

Monthly Monetary Report

June 2019



BANCO CENTRAL
DE LA REPÚBLICA ARGENTINA

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1. Summary

- For the ninth consecutive month, the Central Bank of Argentina (BCRA) has complied with its Monetary Base (MB) target. The monthly average of the MB stood at \$1,341.9 billion in June, slightly below the target of \$1,343.2 billion.
- The LELIQs average rate ended the month at 62.69%, down 8 percentage points (p.p.) against the rate recorded by the end of May. The private banks TM 20 lost 6.5 p.p. The rate paid on retail deposits (up to \$100,000) tended to decrease even less, and went down only 1.2 p.p., within a more competitive context among banking institutions after the introduction of online (or web) time deposits for non-clients.
- The average monthly rate paid on 30-day time deposits in pesos was 49.95% (APR). Considering the inflation expectations for the month, it was a positive monthly rate in real terms of 1.5% (19.4% in year-on-year [y.o.y.] terms).
- The average monthly stock of private sector time deposits in pesos went up \$32.2 billion (2.7%) in nominal terms and, in real and seasonally-adjusted terms, the stock grew for the first time since February (1.9%).
- The figures related to transactions by means of Immediate Debit Transfers (DEBIN) continued to exhibit the favorable impact of the new online time deposits. The number of transactions made using DEBINs went from less than 600 in April to 37,900 in May and 50,600 in June. In turn, the amounts traded increased from \$6.6 million to \$7 billion in May and \$10.5 billion in June.
- Both the cash held by the public and the sight deposits of the private sector remained virtually unchanged against May in real and seasonally-adjusted terms. Thus, private M3 recorded a seasonally-adjusted rise of 0.8% in real terms, mainly explained by time deposits.
- The nominal and seasonally-adjusted stock of loans in pesos to the private sector went up 0.1% in June. The increase in the financing granted through overdrafts was virtually offset by the drop in the remaining credit lines.

*The closing date for the statistics of this report was July 4, 2019.
All figures are provisional and subject to review.*

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2. Monetary Aggregates

For nine months in a row, the BCRA has complied with its Monetary Base (MB) target. In June, the MB target stood at \$1,341.9 billion, slightly below the target of \$1,343.2 billion.

The MB stock stood at a level similar to that of May, recording a drop of the financial institutions' current accounts and an increase of the cash held by the public. The main reasons behind this increase were the seasonal nature of the month and the evolution of prices since, when considering the seasonally-adjusted stock in real terms, it is observed that the cash held by the public remained nearly unchanged against May (see Chart 2.2). Something similar was observed with private sector sight deposits since the stock of private M2, which includes both the cash held by the public and sight deposits in pesos of the private sector, continued to stand at 10.3% of the Gross Domestic Product (GDP). These are historically minimum levels (see Chart 2.3).

Chart 2.1

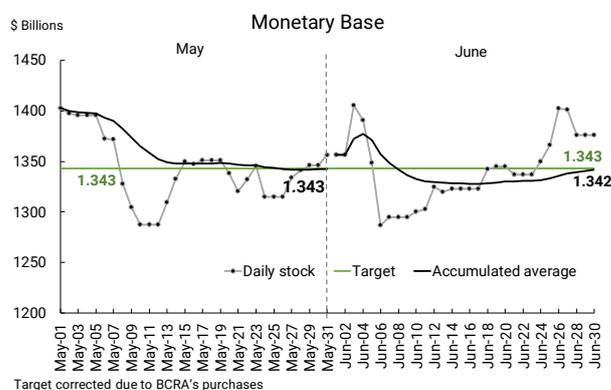
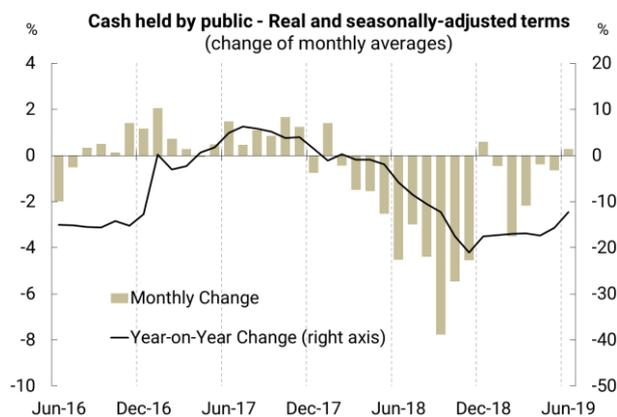
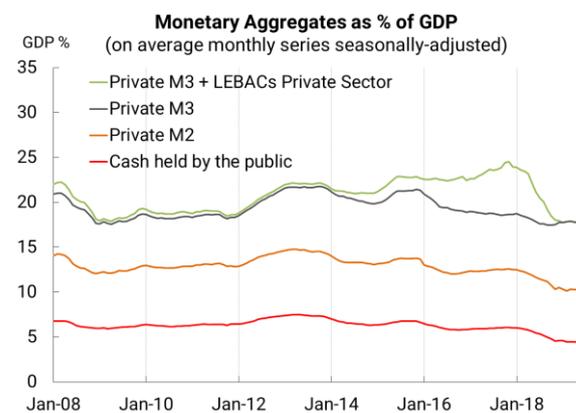


Chart 2.2



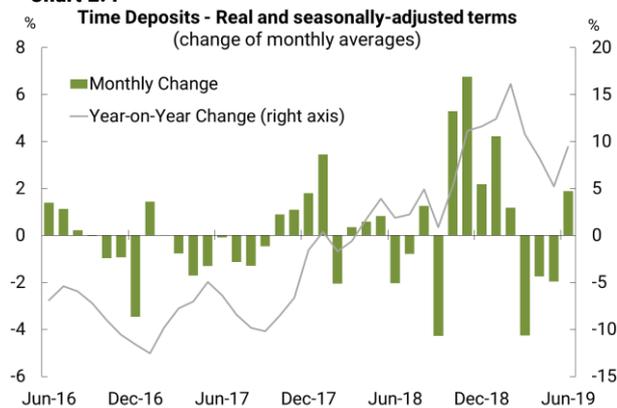
Source: BCRA. Deflected with National Core CPI observed and according to REM's expectations.

Chart 2.3



Source: BCRA.

Chart 2.4



Source: BCRA. Deflected with National Core CPI observed and according to REM's expectations.

Conversely, the average monthly stock of time deposits in pesos went up 2.7% (\$32.2 billion) in nominal terms and 1.9% in real and seasonally-adjusted terms. This is the first rise in real terms since February (see Chart 2.4), and it has been accounted for in full by the momentum of time deposits. In this respect, private M3 recorded a monthly increase of 0.8% in real and seasonally-adjusted terms.

Seventy percent (70%) of the monthly growth of time deposits consisted of deposits by

households, which kept the upward trend they have been exhibiting since early May, when web time deposits started to be implemented (see Chart 2.5). These new time deposits were arranged through Immediate Debit Transfers (DEBINs). The number of transactions through DEBINs went from less than 600 in April to 37,900 in May, and 50,600 in June. In turn, the amounts traded increased from \$6.6 million to \$7 billion in May and \$10.5 billion in June.¹

The share of companies in the monthly rise of time deposits was lower than the share of natural persons due to the fact that companies need more liquid assets in June to pay the semi-annual complementary wage.

The introduction of web time deposits for non-clients has encouraged competition among banks for this segment of deposits since it has allowed financial institutions to take time deposits without the need of a previous contractual relationship. In this context, the spread between the average rate paid on deposits in pesos and the “theoretical maximum rate” narrowed from 5.7 p.p. by the end of May to 2.6 p.p. by the end of June (see Chart 2.6), which explained why banks resisted to reduce the interest rates on deposits, especially in the case of retail deposits.² While the average rate of LELIQs dropped 8 p.p. in June (standing at 62.69%) and private banks TM 20 went down 6.5 p.p., the rate paid on deposits up to \$100,000 dropped only 1.2 p.p. in the same period.

The average monthly rate paid on 30-day time deposits in pesos stood at 49.95% (APR). Considering the inflation expectations for the month, it was a positive monthly interest rate in real terms of 1.5% (19.4% in y.o.y. terms).

Chart 2.5

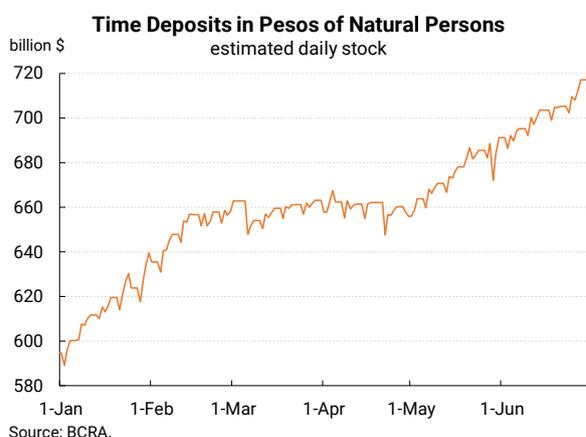
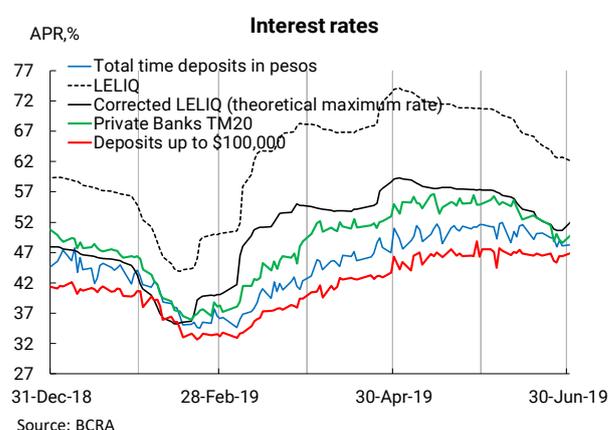


Chart 2.6



3. Loans to the Private Sector and Lending Interest Rates

The nominal and seasonally-adjusted stock of loans in pesos to the private sector increased 0.1% in June, and remained relatively stable. The increase in the financing granted through overdrafts was virtually offset by the drop in the remaining credit lines.

¹ DEBIN transactions include time deposits and other transactions.

² This “theoretical maximum rate” results from subtracting, from the yield of LELIQ deposits, the costs related to the non-remunerated minimum reserve requirements on time deposits.

Chart 3.1

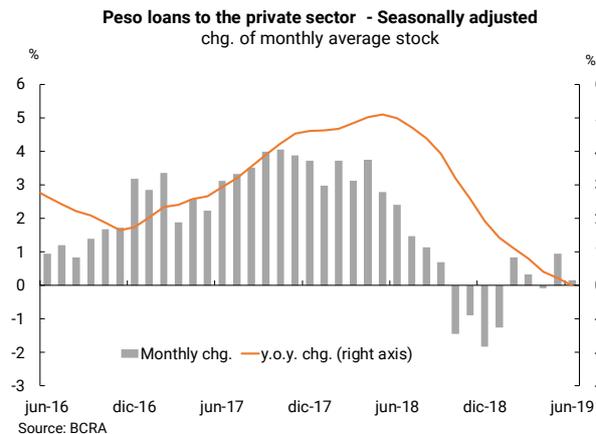
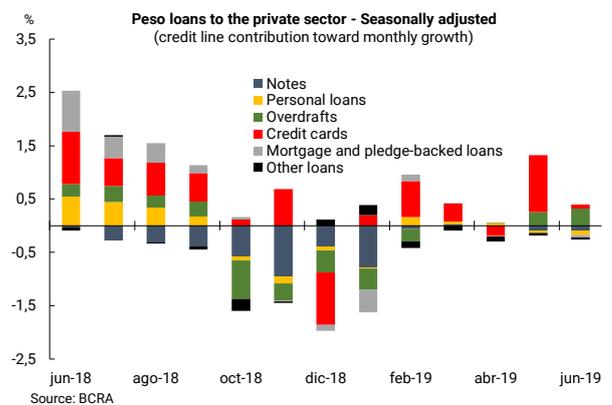
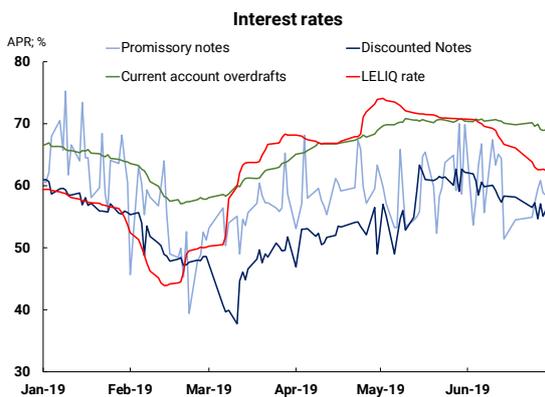


Chart 3.2



For the second consecutive month, there was an increase in overdrafts in nominal and seasonally-adjusted terms. In June, their average monthly stock grew 3.3%. The rate of total overdrafts stood at 72.5%, on average, and remained relatively stable (see Chart 3.3). In turn, financing granted through documents continued to go down, standing in June at 0.6%, a value similar to that of May.

Chart 3.3



Regarding loans largely meant for household consumption, the stock of financing with credit cards went up 0.3%, in nominal and seasonally-adjusted terms. Thus, in the last 12 months, this method of financing recorded a 17% nominal growth. On the other hand, personal loans posted a 0.3% drop in nominal and seasonally-adjusted terms. The interest rate on personal loans averaged 67%, remaining unchanged against May.

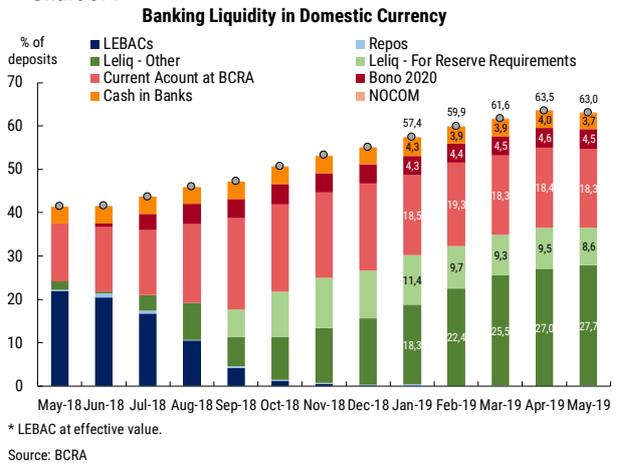
As regards loans with real property collateral, mortgage loans recorded a monthly expansion rate of around 0.5% (in nominal and seasonally-adjusted terms), while pledge-backed loans continued to go down (2.1% in June). The interest rates on both credit lines recorded average monthly values similar to those of May. In turn, the interest rate of UVA-adjusted mortgages averaged 5.8%, while the rate on UVA-adjusted pledge-backed loans recorded an average value of 14.8% in June.

In real and seasonally-adjusted terms, loans in pesos to the private sector continued to show a downward trend, and fell 2.5% in the month.

Due to this performance of loans and to the increase of deposits, bank liquidity in pesos stood once again at historical maximum levels. In particular, the broad liquidity in pesos –including the stocks of current accounts with the BCRA, cash, LELIQs and the National Treasury’s bond admitted for compliance with minimum reserve requirements– was equivalent to 63.1% of total deposits in pesos (see Chart 3.4).

It is worth mentioning that several aspects of the regime regulating the minimum cash requirement in pesos were modified: the liabilities of the institutions with stores resulting from one-time payments for sales with credit cards were excluded from the basis for calculation; the minimum reserve requirement coefficients applicable to online time deposits were reduced and a difference was established in the minimum reserve requirement of judicial time deposits depending on their residual term.³

Chart 3.4



4. International Reserves and Foreign Exchange Market

Chart 4.1

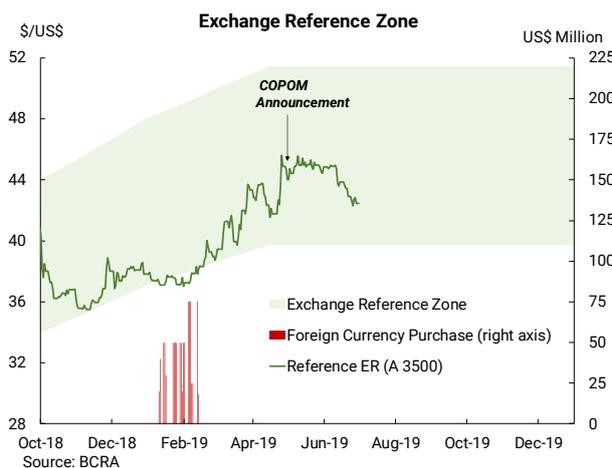
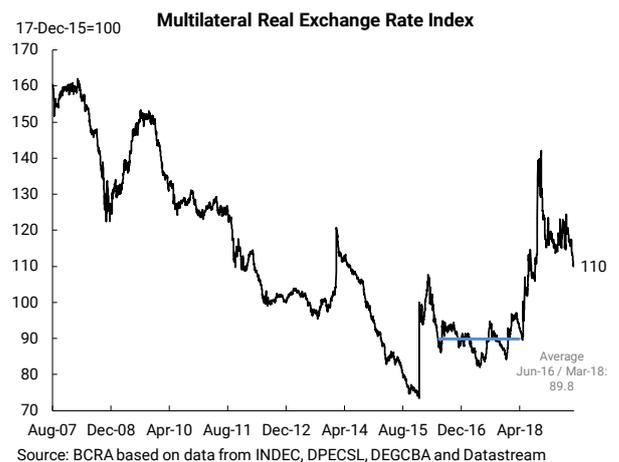


Chart 4.2



International reserves ended June with a stock of US\$64.28 billion, down US\$501 million against May, mainly due to the National Treasury's debt cancellation. During June, the \$/US\$ exchange rate stood within the exchange reference zone, following a downward trend and closing the month at \$42.45/US\$1, down 5.4% against the exchange rate of late May (see Chart 4.1). In turn, even though the real exchange rate stands below the maximum value it had reached in September 2018, it continues to stand above the average recorded between mid-2016 and March 2018. During June, it recorded a drop of 5.6% (see Chart 4.2).

³ See Communication "A" 6706.

5. Monetary and Financial Indicators

Figures in millions, expressed in their original currency.

Main monetary and financial system figures	Monthly average				Average change in percentage	
	jun-19	may-19	dic-18	jun-18	Monthly	Last 12 months
Monetary base	1.341.940	1.342.639	1.336.800	1.065.530	-0,1%	25,9%
Currency in circulation	850.446	823.540	794.347	744.527	3,3%	14,2%
Held by public	745.410	717.759	688.437	657.764	3,9%	13,3%
Held by financial entities	105.036	105.780	105.909	86.763	-0,7%	21,1%
Settlement check	0,3	0,3	0,3	0,5	4,9%	-43,4%
BCRA current account	491.494	519.099	542.453	321.003	-5,3%	53,1%
BCRA Repos stock						
Reverse repos	8.037	4.431	9.270	24.460	81,4%	-67,1%
Repos	0	0	0	0	0,0%	0,0%
LELIQ stock (in face value)	1.109.456	1.033.700	709.981	-	7,3%	-
LEBAC stock (in face value)	0	0	40.269	1.145.401	-	-100,0%
In pesos	0	0	40.269	1.145.401	-	-100,0%
In banks	0	0	1.828	459.355	-	-100,0%
In Dollars	0	0	0	0	-	-
International Reserves	64.401	67.701	56.978	53.347	-4,9%	20,7%
Private and public sector deposits in pesos ⁽¹⁾	2.878.376	2.820.407	2.675.806	2.140.172	2,1%	34,5%
Private sector deposits	<u>2.287.020</u>	<u>2.203.816</u>	<u>1.950.983</u>	<u>1.514.784</u>	<u>3,8%</u>	<u>51,0%</u>
Current account ⁽²⁾	440.386	423.169	374.993	320.954	4,1%	37,2%
Savings account	563.949	534.946	542.888	430.412	5,4%	31,0%
Not CER-adjustable time deposits	1.188.230	1.148.927	945.811	694.571	3,4%	71,1%
CER-adjustable time deposits	23.254	30.372	27.098	13.465	-23,4%	72,7%
Other deposits ⁽³⁾	71.202	66.402	60.193	55.382	7,2%	28,6%
Public sector deposits	<u>591.356</u>	<u>616.591</u>	<u>724.823</u>	<u>625.388</u>	<u>-4,1%</u>	<u>-5,4%</u>
Private and public sector deposits in dollars ⁽¹⁾	34.699	34.972	32.710	30.059	-0,8%	15,4%
Loans to private and public sector in pesos ⁽¹⁾	1.540.546	1.540.428	1.567.638	1.543.005	0,0%	-0,2%
Loans to private sector	<u>1.516.174</u>	<u>1.517.182</u>	<u>1.540.460</u>	<u>1.515.608</u>	<u>-0,1%</u>	<u>0,0%</u>
Overdrafts	150.318	146.752	154.268	161.341	2,4%	-6,8%
Promissory bills	220.563	224.655	249.517	278.802	-1,8%	-20,9%
Mortgages	212.417	212.487	210.500	192.438	0,0%	10,4%
Pledge-backed loans	87.049	88.650	97.266	99.910	-1,8%	-12,9%
Personal loans	420.144	423.233	420.952	407.589	-0,7%	3,1%
Credit cards	380.120	376.092	360.188	324.114	1,1%	17,3%
Other loans	45.564	45.313	47.770	51.415	0,6%	-11,4%
Loans to public sector	<u>24.372</u>	<u>23.246</u>	<u>27.178</u>	<u>27.398</u>	<u>4,8%</u>	<u>-11,0%</u>
Loans to private and public sector in dollars ⁽¹⁾	15.672	15.926	15.541	16.347	-1,6%	-4,1%
Total monetary aggregates ⁽¹⁾						
M1 (currency held by public + settlement check in pesos+ current account in pesos)	1.378.501	1.342.845	1.291.860	1.300.742	2,7%	6,0%
M2 (M1 + savings account in pesos)	1.979.563	1.930.715	1.862.580	1.776.601	2,5%	11,4%
M3 (currency held by public + settlement check in pesos + total deposits in pesos)	3.623.786	3.538.166	3.364.244	2.797.937	2,4%	29,5%
M3* (M3 + total deposits in dollars + settlement check in foreign currency)	5.145.819	5.110.330	4.606.257	3.599.947	0,7%	42,9%
Private monetary aggregates						
M1 (currency held by public + settlement check in pesos + priv.current account in pesos)	1.185.796	1.140.928	1.063.430	978.719	3,9%	21,2%
M2 (M1 + private savings account in pesos)	1.749.744	1.675.874	1.606.318	1.409.131	4,4%	24,2%
M3 (currency held by public + settlement check in pesos + priv. total deposits in pesos)	3.032.431	2.921.575	2.639.420	2.172.549	3,8%	39,6%
M3* (M3 + private total deposits in dollars + settlement check in foreign currency)	4.379.092	4.293.954	3.721.701	2.872.113	2,0%	52,5%

Explanatory factors	Average Change							
	Monthly		Quarterly		YTD 2019		Last 12 months	
	Nominal	Contribution ⁽⁴⁾	Nominal	Contribution ⁽⁴⁾	Nominal	Contribution ⁽⁴⁾	Nominal	Contribution ⁽⁴⁾
Monetary base	-698	-0,1%	27.552	2,1%	5.140	0,4%	276.410	25,9%
Foreign exchange purchases with the private sector	0	0,0%	0	0,0%	36.547	2,7%	-141.741	-13,3%
Foreign exchange purchases with the NT	-58.551	-4,4%	-58.551	-4,5%	-20.491	-1,5%	-143.058	-13,4%
Temporary Advances and Profit Transfers	74.753	5,6%	77.245	5,9%	77.493	5,8%	39.015	3,7%
Other public sector operations	-6.341	-0,5%	-21.559	-1,6%	-24.798	-1,9%	-22.010	-2,1%
Sterilization (LEBAC, repos and LELIQ)	-16.207	-1,2%	26.607	2,0%	-67.432	-5,0%	526.735	49,4%
Others	5.649	0,4%	3.810	0,3%	3.820	0,3%	17.469	1,6%
International Reserves	-3.300	-4,9%	-3.558	-5,2%	7.423	13,0%	11.054	20,7%
Foreign exchange market intervention	0	0,0%	0	0,0%	978	1,7%	-4.228	-7,9%
International financial institutions	112	0,2%	10.377	15,3%	15.298	26,8%	33.510	62,8%
Other public sector operations	-2.976	-4,4%	-14.128	-20,8%	-16.885	-29,6%	-31.701	-59,4%
Dollar liquidity requirements	-553	-0,8%	901	1,3%	2.315	4,1%	3.947	7,4%
Others (incl. change in US\$ market value of nondollar assets)	116	0,2%	-707	-1,0%	5.717	10,0%	9.526	17,9%

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.

Sources: BCRA Accounting Department and SISCCEN Informative Regime.

Minimum Cash Requirement and Compliance

	Jun-19	May-19	Apr-19
Domestic Currency	% of total deposits in pesos		
Requirement	31,5	31,7	31,8
Compliance in current account	16,9	18,2	18,4
Compliance in Leliq	25,1	23,1	22,5
Compliance in BOTE	4,2	4,5	4,6
<i>Residual time structure of term deposits used for the calculation of the requirement (1)</i>	%		
<i>Up to 29 days</i>	71,2	71,2	70,4
<i>30 to 59 days</i>	19,9	19,9	20,1
<i>60 to 89 days</i>	4,6	4,6	4,8
<i>90 to 179 days</i>	3,0	3,0	3,3
<i>more than 180 days</i>	1,2	1,2	1,5
Foreign Currency	% of total deposits in foreign currency		
Requirement	24,1	24,1	24,5
Compliance (includes default application resource)	45,2	44,7	44,5
<i>Residual time structure of term deposits used for the calculation of the requirement (1)</i>	%		
<i>Up to 29 days</i>	61,1	61,1	60,0
<i>30 to 59 days</i>	20,7	20,7	19,2
<i>60 to 89 days</i>	8,6	8,6	10,7
<i>90 to 179 days</i>	7,9	7,9	8,1
<i>180 to 365 days</i>	1,7	1,7	1,8
<i>more than 365 days</i>	0,1	0,1	0,1

(1) Excludes judicial time deposits.

** Estimates data of June for Requirements and residual time structures.

Source: BCRA

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

Borrowing Interest Rates	jun-19	may-19	abr-19	dic-18	jun-18
Interbank Loans (overnight)					
Interest rate	66,53	70,31	65,59	58,68	39,65
Traded volume (million pesos)	7.296	8.007	9.482	9.817	6.489
Time Deposits					
<u>In pesos</u>					
30-44 days	49,76	50,26	46,20	46,13	26,52
60 days or more	50,71	50,44	46,27	46,57	28,19
Total BADLAR (more than \$1 million, 30-35 days)	51,71	52,37	48,30	48,29	25,90
Private Banks BADLAR (more than \$1 million, 30-35 days)	51,05	52,44	48,50	48,57	30,44
<u>In dollars</u>					
30-44 days	1,23	1,28	1,26	1,40	0,95
60 days or more	1,74	1,72	1,76	1,72	1,28
Total BADLAR (more than \$1 million, 30-35 days)	1,22	1,39	1,33	1,82	1,10
Private Banks BADLAR (more than \$1 million, 30-35 days)	1,31	1,41	1,44	1,68	1,96
Lending Interest Rates	jun-19	may-19	abr-19	dic-18	jun-18
Stock Repos					
Gross interest rates 30 days	53,94	53,31	49,31	44,04	35,85
Traded volume (all maturities, million pesos)	5.792	3.211	3.282	2.465	1.632
Loans in Pesos ⁽¹⁾					
Overdrafts	72,45	72,75	69,15	70,80	44,28
Promissory Notes	60,18	62,18	60,39	64,56	36,43
Mortgages	45,50	56,85	43,81	47,60	22,92
Pledge-backed Loans	23,15	23,44	22,97	24,98	21,76
Personal Loans	66,99	67,01	63,17	63,90	44,47
Credit Cards	s/d	66,17	63,25	61,11	39,39
Overdrafts - 1 to 7 days - more than \$10 million	70,54	73,28	68,80	65,06	43,08
International Interest Rates	jun-19	may-19	abr-19	dic-18	jun-18
LIBOR					
1 month	2,40	2,44	2,48	2,45	2,07
6 months	2,31	2,57	2,63	2,89	2,50
US Treasury Bonds					
2 years	1,82	2,20	2,35	2,70	2,53
10 years	2,07	2,38	2,53	2,85	2,91
FED Funds Rate	2,50	2,50	2,50	2,33	1,90
SELIC (1 year)	6,50	6,50	6,50	6,50	6,50

(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.

Reference Interest Rates	jun-19	may-19	abr-19	dic-18	jun-18
BCRA Repo Interest Rates					
Overnight reverse repo	59,54	63,46	59,66	46,20	32,20
Total Repo Interest Rates					
Overnight	62,28	64,50	63,08	55,85	38,17
Repo traded volumen (daily average)	16.116	15.681	22.109	8.728	10.513
LELIQ interest rate	66,78	71,79	68,46	59,36	35,40
Peso LEBAC Interest Rate¹					
1 month	s/o	s/o	s/o	s/o	47,00
2 months	s/o	s/o	s/o	s/o	42,90
3 months	s/o	s/o	s/o	s/o	43,00
LEBAC and NOBAC traded volume (daily average)	0	0	0	469	45845
Foreign Exchange Market	jun-19	may-19	abr-19	dic-18	jun-18
Dollar Spot					
Exchange agencies	43,74	44,88	43,26	37,83	26,65
BCRA Reference	43,83	44,98	43,34	37,87	26,73
Future dollar					
NDF 1 month	45,75	46,73	44,83	39,56	17,40
ROFEX 1 month	47,02	49,71	47,12	41,01	27,42
Traded volume (all maturities, million pesos)	75.816	60.273	51.095	39.431	25.282
Real (Pesos/Real)	11,33	11,24	11,12	9,75	7,05
Euro (Pesos/Euro)	49,43	50,20	48,63	43,04	31,08
Capital Market	jun-19	may-19	abr-19	dic-18	jun-18
MERVAL					
Index	38.672	33.625	31.311	30.540	29.336
Traded volume (million pesos)	1.476	758	714	578	1.137
Governement Bonds (parity)					
DISCOUNT (US\$ - NY legislation)	80,73	77,90	79,74	81,69	99,95
BONAR X (US\$)	84,88	82,80	88,00	92,29	106,44
DISCOUNT (\$)	63,78	61,53	72,56	80,78	90,12
Country risk					
Spread BONAR 24 vs. US Treasury Bond	1.401	1.466	1.310	950	383
EMBI+ Argentina	888	922	842	766	530
EMBI+ Latinoamérica	562	575	550	586	527

6. Glosario

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

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

GBA: Greater Buenos Aires metropolitan area

GDP: Gross Domestic Product

IAMC: Instituto Argentino de Mercado de Capitales.

IGBVL: Lima Stock Exchange Index (Peru)

LEBAC: *Letras del Banco Central.* BCRA Bills

LELIQ: *Letras de Liquidez 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

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