Monthly Monetary Report

February 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 March 12, 2014. All figures are provisional and subject to review.

1. Summary[1]

- The monthly average balance of private M3 remained relatively stable in February as a result of a drop in the stock of means of payment, which was offset by a rise in time deposits. This kind of deposits exhibited one of the highest monthly increases in the last 12 months (3.9%), exceeding the rise observed in February 2013. Thus, private sector time deposits raised their y.o.y. change rate to 32.7%, up 1.7 p.p. against the previous month.

- As it is expected for February, loans in pesos to the private sector moderated their monthly growth pace due to seasonal factors related to summer holidays. Growth recorded in the month amounted to 1.3% ($6.23 billion) and was mainly explained by a rise in current account overdrafts and financing through credit cards. As a result, the stock of peso-denominated loans to the private sector increased 34.1% over the last 12 months.

- Within the framework of the policies to encourage lending for productive purposes, the BCRA continued to award funds through the Bicentennial Productive Financing Program (PFPB). In February, $81.6 million were granted and so the total amount disbursed since the beginning of the PFPB amounts to $6.1, around 80% of the total awarded. On the other hand, regarding the Credit Line for Productive Investment (LCIP), the BCRA established, by the end of February, that up to 10% percent of the quota for the first half of 2014 may be applied to the discount of differed payment checks to micro, small and medium-sized enterprises in March and up to an additional 10% in April with the purpose of keeping fluid financing to smaller companies' working capital whose in relative terms create more jobs.

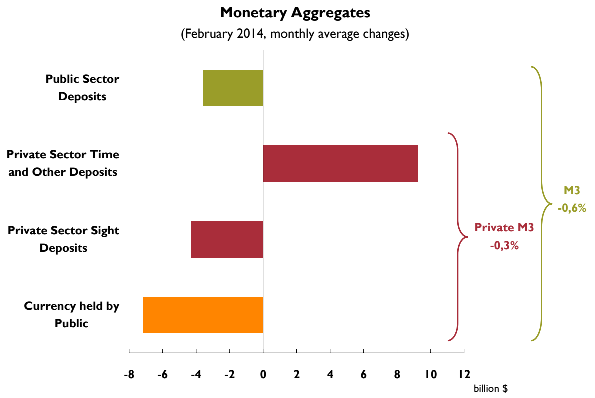
- At the beginning of February the BCRA reinstated, through Communication "A" 5536, the limit for financial institutions' positive Net Global Position in foreign currency which had been in effect until April 2005. It was provided that the positive Net Global Position may not exceed 30% of Adjusted Stockholders' Equity or institutions' own liquid funds, whichever the lower. In addition, it was ordered that the term positive net global position in foreign currency may not exceed 10% of adjusted stockholder's equity. As a result of this measure, the supply of currencies and other assets in foreign currency increased, as financial institutions had to unwind asset positions in such currency.

- The sale of US dollars by financial institutions by virtue of the amendment above mentioned led to a rise of their liquidity in pesos. Thus, financial institutions' liquidity in pesos (measured as the sum of cash in banks, current account with the Central Bank, net repos with the Central Bank and LEBAC and NOBAC holdings) went up 1.6 p.p. against January, standing at 32.5% of deposits in pesos. The main increase was observed in surplus liquidity: net repos with the Central Bank and LEBAC and NOBAC holdings.

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

2. Monetary aggregates

Chart 2.1



Source: BCRA

Chart 2.2

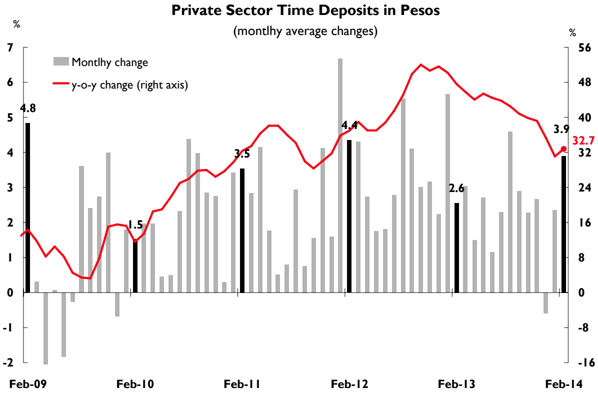
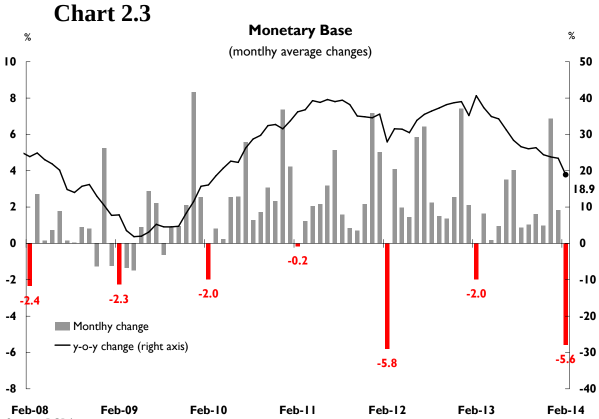


Chart 2.3



Source: BCRA

In February, the broadest monetary aggregate in pesos (M3[2]) recorded a 0.6% drop. It continued moderating its growth pace recording a 24% y.o.y. change rate, down 1.2 p.p. against January. The monthly decrease evidenced by M3 was mainly explained by a reduction of public sector deposits, since the balance of the broadest private monetary aggregate (private M3[3]) remained relatively stable (see Chart 2.1).

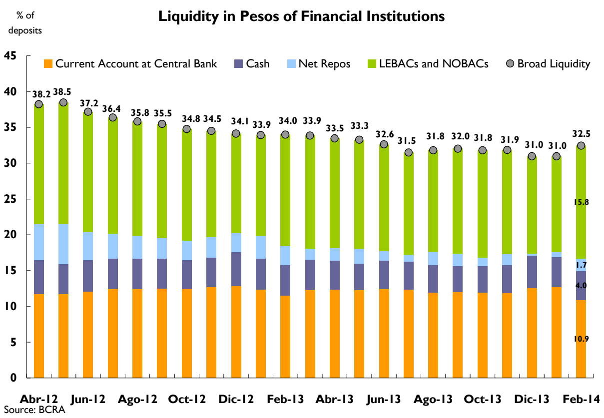
As to private M3 components, the stock of means of payment exhibited a drop, which was offset by a rise in time deposits. The latter type of deposit exhibited one of the highest monthly increases of the last 12 months (3.9%) due to increased interest rates, exceeding the rise observed in February 2013 (see Chart 2.2). Thus, private sector time deposits raised their y.o.y. change rate which stood at 32.7%, up 1.7 p.p. against the previous month. Segmented by amount, a hike was observed in the wholesale segment (5.3%) and in deposits under $1 million (2.3%) in February.

Deposits in foreign currency exhibited a rise in the average monthly stock, with increments in deposits from the private sector which well offset the decrease in public sector deposits. As a result, the broadest monetary aggregate, M3*[4], went up 0.2% posting a 26% y.o.y. change rate.

As regards primary money creation, the average stock of the monetary base amounted to $347,7 billion, falling 5.6% in the month (see Chart 2.3). Its y.o.y. change rate stood at 18.9%, down 4.5 p.p. against January being one of the lowest levels since early 2010. Among its components, cash held by the public and, mainly, bank reserves (consisting of cash held in financial institutions and the stock of current accounts of financial institution with the Central Bank) posted a decrease in February. It is worth stating that the reduction of current accounts with the Central Bank was mainly related to the end of the minimum cash quarterly position (see Financial institutions' liquidity section).

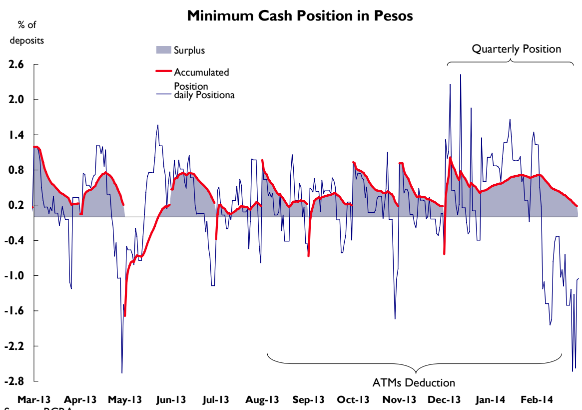
[2] It includes cash held by the public, settlement checks in pesos and deposits in pesos of the non-financial private and public sectors.
[3] It includes cash held by the public, settlement checks in pesos and deposits in pesos of the non-financial private sector.
[4] It includes M3 and deposits in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

Chart 3.1



Source: BCRA

Chart 3.2



Source: BCRA

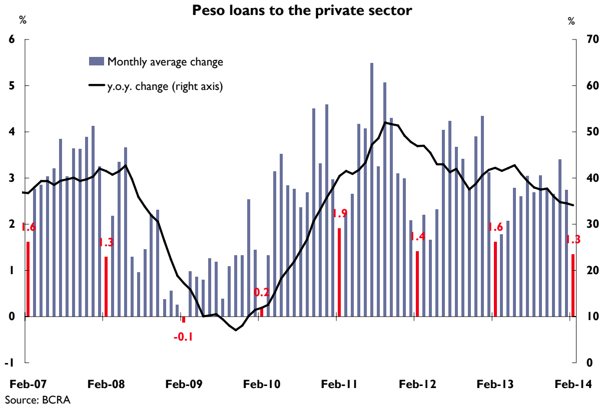
3. Financial Institutions' liquidity[1]

In February, financial institutions' 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) went up, on average, by 1.6% of deposits in pesos (see Chart 3.1). Thus, the average liquidity ratio was 32.5% in February. It is worth mentioning that part of the increase mentioned stemmed from the sale of US dollars by financial institutions in order to comply with Communication "A" 5536 (see International reserves and foreign exchange market section). This hike was largely observed in the extra liquidity (net repos with the Central Bank and LEBAC and NOBAC holdings), whereas bank reserves (cash held in financial institutions and current accounts of institutions with the Central Bank) mainly decreased as a result of a drop in financial institutions' current accounts with the Central Bank. This performance was explained by the fact that financial institutions could offset the surplus of their quarterly Minimum Cash Position (from December 2013 to February 2014) recorded in the first two months of 2014 against a lower level of capital compliance in February (see Chart 3.2). Therefore, the surplus estimated of the quarterly calculation of minimum reserve requirements was 0.2% of total deposits in pesos.

As for the foreign currency segment, liquidity continued standing at high levels reaching 118.8% of total deposits in dollars (down 16.2 p.p. against January), in spite of a drop recorded in the month. Financial institutions' current accounts in foreign currency with the Central Bank proved to be a crucial factor behind this drop, especially driven by stock adjustment as under Communication "A" 5536. In turn, liquidity composition in foreign currency has changed in favor of LEBACs in US dollars to the detriment of current accounts in foreign currency as from this month.

4. Loans[1] [5]

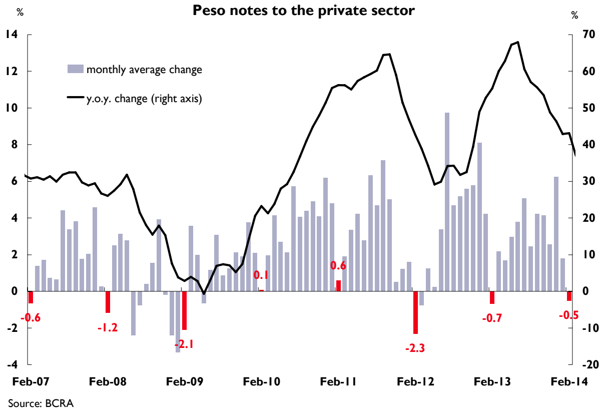
Chart 4.1



As is usually the case, loans in pesos to the private sector moderated their monthly growth pace in February due to seasonal factors related to summer holidays. Growth recorded in the month amounted to 1.3% ($6.23 billion) and was mainly explained by a rise in current account overdrafts and financing through credit cards. Thus, they increased 34.1% over the last 12 months (see Chart 4.1).

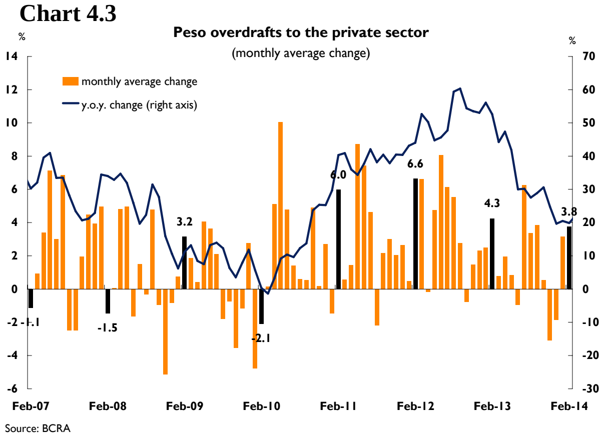
As regards credit lines for commercial purposes, financing arranged through notes slowed down 0.5% ($590 million), in line with the performance recorded in previous years. In fact, the y.o.y. change rate remained practically stable, standing at 43.1% (see Chart 4.2). In turn, overdrafts accelerated their monthly growth pace, evidencing a 3.8% increase ($2.2 billion), whereas their y.o.y. growth rate stood at around 20% (see Chart 4.3).

Chart 4.2



Regarding policies developed to encourage lending for productive purposes, the BCRA continued to award funds through the Bicentennial Productive Financing Program (PFPB). In February, $81.6 million were granted, and since the beginning of the PFPB disbursements amounted $6.1 billion, around 80% of the total awarded. On the other hand, regarding the Credit Line for Productive Investment (LCIP), the BCRA established, by the end of February, that up to 10% percent of the quota for the first half of 2014 may be applied to the discount of differed payment checks to micro, small and medium-sized enterprises in March and up to an additional 10% in April; should any amount remain unallocated in March, it may not be transferred to April. The interest rate on such financing shall not exceed 17.50% and, although the minimum 36-month term shall not be applied, the stock recorded in April shall remain the same, at least, until June 30, 2014 (Communication "A" 5554). This measure was taken to ensure smooth financing channeled to smaller companies for undertaking working capital projects and for creating jobs in relative terms.

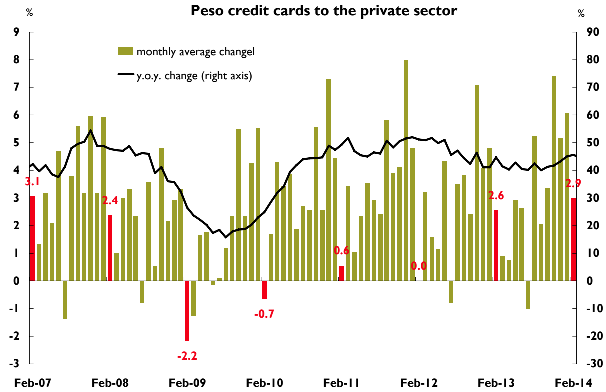
Chart 4.3



Credit lines mostly aimed at financing households' consumption continued growing. Financing through credit cards went up 2.9% ($2.5 billion) in February. Even though this increase was lower than that of the previous month, it was one of the highest on record for this period in the past few years. Consequently, the

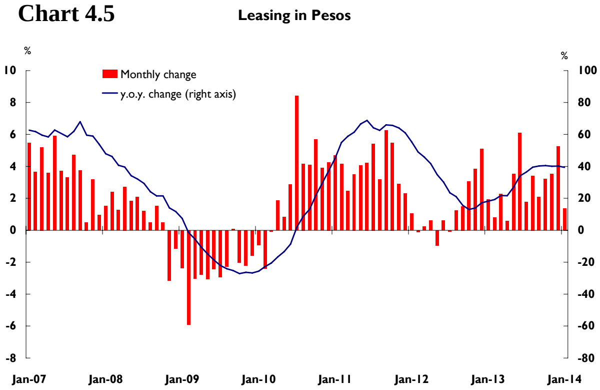
[5] Monthly changes of loans are presented in accounting records and are fundamentally caused by transfers of loans in financial institutions' portfolios to financial trusts. In this report, "amounts granted" or "new loans" refer to loans (new and renewed) arranged in a given period. In contrast, a change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

Chart 4.4



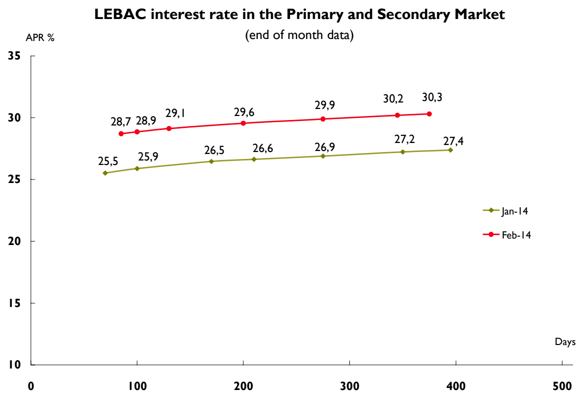
Source: BCRA

Chart 4.5



Source: SEFyC (balance sheet data)

Chart 5.1



Source: BCRA

y.o.y. change rate kept on increasing, standing at 45.6% (see Chart 4.4). In turn, personal loans exhibited an increase of 1.8% ($1.8 billion) in the month, similar to that of the previous month and lower than the level observed in February in previous years, climbing around 30% over the past 12 months.

Considering loans with real collateral, pledge-backed loans grew 2.1% ($650 million), exceeding the previous two-month period, but standing below the figure observed in February in previous years (excluding February 2009 and 2010, when loans posted a poor performance). Consequently, their growth rate was moderated, although it remained at a high level in y.o.y. terms standing at 39.4%. In turn, mortgage-backed loans grew by 0.6% ($250 million) in the month and their y.o.y. change rate stood at around 23%. It is worth mentioning that a part of household demand for mortgage-backed loans is not computed in the statistics on bank loans because it is channeled through the Bicentennial Credit for Housing Program (Pro.Cre.Ar). Moreover, mortgage-backed loans for the purchase, construction or enlargement of housing units for a minimum term of 10 years may be allocated to the LCIP quota, which would boost this credit line as long as such loans are granted along the first half of the year.

According to the latest information available for January, financing granted by financial institutions under leasing[6] contracts increased 1.4% ($140 million). In turn, its y.o.y. change rate remained relatively stable, at around 40% (see Chart 4.5).

Finally, loans in foreign currency granted to the private sector rose 0.7% (US$26 million). Thus, the month's average stock stood at around US$3.7 billion.

5. Interest Rates[7]

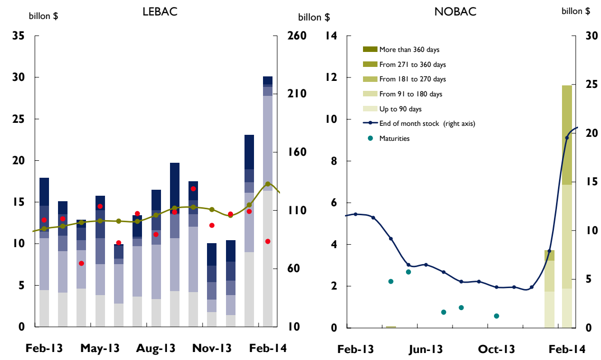
Central Bank Securities[8]

The Central Bank continued implementing its policy aimed to foster savings in domestic currency and balance the monetary market. In the first auction of the month, it increased interest rates on bonds awarded in the primary market and kept them unchanged during the rest of February. As regards LEBACs, which account for most of the amount issued, they rose 3 p.p., a

[6] 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.
[7] Interest rates mentioned in this section are expressed as annual percentage rates (APR).
[8] In this section, figures are end-of-month data unless otherwise stated.

Chart 5.2

Amount allocated of Central Bank Bonds in the Primary Market

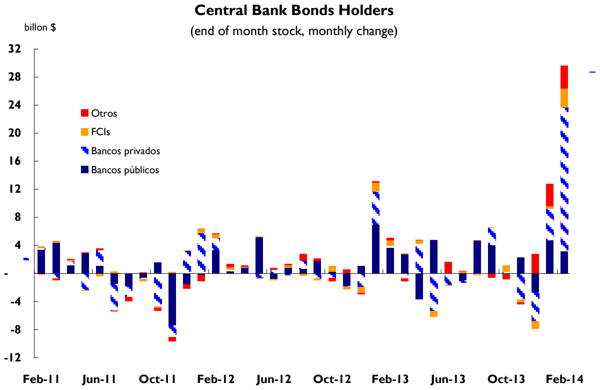


Source: BCRA

Chart 5.3

Central Bank Bonds Holders

(end of month stock, monthly change)

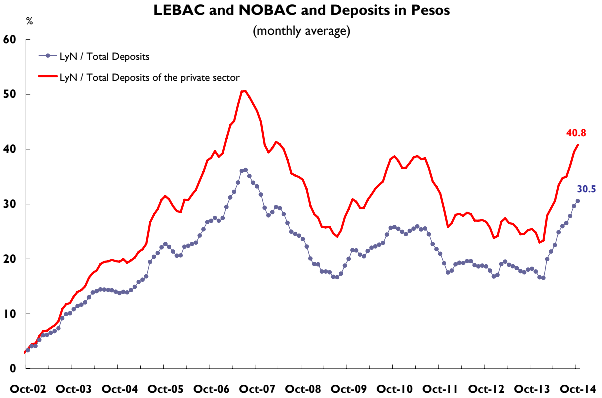


Source: BCRA

Chart 5.4

LEBAC and NOBAC and Deposits in Pesos

(monthly average)



Source: BCRA

percentage that was replicated all along the yield curve. Thus, by the end of February, the interest rate for shorter terms auctioned with pre-determined rates—at 85 and 100 days—stood at 28.7% and 28.9%, respectively. Moreover, the longest-term interest rate—with a maturity of 380 days— stood at 30.3% (see Chart 5.1). In turn, instruments at a variable rate were once again awarded for the second consecutive month at a positive spread of approximately 1.2 p.p. over BADLAR at private banks.

In turn, in the secondary market, interest rates on LEBACs posted a decrease in the terms shorter than 30 days (the most traded)—in line with the trend observed in the call money market—but rose in the remaining terms, consistently with the performance observed in the primary market. Consequently, yield curve for LEBACs once again steepened . The total average turnover traded increased by $166 million, standing at $1.2 billion on a daily basis.

The outstanding stock of LEBACs and NOBACs in pesos recorded a monthly growth of $29.6 billion and stood at $152.2 billion by the end of February (see Chart 5.2). Banks increased their stock the most, followed by mutual funds and, to a lesser extent, insurance companies and Workers' Compensation Insurance Companies (see Chart 5.3). Although the stock of securities increased up to 18.1% in terms of deposits, it remained low against historical values (see Chart 5.4).

Finally, deposits in the foreign currency totaled US$528 million in February, while interest rates remained unchanged.

Central Bank repo transactions[1]

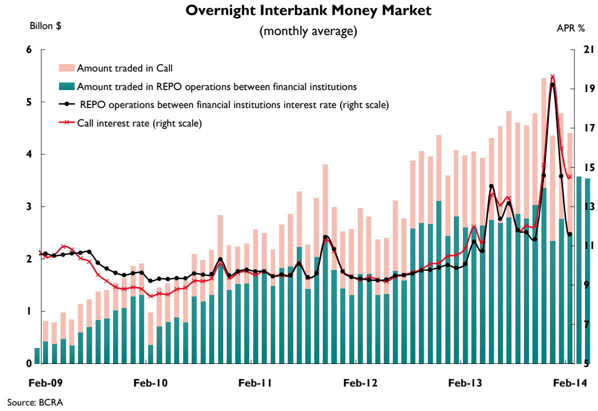
In February, interest rates considering all repo transactions remained unchanged. Rates on reverse repos stood at 9% overnight and at 9.5% at 7 days, while rates on repo loans stayed at 11% overnight and 11.5% at 7 days.

On the other hand, the average stock of reverse repos with the Central Bank recorded an increase of $7.7 billion, reaching $17.6 billion; in contrast, no repo loans with the institution were recorded.

Call money market [1]

Interest rates on the call money market went down in February and financial institutions recorded short term liquidity surplus. The average interest rate on overnight transactions dropped 1.3 p.p in the unsecured market

Chart 5.5

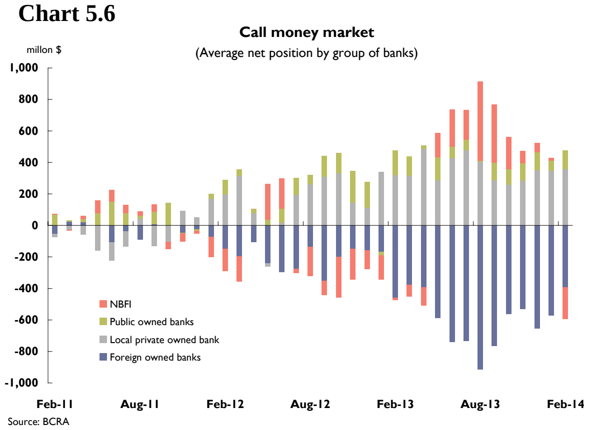


(call), standing at 14.6%. In turn, the average interest rate on overnight transactions between financial institutions in the secured market (REPO round) went down 3 p.p. and stood at 11.6% (see Chart 5.5).

The daily average volume traded contracted $314 million, and totaled around $4.6 billion. This was explained by similar drops, both in the REPO round and the call money market. As regards the net position recorded in the call money market, domestic private financial institutions were the main net fund lenders, whilst foreign banks and non-bank financial institutions became, once again, net fund borrowers in the market after nine months (see Chart 5.6).

Borrowing rates [1]

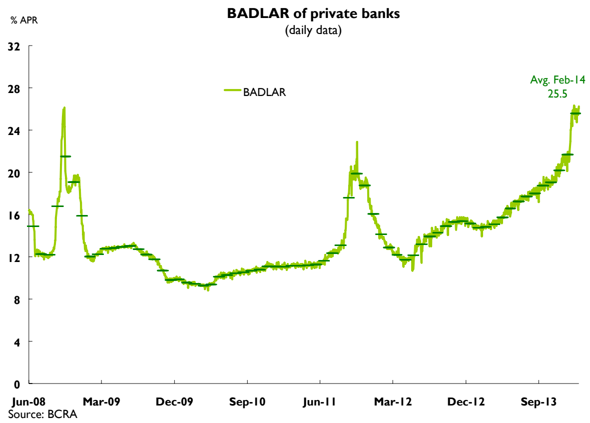
Chart 5.6



Borrowing rates increased again in February, in line with higher interest rates on LEBACs and NOBACs. Thus, hikes were mainly observed in the first week of the month, and remained relatively stable during the rest of February.

Interest rates paid by financial institutions for private sector time deposits in pesos recorded increases exceeding 3 p.p. on a monthly average. This rise was led by the wholesale segment, while more limited rises were observed in the retail tranche. Specifically, in the wholesale segment, the BADLAR of private banks—interest rate on deposits of $1 million and more and at 30-35 days—averaged 25.6%, recording a 3.9 p.p. monthly increase (see Chart 5.7). In turn, the interest rate paid for retail deposits by financial institutions for private sector time deposits of up to $100,000 averaged 20.2%, exhibiting a 3.3 p.p. increase.

Chart 5.7

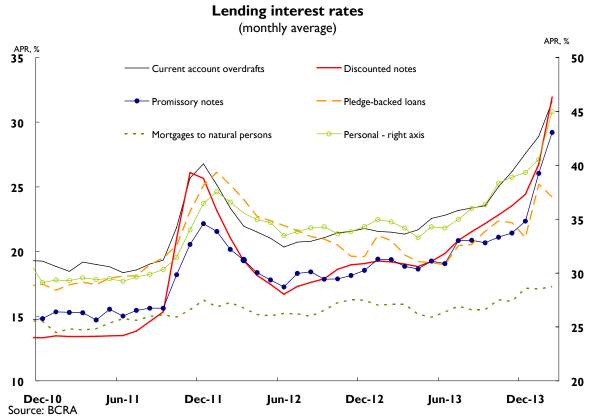


Lending rates[1][9]

In general, interest rates on loans in pesos to the private sector climbed during February. Financing arranged through promissory notes exhibited the most significant increases across all credit lines. Particularly, the monthly average of interest rates on unsecured promissory notes stood at 29%, with a 3.3 p.p. hike in the month. Likewise, the interest rate on discounted documents averaged 31.9%, recording a 5.2 p.p. rise during February. It should be noted that, the Central Bank facilitates access for micro, small, and medium-sized enterprises to credit lines at significantly lower interest rates within the framework of the LCIP (see Loans section).

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

Chart 5.8

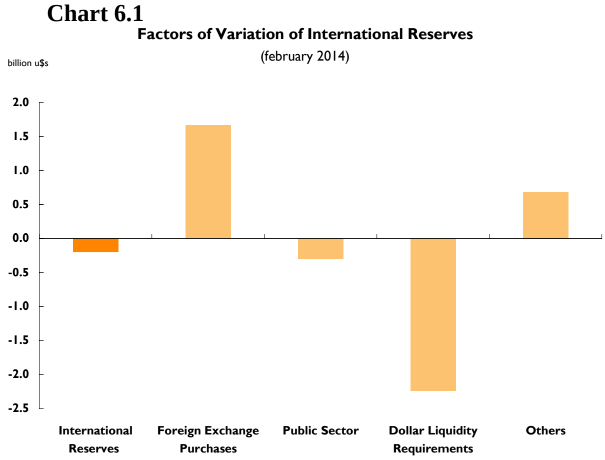


Source: BCRA

In turn, the monthly average of the interest rate on current account overdrafts stood at 31.4%, increasing 2.8 p.p. monthly. Within this credit line, the interest rate on overdrafts to companies for over $10 million and up to seven days averaged 25.9%, rising 2.3 p.p. above January's average.

In the case of longer-term lines, the interest rate on pledge-backed loans averaged 23.9%, declining 1.4 p.p. over the month. Additionally, the monthly average of the interest rate on mortgage loans granted to households was 17.3%, evidencing a 0.2 p.p. hike against the previous month and remaining unchanged against December (+0.1 p.p.). Lastly, the interest rate on personal loans stood at 44.9%, rising 4.4 p.p. in the month.

Chart 6.1

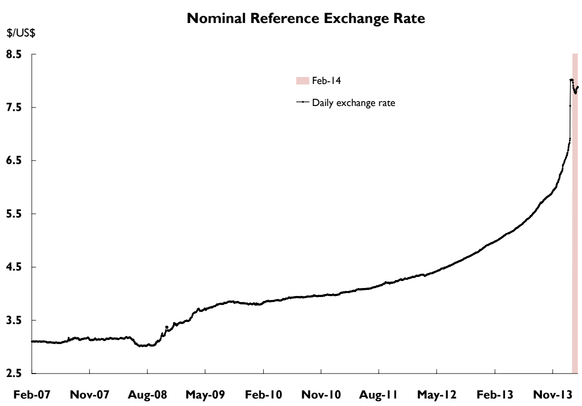


Source: BCRA

6. International reserves and foreign exchange market

International reserves totaled US$27.55 billion by the end of February. This represented a monthly reduction of US$202 million, considerably lower than the amount recorded in January. It should be noted that at the beginning of February the BCRA reinstated, through Communication "A" 5536, the limit for financial institutions' positive Net Global Position in foreign currency which had been in effect until April 2005. Therefore, the limit in an amount that equals 30% of adjusted stockholder's equity or institutions' own liquid funds, whichever the lower, became effective again. In this regard, a reduction in Minimum Cash accounts in dollars was recorded along the month which was offset by net purchases by the Central Bank in the Free and Single Foreign Exchange Market (see Chart 6.1). In addition, a limit was set for derivatives net global position, which may not exceed 10% of adjusted stockholder's equity.

Chart 6.2



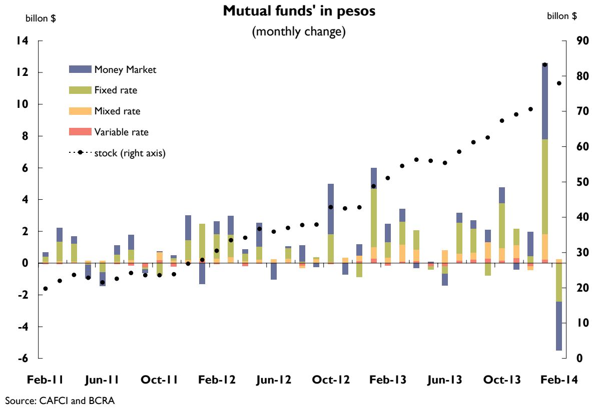
Source: BCRA

The abovementioned measure raised the supply of foreign currency and other foreign currency assets because financial institutions started to unwind the position of their assets in foreign currency, thereby contributing to the stability of the foreign exchange market. Thus, the US dollar exchange rate recorded in the foreign exchange market by the end of February was down 1.7% against late January, standing at 7.9 $/US$ (see Chart 6.2). In turn, the volume traded on the futures market (ROFEX) recorded a 15% hike, which raised the daily average traded volume to over $2.9 billion; meanwhile, the rates fell by the end of the month against those registered in late January.

7. Collective investment vehicles

Mutual funds

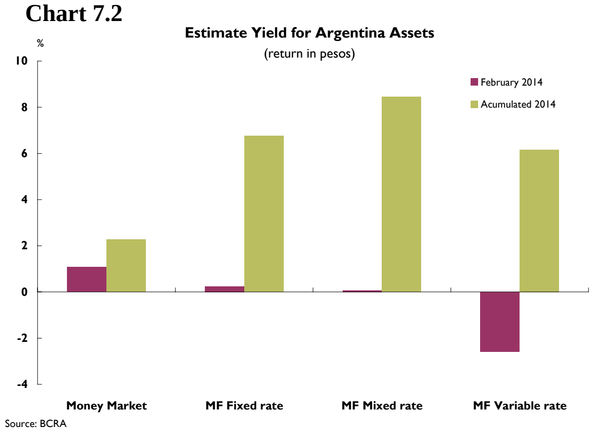
Chart 7.1



After the strong increase recorded in January, equity of Mutual funds decreased $5.53 billion (6.4%) and ended February at $80.41 billion.

This fall, which is unexpected for this time of the year, was a result of the performance observed in Mutual funds in pesos; money market funds accounted for 56% of drops recording a $3.07 billion fall (10.9%), followed by fixed income funds which exhibited a $2.37 billion reduction (6.2%), and explained 43% of the fall. In both cases, this performance was explained by the redemption of unit shares and a decrease in prices. Moreover, variable income funds went down $50 million (2.4%) boosted by the performance in the asset portfolio prices. In turn, funds investing in mixed income assets recorded monthly increases of $230 million (1.6%), partially offsetting the general performance (see Chart 7.1).

Chart 7.2

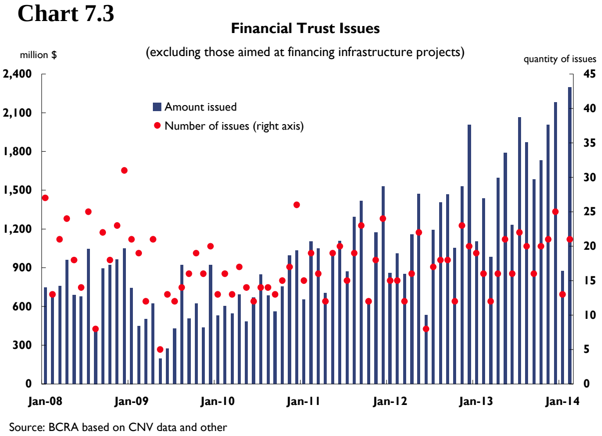


Money market funds recorded monthly returns of 1.1% in February and showed the best relative performance. In turn, mixed and fixed income funds exhibited returns close to zero and variable income funds recorded an average drop of 2.6% (see Chart 7.2).

Finally, Mutual funds in foreign currency reached US$314 million at the end of February, down US$30 million (8.3%) against January; this performance was driven by a fall in most of the segments. It is worth pointing out that no funds in dollars have been created since September 2011.

Financial trusts[10]

Chart 7.3



In February, financial trust (FT) issues totaled $4.3 billion through 23 transactions, 2 of which were related to financing infrastructure works. In particular, the Argentine National Government issued $1.5 billion through series III of the "Trust Created by Decree 976/01-SIFER", aimed at financing railway works. The other issue corresponded to a FT of $490 million, the trustors of which were Electroingeniería S.A. and Vialnoa S.A, both companies engaged in public works. In this respect, the former assigned to the trust the collection rights under the operation and maintenance contract for the Bicentennial Power Station in the Province of Cordoba, while the latter assigned to the trust the collection rights arising from a conssesion

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

Chart 7.4

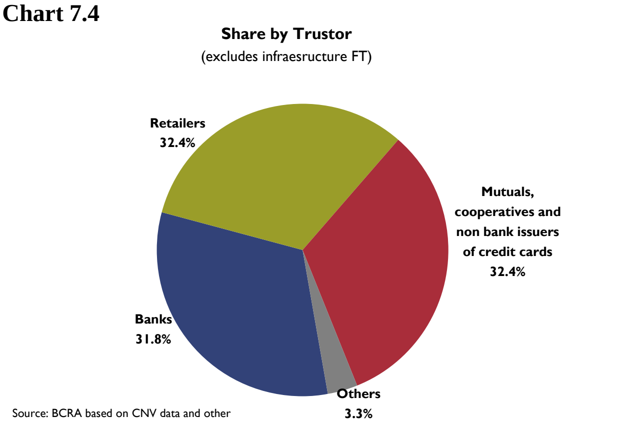


Chart 8.1

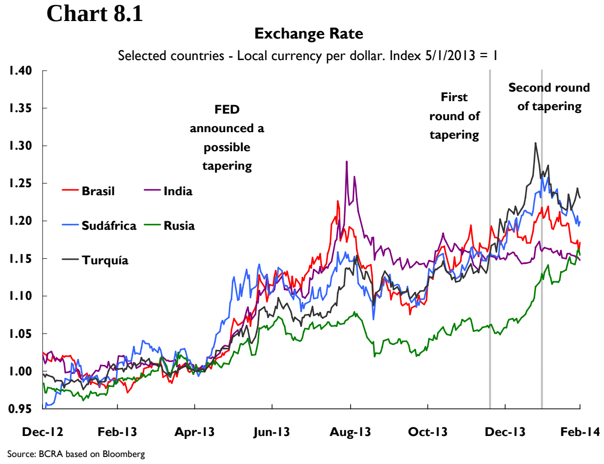
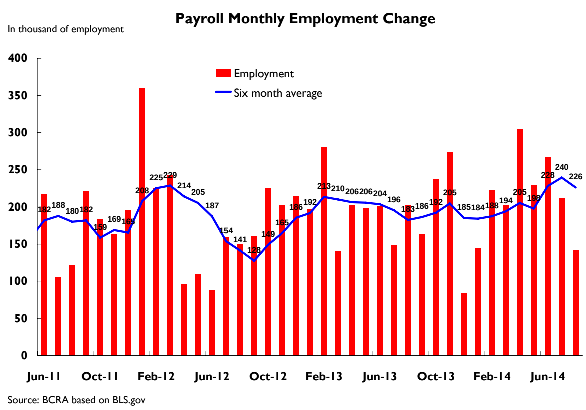


Chart 8.2



agreement in consideration for running the toll service in Road Corridor 7.

If this kind of issues of unprecedented magnitude and nature is excluded, the total issued over the month reaches $2.3 billion —almost three times the amount issued in January— and the highest figure in historical terms (see Chart 7.3). Each type of trustor shared similarly in the amount referred above (Chart 7.4). In fact, the "retail segment" as well as "mutual associations, cooperatives, non-bank issuers of credit cards and other financial service companies" issued around $745 million, whilst "financial institutions" issued $730 million. Most of the assets held in trusts were related to consumption (personal loans and credit card coupons). There was also an issue in dollars (in pesos adjusted by the evolution of the foreign exchange rate) by a group of small and medium-sized enterprises (PyMEs) belonging to the farming sector which securitized loans for commercial purposes.

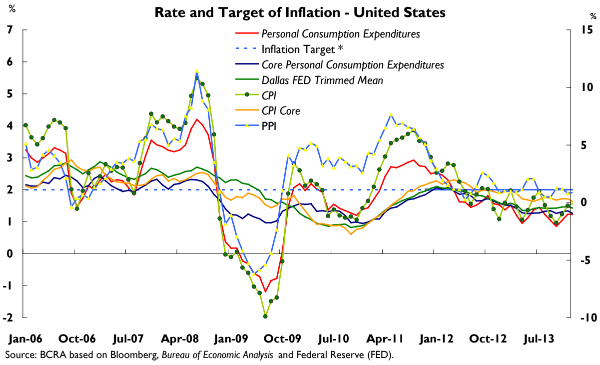
As regards cut-off interest rates (weighted average by amount), the rate on senior bonds in pesos, with a duration below 14 months and agreed upon at a variable rate, stood at 25.6%, increasing 3.9 p.p. against the month before. In turn, as regards the fixed rate segment, only one transaction was recorded with a cut-off interest rate standing at 32.5%.

8. Major policy measures taken by other Central Banks

The period under analysis was mostly marked by the appreciation of emerging countries' currencies which were dramatically affected by the US Federal Reserve (FED) decision of tapering its stimulative quantitative easing policy— as adopted in a second consecutive meeting that took place at the end of January; see Chart 8.1). As commented in the previous report, by the end of January, these countries had taken measures to correct depreciation pressures produced by FED decision. On the other hand, and considering advanced nations, only Japan took significant measures during February.

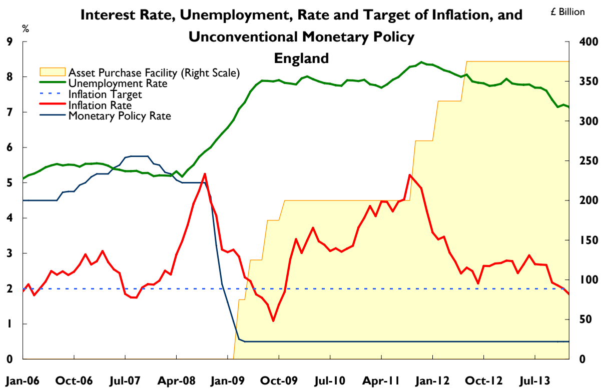
Within advanced nations, the FED's Federal Open Market Committee (FOMC) had no meeting scheduled for February. However, data revealed about the US economy impacted on markets and this surely will exert pressure to the meeting to be held by FOMC in mid-March (see Chart 8.2). In this regard, non-agricultural job creation did not meet market expectations in January, for the second consecutive month. Jobs created amounted to 75,000 in December and 113,000 in January against 200,000 and 180,000, respectively that

Chart 8.3



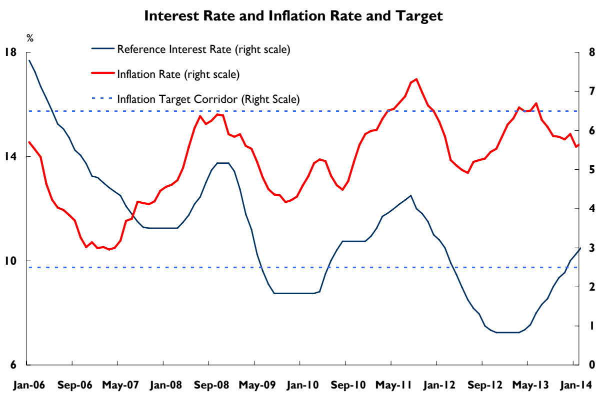
Source: BCRA based on Bloomberg, *Bureau of Economic Analysis* and Federal Reserve (FED).
* The FED is not embedded in an inflation targeting regime. It has a dual mandate where it has to foster maximum employment, moderate long run interest rates and price stability. Regarding the latest on the FED 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 8.4



Source: BCRA based on bankofengland.co.uk y ONS.gov.uk

Chart 8.5



Source: BCRA based on Bloomberg, BCB.gov.br and IBGE.gov.br

had been forecasted by private analysts. In turn, the main price indexes in the United States that had mantained a falling trend and worried some FOMC members, started to gradually reverse this trend (see Chart 8.3).

In addition, the European Central Bank (ECB) and the Bank of England (BoE) did not introduce any changes to their monetary policies. The ECB was moved by fears surrounding the Eurozone entering a deflationary period. The preliminary publication of February's inflation indicates that, for the fourth consecutive month, it remained at 0.8%.

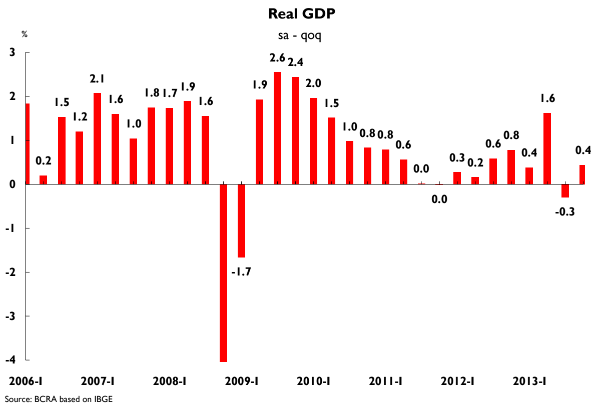
In England, recovery indicators of the activity level continued consolidating, while inflation stood at 1.9% y.o.y in January, almost reaching its target (2%). In turn, the latest information available on unemployment increased slightly, up to 7.2% (0.1 p.p. higher than the month before). In this context, the BoE's Monetary Policy Committee (MPC) decided, during the meeting held on February 6th, to keep unchanged its benchmark interest rate (Bank Rate at 0.5%) as well as its quantitative easing program (Asset Purchase Facility) which has been standing at £375 billion since July 2012 (see Chart 8.4). However, taking into account the publication of its Inflation Report, the governor of the BoE asserted that the Bank Rate would not increase until next year[11].

In turn, the Bank of Japan (BoJ) was the only monetary authority from advanced nations which took a significant expansion measure. In a meeting held in February 18, the BoJ did not change the expansion pace of its monetary base —¥60-70 billion annually had already been projected to double from March 2013 to March 2015)[12]. However, the BoJ extended duration, and doubled credit lines as under the Bank Lending and Growth-Supporting Facilities program up to US$360,000, making them more attractive.

As regards emerging countries, the measure adopted by Brazil's monetary authority stood out. Through unanimous voting and for the sixth consecutive meeting, the Central Bank of Brazil (BCB) decided to increase Selic rate target by 0.25 p.p. to 10.75% (private sector analysts had estimated such a rise in the Selic rate). Thus, the BCB increased the Selic rate target by 3.5 p.p. since the beginning of the rising rates period that started in April 2013 (see Chart 8.5). The decision was taken in a context where the Brazilian economy grew more than

[11] It should be mentioned that the BoE had announced in August 2013 that it would not increase the Bank Rate, provided that the unemployment rate stood above 7% (in the following months it would stand below that figure).
[12] In this regard, the monetary base went up 37.5% between March 2013 and January 2014.

Chart 8.6



expected by the market in the last four months of 2013, 0.7% against the previous quarter (seasonally adjusted; see Chart 8.6). In turn, inflation slowed down to 5.6% in January in y.o.y. terms, 0.3 p.p. below the previous month and remained in line with the target for the seventh month in a row (4.5% ± 2 p.p.). This inflation slowdown, together with lower exchange rate volatility, may have driven the BCB to reduce the rising pace of the Selic rate target to 0.25 p.p. Lastly, on the basis of the minutes of BCB, this bank would resolve to appy a final 0.25 p.p increase in the Selic rate target in next April's meeting. This rise may be accounted for by the fact that, despite late 2013 high figures of growth, market estimates (Focus survey) show a slowdown in activity levels for 2014.

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	
	Feb-14	Jan-14	Dec-13	Feb-13	Monthly	Last 12 months
Monetary base	**347,707**	**368,236**	**361,580**	**292,390**	**-5.6%**	**18.9%**
Currency in circulation	272,780	280,740	277,095	229,440	-2.8%	18.9%
Held by public	244,995	252,115	247,138	206,093	-2.8%	18.9%
Held by financial entities	27,784	28,624	29,956	23,344	-2.9%	19.0%
Settlement check	1	1	2	0	-2.6%	0.0%
BCRA current account	74,927	87,496	84,484	62,951	-14.4%	19.0%
Repos stock						
Reverse repos	17,584	9,909	6,351	18,191	77.5%	-3.3%
Repos	0	0	0	0	0.0%	0.0%
BCRA securities stock (in face value)	137,407	113,791	111,491	104,185	20.8%	31.9%
In banks	115,606	98,084	98,364	91,273	17.9%	26.7%
LEBAC						
In pesos	121,866	108,745	107,309	92,509	12.1%	31.7%
In Dollars	314	0	0	0		
NOBAC	15,541	5,045	4,183	11,676	208.0%	33.1%
International reserves excluded 2009 SDRs allocations	**27,678**	**29,620**	**30,612**	**42,181**	**-6.6%**	**-34.4%**
Private and public sector deposits in pesos (1)	**686,181**	**684,911**	**667,661**	**544,604**	**0.2%**	**26.0%**
Current account (2)	200,448	224,328	190,935	143,518	-10.6%	39.7%
Savings account	131,333	137,936	140,311	109,379	-4.8%	20.1%
Not CER-adjustable time deposits	328,397	296,909	309,708	270,740	10.6%	21.3%
CER-adjustable time deposits	5	6	6	8	-10.3%	-34.1%
CEDRO adjusted by CER	0	0	0	0		
Other deposits (3)	25,999	25,732	26,701	20,960	1.0%	24.0%
Private sector deposits	492,455	487,509	484,495	388,732	1.0%	26.7%
Public sector deposits	193,726	197,402	183,165	155,872	-1.9%	24.3%
Private and public sector deposits in dollars (1)	**8,843**	**8,756**	**8,262**	**9,021**	**1.0%**	**-2.0%**
Loans to private and public sector in pesos (1)	**517,675**	**512,351**	**498,195**	**390,233**	**1.0%**	**32.7%**
Loans to private sector	474,986	469,127	457,071	354,188	1.2%	34.1%
Overdrafts	60,709	58,514	56,651	50,574	3.8%	20.0%
Promissory bills	112,847	113,438	111,432	78,851	-0.5%	43.1%
Mortgages	44,307	44,060	43,075	36,032	0.6%	23.0%
Pledge-backed loans	32,421	31,766	31,304	23,252	2.1%	39.4%
Personal loans	101,127	99,698	98,481	77,922	1.4%	29.8%
Credit cards	88,147	85,635	80,685	60,558	2.9%	45.6%
Other loans	35,428	36,016	35,443	26,999	-1.6%	31.2%
Loans to public sector	42,689	43,224	41,124	36,045	-1.2%	18.4%
Loans to private and public sector in dollars (1)	**3,676**	**3,650**	**3,695**	**5,448**	**0.7%**	**-32.5%**
Total monetary aggregates (1)						
M1 (currency held by public + settlement check in pesos+ current account in pesos)	445,443	476,444	438,075	349,613	-6.5%	27.4%
M2 (M1 + savings account in pesos)	576,776	614,380	578,386	458,993	-6.1%	25.7%
M3 (currency held by public + settlement check in pesos + total deposits in pesos)	931,177	937,027	914,800	750,700	-0.6%	24.0%
M3* (M3 + total deposits in dollars + settlemente check in foreign curren	1,002,563	1,000,775	968,727	795,881	0.2%	26.0%
Private monetary aggregates						
M1 (currency held by public + settlement check in pesos + priv.current account in pesos)	364,231	373,141	367,379	306,583	-2.4%	18.8%
M2 (M1 + private savings account in pesos)	486,223	497,681	493,852	404,604	-2.3%	20.2%
M3 (currency held by public + settlement check in pesos + priv. total deposits in pesos)	737,451	739,625	731,635	594,828	-0.3%	24.0%
M3* (M3 + private total deposits in dollars + settlemente check in foreign currency)	795,400	790,992	775,760	632,586	0.6%	25.7%

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	**-20,529**	**-5.6%**	**9,364**	**2.8%**	**-13,873**	**-3.8%**	**55,316**	**18.9%**
Financial sector	-7,611	-2.1%	-3,656	-1.1%	-11,159	-3.1%	1,930	0.7%
Public sector	4,405	1.2%	36,542	10.8%	18,877	5.2%	99,065	33.9%
Private external sector	1,700	0.5%	-16,299	-4.8%	-5,976	-1.7%	-36,333	-12.4%
BCRA securities	-21,503	-5.8%	-16,345	-4.8%	-22,334	-6.2%	-16,361	-5.6%
Others	2,480	0.7%	9,122	2.7%	6,720	1.9%	7,016	2.4%
International reserves excluded 2009 SDRs allocations	**-1,942**	**-6.6%**	**-4,566**	**-14.2%**	**-2,934**	**-9.6%**	**-14,503**	**-34.4%**
Foreign exchange market intervention	183	0.6%	-2,644	-8.2%	-953	-3.1%	-5,966	-14.1%
International financial institutions	-104	-0.4%	321	1.0%	35	0.1%	692	1.6%
Other public sector operations	-146	-0.5%	-870	-2.7%	-652	-2.1%	848	2.0%
Dollar liquidity requirements	-1,530	-5.2%	-268	-0.8%	-672	-2.2%	-349	-0.8%
Others (incl. change in US$ market value of nondollar assets)	-348	-1.2%	-1,106	-3.4%	-694	-2.3%	-9,730	-23.1%

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

	Feb-14	Jan-14	Dec-13
	(1)	(1)	(1)
Domestic Currency	*% of total deposits in pesos*		
Requirement	11.8	11.9	11.9
Compliance	12.1	12.6	12.6
Position (2)	0.2	0.8	0.7
Residual time structure of term deposits used for the calculation of the requirement (3)	%		
Up to 29 days	67.5	67.5	67.5
30 to 59 days	22.8	22.8	22.8
60 to 89 days	5.0	5.0	5.0
90 to 179 days	3.2	3.2	3.2
more than 180 days	1.4	1.4	1.4
Foreign Currency	*% of total deposits in foreign currency*		
Requirement	20.3	20.8	19.7
Compliance (includes default application resource)	104.5	123.8	117.4
Position (2)	84.2	103.0	97.7
Residual time structure of term deposits used for the calculation of the requirement (3)	%		
Up to 29 days	46.6	46.9	47.6
30 to 59 days	25.3	23.3	23.1
60 to 89 days	11.9	12.2	11.0
90 to 179 days	13.7	14.9	14.5
180 to 365 days	2.2	2.6	3.8
more than 365 days	0.2	0.1	0.1

(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	Feb-14	Jan-14	Dec-13	Dec-13	Feb-13
Interbank Loans (overnight)					
Interest rate	14.73	16.15	19.67	19.67	11.04
Traded volume (million pesos)	1,977	2,131	2,144	2,144	1,471
Time Deposits					
In pesos					
30-44 days	20.99	18.86	17.67	17.67	13.10
60 days or more	23.87	20.17	19.00	19.00	13.46
Total BADLAR (more than $1 million, 30-35 days)	22.43	19.19	18.55	18.55	12.50
Private Banks BADLAR (more than $1 million, 30-35 days)	25.58	21.69	20.18	20.18	14.76
In dollars					
30-44 days	0.94	0.40	0.34	0.34	0.58
60 days or more	1.71	0.87	0.65	0.65	1.12
Total BADLAR (more than $1 million, 30-35 days)	1.04	0.44	0.33	0.33	0.69
Private Banks BADLAR (more than $1 million, 30-35 days)	1.08	0.38	0.33	0.33	0.79
Lending Interest Rates	**Feb-14**	**Jan-14**	**Dec-13**	**Dec-13**	**Feb-13**
Stock Repos					
Gross interest rates 30 days	25.73	22.65	21.64	21.64	13.86
Traded volume (all maturities, million pesos)	282	310	316	316	237
Loans in Pesos (1)					
Overdrafts	31.44	28.90	27.60	27.60	21.50
Promissory Notes	29.01	26.05	22.35	22.35	19.37
Mortgages	17.51	18.29	16.53	16.53	16.20
Pledge-backed Loans	23.87	25.25	21.08	21.08	20.85
Personal Loans	44.90	40.13	39.29	39.29	34.77
Credit Cards	s/d	35.96	37.12	37.12	33.90
Overdrafts - 1 to 7 days - more than $10 million	25.89	23.62	21.39	21.39	14.34
International Interest Rates	**Feb-14**	**Jan-14**	**Dec-13**	**Dec-13**	**Feb-13**
LIBOR					
1 month	0.16	0.16	0.17	0.17	0.20
6 months	0.33	0.34	0.35	0.35	0.46
US Treasury Bonds					
2 years	0.32	0.38	0.33	0.33	0.26
10 years	2.70	2.84	2.88	2.88	1.96
FED Funds Rate	0.25	0.25	0.25	0.25	0.25
SELIC (1 year)	10.54	10.30	10.00	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	Feb-14	Jan-14	Dec-13	Dec-13	Feb-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	9.69	11.52	15.81	15.81	9.30
7 days	10.42	12.58	13.12	13.12	9.56
Repo traded volumen (daily average)	14,259	7,959	3,981	3,981	12,051
Peso LEBAC Interest Rate[1]					
1 month	s/o	s/o	s/o	s/o	s/o
2 months	28.52	25.52	s/o	s/o	12.66
3 months	28.73	19.99	15.52	15.52	12.95
9 months	29.90	23.91	s/o	s/o	s/o
12 months	30.23	21.50	17.80	17.80	15.09
Peso NOBAC with variable coupon Spread[1]					
200 days BADLAR Private Banks	1.49	-0.40	s/o	s/o	s/o
Dollars LEBAC Interest Rate[1]					
1 month	2.50	2.50	s/o	s/o	s/o
3 months	3.00	3.00	s/o	s/o	s/o
6 months	3.50	3.50	s/o	s/o	s/o
12 months	4.00	4.00	s/o	s/o	s/o
LEBAC and NOBAC traded volume (daily average)	1200	1034	673	673	1256
Foreign Exchange Market	**Jul-12**	**Aug-12**	**Sep-12**	**Oct-12**	**Nov-12**
Dollar Spot					
Exchange agencies	7.85	7.11	6.32	6.32	5.01
BCRA Reference	7.87	7.13	6.33	6.33	5.01
Future dollar					
NDF 1 month	8.05	7.72	6.75	6.75	5.14
ROFEX 1 month	7.91	7.39	6.56	6.56	5.08
Traded volume (all maturities, million pesos)	2,917	2,503	1,618	1,618	921
Real (Pesos/Real)	3.30	2.98	2.69	2.69	2.54
Euro (Pesos/Euro)	10.73	9.69	8.67	8.67	6.69
Capital Market	**Feb-14**	**Jan-14**	**Dec-13**	**Dec-13**	**Feb-13**
MERVAL					
Index	5,893	5,631	5,330	5,330	3,256
Traded volume (million pesos)	103	95	109	109	61
Governement Bonds (parity)					
BODEN 2015 (US$)	126.40	133.38	132.63	132.63	133.06
DISCOUNT (US$ - NY legislation)	95.49	98.90	106.64	106.64	99.69
BODEN 2014 ($)	97.71	94.00	93.47	93.47	95.53
DISCOUNT ($)	71.86	62.39	63.95	63.95	50.25
Country risk					
Spread BODEN 2015 vs. US Treasury Bond	1,855	1,085	826	826	1,325
EMBI+ Latin America (without Argentina)	454	430	412	412	296

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