Monthly Monetary Report

January 2014

BANCO CENTRAL
DE LA REPÚBLICA ARGENTINA

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Contents

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The closing date for statistics in this report was February 12, 2014. All figures are provisional and subject to review.

1. Summary[1]

- The broadest private monetary aggregate (private M3) posted a 1.1% increase in January, changing 25.1% y.o.y. The monthly rise continued to be driven by loans in pesos to the private sector.

- Standing out among private M3 components were time deposits, which grew by around 2.2% after December's seasonal effects that brought about high demand of transactional money. On an amount segment basis, a hike was observed both in deposits in the wholesale segment (2%) and in deposits under $1 million (2.5%). In turn, time deposits rose 31% y.o.y., significantly keeping momentum.

- As expected for this time of the year (beginning of summer vacations), loans in pesos to the private sector climbed 2.7% ($12.45 billion) in January, slightly below December's increase. These loans changed 34.5% y.o.y.

- Bank liquidity (measured as the sum of cash in banks, current accounts of institutions with the Central Bank, net repos with the Central Bank and LEBAC and NOBAC holdings with respect to deposits in pesos) continued showing large figures, standing at a level similar to December (30.9%).

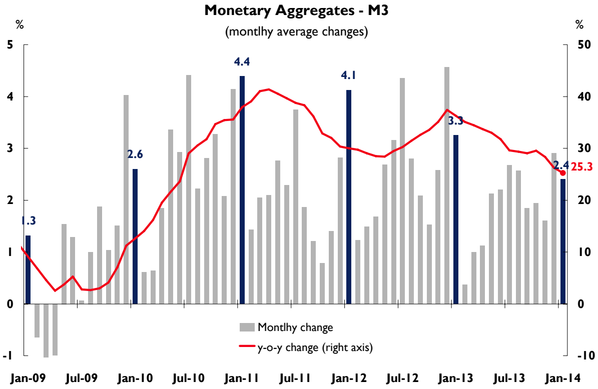
- There were two changes to regulations on minimum reserve requirements. First, , the minimum cash requirement in pesos will be reduced since March 2014 by an amount equal to 16% of financing granted as from January 1, 2014 to micro, small and medium-sized enterprises (MiPyMES) and for a term longer than 5 years under the Credit Line for Productive Investment (LCIP). Second, the minimum cash requirement in foreign currency will increase, in each of the next three months, by 10 p.p. for sight deposits and between 1 and 10 p.p. for time deposits, depending on their residual term.

- In late January, the Central Bank started auctioning US dollar-denominated LEBACs in order to promote the channeling of savings in dollars to the banking system. These securities may only be underwritten by financial institutions based on dollar-denominated time deposits from the private sector. Their terms may extend for 1, 3, 6 and 12 months, and their nominal annual cut-off rates range from 2.5% for the shortest term to 4% for instruments at 12 months. In the month, NV US$19 million of these LEBACs were awarded.

- In order to encourage saving in domestic currency, the Central Bank raised interest rates on weekly LEBAC and NOBAC issues in the primary market. Throughout January, the institution absorbed $10.75 billion.

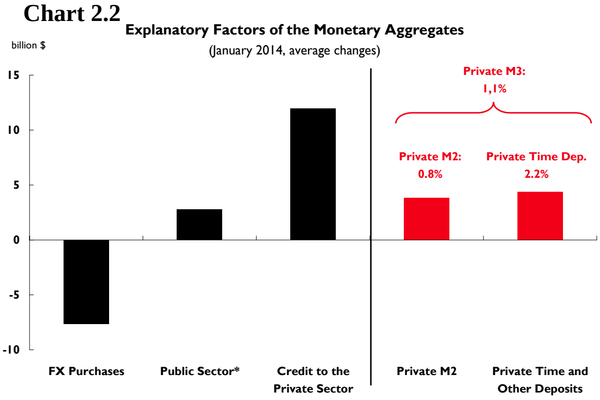
[1] Unless otherwise stated, figures to which reference is made are monthly averages of daily data.

Chart 2.1



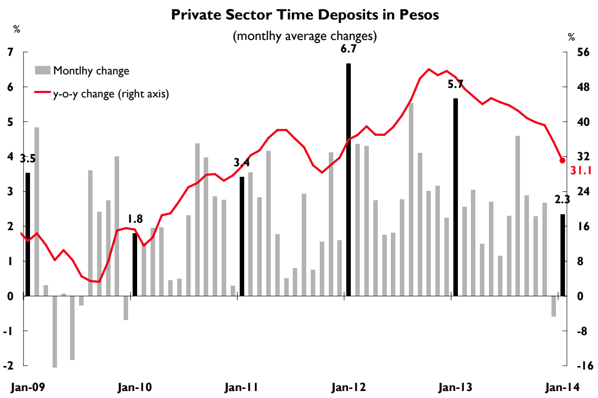
Note: M3 includes cash held by public, settlement checks in pesos and the total amount of deposits in pesos. Source: BCRA.

Chart 2.2



*Includes public sector operations with effect on the monetary base, loans and deposits of the public sector.
Source: BCRA

Chart 2.3



2. Monetary aggregates[1]

In January, the broadest monetary aggregate in pesos (M3[2]) recorded a 2.4% expansion. With a monthly average balance of $937 billion, the M3 increased by 25.3% in the past 12 months (see Chart 2.1).

In turn, the broadest private monetary aggregate in pesos (private M3[3]) rose 1.1% in January, with a 25.1% y.o.y. change rate. The monthly hike continued to be driven by loans in pesos to the private sector (see Chart 2.2). Public sector transactions also had an expansionary monetary effect, though to a much lesser extent, whereas the sale of foreign currency by the Central Bank led to monetary contraction.

Among private M3 components, the growth was led by time deposits which increased by around 2.2% after December's seasonal high demand of transactional money (see Chart 2.3). On an amount segment basis, a hike was observed both in deposits in the wholesale segment (2%) and in deposits under $1 million (2.5%). In turn, time deposits rose 31% y.o.y., significantly keeping momentum.

Deposits in foreign currency climbed 6%, with increases being observed in both the public and private sectors. As a result, the broadest monetary aggregate, M3*[4], went up 3.3%, and accumulated a 25.6% y.o.y. change rate.

As regards primary money creation, the average stock of the monetary base went up 1.8% in January, with a y.o.y. change rate of 23.5%. Bank reserves (consisting of cash held in financial institutions and the stock of deposits in financial institutions' current accounts with the Central Bank) and, especially, the cash held by the public were the components that posted an increase. As a consequence of January's seasonality, however, the monetary base declined when comparing the stock reported at the end of January to end December 2013.

3. Bank liquidity[1]

In January, funding derived from the rise in deposits in pesos was mostly channeled to lending, while liquidity (measured as the sum of cash in banks, current accounts of institutions at the Central Bank, net repos with the Central Bank and LEBAC and NOBAC holdings) in terms of deposits in pesos stood at 30.9% and was

[2] It includes the cash held by the public, settlement checks in pesos and deposits in pesos of the non-financial private and public sectors.
[3] It includes cash held by the public, settlement checks in pesos and deposits in pesos of the non-financial private sector.
[4] It includes M3 and deposits in dollars of non-financial public and private sectors.

Chart 3.1

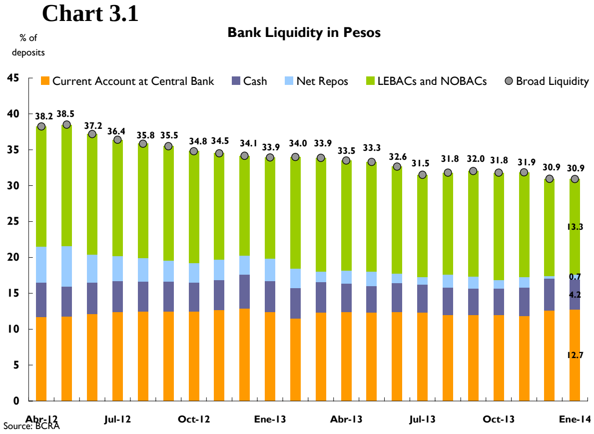


Chart 3.2

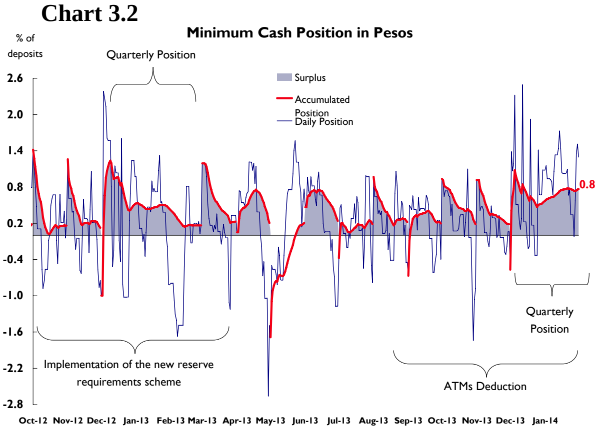
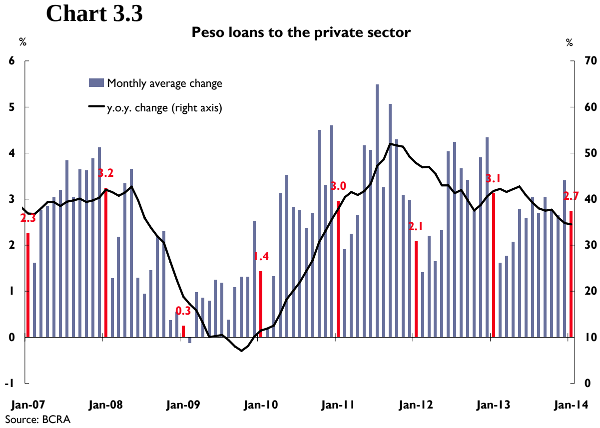


Chart 3.3



similar to December's figure (see Chart 3.1). In particular, the sum of liquidity kept in repos with the Central Bank and in LEBACs and NOBACs slightly increase in terms of percentage of deposits (increase in repos slightly above the reduction in LEBACs and NOBACs), whereas—in terms of deposits—cash in banks exhibited a decline, which was partially offset by a rise in institutions' current accounts with the Central Bank. As regards the minimum cash position, January is the second month of the quarter that runs from December 2013 to February 2014. By the end of January, financial institutions' deposits in pesos are estimated to have accumulated a 0.8% surplus (see Chart 3.2), which is expected to decrease in February.

According to Communication "A" 5524, the minimum cash requirement in pesos will be reduced beginning in March 2014 by an amount equal to 16% of financing granted as from January 1, 2014 to micro, small and medium-sized enterprises (MiPyMES) and for a term longer than 5 years under the Credit Line for Productive Investment (LCIP).

In turn, the liquidity ratio for the foreign currency segment amounted to 134.9% of deposits in dollars, up 6 p.p. from December 2013. There has also been a recent change in regulations applicable to this segment. According to Communication "A" 5534, and for each of the next three months, legal requirements for sight deposits will increase by 10 p.p. and for time deposits between 1 and 10 p.p., depending on their residual term. Moreover, minimum cash requirements in foreign currency were reduced by an amount equal to US dollar-denominated LEBAC holdings, which started to be auctioned in January (see Central Bank securities).

4. Loans[1] [5] [6]

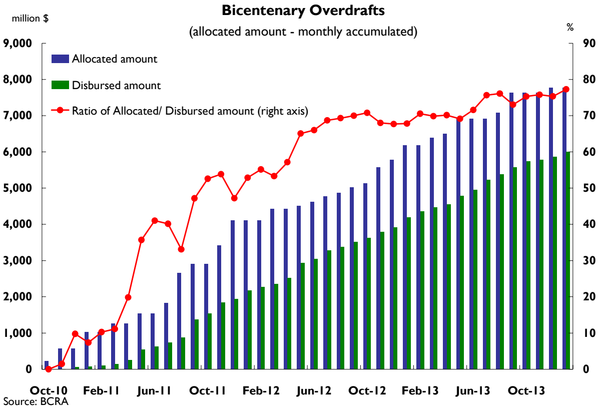
As expected for this time of the year (beginning of summer recess), loans in pesos to the private sector grew by 2.7% ($12.45 billion) in January, slightly below December's increase. The y.o.y. change rate stood at 34.5%, exhibiting some moderation, though continuing high (see Chart 4.1).

Part of the funds awarded in the auctions under the Bicentennial Productive Financing Program (PFPB) continued to be disbursed. As a result, the total amount paid out since the implementation of the PFPB reached

[5] Monthly changes of loans are adjusted for accounting movements, which are fundamentally due to transfers of loans in financial institutions' portfolios to financial trusts.

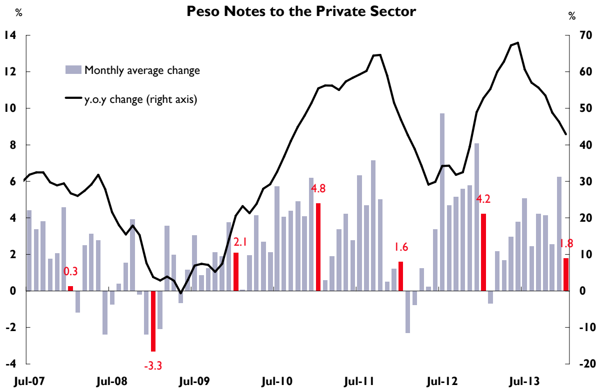
[6] In this report, "amounts granted" or "new loans" refer to loans (new and renewed) arranged in a given period. In contrast, a change in stock consists of arranged loans minus amortizations and repayments for the period.

Chart 4.2



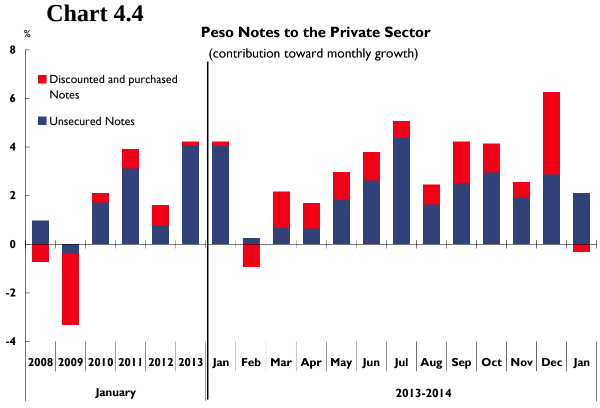
Source: BCRA

Chart 4.3



Source: BCRA

Chart 4.4



Source: BCRA

$6.01 billion, accounting for around 77% of the total amount awarded (see Chart 4.2). Furthermore, it should be noted that the fourth stage of the LCIP has begun this month: in the first half of 2014, financial institutions subject to the regulation must grant loans in an amount equal to, at least, 5% of their private sector deposits in pesos as at the end of November 2013 (about $23 billion). Unlike previous stages, this time the entire quota must be granted to MiPyMES, for a minimum term of 36 months at a maximum fixed interest rate of 17.5% for such period. Nevertheless, mortgage-backed loans granted for the purchase, construction or remodeling of housing units at a fixed rate of 17.5% for the first year[7] and for a minimum term of 10 years, and/or funding of investment projects for specific purposes[8] of clients falling outside the definition of MiPyME may be assigned to the quota up to its 50%. For the latter category of clients—non-MiPyME companies—, the interest rate will be freely agreed upon between both parties (see Communication "A" 5516).

Credit lines (mainly commercial loans) posted a monthly increase, with heterogeneous performance. Influenced by seasonal factors, financing arranged through promissory notes slowed down its growth pace in January. Thus, it rose 1.8% ($2.01 billion) over the month, and accumulated a 42.9% rise in the past 12 months (see Chart 4.3). Broken down by type of document, short-term documents (discounted and purchased documents) showed significant momentum in December and — once companies ended a period of greatest demand for liquidity —they dropped. In turn, unsecured promissory notes grew less than in December, when they were boosted by issuances at the end of the third stage of the LCIP (see Chart 4.4). Financing arranged through overdrafts climbed 3.2% ($1.79 billion), such growth being higher than that of January 2013 (see Chart 4.5). Consequently, its y.o.y. change rate rose 0.8 p.p. to 20.5%. Finally, the remaining commercial financings, grouped under "Other Loans", recorded a 1.7% increase ($600 million) in the period.

Credit lines mostly aimed at financing consumption also posted an increase; particularly, credit card financing grew by 6% ($4.82 billion) in the period, favored by significant rises in the last days of December, which are related to higher household spending at the end of the year, which led to a positive "statistical carryover". January's hike thus exceeded December's, and stood

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[7] As from the second year, financial institutions may apply a variable rate not to exceed the BADLAR rate in pesos at private banks plus 3 p.p. That rate may not exceed the Wage Change Ratio either.

[8] These specific purposes include: expansion of productive capacity, increase of formal and direct employment, investment in capital goods, import substitution, expansion of exporting capacity, financing of infrastructure works or exports of capital goods.

Chart 4.5

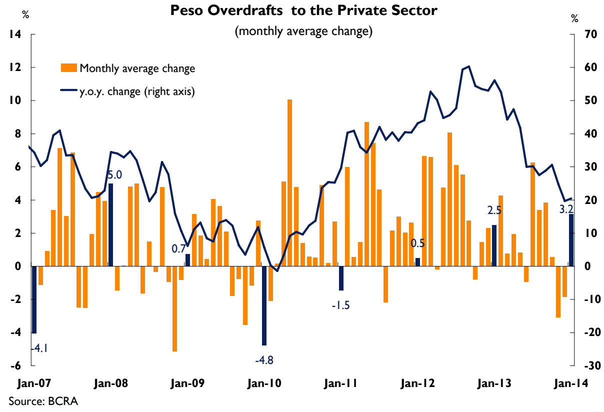


Chart 4.6

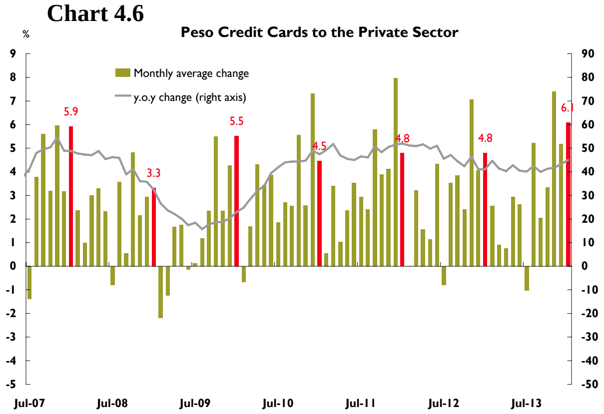
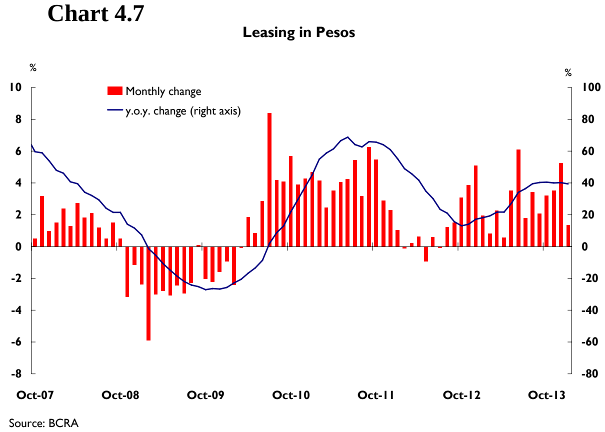


Chart 4.7



among the highest increases for January in the past few years. This translated into a 1.6 p.p. rise in the y.o.y. growth rate, which amounted to 44.8% (see Chart 4.6). In turn, personal loans moderated their growth pace, consistently with the performance observed in January in previous years. This was a result of the semi-annual complementary wage being recently collected, which usually causes a decline in demand for personal loans, and partial repayment of loans. January's increase stood at 1.8% ($1.78 billion), whereas the change rate remained virtually stable at 31.4%.

Collateralized loans continued on the rise, but moderated their growth rate. Mortgage loans grew by 2.3% ($980 million) in the month and around 24% in the past 12 months. In turn, pledge-backed loans rose 1.5% ($460 million) in the month, accumulating a 40.1% increase in the past 12 months.

According to the latest information available for December, financing granted by financial institutions under leasing contracts[9] accelerated their monthly expansion pace, increasing by 5.2% ($9.93 billion), and the highest rise of the second half of 2013. The y.o.y. change rate remained stable at around 40% (see Chart 4.7). The great momentum exhibited in December by this type of financing is explained by a larger number of contracts under the closing of the LCIP's third stage.

Finally, foreign currency loans to the private sector fell 1.2% (US$45 million), with the month's average stock standing at around US$3.6 billion.

5. Interest rates[10]

Central Bank securities[11]

The Central Bank raised interest rates on weekly LEBAC and NOBAC issues in the primary market in order to foster saving in domestic currency. Thus, interest rates on LEBACs at the shortest terms—at 70 days and 100 days, with a predetermined cut-off rate—grew by around 9.5 p.p. in the month, at 25.5% and 25.9%, respectively. Moreover, the interest rate on the instrument with the longest term—a maturity of 400 days—stood at 27.4%, up 9.2 p.p. from late December (see Chart 5.1). Variable rate instruments were once again issued after eight months, recording a positive

[9] It includes the value of capital goods (personal and real property) leased to third parties, especially acquired by the institution on their behalf, under which the lessee periodically pays a price during the term agreed upon and holds the unilateral right of exercising the call option paying the residual value previously set forth.
[10] Interest rates mentioned in this section are expressed as annual percentage rates (APR).
[11] In this section, figures are end of the month data unless otherwise stated.

Chart 5.1

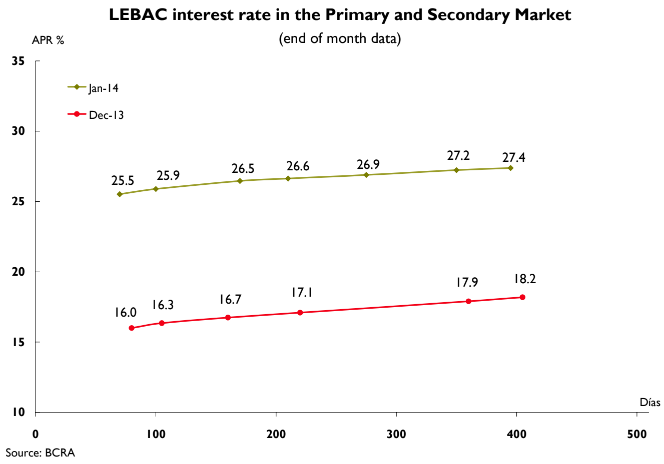


Chart 5.2

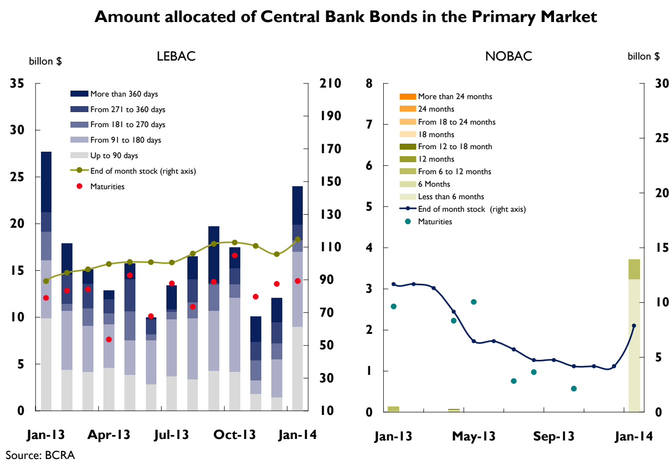
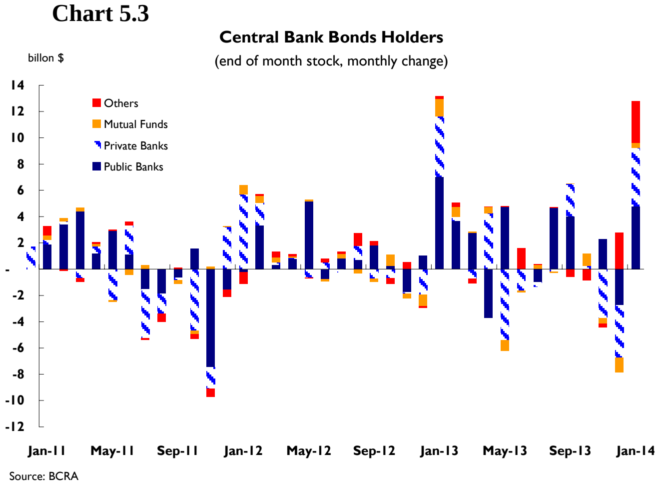


Chart 5.3



spread over the BADLAR rate at private banks in late January, which increased from 1.5 p.p. to 2.2 p.p. depending on the term.

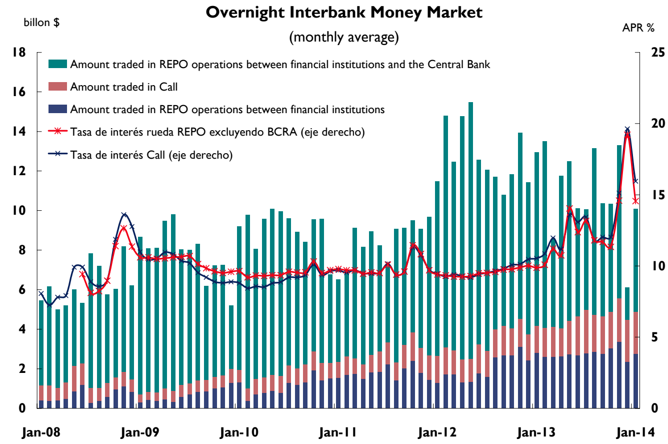
In the secondary market, interest rates on LEBACs decrease in the shortest terms (up to 30 days), following the trend observed in the call money market, and rose in the remaining maturities, consistently with the performance observed in the primary market. This occurred in a context where the total average turnover traded increased by $360 million, standing at $1.03 billion per day.

The outstanding stock of LEBACs and NOBACs in pesos, including LEBACs in pesos as adjusted following the evolution of the foreign exchange rate, expanded by $12.78 billion over the month, and stood at $122.61 billion (see Chart 5.2). Monetary absorption, resulting from this increase in the stock, amounted to $10.75 billon. Banks (see Chart 5.3) and, to a lesser extent, exporting companies from the grain and oilseed sectors[12] concentrated the increase in the stock of securities, which in terms of deposits, remains relatively stable and stands at around 15.2%.

In turn, as from late January, the Central Bank has been auctioning once again LEBACs in dollars, in order to promote the bankarization of savings in dollars. These instruments, which had not been auctioned since March 2007, will be available for underwriting by financial institutions only, based on private sector time deposits in dollars from domestic depositors raised as from January 27, 2014. These instruments shall mature within 1, 3, 6 and 12 months, and are auctioned at a predetermined rate, ranging from 2.5%, annual nominal rate for the shortest term, to 4%, rate for the longest maturity term (12 months). Each financial institution may bid for a term similar to that of its deposits taken. Moreover, the maximum spread between the interest rate paid to the depositor and the rate corresponding to the LEBACs underwritten by the financial institution may amount to a maximum of 0.25 p.p. for LEBACs maturing within 1 month; 0.40 p.p. for LEBACs maturing within 3 months; 0.50 p.p. for LEBACs maturing within 6 months; and 0.60 p.p. for LEBACs maturing within 12 months (Com. A 5527). Over the month, there were issues for a nominal value of US$19 million.

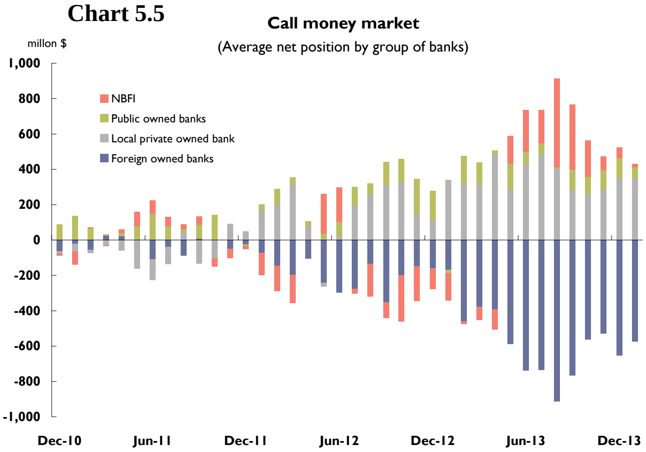
[12] In January, exporting companies from the grain and oilseed sector underwrote benchmark exchange rate-adjusted LEBACs in pesos amounting to $889 million.

Chart 5.4



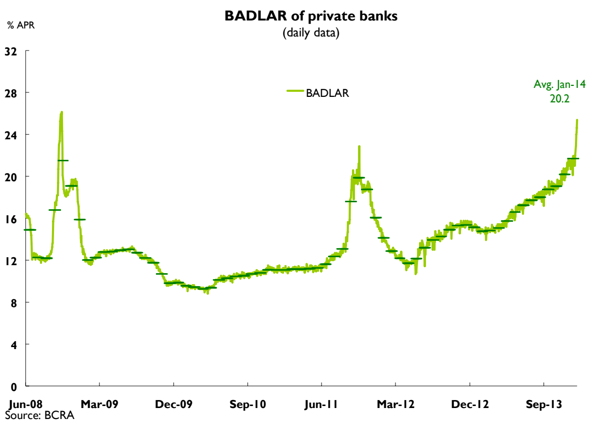
Source: BCRA

Chart 5.5



Source: BCRA

Chart 5.6



Source: BCRA

Central Bank repo transactions [1]

In January, interest rates on Central Bank repo transactions remained unchanged (standing at 9% overnight and 9.5% at 7 days in the case of reverse repos; while repo loans stood at 11% overnight and 11.5% at 7 days).

The average monthly stock of Central Bank reverse repos, considering all other transactions conducted by this institution, rose 56%, standing at $9.90 billion. This occurred within a context where no repo loans were recorded for the Central Bank.

Call money market[1]

Interest rates on the call money market went down in January, after the season of greatest liquidity demand. In the unsecured market (call), the average interest rate for overnight transactions dropped 3.7 p.p., standing at 15.9%. In turn, the average interest rate on overnight transactions between financial institutions in the secured market (REPO round) went down 4.7 p.p. and stood at 14.6% (see Chart 5.4).

The daily average volume traded went up by $418 million, and totaled around $4.90 billion, mainly driven by REPO round transactions (excluding the transactions conducted by the BCRA) since the call money market remained relatively stable. As regards the net position recorded in the call money market, foreign institutions were once again the only net fund borrowers, whilst domestic private banks were mainly the only net lenders.

Borrowing rates[1]

Borrowing interest rates increased the upward trend they had been exhibiting during the previous months, partly evidencing the impact of the higher interest rates on LEBACs and NOBACs towards the end of January.

Interest rates paid by financial institutions for private sector peso time deposits recorded increases that, on a monthly average, amounted to 1 p.p.. This increase was led by the wholesale sector, while in the retail sector increments were more limited.

Specifically in the wholesale segment, the BADLAR of private banks — interest rate on deposits of $1 million and more for 30-35 days — averaged 21.7%, recording a monthly increase of 1.5 p.p. against December (see Chart 5.6). Basically, because the increase was mainly concentrated in the last few days of the month, the level

Chart 5.7

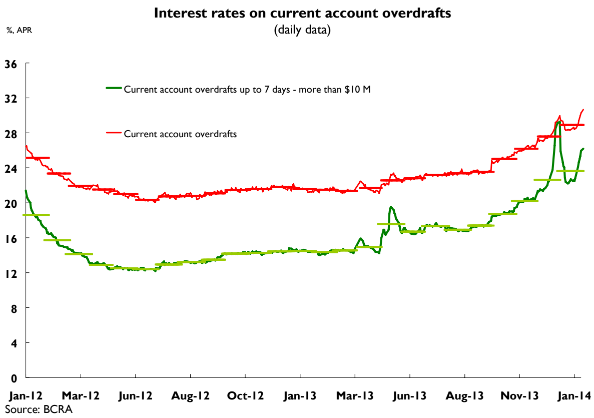


Chart 5.8

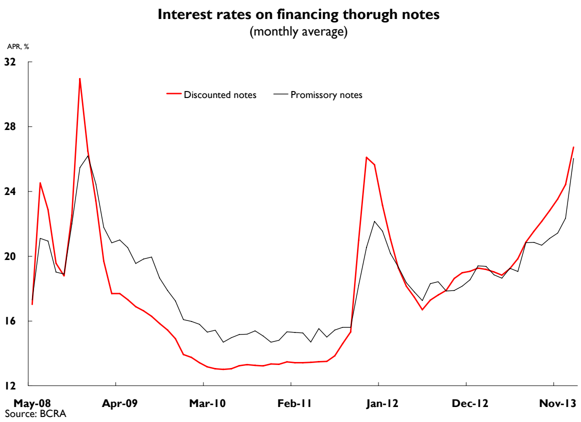
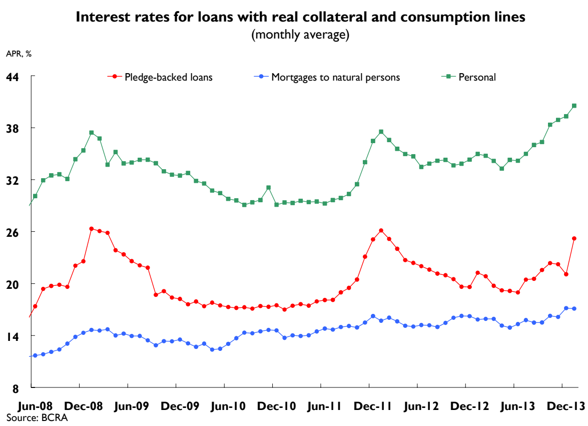


Chart 5.9



evidenced by the end of January —25.4% — was significantly higher than the aforementioned average. In turn, in the retail sector, the interest rate paid by financial institutions for time deposits of the private sector for up to $100,000 averaged 16.9%, hiking 0.8 p.p. In this case, the value recorded by the end of the month (19.1%) was also higher than the average of the month.

Lending rates[1 13]

Lending interest rates on loans in pesos to the private sector posted increases across all credit lines. However, in the context of the LCIP — see section on Loans — MiPyMES have access to credit lines with lower interest rates.

Among commercial lines, the interest rate on current account overdrafts averaged 28.7%, increasing 1.3 p.p. monthly. Within this credit line, the interest rate on overdrafts to companies for over $10 million and up to 7 days stood at 23.6%, rising 1 p.p. over the month. However, the performance recorded by this interest rate was heterogeneous throughout the month. Following the increases posted in December, January exhibited a downward trend, and then stabilized towards mid-month, remaining relatively stable until the last week, when it started to increase, in line with the performance recorded by borrowing rates and Central Bank securities (see Chart 5.7).

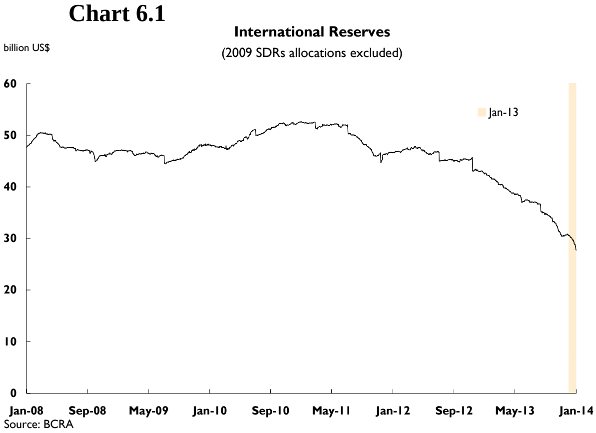
The highest rises were observed in financing arranged through promissory notes. Particularly, the monthly average interest rate of discounted documents stood at 26.7%, rising 2.3 p.p. in the month. Meanwhile, the monthly average of the interest rate on unsecured promissory notes stood at 25.7%, hiking 3.4 p.p. in the month (see Chart 5.8).

In turn, among loans with real collateral, the interest rate on household mortgages averaged 17.1%, falling 0.1 p.p. compared to the previous month. The interest rate on pledge-backed loans averaged 25.3%, rising 4.2 p.p. over the month. Lastly, the monthly average of the interest rate on personal loans stood at 40.1%, rising 0.8 p.p. in the month (see Chart 5.9).

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

6. International reserves and foreign exchange market

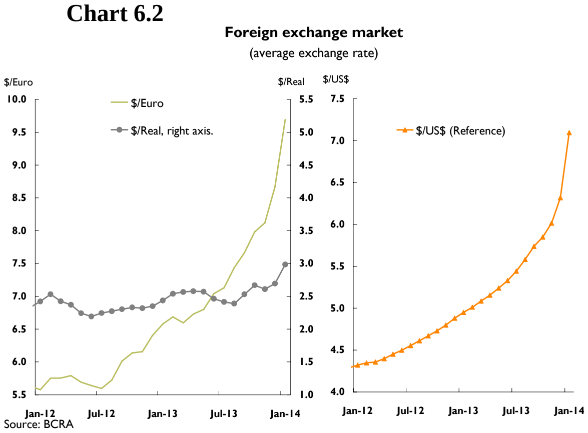
Chart 6.1



The stock of the Central Bank international reserves was US$27.75 billion as of the end of January (see Chart 6.1), i.e., US$2.85 billion below the level observed by the end of 2013.

Within the framework of the foreign exchange managed float policy, the Central Bank carried out net sales in the foreign exchange market, and net payments for foreign trade transactions channeled through SML[14] and ALADI[15], in a context of net demand in the Free and Single Foreign Exchange Market (MULC). This was basically due to more import payments (especially energy products), the impact of expenses from tourism in a seasonally strong month, and less incomes from exports, virtually across all exporting sectors.

Chart 6.2

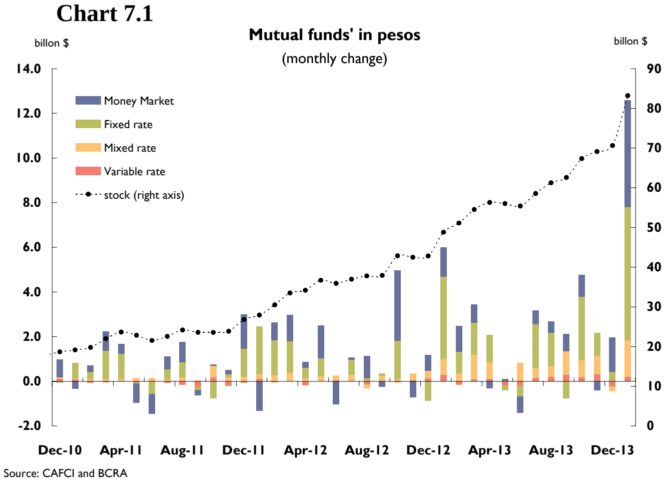


In the foreign exchange market, the peso depreciated against the US dollar, the euro and the Brazilian real. Consequently, the average exchange rates in January stood at 7.1 $/US$, 9.69 $/euro and 2.98 $/real (see Chart 6.2), resulting in changes against December of 12.3%, 11.8% and 10.8%, respectively. It is worth stating that several emerging nations have depreciated their currencies and recorded capital outflows as a result of the changes introduced in the FED's policy (see section Major policy measures taken by other Central Banks).

7. Collective investment vehicles

Mutual funds

Chart 7.1



In January, equity of FCI rose $13.19 billion (18.1%); reaching $85.94 billion (see Chart 7.1).

The increase recorded in January was mainly driven by the rise in the number of unit shares of FCIs in pesos. The performance recorded by fixed income funds stood out going up by $5.96 billion (18.4%) and accounting for 45% of the monthly expansion, followed by Money Market funds, which grew $4.79 billion (20.5%), and accounted for 36% of the total increase. Likewise, the stock of mixed income assets recorded monthly increases for $1.62 billion (12.7%), and the stock of variable income funds grew $210 million (9.9%), once again due to the good performance evidenced by the local stock market.

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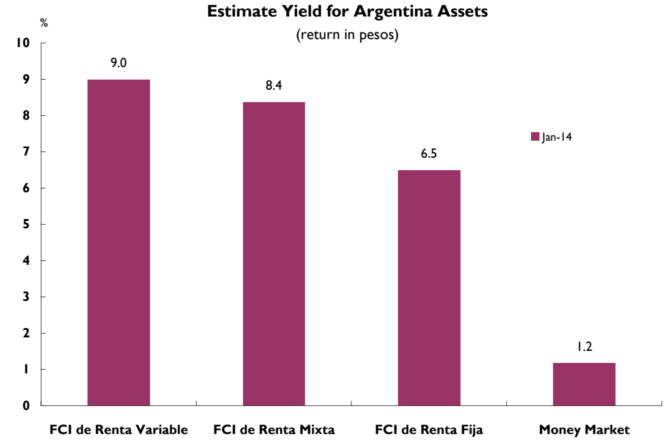
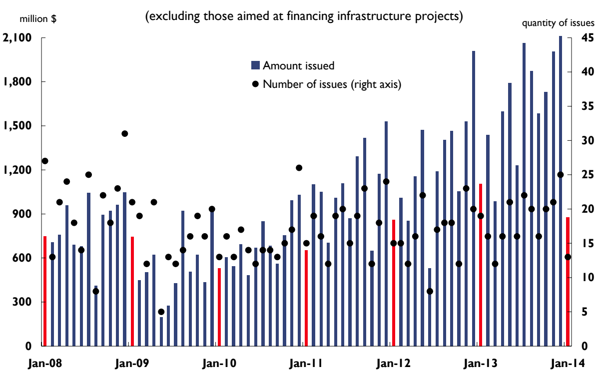
[14] Local Currency Payment System (Sistema de Pagos en Moneda Local, SML).
[15] Latin American Integration Association (Asociación Latinoamericana de Integración, ALADI).

Chart 7.2



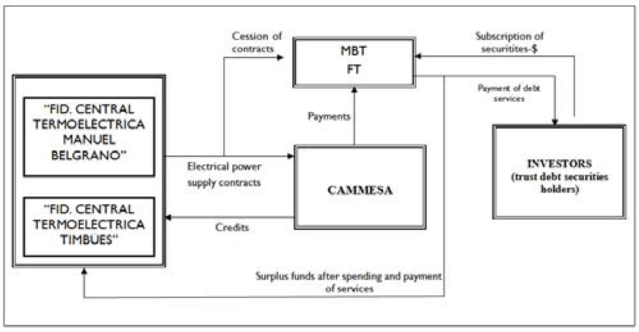
Source: BCRA

Chart 7.3



Source: BCRA based on CNV data

Scheme Financial Trust MBT



Source: BCRA based on CNV

In January, variable income funds in pesos posted high relative profitability, with an estimated monthly return of 9%, followed by mixed income funds which rose, on average, 8.4%; and by fixed income funds, with a monthly return of 6.5%. Ranking last are Money Market funds, having greater liquidity, with a return of 1.2% (see Chart 7.2).

Regarding the foreign currency segment, FCIs ended the month with equity totaling US$342 million, up US$15 million (4.6%) against the level recorded in December. This performance was driven by the increase posted by mixed and fixed income funds.

Financial trusts[16]

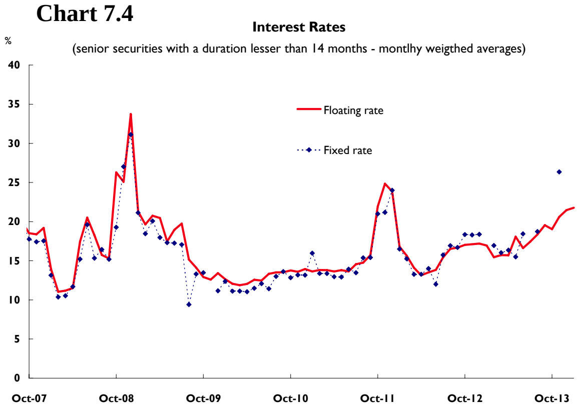
If public sector issuances and other issuances aimed to finance infrastructure works are excluded, financial trust (FT) issuances totaled $870 million, and were 60% below the figures recorded in December. This drop was in line with the performance recorded for the month of January in previous years. In this sense, there were 13 issuances, virtually the half recorded in December (see Chart 7.3).

In terms of trustors, a drop in the amount of securitized assets was observed. The main drivers of these securitizations were mutual associations, cooperatives and non-bank credit card issuers and other financial service providers that issued $355 million. Besides consumer loans, pledge-backed loans were also securitized. In order of relevance, they were followed by financial institutions, which issued about $270 million, mainly through the securitization of personal loans and, to a lesser extent, through leasing contracts as underlying assets. The retail sector securitized personal loans and credit card coupons for about $230 million. The remaining issuances corresponded to the agricultural sector.

The second series of the MBT trust, amounting to US$87.10 billion was issued. The first series, which was issued in March 2009, was intended to finance the completion of the construction of the thermal power stations Manuel Belgrano and Timbúes, located in the provinces of Buenos Aires and Santa Fe, respectively (which started functioning early in 2010). Both series were issued by the BICE, acting as trustee of "Fideicomiso Central Termoeléctrica Manuel Belgrano" and "Fideicomiso Central Termoeléctrica Timbúes"

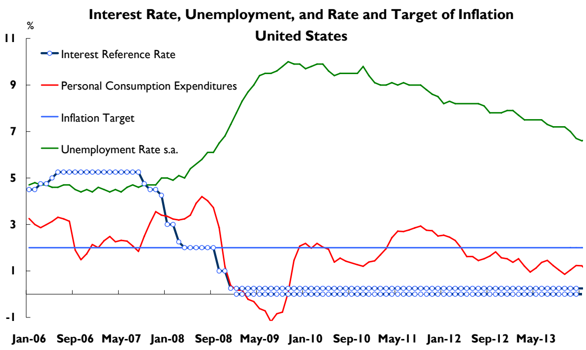
[16] Only publicly-traded financial trusts are considered.

Chart 7.4



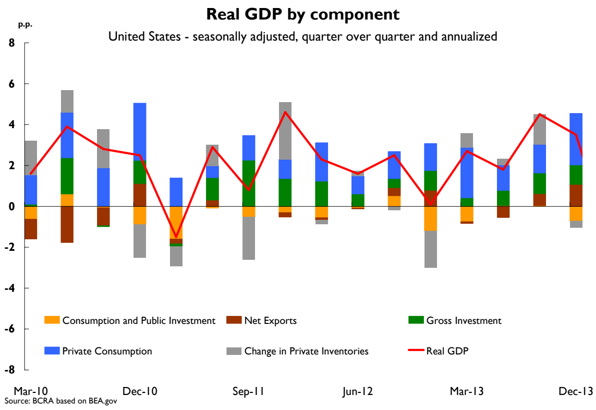
Source: BCRA based on CNV data

Chart 8.1



Source: BCRA based on Bloomberg, Bureau of Economic Analysis and Federal Reserve (FED).
* The FED is not embedded in an inflation targeting regime. It has a dual mandate where it has to foster maximum employment, moderate long run interest rates and price stability. Regarding the latest on the FED meeting of January 25 2012, it established a target of an annual variation of 2% of the Personal Consumption Expenditures in the long run.

Chart 8.2



Source: BCRA based on BEA.gov

trusts, the "trustors"[17]. Assets held in trust are creditor's rights arising from electrical power supply contracts entered into by and between "trustors" and CAMMESA (see the outline of the FT).

Lastly, the cut-off interest rate on senior bonds in pesos with a duration below 14 months and agreed upon at a variable rate recorded a 0.3 p.p. increase and stood at 21.8%. In turn, as regards the fixed rate segment, no transactions were recorded in January (see Chart 7.4).

8. Major policy measures taken by other Central Banks

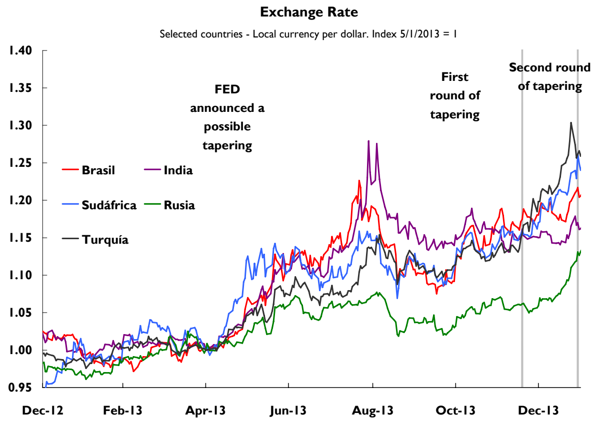
As regards policy measures taken by other central banks, the decision adopted by the Federal Reserve (FED) to continue slowing down by another US$ 10 billion the asset purchase pace stood out (a reduction widely known as tapering). It should be pointed out that the FED had already started implementing this measure on their December 18th meeting, applying a similar reduction. Thus, the asset purchase pace stands at US$65 billion per month[18]. In turn, the FED is expected to continue with its reduction trend in the next meetings, so as to end its asset purchase program by late October 2014. This decision was taken in the context of the US economy evidencing better indicators in terms of activity, employment and prices (see Charts 8.1 and 8.2).

Moreover, the European Central Bank (ECB), the Bank of England (BoE) and the Bank of Japan (BoJ) did not introduce any changes to their monetary policies. The ECB was moved by fears surrounding the Euro-zone entering a deflationary period similar to that suffered by Japan for 15 years. This fear increased with the announcement of January's preliminary inflation report, which recorded its lowest rate since November 2009, 0.7% y.o.y.

In the case of England, activity level recovery indicators continued consolidating, with inflation reaching its target (2%) for the first time in more than six years and unemployment dropping to 7.1%. It should be mentioned that the BoE had announced in August 2013 that it would keep unchanged its monetary policy interest rate (Bank Rate) at 0.5%, provided that the unemployment rate stood above 7%. However, the

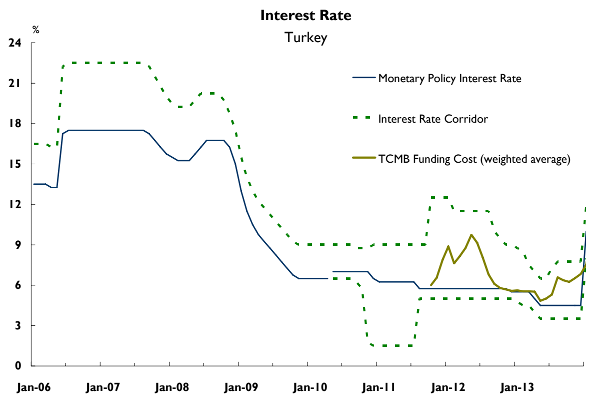
[17] These trusts were created in 2006 within the framework of the Fund for Investments required to Increase the Supply of Electric Power in the Wholesale Electricity Market (Fondo para Inversiones Necesarias que permitan incrementar la oferta de energía eléctrica en el Mercado Mayorista, FONINVEMEN).
[18] It is currently purchasing US$30 billion per month of Agency Mortgage-Backed Securities and US$35 billion per month of long-term Treasury bonds.

Chart 8.3



Source: BCRA based on Bloomberg

Chart 8.4



Source: BCRA based on TCMB (Central Bank of Turkey).

president of the BoE asserted that, should the Bank Rate increase, it would not occur before the end of 2014.

Similarly, Japan also recorded better activity indicators and a 1.6% inflation, which implies convergence to the 2% target, beating market and BoJ expectations. Thus, the chances for Japan to pull out of its decades-long deflationary slump increase.

In the case of emerging countries, the impact caused by the two reductions in the asset purchase pace implemented by the FED continued to be felt as occurred in May 2013, when the FED suggested that tapering would begin shortly. This means a capital outflow process, together with a depreciation and increased volatility in the currencies of many emerging countries (see Chart 8.3), mainly, Turkey, South Africa, Russia, Chile, Colombia, Mexico, Brazil; and among advanced economies, Canada.

One of the most affected countries was Turkey, whose monetary authority, in an emergency out-of-schedule meeting held on January 28th, decided to adjust its short-term interest rates: on the one hand, it rose the monetary policy rate (one-week repo rate) from 4.5% to 10%; and on the other, it adjusted the interest rate band, rising the borrowing interest rate from 3.5% to 8%, and the lending interest rate from 7.75% to 12%. Moreover, it increased the interest rate applied on loan facilities (through repo transactions) to primary dealer banks from 6.75% to 11.5% (reducing the profits of these institutions from 1 p.p. to 0.5 p.p., see Chart 8.4).

In addition, the central bank of Brazil, in a unanimous voting, decided for the fifth consecutive time to increase the target for the Selic rate 0.5 p.p. to 10.5%. Thus, since the beginning of the rises in the Selic rate target, it has accumulated a 3.25 p.p. increase.

9. Monetary and financial indicators

Figures in millions, expressed in their original currency.

Main monetary and financial system figures	Montlhy average				Average change in percentage	
	Jan-14	Dec-13	Nov-13	Jan-13	Monthly	Last 12 months
Monetary base	**368,236**	**361,580**	**338,343**	**298,282**	**1.8%**	**23.5%**
Currency in circulation	280,740	277,095	260,352	231,169	1.3%	21.4%
Held by public	252,135	247,137	234,779	207,715	2.0%	21.4%
Held by financial entities	28,604	29,957	25,571	23,453	-4.5%	22.0%
Settlement check	1	2	2	0	-52.7%	0.0%
BCRA current account	87,496	84,484	77,991	67,112	3.6%	30.4%
Repos stock						
Reverse repos	9,909	6,351	13,855	20,871	56.0%	-52.5%
Repos	0	0	0	0	0.0%	0.0%
BCRA securities stock (in face value)	113,791	111,491	116,131	92,714	2.1%	22.7%
In banks	98,084	98,364	102,681	80,691	-0.3%	21.6%
LEBAC						
In pesos	108,745	107,309	111,948	79,268	1.3%	37.2%
In Dollars	2	0	0	0		
NOBAC	5,045	4,183	4,183	13,446	20.6%	-62.5%
International reserves excluded 2009 SDRs allocations	**29,620**	**30,612**	**32,244**	**42,954**	**-3.2%**	**-31.0%**
Private and public sector deposits in pesos (1)	**684,908**	**667,698**	**654,163**	**540,192**	**2.6%**	**26.8%**
Current account (2)	224,322	190,943	172,813	160,026	17.5%	40.2%
Savings account	137,931	140,299	125,073	107,517	-1.7%	28.3%
Not CER-adjustable time deposits	296,907	309,715	331,325	252,487	-4.1%	17.6%
CER-adjustable time deposits	6	6	6	7	-7.0%	-21.3%
CEDRO adjusted by CER	0	0	0	0		
Other deposits (3)	25,742	26,735	24,945	20,155	-3.7%	27.7%
Private sector deposits	487,531	484,539	467,958	383,535	0.6%	27.1%
Public sector deposits	197,377	183,159	186,205	156,657	7.8%	26.0%
Private and public sector deposits in dollars (1)	**8,756**	**8,262**	**8,093**	**9,597**	**6.0%**	**-8.8%**
Loans to private and public sector in pesos (1)	**512,126**	**498,168**	**480,863**	**384,534**	**2.8%**	**33.2%**
Loans to private sector	468,904	457,046	442,347	348,641	2.6%	34.5%
Overdrafts	58,461	56,670	57,724	48,510	3.2%	20.5%
Promissory bills	113,427	111,414	104,863	79,391	1.8%	42.9%
Mortgages	44,059	43,075	41,982	35,583	2.3%	23.8%
Pledge-backed loans	31,765	31,303	30,710	22,677	1.5%	40.1%
Personal loans	99,674	98,484	96,573	75,877	1.2%	31.4%
Credit cards	85,494	80,670	76,730	59,051	6.0%	44.8%
Other loans	36,024	35,430	33,765	27,552	1.7%	30.8%
Loans to public sector	43,223	41,122	38,516	35,893	5.1%	20.4%
Loans to private and public sector in dollars (1)	**3,647**	**3,693**	**3,957**	**5,442**	**-1.2%**	**-33.0%**
Total monetary aggregates (1)						
M1 (currency held by public + settlement check in pesos+ current account in pesos)	476,458	438,082	407,594	367,742	8.8%	29.6%
M2 (M1 + savings account in pesos)	614,389	578,381	532,667	475,259	6.2%	29.3%
M3 (currency held by public + settlement check in pesos + total deposits in pesos)	937,044	914,836	888,944	747,908	2.4%	25.3%
M3* (M3 + total deposits in dollars + settlemente check in foreign curren	1,000,792	968,764	938,983	795,391	3.3%	25.8%
Private monetary aggregates						
M1 (currency held by public + settlement check in pesos + priv.current account in pesos)	373,174	367,388	350,154	308,383	1.6%	21.0%
M2 (M1 + private savings account in pesos)	497,710	493,849	464,836	406,255	0.8%	22.5%
M3 (currency held by public + settlement check in pesos + priv. total deposits in pesos)	739,667	731,677	702,739	591,251	1.1%	25.1%
M3* (M3 + private total deposits in dollars + settlemente check in foreign currency)	791,033	775,803	744,374	629,565	2.0%	25.6%

Explanatory factors	Average Change							
	Monthly		Quarterly		YTD 2014		Last 12 months	
	Nominal	Contribution(4)	Nominal	Contribution(4)	Nominal	Contribution(4)	Nominal	Contribution(4)
Monetary base	**6,656**	**1.8%**	**33,158**	**9.9%**	**6,656**	**1.8%**	**69,954**	**23.5%**
Financial sector	-3,548	-1.0%	2,780	0.8%	-3,548	-1.0%	12,508	4.2%
Public sector	14,471	4.0%	46,422	13.9%	14,471	4.0%	95,134	31.9%
Private external sector	-7,676	-2.1%	-29,615	-8.8%	-7,676	-2.1%	-38,028	-12.7%
BCRA securities	-832	-0.2%	7,114	2.1%	-832	-0.2%	-3,867	-1.3%
Others	4,240	1.2%	6,457	1.9%	4,240	1.2%	4,207	1.4%
International reserves excluded 2009 SDRs allocations	**-991**	**-3.2%**	**-4,638**	**-13.5%**	**-991**	**-3.2%**	**-13,334**	**-31.0%**
Foreign exchange market intervention	-1,137	-3.7%	-4,788	-14.0%	-1,137	-3.7%	-6,148	-14.3%
International financial institutions	139	0.5%	474	1.4%	139	0.5%	687	1.6%
Other public sector operations	-506	-1.7%	-833	-2.4%	-506	-1.7%	977	2.3%
Dollar liquidity requirements	858	2.8%	1,332	3.9%	858	2.8%	616	1.4%
Others (incl. change in US$ market value of nondollar assets)	-346	-1.1%	-822	-2.4%	-346	-1.1%	-9,466	-22.0%

1 Excludes financial sector and foreign depositors. Loans´s figures correspond to statistical information, without being adjusted by financial trusts. Provisory figures.
2 Net of the use of unified funds.
3 Net of deposits pending of swap by public bonds (BODEN).
4 "Contribution" field refers to the percentage of change of each factor versus the main variable corresponding to the month respect which the change is being calculated.
5 Provisory data subjected to changes in valuation.

Sources: BCRA Accounting Department and SISCEN Informative Regime.

Minimum Cash Requirement and Compliance

	Jan-14	Dec-13	Nov-13
	(1)	(1)	
Domestic Currency	*% of total deposits in pesos*		
Requirement	11.9	11.9	11.6
Compliance	12.6	12.6	11.8
Position (2)	0.8	0.7	0.2
Residual time structure of term deposits used for the calculation of the requirement (3)	%		
Up to 29 days	67.5	67.5	63.9
30 to 59 days	22.8	22.8	25.3
60 to 89 days	5.0	5.0	6.3
90 to 179 days	3.2	3.2	3.0
more than 180 days	1.4	1.4	1.5
Foreign Currency	*% of total deposits in foreign currency*		
Requirement	19.2	19.0	19.1
Compliance (includes default application resource)	123.4	117.4	111.0
Position (2)	104.3	98.4	91.9
Residual time structure of term deposits used for the calculation of the requirement (3)	%		
Up to 29 days	46.9	47.6	49.1
30 to 59 days	23.3	23.1	22.5
60 to 89 days	12.2	11.0	10.5
90 to 179 days	14.9	14.5	13.7
180 to 365 days	2.6	3.8	4.1
more than 365 days	0.1	0.1	0.0

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

(2) Position= Requirement - Compliance

(3) Excludes judicial time deposits.

Source: BCRA

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

Borrowing Interest Rates	Jan-14	Dec-13	Nov-13	Dec-13	Jan-13
Interbank Loans (overnight)					
Interest rate	16.15	19.67	15.31	19.67	10.81
Traded volume (million pesos)	2,132	2,144	2,218	2,144	1,361
Time Deposits					
In pesos					
30-44 days	18.86	17.65	15.84	17.65	12.90
60 days or more	20.17	18.98	17.79	18.98	11.39
Total BADLAR (more than $1 million, 30-35 days)	19.19	18.55	16.79	18.55	13.04
Private Banks BADLAR (more than $1 million, 30-35 days)	21.69	20.18	19.05	20.18	15.14
In dollars					
30-44 days	0.40	0.34	0.37	0.34	0.59
60 days or more	0.87	0.65	0.71	0.65	1.06
Total BADLAR (more than $1 million, 30-35 days)	0.44	0.33	0.39	0.33	0.68
Private Banks BADLAR (more than $1 million, 30-35 days)	0.38	0.33	0.38	0.33	0.70
Lending Interest Rates	**Jan-14**	**Dec-13**	**Nov-13**	**Dec-13**	**Jan-13**
Stock Repos					
Gross interest rates 30 days	22.65	21.64	20.22	21.64	13.93
Traded volume (all maturities, million pesos)	310	316	311	316	198
Loans in Pesos (1)					
Overdrafts	28.68	27.61	26.19	27.61	21.56
Promissory Notes	25.72	22.35	21.43	22.35	19.40
Mortgages	18.29	16.55	16.49	16.55	16.57
Pledge-backed Loans	25.25	21.17	22.23	21.17	21.25
Personal Loans	40.08	39.14	38.68	39.14	34.97
Credit Cards	s/d	36.89	35.65	36.89	33.89
Overdrafts - 1 to 7 days - more than $10 million	23.62	22.62	20.20	22.62	14.49
International Interest Rates	**Jan-14**	**Dec-13**	**Nov-13**	**Dec-13**	**Jan-13**
LIBOR					
1 month	0.16	0.17	0.17	0.17	0.21
6 months	0.34	0.35	0.35	0.35	0.49
US Treasury Bonds					
2 years	0.38	0.33	0.29	0.33	0.26
10 years	2.84	2.88	2.71	2.88	1.88
FED Funds Rate	0.25	0.25	0.25	0.25	0.25
SELIC (1 year)	10.30	10.00	9.58	10.00	7.25

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

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

Reference Interest Rates	Jan-14	Dec-13	Nov-13	Dec-13	Jan-13
BCRA Repo Interest Rates					
Overnight reverse repo	9.00	9.00	9.00	9.00	9.00
7-day reverse repo	9.50	9.50	9.50	9.50	9.50
7-day repo	11.50	11.50	11.50	11.50	11.50
Total Repo Interest Rates					
Overnight	11.52	15.81	11.20	15.81	9.28
7 days	12.58	13.12	10.03	13.12	9.52
Repo traded volumen (daily average)	7,959	3,981	11,087	3,981	11,578
Peso LEBAC Interest Rate[1]					
1 month	s/o	s/o	s/o	s/o	s/o
2 months	25.52	s/o	s/o	s/o	12.28
3 months	19.99	15.52	15.28	15.52	12.87
9 months	23.91	s/o	s/o	s/o	s/o
12 months	21.50	17.80	17.77	17.80	14.96
Peso NOBAC with variable coupon Spread[1]					
200 days BADLAR Private Banks	-0.40	s/o	s/o	s/o	-2.64
Dollars LEBAC Interest Rate[1]					
1 month	2.50	s/o	s/o	s/o	s/o
3 months	3.00	s/o	s/o	s/o	s/o
6 months	3.50	s/o	s/o	s/o	s/o
12 months	4.00	s/o	s/o	s/o	s/o
LEBAC and NOBAC traded volume (daily average)	1034	673	804	673	1017
Foreign Exchange Market	**Jan-14**	**Dec-13**	**Nov-13**	**Dec-13**	**Jan-13**
Dollar Spot					
Exchange agencies	7.11	6.32	6.02	6.32	4.95
BCRA Reference	7.13	6.33	6.02	6.33	4.95
Future dollar					
NDF 1 month	7.72	6.75	6.38	6.75	5.05
ROFEX 1 month	7.39	6.56	6.17	6.56	5.02
Traded volume (all maturities, million pesos)	2,503	1,618	1,642	1,618	685
Real (Pesos/Real)	2.98	2.69	2.61	2.69	2.44
Euro (Pesos/Euro)	9.69	8.67	8.12	8.67	6.58
Capital Market	**Jan-14**	**Dec-13**	**Nov-13**	**Dec-13**	**Jan-13**
MERVAL					
Index	5,631	5,330	5,429	5,330	3,176
Traded volume (million pesos)	95	109	122	109	65
Governement Bonds (parity)					
BODEN 2015 (US$)	133.38	132.63	143.34	132.63	127.44
DISCOUNT (US$ - NY legislation)	98.90	106.64	119.79	106.64	99.65
BODEN 2014 ($)	94.00	93.47	94.15	93.47	94.77
DISCOUNT ($)	62.39	63.95	59.79	63.95	49.46
Country risk					
Spread BODEN 2015 vs. US Treasury Bond	1,085	826	897	826	1,262
EMBI+ Latin America (without Argentina)	430	412	415	412	288

1 Corresponds to average results of each month primary auctions.

10. Glossary

ANSES: *Administración Nacional de Seguridad Social*. Social Security Administration
APR: Annual percentage rate.
BADLAR: Interest rate for time deposits over one million pesos between 30 and 35 days for the average of financial institutions
BCRA: *Banco Central de la República Argentina*. Central Bank of Argentina
BODEN: Bonos optativos del Estado Nacional. Optional federal bonds
BOVESPA: Sao Pablo Stock Exchange Index (Brazil)
CAFCI: *Cámara Argentina de Fondos comunes de inversión*
CDS: Credit Default Swaps
CER: Coeficiente de Estabilización de Referencia. Reference Stabilization Coefficient
CNV: Comisión Nacional de Valores. National Securities Commission
CPI: Consumer Price Index
DISC: Discount Bond
EMBI: Emerging Markets Bonds Index
FCI: Mutual Funds
Fed: Federal Reserve
FTs: Financial Trusts
GBA: Greater Buenos Aires metropolitan area
GDP: Gross Domestic Product
IAMC: Instituto Argentino de Mercado de Capitales.
IGBVL: Lima Stock Exchange Index (Peru)
IGPA: Santiago Stock Exchange Index (Chile)
LEBAC: *Letras del Banco Central*. BCRA Bills
LCIP: Credit Line for Productive Investment.
LIBOR: London Interbank Offered Rate
M2: Notes and Coins + Current Accounts and Savings Accounts in $
M3: Notes and Coins + Total Deposits in $.
M3*: Notes and Coins + Total Deposits in $ and US$
MERVAL: *Mercado de Valores de Buenos Aires*. Buenos Aires Stock Exchange Index
MEXBOL: Mexico Stock Exchange Index
NBFI: Non-Banking Financial Institutions
NDF: Non Deliverable Forward
NOBAC: Notas del Banco Central. BCRA Notes
NV: Nominal value
ONs: Corporate Bonds
PyME: Small and medium enterprises
ROFEX: Rosario Futures Exchange Rate Market
SELIC: Brazilian Central Bank's Benchmark Interest Rate
SISCEN: *Sistema Centralizado de Requerimientos Informativos*. BCRA Centralized Reporting Requirement System
S&P: Standard and Poor´s 500 Index
TIR: Internal rate of return (IRR).
y.o.y.: Year-on-year