

**The Evolution of Monetary Targeting in Argentina:
From *Stabilization* (2024) and *Regime Transition*
(2025) to Demand-led *Re-Monetization* (2026+)
Supportive of Increased Reserve Purchases**

Investor Meetings, Washington DC
October 15-16, 2025

Vladimir Werning, Deputy Governor, BCRA



BANCO CENTRAL
DE LA REPÚBLICA ARGENTINA

Monetary Targeting: From Stabilization and Regime Transition to Re-monetization

1 | Monetary Stabilization (2024)

Adopting monetary targeting to exit a high inflation regime (fiscal dominance, monetary overhang)

2 | Regime Transition (2025)

Adapting monetary targeting to exit financial repression (FX controls) while confronting event risk (elections)

A | Facing short-term "growing pains": A money-based nominal anchor requires FX & rates flexibility

B | Managing domestic market "growing pains": Progress is already visible and will bring long-term gains

C | Managing "event-risk": An extraordinary, but temporary, electoral shock that depressed money demand

3 | Re-monetization (2026+)

Managing monetary targeting to satisfy a genuine recovery of money demand in 2026 and beyond

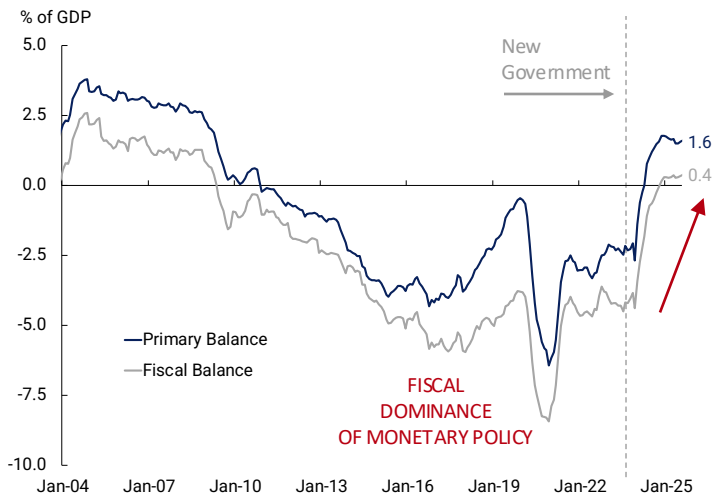
Monetary Targeting: From Stabilization and Regime Transition to Re-monetization

1 | Monetary Stabilization (2024)

Adopting monetary targeting to exit a high inflation regime (fiscal dominance, monetary overhang)

- Sizing up the challenge: Establishing monetary targeting eliminated fiscal dominance + monetary overhang
- Measuring success: Rapidly lowering inflation while achieving domestic relative price adjustments

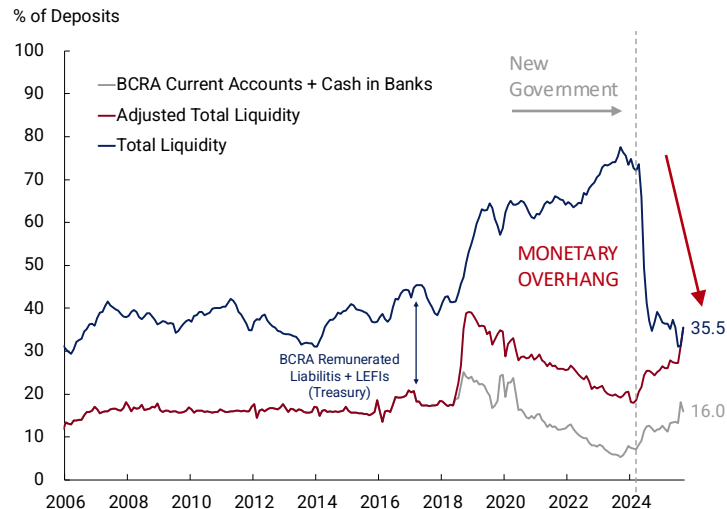
Non-financial public sector overall and primary balance Cumulative 12 months



Note | Data up to August 2025. 2021 does not include extraordinary SDR allocation. 2022 does not include extraordinary property income. Prior to the 2017 methodological change, the result was estimated excluding the BCRA's profit transfers to the National Treasury, and, for the primary result, also excluding the property income of the Social Security Institutions. Source | BCRA.

Challenge 1: Eliminating chronic fiscal dominance over monetary policy. Adjustment of flow imbalances (fiscal deficits)

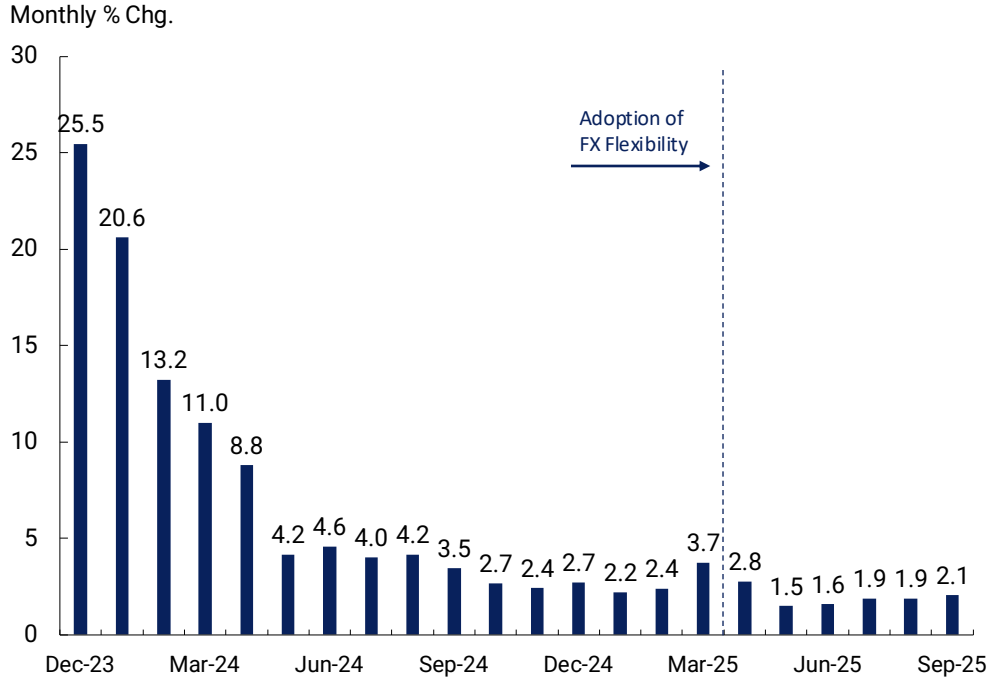
Financial System Liquidity



Note | Total liquidity includes cash at banks, entities' current accounts at the Central Bank of Argentina (BCRA), LEBACs, LELIQs, NOTALIQs, NOCOMs, net repos, LEFIs, and securities for minimum cash integration. Adjusted total liquidity includes cash at banks, entities' current accounts at the Central Bank of Argentina (BCRA), and securities for minimum cash integration. Source | BCRA.

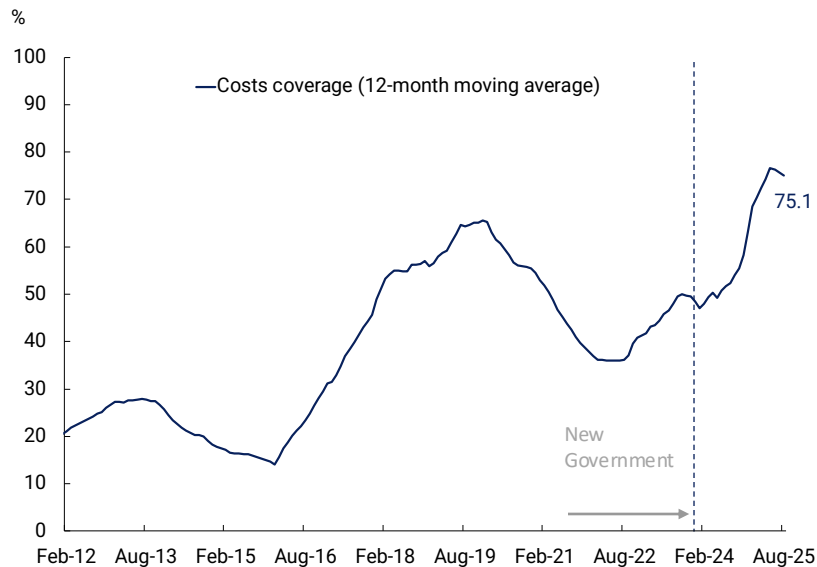
Challenge 2: Eliminating a legacy monetary overhang Adjustment of stock imbalances (quasi-fiscal deficits)

CPI inflation



Note | Data as of September 2025.
Source | INDEC.

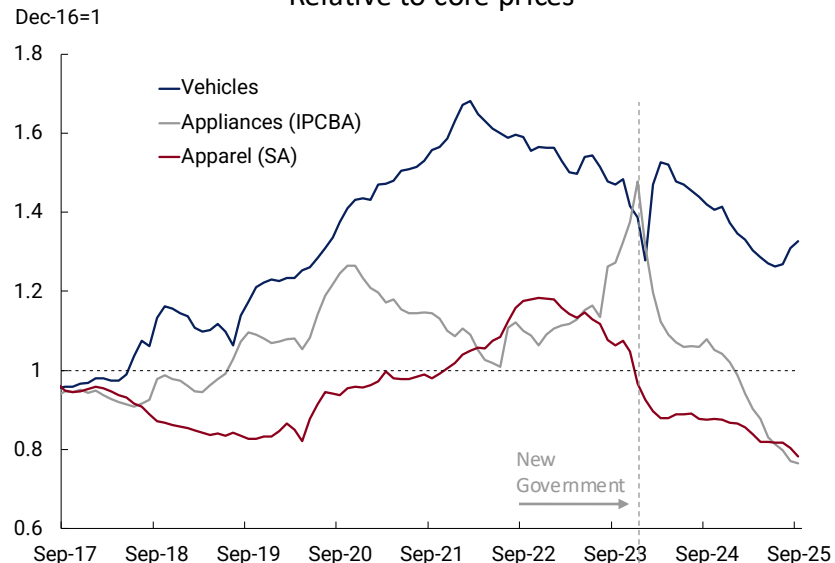
Electric tariffs



Note | Data as of August 2025.
Source | BCRA based on CAMMESA data.

Public service tariffs: Normalization is reflecting the ongoing reduction of subsidies and increase in tariffs

Adjustments of relative prices due to trade liberalization Relative to core prices



Note | Data as of September 2025.
Source | BCRA, INDEC and IDECBA.

Durable goods prices : Relative cheapening of durable goods is reflecting trade deregulation/import tariff cuts

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2 | Regime Transition (2025)

Adapting monetary targeting to exit financial repression (FX controls) while confronting event risk (elections)

A | Facing short-term "growing pains": A money-based nominal anchor requires FX & rates flexibility

- Sizing up the challenge: Refining monetary targeting by eliminating FX controls (April) and LEFI (July)
- Measuring success: De-linking inflation concern from FX while achieving external relative price adjustments

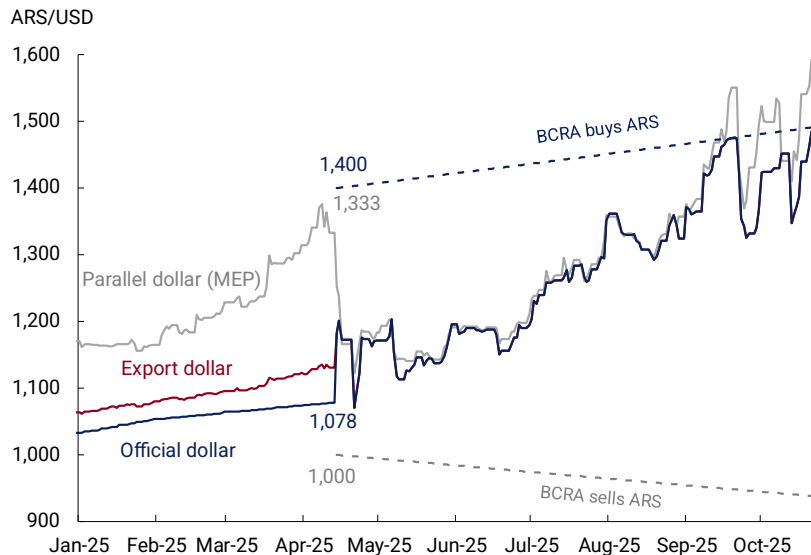
B | Managing domestic market "growing pains": Progress is already visible and will bring long-term gains

- Sizing up the challenge: Moving from passive (LEFI) to active (market operations) liquidity management
- Measuring success: Maintaining inflation expectations well anchored

C | Managing "event-risk": An extraordinary, but temporary, electoral shock that depressed money demand

- Sizing up the challenge: Risk aversion in a bi-monetary economy translates into "dollar, not cash, is king"
- Measuring success: Managing a sharp fall in money demand in 2025 (FX hedging equivalent to 40% of M2)

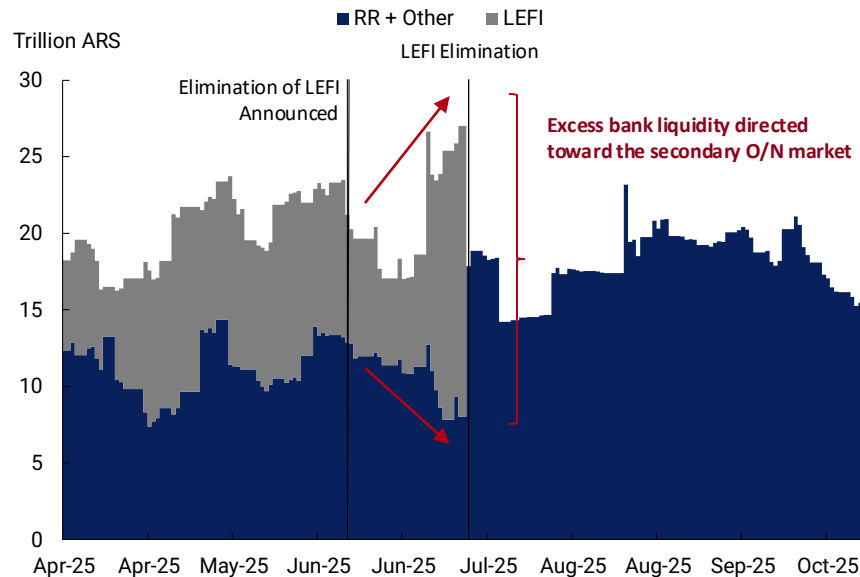
Spot exchange rate



Note | Data as of October 21st. Source | BCRA.

Challenge 1: Formally establishing monetary aggregate targeting as the nominal anchor required **incorporating flexibility in the FX market** (replacing FX crawl with floating FX within widening bands; April 2025)

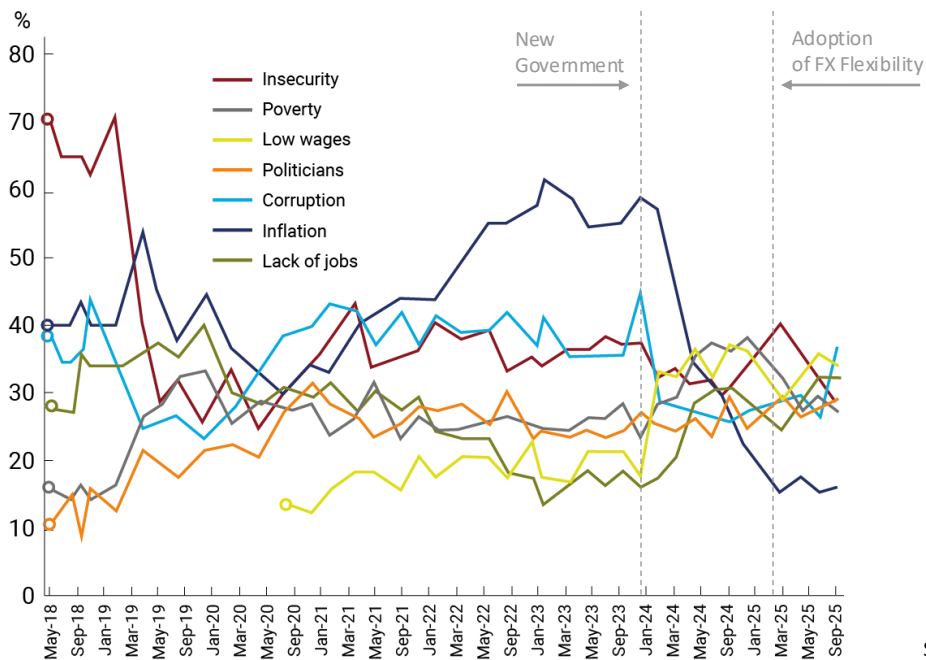
Banks' cash deposits at BCRA Reserve Requirements, LEFI Window and Other



Source | BCRA.

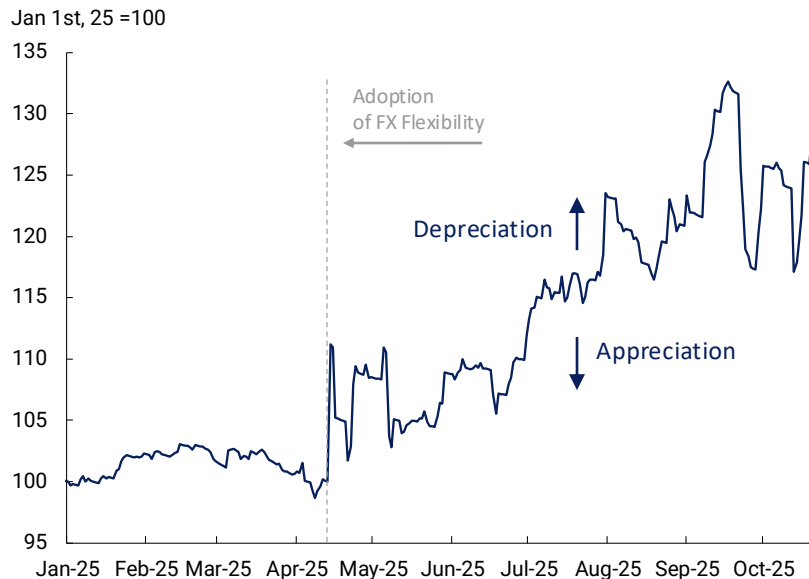
Challenge 2: Formally establishing monetary aggregate targeting as the economy's nominal anchor required **incorporating flexibility in the interest rate market** (replacing passive window facilities, LEFI, with active market operations; July 2025)

Opinion poll: Perception of Main Problem Affecting Society
In % of total answers



Source | UdeSA.

Multilateral Real Exchange Rate Index level



Note | Data as of October 20th, 2025.
Source | BCRA.

Exchange rate flexibility: Improvements are reflecting the lifting of FX restrictions (April, 2025)

Domestic soybean price paid to local producers (net of taxes) as % of international price (valued at parallel FX rate)



Note | Data as of October 20th, 2025. Last observation for Nov-25: October 20th data.
Source | BCRA from Secretariat of Agriculture, Livestock and Fisheries and Bloomberg.

Tradable goods prices: Normalization is reflecting currency unification and tax reductions

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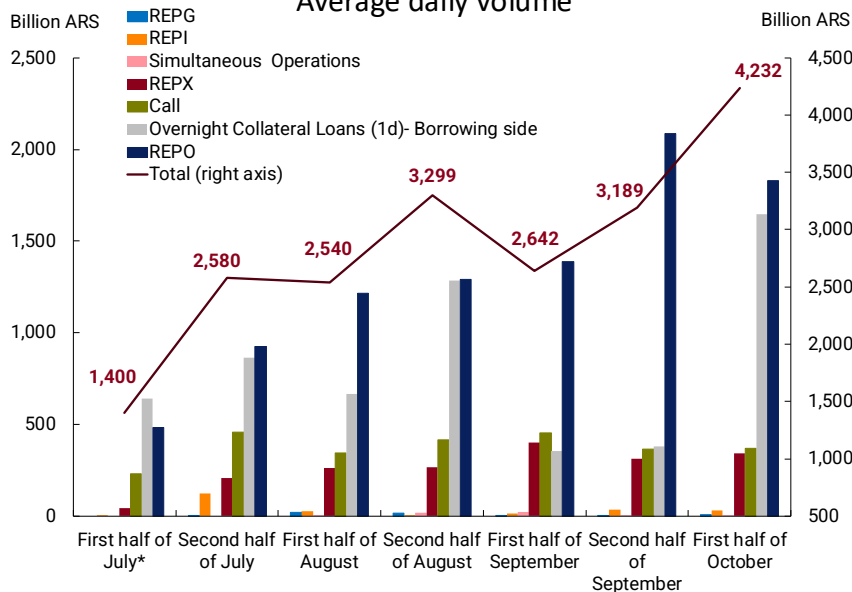
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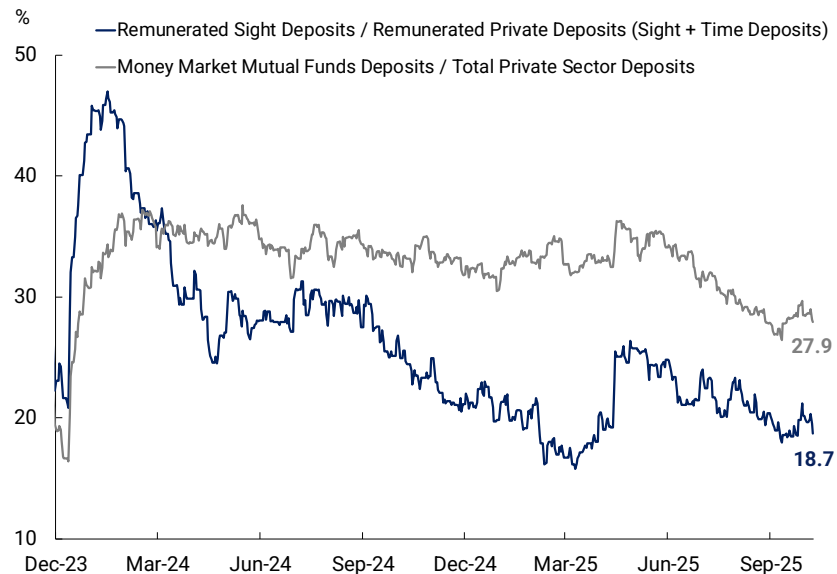
O/N Liquidity Markets Average daily volume



Note | Overnight collateral loans data from July 8th. Data as of October 13th. Source | BCRA.

Rebirth of the interbank market: An initially shallow inter-bank market for liquidity is rapidly growing and deepening

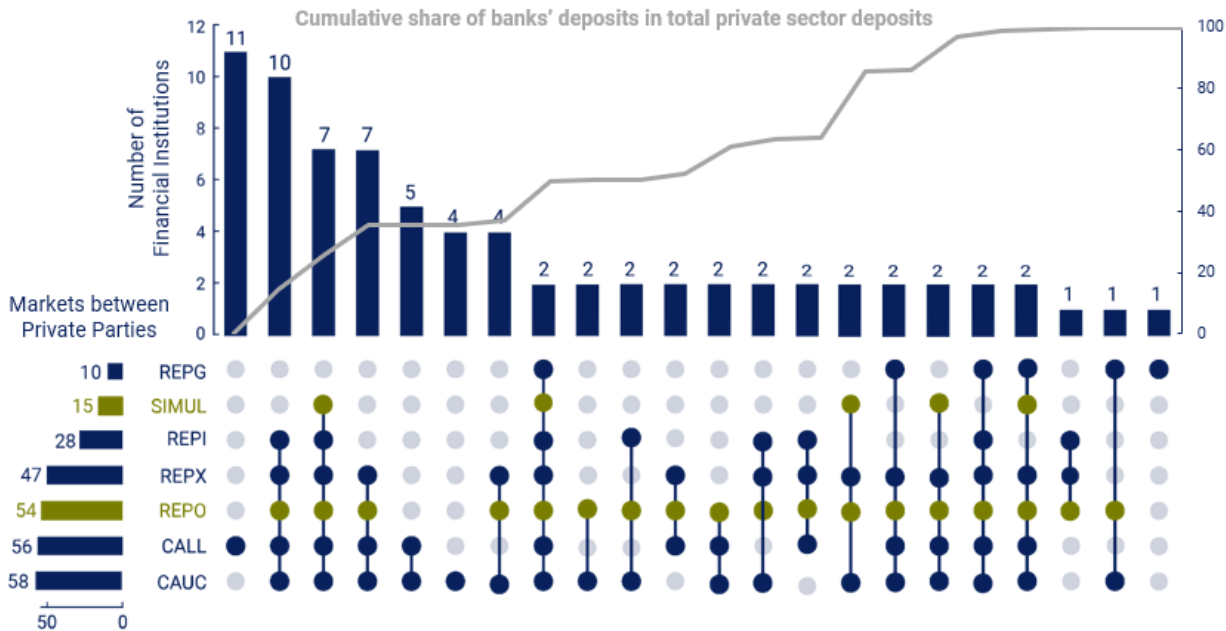
Private Sector Deposits



Note | Data as of October 9th. Source | BCRA.

Legacy disintermediation: An initially disintermediated inter-bank market for liquidity is gradually reversing course

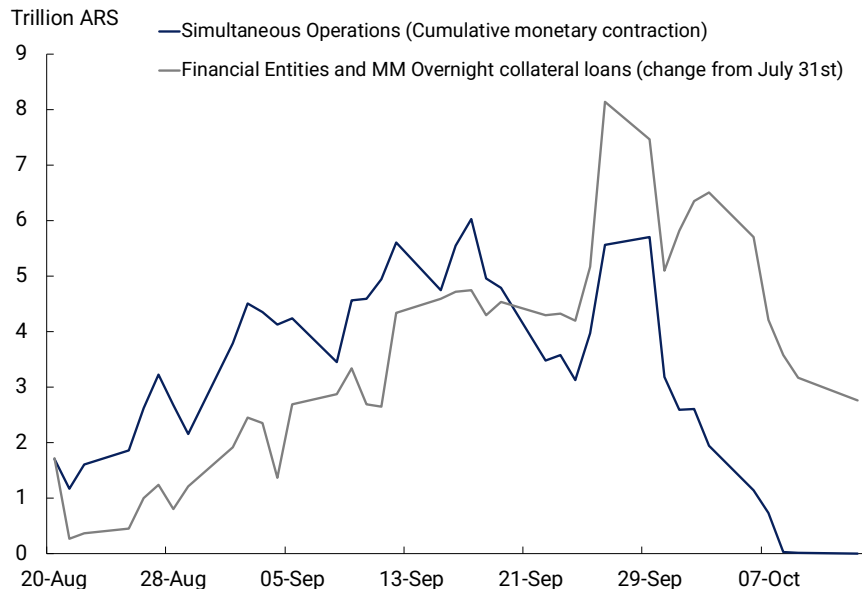
Number of Banks Operating in Different Secondary Markets for O/N Liquidity
Between Jul 31 and Oct 13 (excl. BCRA)



Note | CAUC = Overnight Collateral Loans (1d) – Borrowing Side.

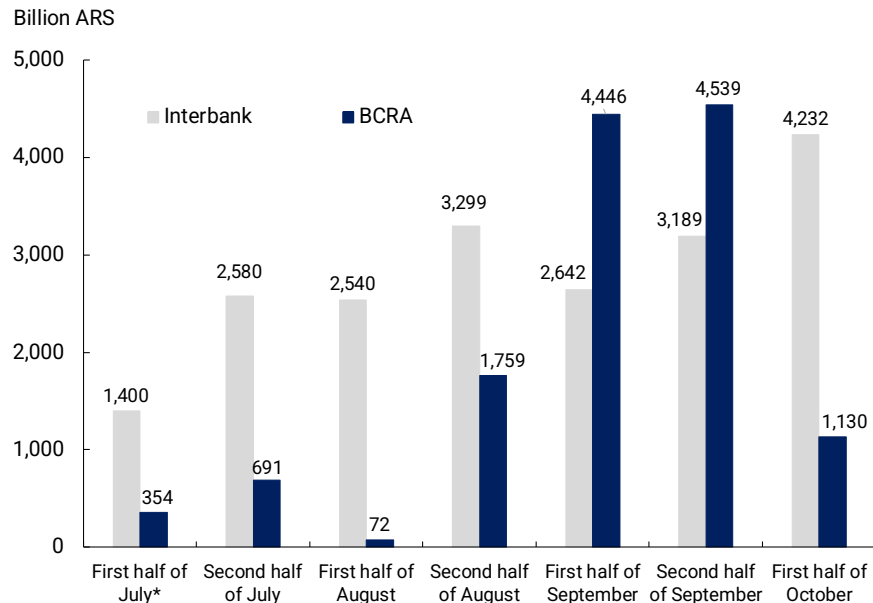
Source | BCRA.

BCRA Open Market Operations and O/N Collateralized Loans



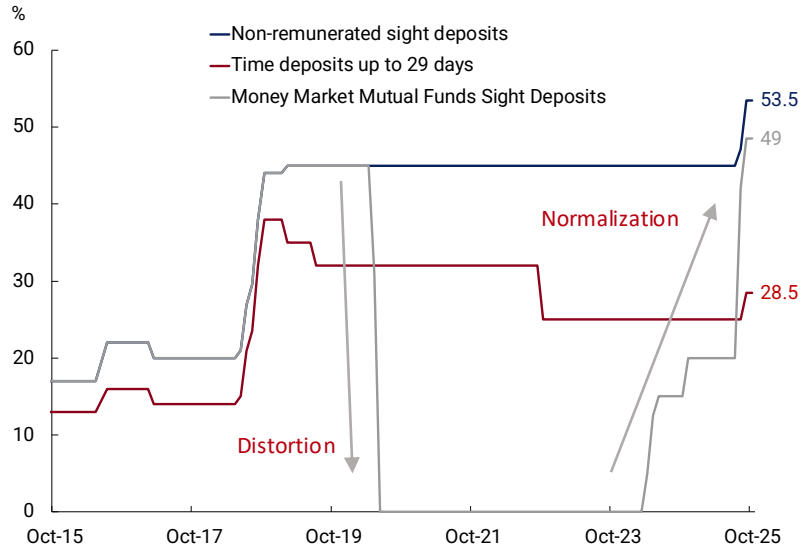
Note | Data as of October 13th
Source | BCRA.

BCRA Open Market Operations and Inter-Bank Liquidity Average daily volume



Note | Overnight collateralized loans data from July 8th. Data as of October 13th
Source | BCRA.

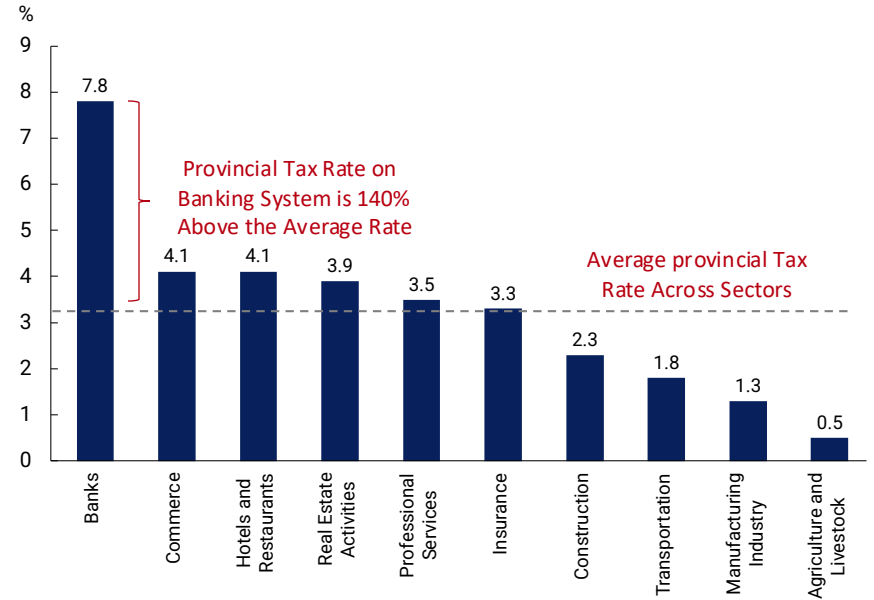
Banks' Reserve Requirements (Cash and Securities) by Deposit Type



Note | The August reserve requirement is the average of the reserve ratios effective through the 18th and from the 19th onward.

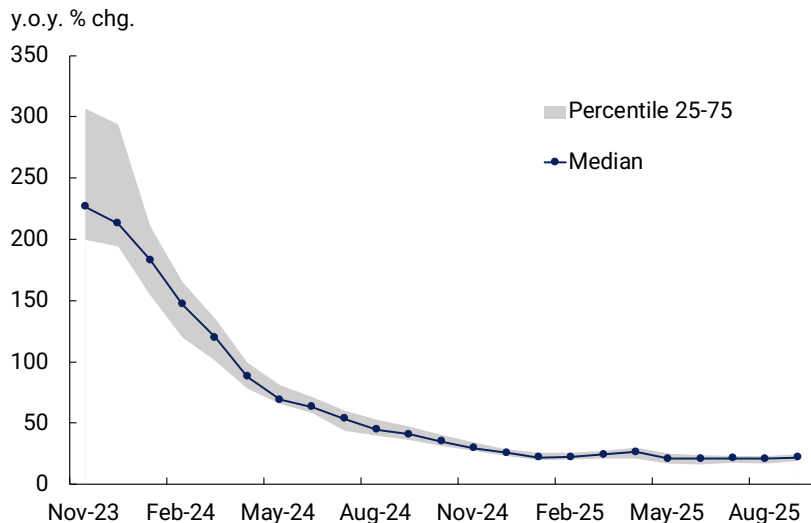
Source | BCRA.

Provincial Gross Revenue Tax Rates by Sector Average, 2023



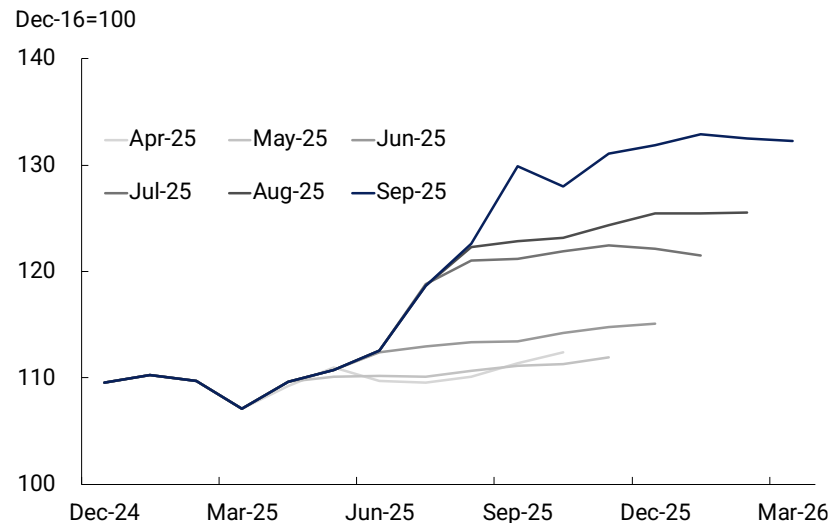
Source | IERAL.

Inflation expectations 12 months ahead
BCRA's REM Survey (Market analysts' consensus)



Source | REM-BCRA.

Real bilateral exchange rate against USA
BCRA's REM Survey (Market analysts' consensus)



Note | Median of implicit real bilateral exchange rate expectations. U.S. monthly inflation for the period September 2025–March 2026 is projected using the median estimate from FocusEconomics (Oct-25).
Source | BCRA from INDEC, Thomson Reuters and Focus Economics (Oct-25) data.

Monetary Targeting: From Stabilization and Regime Transition to Re-monetization

2 | Regime Transition (2025)

Adapting monetary targeting to exit financial repression (FX controls) while confronting event risk (elections)

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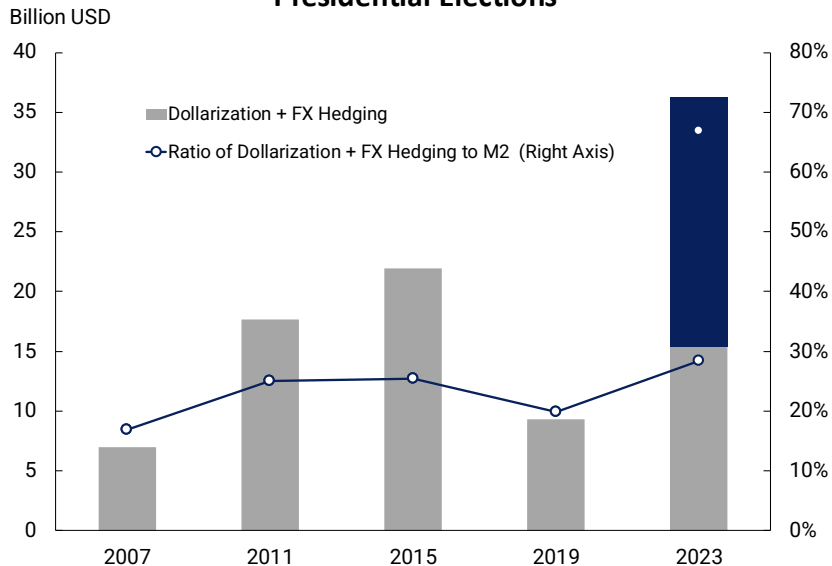
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Monetary targeting: Stabilization, transition, and re-monetization

Managing event-risk: In a bi-monetary economy, bouts of risk-aversion lower money demand (i.e. "dollar is king") instead of increasing it (i.e. "cash is king")

Proxy measure for the decline in money demand around elections (increase in private sector dollarization/USD hedging) 6-months prior to elections (*)

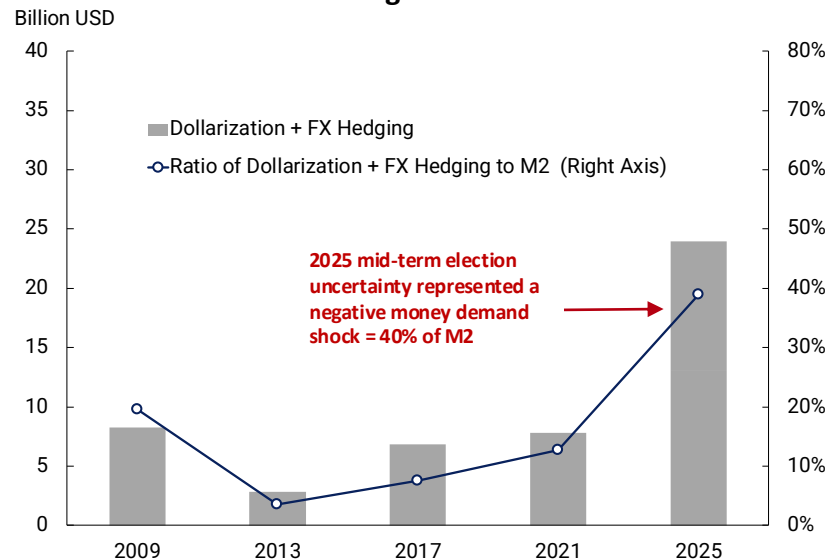
Presidential Elections



(*) Additionally (for 2023) blue bar includes increase over prior 12-months. Source | BCRA.

"Dollar, not cash, is king": Risk aversion reduces money demand in years of electoral uncertainty (15-30% of M2)

Mid-term Legislative Elections



Source | BCRA.

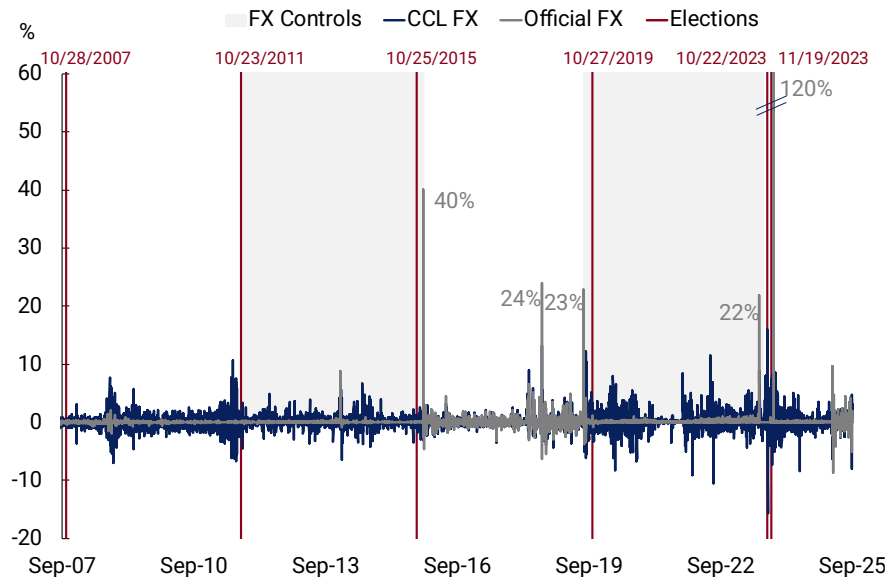
2025 mid-term election uncertainty represented a negative money demand shock = 40% of M2

"It's the election, stupid!": The 2025 mid-term election reduced money demand by an unprecedented 40% of M2

Confidence in Government Index



FX daily change and presidential elections

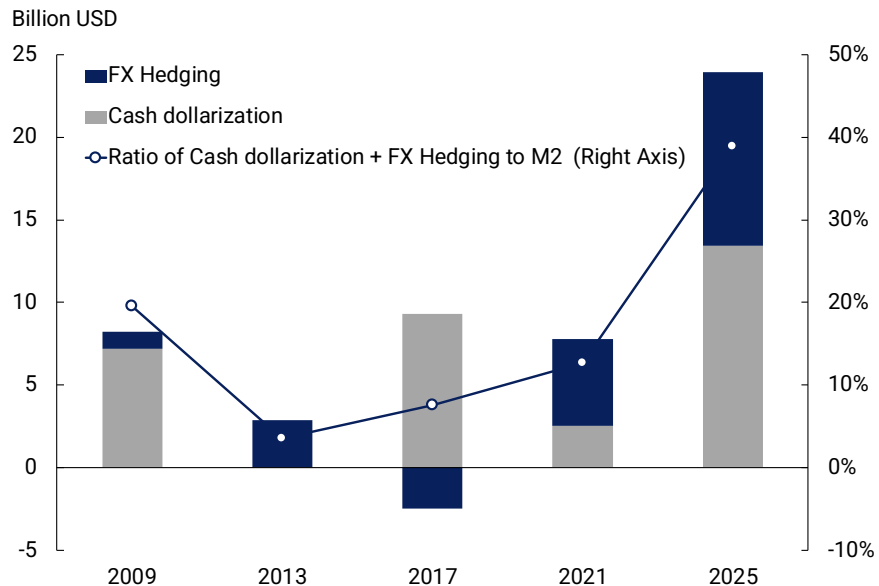


Note | Data as of September 2025.

Source | BCRA from Universidad Torcuato Di Tella data.

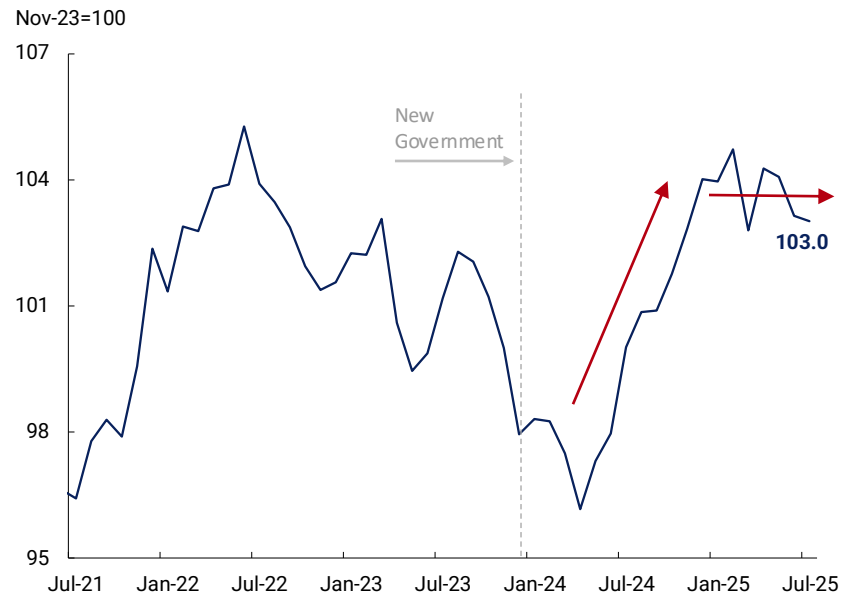
Source | BCRA.

BCRA's proxy for decline in money demand (increase in dollarization/USD hedging by private sector)
Mid-term Legislative Elections



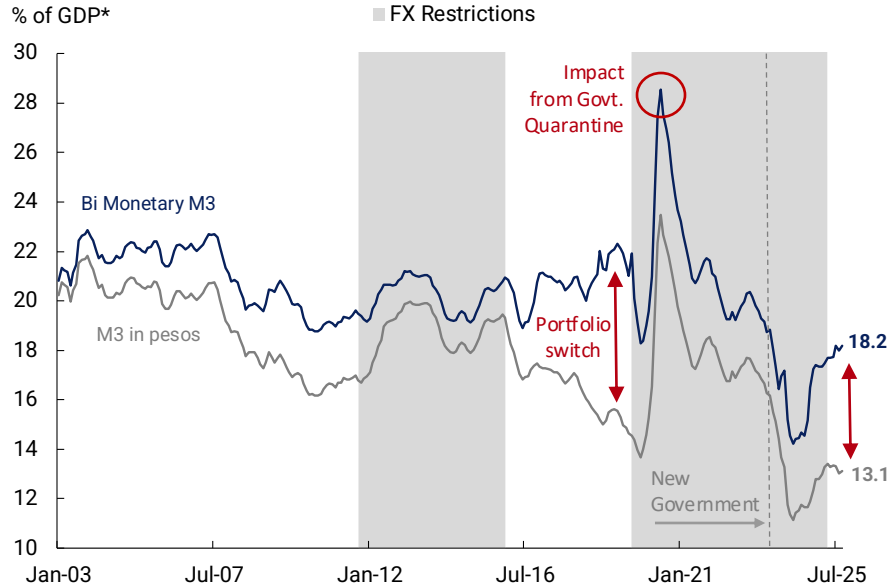
Note | 6-months prior to elections
 Source | BCRA.

GDP
 Seasonally adjusted



Note | Data as of July 2025.
 Source | BCRA.

Bi-monetary Aggregates: Private M3

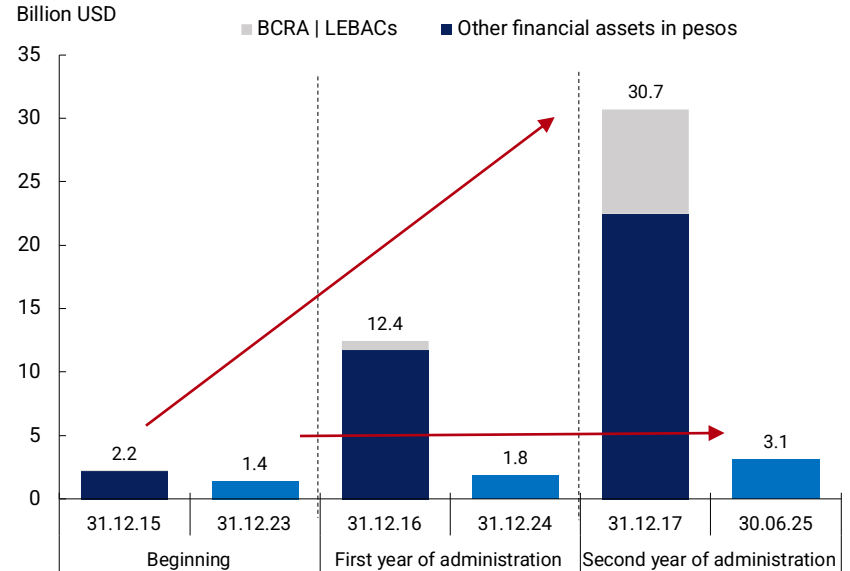


*Calculated on GDP s.a.; 3-month moving average.

Note | Data as of September 2025.

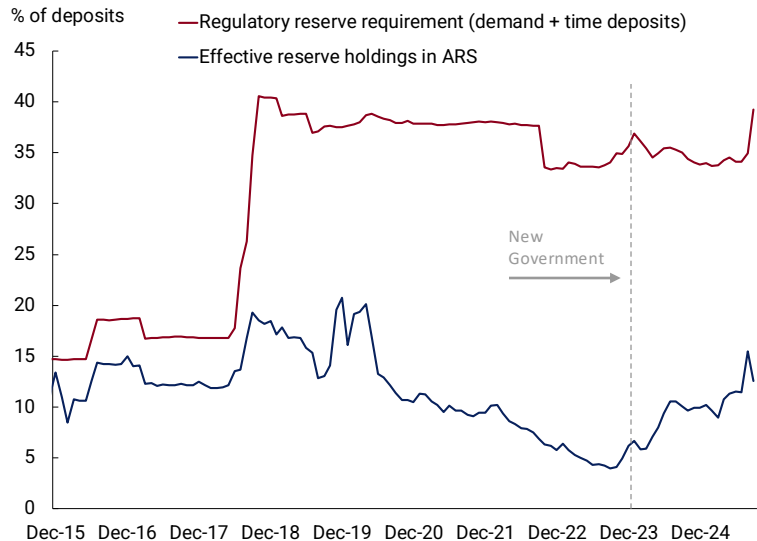
Source | BCRA.

Non-residents' holdings of financial assets in pesos



Source | Own estimates at market value based on data from the BCRA, Caja de Valores, INDEC, and the Ministry of Economy.

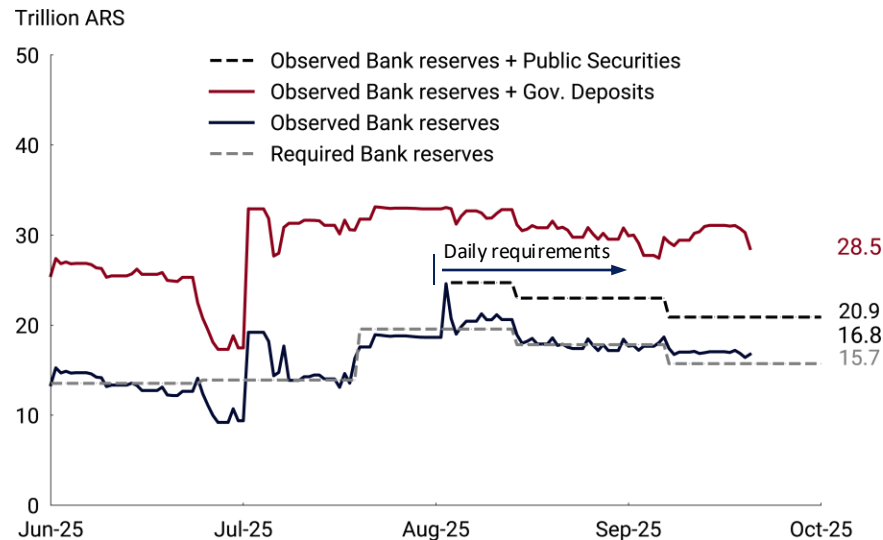
**Bank's Reserve Requirement Deposits at BCRA:
Total (Cash and Securities) and Only Cash**



Note | The regulatory RR assumes that deductions and the differential between sight deposits and interest-bearing sight deposits never existed. Data as of September 2025
Source | BCRA.

Reserve requirement hikes driven by **permanent prudential regulation** (May 2024, April 2025)

Bank's Reserve Requirement Deposits at BCRA



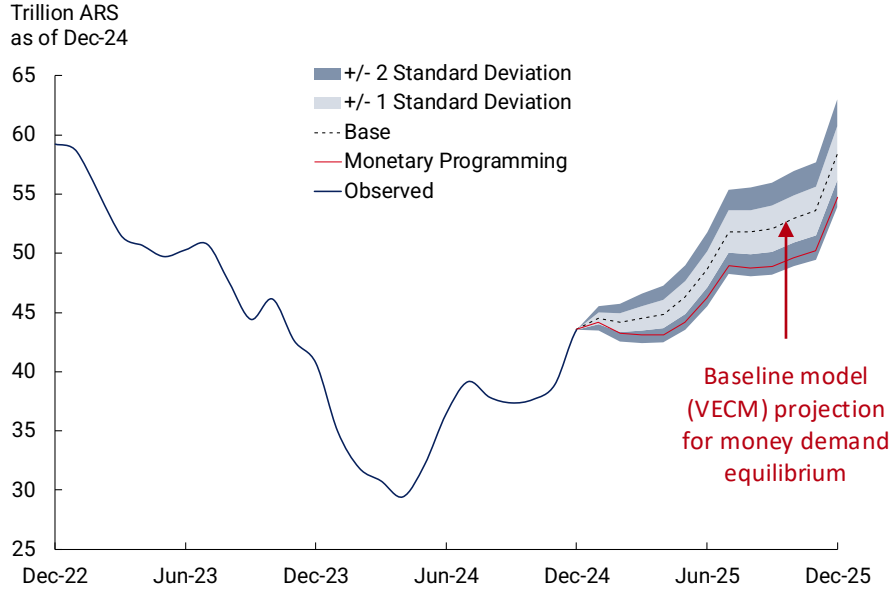
Note | Data as of October 17th.
Source | BCRA.

Reserve requirement hikes driven by **transitory monetary management** (July 2025, August 2025)

Monetary targeting: Stabilization, transition, and re-monetization

Managing event-risk: Lower money demand implied engineering a reduction in the path of M2 vs. an ex-ante VECM (probability weighted) scenario

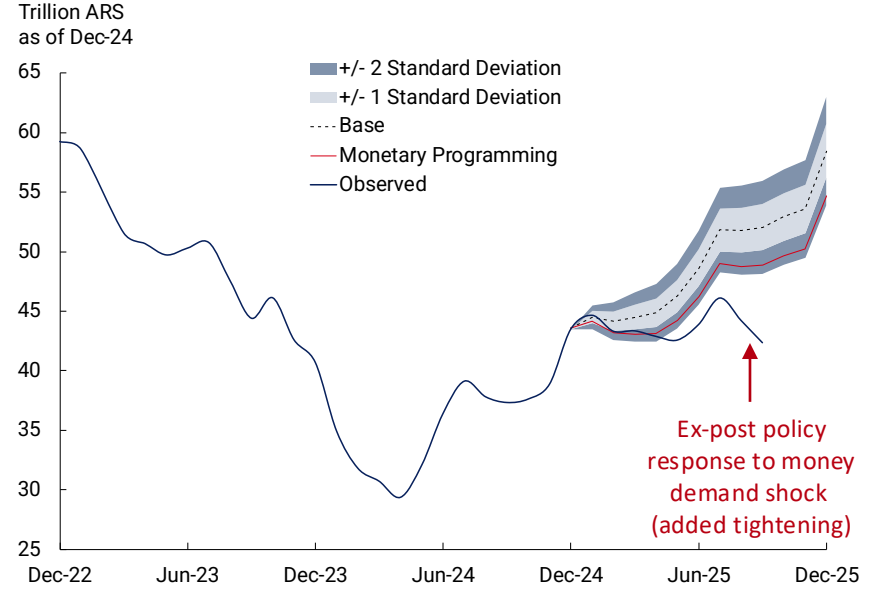
Private Transactional M2



Source | BCRA.

Demand projections: Baseline growth of money demand & model uncertainty (April)

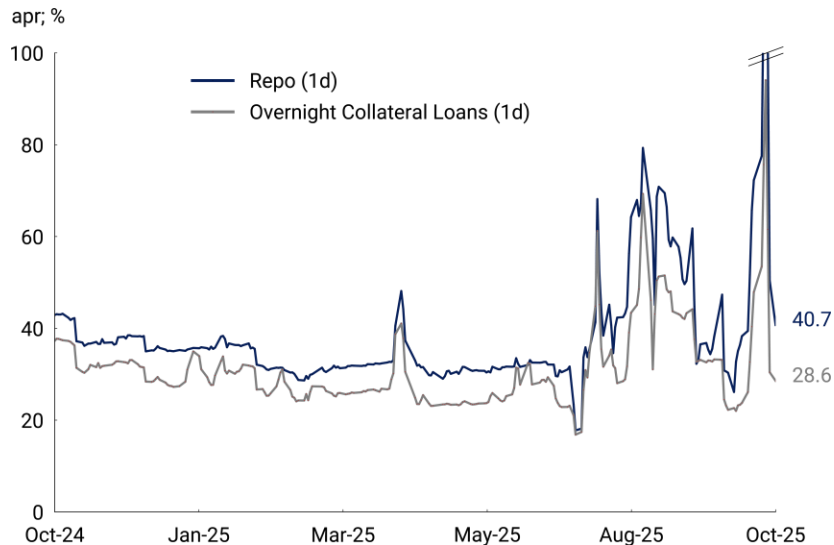
Private Transactional M2



Note | Data as of September 2025. Source | BCRA.

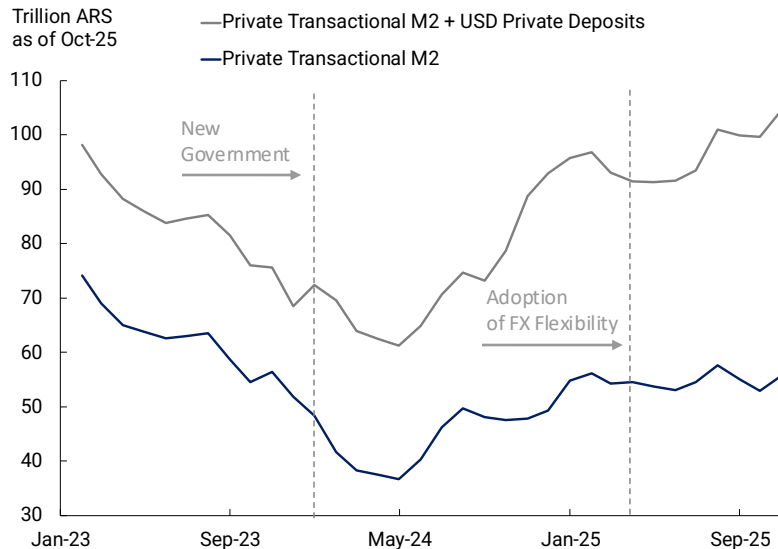
Actual path to balance lower money demand:
Ex post policy response = BELOW 2 std-dev

Interest rates
Repo and Overnight Collateral Loans



Note | Data as of October 17th, 2025.
Source | BCRA.

Private Transactional M2 and USD deposits



Note | Data as of October 15th, 2025
Source | BCRA.

3 | Re-monetization (2026+)

Managing monetary targeting to satisfy a genuine recovery of money demand in 2026 and beyond

- Scope for genuine money demand growth is large and can be satisfied by inside or outside funding sources
- "Inside money" sources have been eliminated (fiscal deficits) or are coming to an end ("*Anker Point*")
- "Outside money" (reserve purchases) offers a source that can accelerate with market access (debt roll-over)

Monetary targeting: Stabilization, transition, and re-monetization

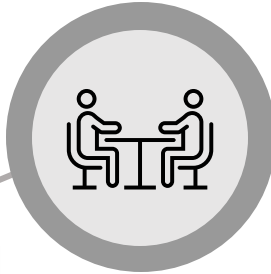
Re-monetization (2026+): Within a broader strategy, monetary policy will play a key role by reinforcing domestic and external stability

Reforms (Voter Mandate)

Electoral result



Economic Growth
(Consensus
for Supply-Side
Reforms)



Political Alliances



Stability (Domestic & External)

MONETARY STRATEGY

CPI Inflation



BCRA
Reserves



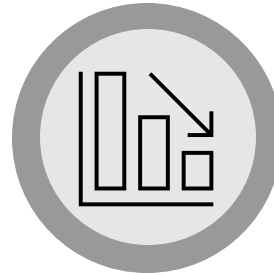
DEMAND-
DRIVEN RE-
MONETIZATION

Economic
Activity



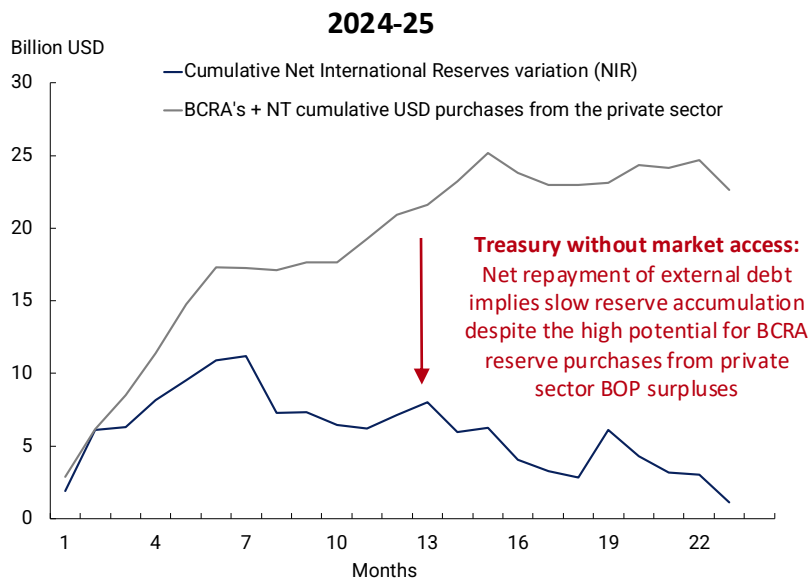
Liquidity
(External Market Access)

Debt Strategy



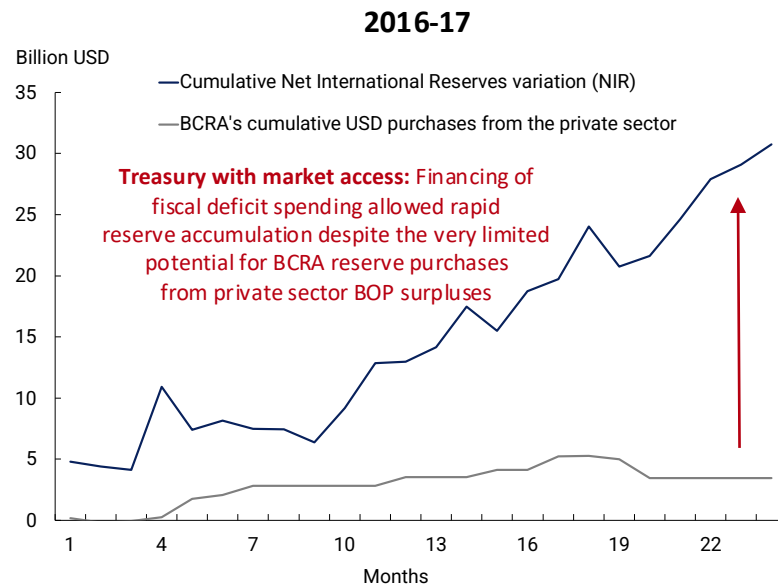
Monetary targeting: Stabilization, Re-monetization (2026+): Reserve accumulation lagged purchases in 2024-25 transition, and re-monetization only due to transitory factors (net debt repayment + shock to money demand)

BCRA's cumulative USD purchases from the private sector and cumulative Net International Reserves variation



Note | Data up to October 17th, 2025.

Source | BCRA.



Source | BCRA.

2024-25: De-leveraging liabilities (investing in credibility)

- Faster reserve purchases reflects macro equilibrium
- Slower reserve accumulation reflects delayed market access, and therefore, net debt re-payment

2016-17: Leveraging liquid assets (spending credibility)

- Slower reserve purchases reflects macro dis-equilibrium
- Faster reserve accumulation reflects early market access
- Rapid reserve accumulation funded fiscal spending

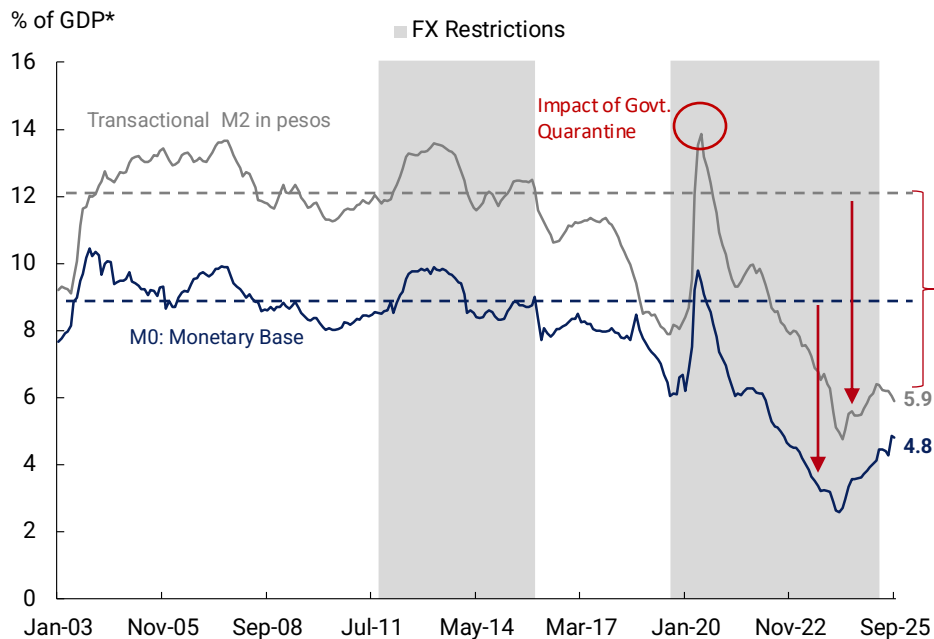
In a context of re-monetization, a conventional framework for **M2 growth targeting facilitates many policy objectives**

- **Benefits for stability: *greater predictability and flexibility***
 - **Greater predictability:** Constraining baseline money demand to/below VECM path anchors CPI expectations
 - **Greater flexibility:** Anchoring CPI expectations facilitating relative price adjustments, reducing risk-premia
- **Benefits for financial markets: *diminished uncertainty and greater domestic liquidity***
 - **Diminished uncertainty:** Reduced risk-premia contributes to lowering the long-term real interest rate
 - **Greater domestic liquidity:** Lowering interest rates contributes to broaden bank credit & capital markets
- **Benefits for the economy: *greater activity and external liquidity***
 - **Greater activity:** Broader bank credit & capital markets allows leveraging of economic activity
 - **Greater external liquidity:** Rising activity supports genuine money demand and therefore, re-monetizing via non-sterilized international reserve purchases by BCRA
- **Benefits for policy: *greater credibility and accountability***
 - **Greater fiscal credibility:** Rising activity raises tax revenue to keep the budget balanced & lower tax rates
 - **Greater monetary accountability:** Communicating projections (and risks) offers metrics for accountability

Monetary targeting: Stabilization, transition, and re-monetization

Re-monetization (2026+): Previous de-monetization (2015-2023) coupled with macro re-balancing (2024-25) provides the room for money demand growth (consistent with non-sterilized reserve purchases)

De-monetization and re-monetization potential M0 and M2



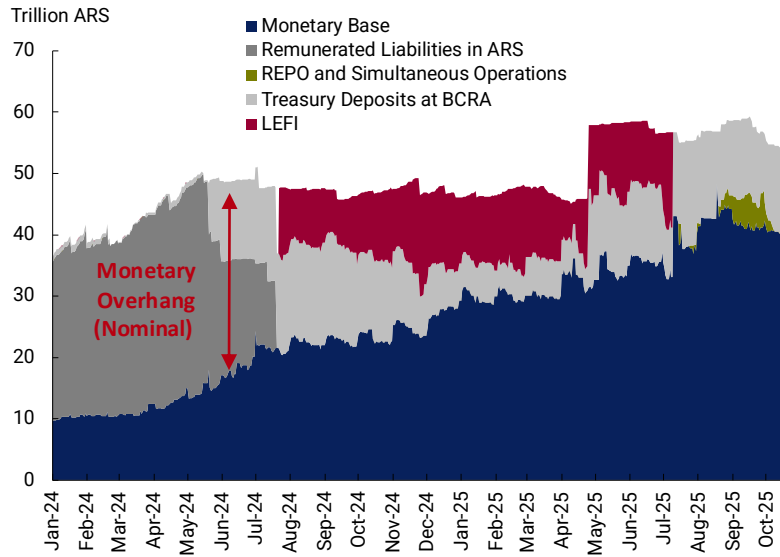
*Calculated on GDP s.a.; 3-month moving average.
Source | BCRA.

Previous de-monetization leaves room for demand-driven monetary aggregate growth that is consistent with stability

- Historically, Argentina's monetary base (M0) has represented 8,7% of GDP.
- The sharp trend decline in peso money demand reflected early-stage hyperinflation dynamics (2019-2023)
- Financial repression through FX controls and remunerated sterilization of excess money made the process more protracted.
- M0 hit a trough of 2.6% of GDP (2024)
- The recovery of M0 since (2,1pp) has been driven by demand for currency in circulation (0,8pp) and regulatory hikes in RR (1,3pp).
- The demand for re-monetization of the economy going forward can be funded by "inside money" (domestic sources) or "outside money" (balance of payments).

Monetary Base, Remunerated Liabilities, LEFI, Treasury Deposits at BCRA, REPO and Simultaneous Operations

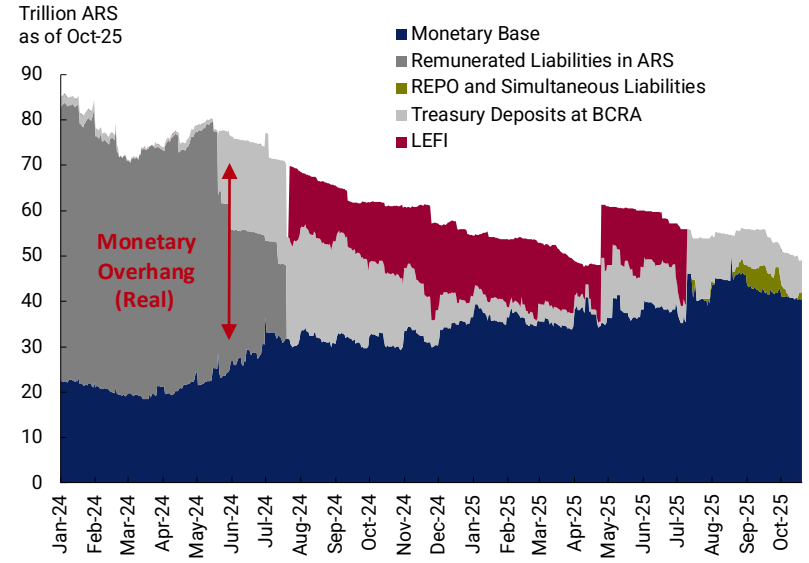
Current prices



Note | Data as of October 20th
Source | BCRA.

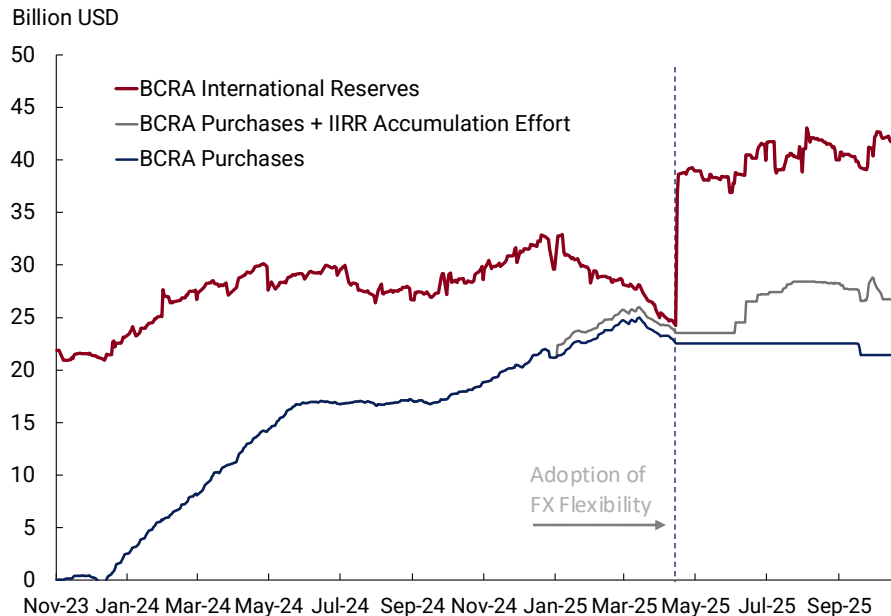
Monetary Base, Remunerated Liabilities, LEFI, Treasury Deposits at BCRA, REPO and Simultaneous Operations

Constant prices



Note | Data as of October 20th
Source | BCRA.

BCRA's cumulative USD purchases from the private sector, international reserves and other USD operations



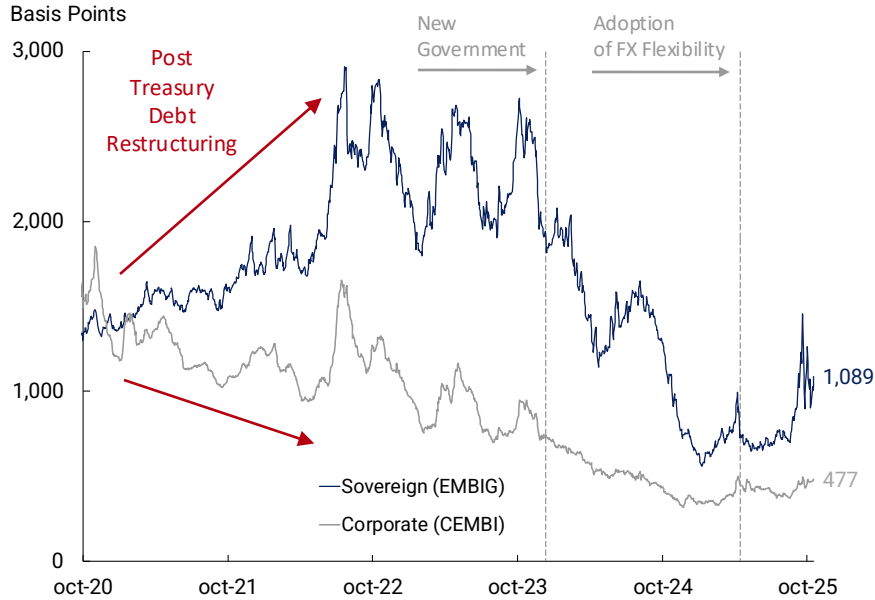
Note | Data as of October 16th, 2025.

Source | BCRA.

Monetary programming serves to calibrate the proportion of "inside-money" and "outside-money" that funds a projected re-monetization in domestic currency

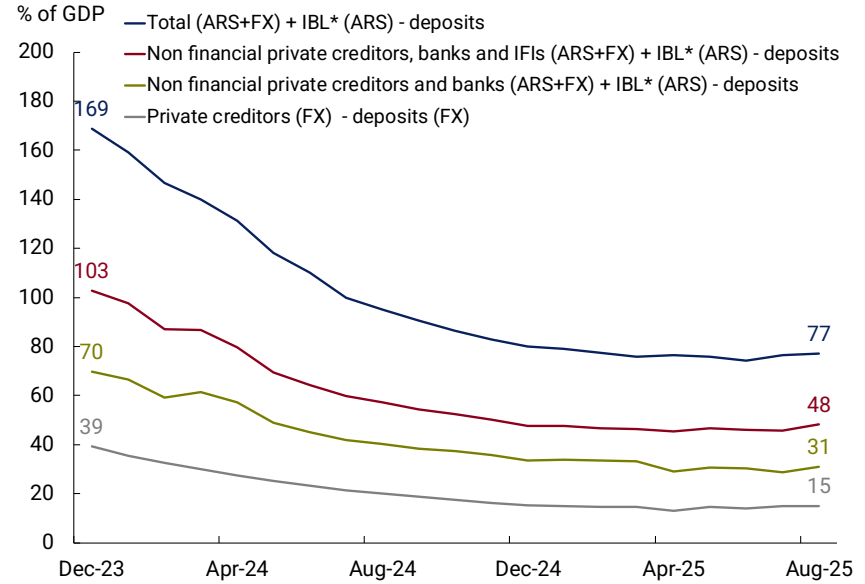
- **Traditional "inside money" (flows):** Fiscal deficit financing offers a traditional mechanism of re-monetization but is **no longer available** in Argentina given a balanced budget target.
- **Alternative "inside money" (stocks):** A reduction in domestic debt (a.k.a. Anker point) provides an alternative mechanism for re-monetization but **has been consumed**.
- **"Outside money" (BOP):** Non-sterilized reserve purchases provide a mechanism for re-monetization that has **significant potential** in Argentina. A low level of monetization currently provides an **opportunity to prioritize non-sterilized reserve purchases**
- By establishing the pace of reserve purchases to fund a projected rise in the equilibrium amount of peso demand, monetary policy can contribute to boosting external liquidity (which, by stabilizing FX expectations, indirectly contributes to preserve domestic stability).

Sovereign and Corporate Risk



Note | Data as of October 17th
Source | Bloomberg.

Treasury Debt and interest-bearing liabilities of BCRA



*BCRA's Interest-Bearing Liabilities
Source | BCRA.

ISRAEL: A SUCCESSFUL STABILIZATION/REMONETIZATION PRECEDENT FOR M2 GROWTH TARGETING

Israel relied on **explicit M2 growth projections as a central policy target** for many years (1985-1991)

- **Early 1980s:** Inflation exceeded 400% annually
- **Stabilization:** in 1985 Bank of Israel (BoI) began targeting M2 growth as the main controllable intermediate variable linking policy instruments to inflation
- **FX policy:** A crawling peg (adjusted regularly, but subordinate to the monetary program)
- **Definition M2:** Currency + demand deposits + short-term saving and time deposits
- **Target:** Annual disinflation and annual projection of M2 growth ceilings
- **Tools:** BoI managed liquidity using RR and central bank bills to align reserve money with M2 targeting
- **Consistency:** The link between M2 and nominal income held relatively stable
- **Results:** Inflation fell sharply to around 20% by 1986–87, and to single digits in the early 1990s.
- **Challenges:** As liberalization and capital inflows accelerated in the 90s, M2 velocity became unstable
- **Transition:** Following 7 years of successful M2 targeting, BoI adopted inflation targeting in 1992

Monetary Targeting: From Stabilization and Regime Transition to Re-monetization

1 | Monetary Stabilization (2024): *Adopting monetary targeting (MT) to exit a high inflation regime*

- Sizing up the challenge: Establishing monetary targeting eliminated fiscal dominance + monetary overhang
- Measuring success: Rapidly lowering inflation while achieving domestic relative price adjustments

2 | Regime Transition (2025): *Adapting MT to exit financial repression (FX controls) while facing event risk (elections)*

A | Facing short-term "growing pains": A money-based nominal anchor requires FX & rates flexibility

- Sizing up the challenge: Refining monetary targeting by eliminating FX controls (April) and LEFI (July)
- Measuring success: De-linking inflation concern from FX while achieving external relative price adjustments

B | Managing domestic market "growing pains": Progress is already visible and will bring long-term gains

- Sizing up the challenge: Moving from passive (LEFI) to active (market operations) liquidity management
- Measuring success: Maintaining inflation expectations well anchored

C | Managing "event-risk": An extraordinary, but temporary, electoral shock that depressed money demand

- Sizing up the challenge: Risk aversion in a bi-monetary economy translates into "dollar, not cash, is king"
- Measuring success: Managing a sharp fall in money demand in 2025 (FX hedging equivalent to 40% of M2)

3 | Re-monetization (2026+): *Managing MT to satisfy a genuine recovery of money demand and reserve accumulation*

- Scope for genuine money demand growth is large and can be satisfied by inside or outside funding sources
- "Inside money" sources have been eliminated (fiscal deficits) or are coming to an end ("*Anker Point*")
- "Outside money" (reserve purchases) offers a source that can accelerate with market access (debt roll-over)

Thank you