of different denominations within the financial system on a proportional basis.

Our work revolves around two objectives that go hand in hand. On the one hand, the improvement of the quality of banknotes in circulation by withdrawing worn-out banknotes for 1.1 billion and replacing them for new ones. The economic value of the currency stock will consist of 25% of banknotes of low denomination, and 75% of high denomination thereby maximizing the system’s logistics (see Chart 3.6) by December 31, 2019. On the other hand, the distribution of coins across the country, which is channeled through financial Institutions and companies—in the latter, when so requested to the BCRA.

Chart 3.6 Total share of banknotes and coins in circulation in pesos (low and high denomination): December 2018 and target for December 2019



Fuente: BCRA

ESPAÑOL	INGLÉS
Gráfico 3.6	Chart 3.6
dic-18	Dec-18
dic-19 (objetivo)	Dec-19 (target)
Billetes de 200, 500 y 1.000 pesos	ARS200, 500, and 1000 banknotes

Monedas y billetes de 1, 2, 5, 10, 50 y 100 pesos	ARS1,2, 5, 10, 50, and 100 coins and banknotes
Fuente: BCRA	Source: BCRA