Monthly Monetary Report

June 2015

BANCO CENTRAL
DE LA REPÚBLICA ARGENTINA

Monthly Monetary Report
June 2015

BANCO CENTRAL
DE LA REPÚBLICA ARGENTINA

Contents

1. Summary | Page 3

2. Monetary Aggregates | Page 4

3. Financial Institutions' Liquidity | Page 5

4. Loans | Page 5

5. Interest Rates | Page 7

Central Bank Securities | Page 7

Central Bank Repo Transactions | Page 8

Call Money Market | Page 8

Deposit Rates | Page 9

Lending Rates | Page 9

6. International Reserves and Foreign Exchange Market | Page 10

7. Collective Instrument Vehicles | Page 11

Mutual Funds | Page 11

Financial Trusts | Page 12

8. Major Policy Measures Taken by Other Central Banks | Page 12

9. Monetary and Financial Indicators | Page 15

10. Glossary | Page 19

The closing date for statistics in this report was July 16, 2015. All figures are provisional and subject to review.

1. Summary[1]

- In June, the broadest monetary aggregate in pesos (M3) grew 3.5%, going up 32.5% in the past year. All its components climbed, especially time deposits and means of payment, both from the private sector.

- Private sector time-deposits increased 3.4% keeping up high momentum; this led to a new acceleration of their year-on-year (y.o.y.) change, which exceeded 40%. The balance of transactions exceeding $ 1 million increased 2%, going up 41% y.o.y. Regarding deposits of less than $ 1 million, they continued climbing strongly, up 5% in the month and 39% in the last 12 months; this segment kept on being favored by the minimum interest rate scheme for natural persons established by the BCRA.

- Financial Institutions' liquidity ratio in the domestic currency segment (addition of cash in banks, institutions' current account with the Central Bank, net repos with the Central Bank and LEBAC holdings) remained at high levels (39.4% in terms of deposits in pesos).

- Loans in pesos channeled to the private sector accelerated their monthly growth pace, going up 2.6% ($15.76 billion). Their y.o.y. change continued increasing, standing at 27.4%, up 1.8 p.p. against May. There was a rise in loans arranged through overdrafts—driven by seasonal factors—, which stood out from the rest of credit lines. Unsecured promissory notes and collateralized loans evidenced a better performance, favored by an increasing amount of loans granted under the Credit Line for Productive Investment (LCIP).

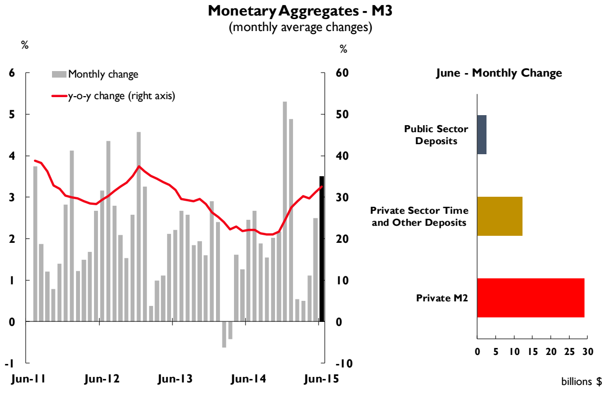
- The Central Bank renewed the LCIP in the second half of 2015, expanding its financing volume and reducing its interest rates on loans granted within the framework of this line. Thus, the lending policy seeks to raise the supply of loans to the productive sector, especially micro, small and medium-sized enterprises. In this new tranche, financial institutions falling within the scope of this regulation shall allocate 7.5% of their private sector deposits in pesos. Hence, the volume of financing was increased to about $52 billion in the second half of the year. In addition, the maximum lending rate fell from 19% to 18% (annual nominal rate), whilst the minimum loan term remained at 36 months.

- Interest rates paid by financial institutions on their time deposits in pesos remained relatively stable. In the wholesale segment, the BADLAR rate at private banks averaged 20.4%, whereas on the retail side the monthly average of interest rates paid by private institutions for time deposits of up to $100,000 and at up to 35 days, stood at 22.6%.

- Most interest rates on loans in pesos went down; commercial lines, in particular. The monthly average of the interest rates on current account overdrafts stood at 28.3%, down around 2.2 p.p. The interest rate on overdrafts channeled to companies for over $10 million and at up to 7 days, averaged 20.2%, over 4 p.p. below the level recorded in May. On the other hand, the monthly average of the interest rate on unsecured promissory notes was 25.2%, down 0.9 p.p., whilst the rate applied to discounted documents averaged 24%, falling 0.2 p.p.

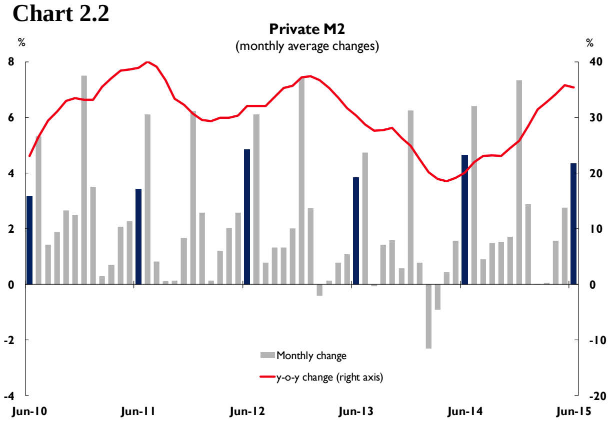
[1] Unless otherwise stated, figures are cited as monthly averages of daily data.

Chart 2.1



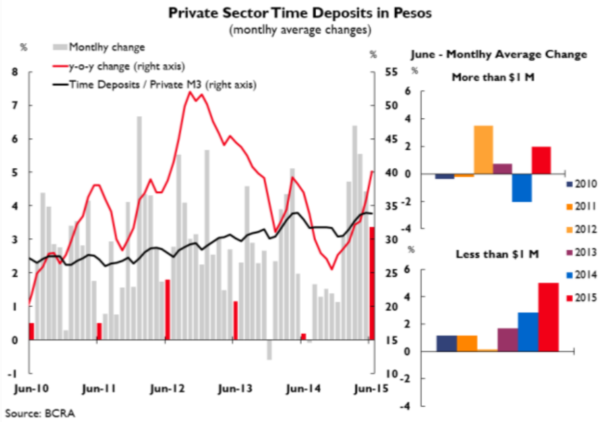
Note: M3 includes cash held by public, settlement checks in pesos and the total amount of deposits in pesos. Source: BCRA.

Chart 2.2



Source: BCRA.

Chart 2.3



Source: BCRA

2. Monetary Aggregates[1]

• In June, the broadest monetary aggregate in pesos (M3[2]) grew 3.5%, going up 32.5% in the past year (see Chart 2.1). All its components climbed, especially private sector time deposits and private means of payment (Private M2). The latter posted a high rise, which is typical over the period under study (see Chart 2.2).

Within private sector deposits, both sight and time deposits increased. The latter increased 3.4% keeping up high momentum; this led to a new acceleration of their y.o.y. change, which exceeded 40% (see Chart 2.3). Thus, time deposits continued gaining share in private M3, accounting for about 34%, up 3.6 p.p. against the value recorded two years before. Both retail deposits and those for higher amounts rose in June. The balance of transactions exceeding $ 1 million increased 2%, going up 41% y.o.y. Deposits of less than $1 million continued climbing strongly, up 5% in June and 39% in the last 12 months. This segment kept on being favored by the minimum interest rate scheme established by the BCRA for deposits of up to $350,000 pertaining to natural persons, which accounted for over 60% of time deposits of up to $1 million from the private sector.

Deposits in foreign currency increased 2.8%, evidencing hikes in public sector deposits and stability in the case of private sector deposits. Time deposits from the private sector continued following a rising trend[3]. Consequently, the broadest monetary aggregate, M3*[4], rose 3.5%, registering a y.o.y. change of around 32%.

The monetary base increased 4.3% in June reaching an average monthly stock of $488,049 billion and a y.o.y. change close to 33%. The hike was made up of cash held by the public and bank reserves (consisting of cash in financial institutions and financial institutions' current account balance with the Central Bank).

3. Financial Institutions' Liquidity[1]

Financial Institutions' liquidity ratio in domestic currency (addition of cash in banks, institutions' current

[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 should be noted that when relaunching LEBACs in dollars, the spread between the interest rate paid to depositors and the rate on a LEBAC underwritten by financial institutions was adjusted. See Communications A 5527 and A 5711.
[4] It includes M3 and deposits in foreign currency of the non-financial public and private sectors.

Chart 3.1

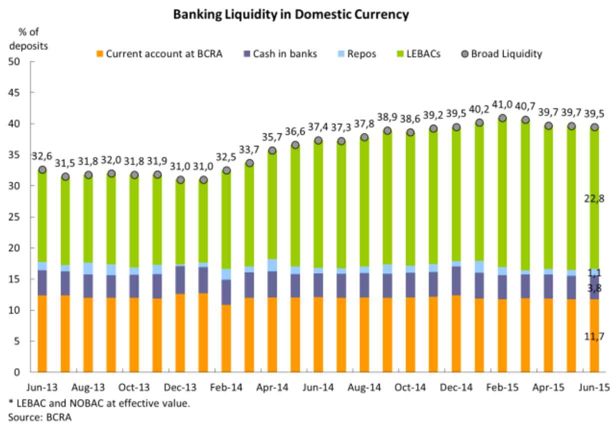


Chart 3.2

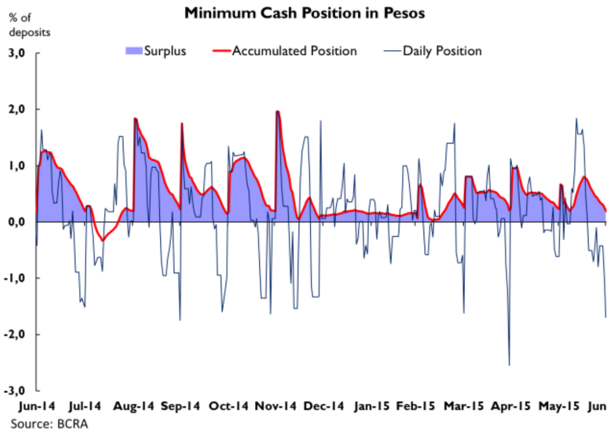
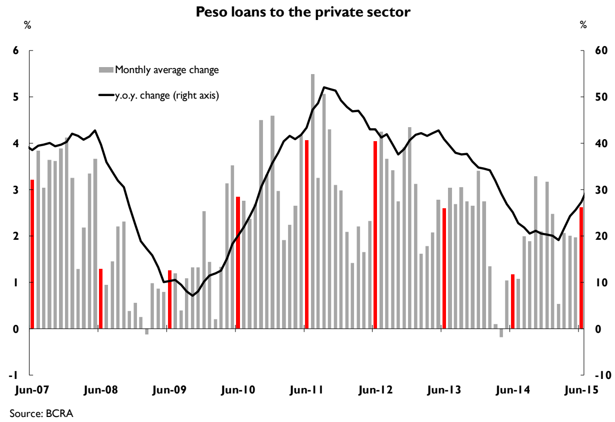


Chart 4.1



account with the Central Bank, net repos with the Central Bank and LEBAC holdings) remained at high levels (39.4% in terms of deposits in pesos). The share of the liquidity ratio's components in the total stayed virtually unchanged (see Chart 3.1).

As regards the Minimum Cash scheme, it has been estimated that financial institutions ended the month with a surplus of 0.2% of total deposits in pesos (see Chart 3.2).

Meanwhile, liquidity in the foreign currency segment remained high and accounted for 98.2% of total deposits in dollars. It was 4.7 p.p. lower than the figure recorded in May. In addition, there was a fall in the share registered by repos with the BCRA and in the balance of financial institutions' current accounts with the Central Bank.

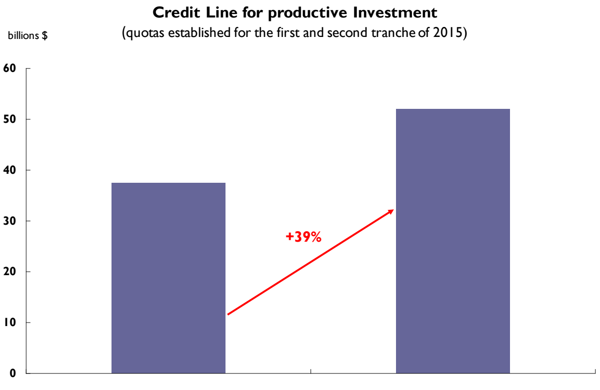
4. Loans [1 5]

In June, loans in pesos to the private sector accelerated their monthly growth pace, going up 2.6% ($15,760 billion), comfortably exceeding the figure recorded on a y.o.y. basis. Thus, their y.o.y. change continued increasing, standing at 27.4% (up 1.8 p.p. against May; see Chart 4.1). The rise observed in overdrafts—driven by seasonal factors—stood out from the other credit lines. In turn, unsecured promissory notes and collateralized loans exhibited better performance vis-à-vis previous months, favored by an increasing amount of deposits in the context of the Credit Line for Productive Investment (LCIP).

It should be noted that the BCRA will continue promoting productive lending channeled primarily to micro-, small-, and medium-sized enterprises. Indeed, it decided to extend the LCIP during the second half of the year (Communication "A" 5771) by increasing the volume of lending while reducing their interest rates. In this new segment, financial institutions falling within the scope of this regulation shall allocate an amount equivalent to 7.5% of their private sector deposits in pesos to the LCIP. Hence, the volume of financing mounted to about $52 billion (see Chart 4.2). In addition, the maximum lending interest rate fell from 19% to 18% (in nominal terms), whilst the minimum term remained at 36 months.

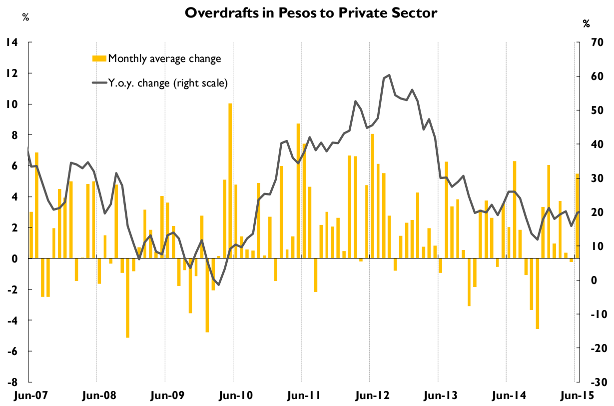
[5] Monthly changes of loans are presented in accounting records and are fundamentally caused by transfers of loans in financial institutions' portfolios to financial trusts. In this report, "amounts granted" or "new loans" refer to loans (new and renewed) arranged in a given period. In contrast, a change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

Chart 4.2



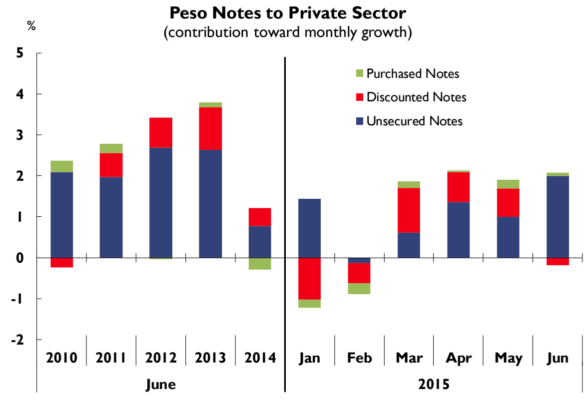
Source: BCRA

Chart 4.3



Source: BCRA

Chart 4.4



Source: BCRA

In addition, the Central Bank will keep promoting lending channeled to micro-, small-, and medium-sized enterprises, and the execution of projects in less developed regions by means of a series of incentives that allow to allocate an increased quota to this kind of loans. Apart from regular mortgage-loans, the LCIP may be granted to natural persons for the purchase of a single housing unit for residence, secured by a collateral assignment of rights in trusts. Furthermore, part of the quota may be used to finance microentrepreneurs, whether directly or through Microcredit institutions.

Regarding lines for commercial purposes, overdrafts mounted over June in a context with specific liquidity needs by companies to pay the semi-annual bonus. Indeed, the line increased 5.5% ($4.11 billion), the highest hike in the past 5 months; in turn, the y.o.y. change went up 4 p.p., standing at 19.9% (see Chart 4.3). On another note, financing arranged through promissory notes continued evidencing the rising trend they have shown since March. It climbed 1.9% ($2.685 billion), exhibiting a rise similar to that of previous months and exceeding that of June 2014. Thus, the y.o.y. growth rate rose by 1.3 p.p., amounting to 32.4%. Broken down by instruments, the rise in financing observed in June was accounted for by a higher share of unsecured promissory notes (see Chart 4.4). As already mentioned, this credit line was favored by higher amounts of loans granted within the framework of the LCIP, which was mirrored on a greater share of new loans with interest rates closer to those of the LCIP (see Chart 4.5).

In turn, credit lines channeled to household consumption grew moderately, being influenced by the next payment of the semi-annual bonus, the gradual end of collective bargaining negotiations, and the resulting collection of back payments. Personal loans increased 2.6% monthly ($3.43 billion), slightly less than in the previous two months; in y.o.y. terms, they continued accelerating their expansion pace, with a 29.1% change. In this regard, the credit line has started to exhibit greater momentum as from August 2014 driven by the maximum interest rate policy. In turn, credit card financing rose 1.9% ($2.43 billion) whilst their y.o.y. change increased 1.3 p.p., standing above 44%.

Collateralized loans raised their monthly growth rate partly due to a hike in transactions carried out within the framework of the LCIP. Mortgage-backed loans climbed 1.1% ($530 million) over June and around 8% in the past 12 months. It should be noted that, even though mortgage-backed loans have gathered little momentum, part of the demand for mortgage-backed loans for housing (natural persons) is not computed in the statistics of bank loans because it is channeled through the Bicentennial Credit for Housing Program (Pro.Cre.Ar.). In turn, pledge-backed loans increased 1.6% ($530 million), the greatest hike since March 2014, with a 7.3% y.o.y. change.

Finally, loans in foreign currency granted to the private sector continued exhibiting the rising trend they have shown since mid-December. Particularly, they rose 5.6% in June (US$230 million; see Chart 4.6). Like in previous months, the monthly hike was mainly accounted for by the performance of unsecured promissory notes in foreign currency, financing that is strongly associated to foreign trade.

Chart 4.5

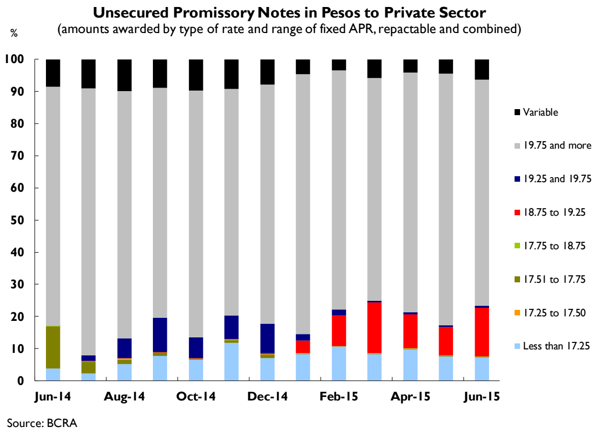
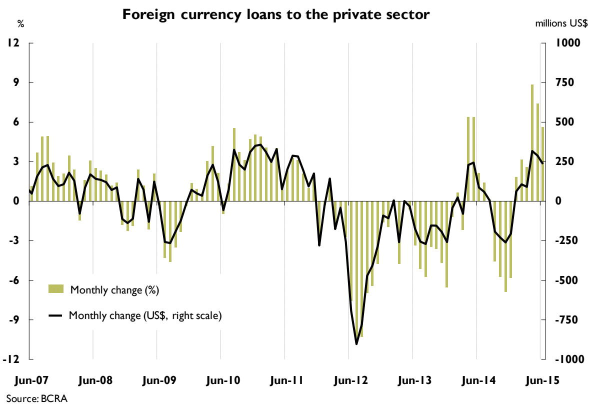


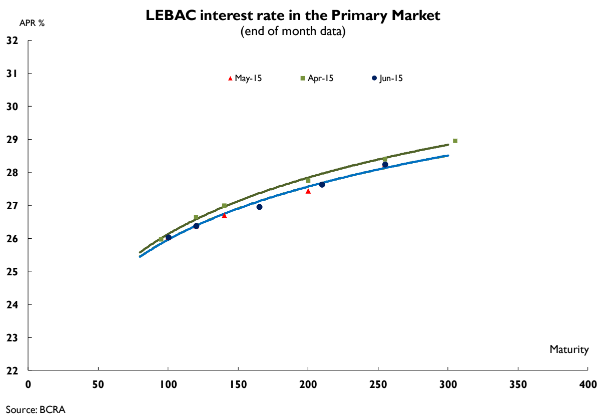
Chart 4.6



5 Interest Rates [6]

Central Bank Securities[7]

Chart 5.1



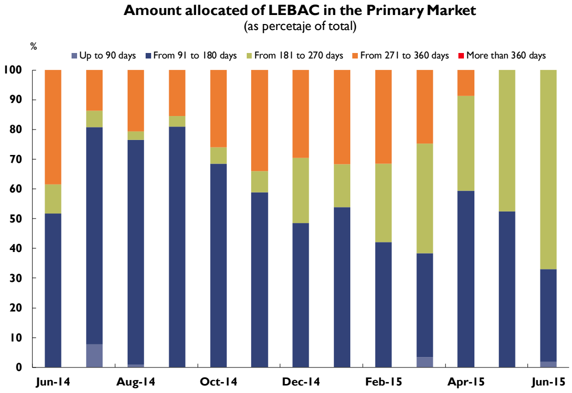
In June, interest rates on Central Bank Bills (LEBACs) that are traded weekly in the primary market remained stable. Thus, the interest rate on LEBACs at a pre-determined rate—at terms of 100 and 120 days—stood at 26% and 26.4%, respectively, at the end of the month, whilst the rate on LEBACs with the longest maturity—255 days—stood at 28.25% (see Chart 5.1).

The sale of LEBACs reached NV$53.667 billion, most of which corresponded once again to terms between 91 and 270 days (see Chart 5.2). The amount sold in June exceeded that falling due (NV$35.594 billion); thus, at the end of June, the outstanding nominal balance of LEBACs increased $16.104 billion against the end of May, standing at $339.440 billion. Regarding deposits in pesos, the stock of securities stood at about 34% (see Chart 5.3). This ratio may be explained by the fact that LEBACs have increasingly been in the hands of holders other than financial institutions in the past 2 years. Finally, as regards LEBAC holdings in June, their raise was led by financial institutions, followed by mutual funds and insurance companies. The average amount of LEBACs traded in the secondary market stood at around $3 billion on a daily basis.

Regarding the foreign currency segment the stock of LEBACs increased US$36 million, amounting to US$1.691 billion at the end of June. A 40% of the transactions of June corresponded to the "N" segment.

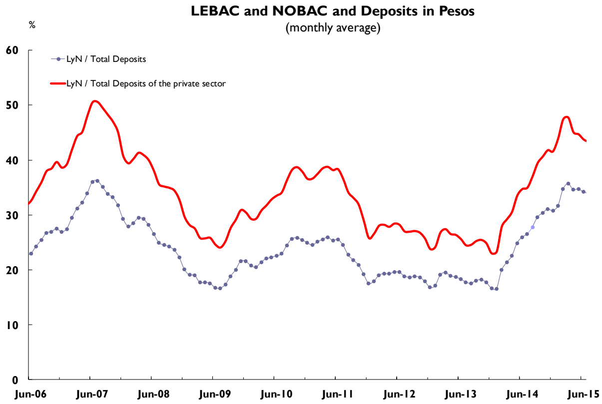
[6] Interest rates mentioned in this section are expressed as annual percentage rates (APR).
[7] In this section, figures are end-of-month data unless otherwise stated.

Chart 5.2



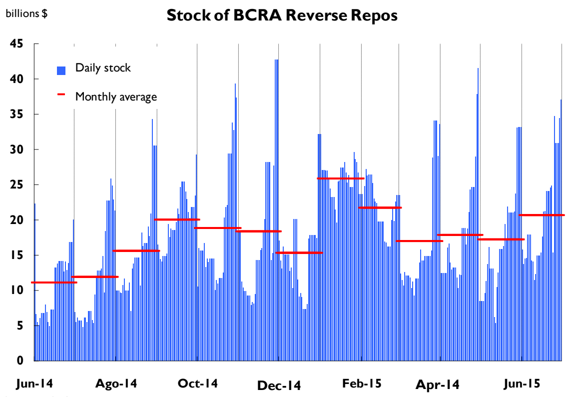
Source: BCRA

Chart 5.3



Source: BCRA

Chart 5.4



Source: BCRA

Central Bank Repo Transactions[1]

In June, interest rates on reverse repos for the Central Bank remained at 13% overnight and at 14% at seven days. In turn, interest rates on repo loans stood at 16% overnight and at 17% at seven days.

The stock of reverse repos to which the Central Bank is a party increased $3.4 billion in June, reaching a monthly average totaling $20.7 billion. The hike was mainly accounted for by financial institutions' performance given than that of the remaining players in this market remained unchanged against May (see Chart 5.4).

Call Money Market[1]

In June, average interest rates on the call money market fell against May in a context of high liquidity levels. The overnight rate averaged 17.9% in the unsecured market (call), down 4.6 p.p. against May. In addition, the average overnight rate for transactions between financial institutions in the secured market (REPO round) stood at 17.4%, down 5.8 p.p. (see Chart 5.5). The daily average amount traded decreased by $400 million in June, totaling around $7.8 billion. This decline was accounted for by the performance observed in the REPO round and in the call market.

Deposit Rates[1]

In June, interest rates paid for time deposits in pesos stayed relatively stable.

On t the wholesale side, the BADLAR rate at private banks—on time deposits of $1 million and more and at 30-35 days—averaged 20.4%, going up 0.1 p.p. over June, after having fallen in the previous two months.

In the case of the retail segment, the monthly average of the interest rate paid for time deposits of up to $100,000 and up to 35 days decreased once again (0.1 p.p. in June), standing at 22.6% (see Chart 5.6). In this regard, it should be noted that minimum retail interest rates were established in October 2014 in terms of the rates on LEBACs closer to 90 days of the second month prior to deposit taking[8]. Thus, the drops in interest rates in the last few months show the evolution of interest rates on LEBACs.

8 See Communication "A" 5640.

Chart 5.5

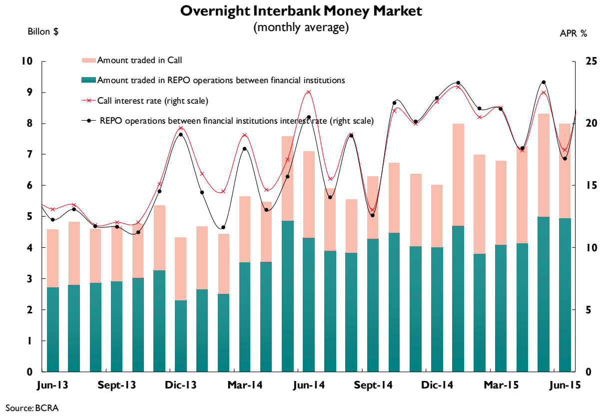


Chart 5.6

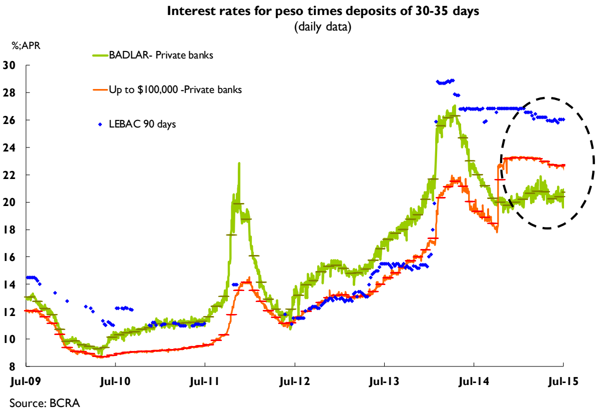
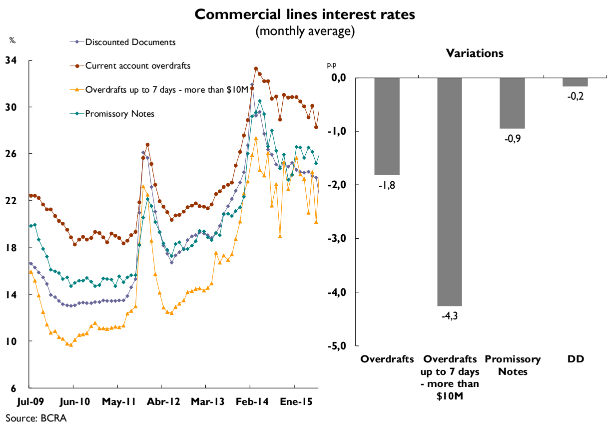


Chart 5.7



Lending Rates[1] [9]

Broadly speaking, interest rates on loans to the private sector fell in June.

As far as commercial lines are concerned, drops in interest rates on financing granted through overdrafts should be underscored. Indeed, the monthly average of the interest rate on current account overdrafts stood at 28.3%, going down around 2 p.p. and reaching its lowest level since December 2013. In addition, following a period of concentrated tax maturities, the interest rates on overdrafts to companies for over $10 million and at up to 7 days fell by over 4 p.p., easily offsetting the hike of May, averaging 20.2% in June (Chart 5.7).

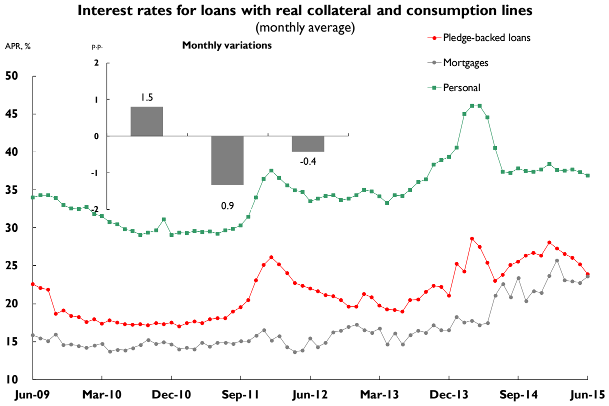
Interest rates on financing arranged through promissory notes also slided down in June. Particularly, the monthly average of the interest rate on unsecured promissory notes was 25.2%, going down 0.9 p.p., whilst the rate applied on discounted documents averaged 24%, falling 0.2 p.p. In the case of financing arranged through unsecured promissory notes, part of the drop in the interest rate is accounted for by an increase in the share of LCIP loans in the line as the first stage of the year ended in June. Against the backdrop of a fall in the interest rate, there was a higher level of disbursement of longer- term loans.

In turn, interest rates on collateralized loans exhibited a mixed performance. Thus, while the monthly average of interest rates on pledge-backed loans stood at 23.9%, going down 1.3 p.p., the average of the interest rate on mortgage loans was 23.6%, going up 0.8 p.p. monthly (see Chart 5.8).

With respect to the interest rate on personal loans, maximum rates [10] effective in June fell once again (0.1 p.p.), standing at 37.9% and 47.1% for institutions in Group I and II[11], respectively. This drop was partly mirrored on the monthly average of the interest rate on personal loans, which stood at 36.9%, declining 0.4 p.p. In addition, the cut in interest rates on LEBACs in April caused an impact on maximum interest rates in effect in

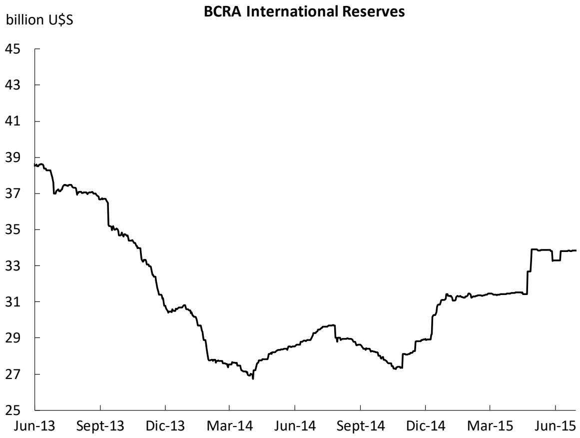
[9] Interest rates mentioned in this section are expressed as an annual percentage and do not include assessment or granting expenses or other expenditures (e.g. insurance) which are part of the total financial cost of loans.
[10] Communication "A" 5590 became effective in June 2014; it established maximum interest rates, especially for personal and pledge-backed loans (for vehicles) for natural persons. Such rates are calculated based on LEBACs' yields and published monthly by the Central Bank.
[11] To set the maximum levels for interest rates on personal and pledge-backed loans, financial institutions were divided into two groups. Group I consists of institutions concentrating 1% or more of private sector deposits, while the remaining institutions make up Group II.

Chart 5.8



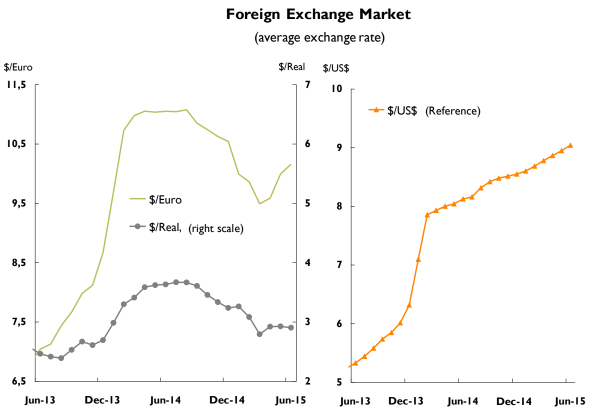
Source: BCRA

Chart 6.1



Source: BCRA

Chart 6.2



Source: BCRA

July which stood at 37.6% and 46.7% for Group I and II, respectively.

6 International Reserves and Foreign Exchange Market[1]

International reserves amounted to US$33,851 million in late June exceeding by US$568 million those recorded at the end of May (see Chart 6.1). In June, this increase was brought about by the Central Bank's purchases for a total net amount of US$705 million, and by an inflow of US$500 million resulting from a provincial government bond issuance. Such inflow was partially counteracted by the payment of sovereign debt in foreign public.

In the foreign exchange market, the peso depreciated against the US dollar and the euro (see Chart 6.2) and appreciated against the real. Monthly average rates stood at 9.04 $/U$S, with a monthly change similar to that of May (1%), 10.16 $/euro (1.6%), and 2.9 $/real (-0.7%), respectively. In turn, the daily average amount traded in the futures market (ROFEX) amounted to $2.4 billion, down 25% against the level recorded in May when turnover had climbed by a similar amount. Meanwhile, rates for futures transactions conducted during June with due date until November were similar to those carried out in May. However, they were lower than those forecast in May for transactions falling due in December and the first months of 2016.

7 Collective Instrument Vehicles

Mutual Funds

In June, equity of mutual funds (FCI) in pesos and in foreign currency rose $5.93 billion (3.6%), standing at $170.32 billion at the end of the month.

Fixed income funds in pesos were the collective instrument vehicles that mostly contributed to the monthly hike after having recorded a rise to the tune of $5.23 billion (6%). This performance was mainly accounted for by the rise in the amount of unit shares subscribed. Mixed income funds came in second place, evidencing a $2.39 billion rise in June (8.3%) driven by an increase in both the amount of unit shares and the prices of assets making up the portfolio. In addition, equity corresponding to variable income funds grew $90 million (1.7%). The performance of these funds was counteracted by that of money market funds, which fell $1.91 billion, especially due to the drop in the amount of

Chart 7.1

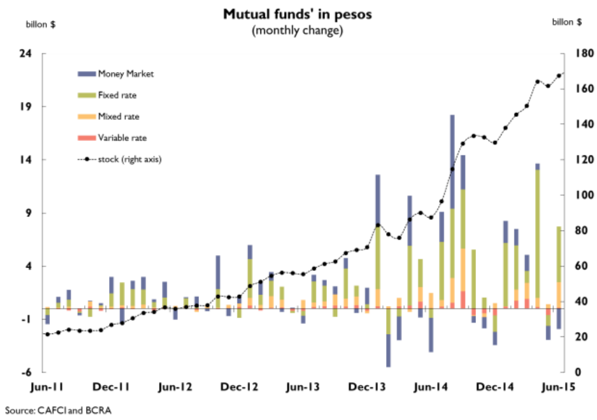


Chart 7.2

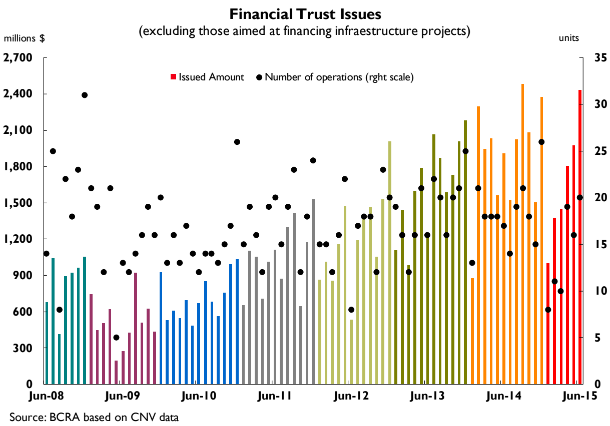
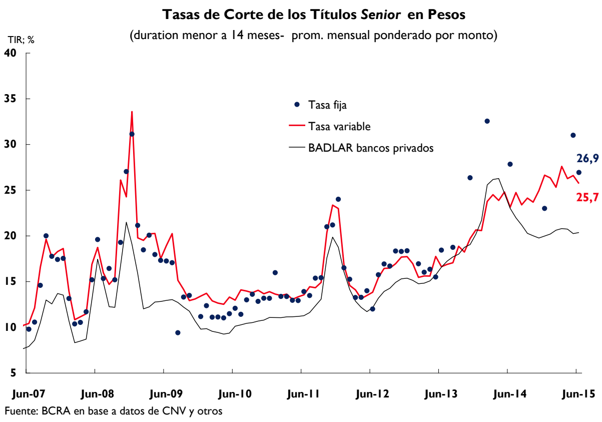


Gráfico 7.3



unit shares observed at the end of June, when the payment of the semi-annual bonus accelerated the use of surplus liquidity by companies (see Chart 7.1).

Regarding profitability estimated, variable income funds came to the fore in June with a monthly yield of around 3% reflecting the good performance of the domestic stock market. In turn, mixed income funds reached a 2.3% yield, whilst fixed income funds recorded a 2% yield. In turn, money market funds recorded an average yield of 1.3%.

Finally, as far as the foreign currency segment is concerned, equity of FCI increased by US$10 million, thus mounting to US$316 million.

Financial Trusts[12]

In June, financial trust (FT) conducted 20 transactions for a total amount of $2.433 billion, 4 more than in May. Thus, the volume traded rose once again, up 23.3% against May and 27.6% in y.o.y. terms (see Chart 7.2).

Breaking down the amount issued by type of trustor, the retail segment securitized consumption-related assets for $870 million, up 50% against May. In turn, financial institutions channeled over $754 million mainly to personal loans, which accounted for almost 90% of the amount issued. Meanwhile, total assets securitized by mutuals, cooperatives, non-bank credit card issuers and other financial service providers (consisting of loans for consumption and commercial purposes and pledge-backed loans) reached $513 million, falling slightly against May. Furthermore, companies related to the agricultural, and industrial sector as well as machinery suppliers issued a total of $296 million.

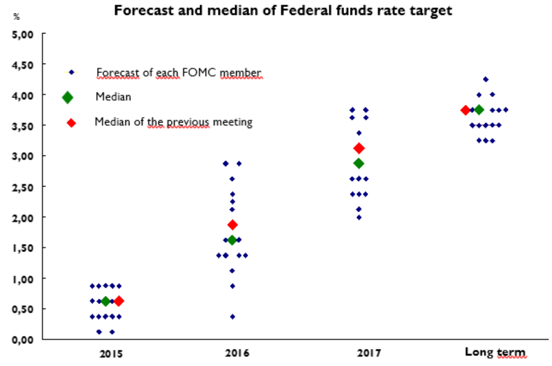
Finally, the cut-off interest rate (weighted average by amount) on senior bonds in pesos with a duration below 14 months at variable yield stood at 25.7%, down 0.9 p.p. against May. Meanwhile, three transactions were registered in the fixed rate segment at 26.9% (see Chart 7.3).

8 Major Policy Measures Taken by Other Central Banks

The Greek debt crisis stood out from the international scenario in June for the impact it may have on monetary policy decisions in the coming months, even beyond the Euro zone. Specifically, the Federal Reserve

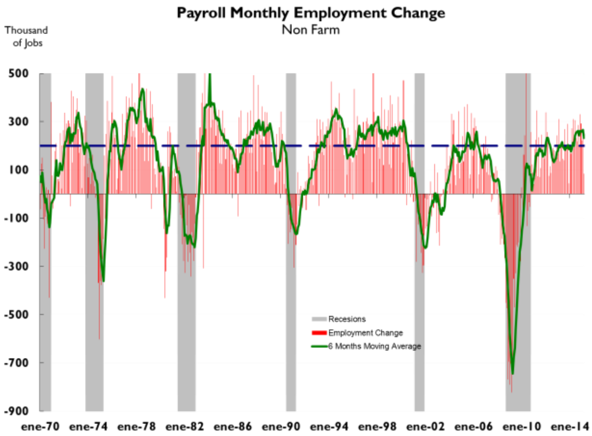
[12] Financial trusts only include publicly-traded financial trusts.

Chart 8.1



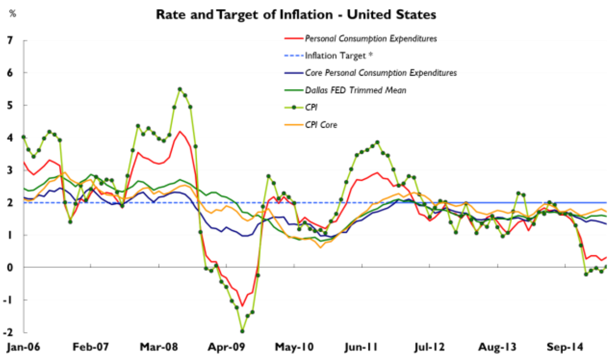
Source: BCRA based on federalreserve.gov

Chart 8.2



Source: BCRA based on BLS.gov

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.

Bank and the Bank of England may put off the implementation of contractionary measures. In turn, the main central banks held monetary policy meetings, as a result of which they kept the trend of their monetary policies unchanged, in June. In the context of central banks in the region, Brazil and Peru should be highlighted for their contractionary and expansionary trends, respectively.

In the meeting held on 16-17 June, the Federal Open Market Committee (FOMC) of the USA decided to keep the target for its benchmark interest rate—federal fund rate (FFR)—at a range of 0% and 0.25%. In addition, the FED published updated projections regarding the FFR evolution and the American economy performance. Such projections indicate that the FFR increasing pace would be more gradual than the forecast announced in the meeting of March (see Chart 8.1). In the press conference following the meeting, the Chair of the FED highlighted that the FFR rises would be gradual and closely linked to economic indicators of the coming months. In this regard, the Chair stated that the FOMC would be alert so that the improvement of job creation in the past few months could be consolidated (see Chart 8.2). Finally, the most recent information on American inflation shows that the drop in headline inflation came to a halt and that core inflation would not be affected by the reduction in the price of oil, flagging no second-round effects to date.

In turn, on 3 June, the Governing Council (GC) of the European Central Bank (ECB) decided to keep its monetary policy rate, which is applied on the Main Refinancing Operations (MRO), at a 0.05% historical minimum without changing its interest rate band which stands at 0.3% for deposits and -0.2% for loans. The GC took this decision in a context of heterogeneous signals by economic activity indicators and a 0.3% y.o.y. inflation rate in May, the first positive inflation rate in the past 5 months (April's inflation had been virtually null, see Chart 8.4).

Going back to Greece's debt crisis, the ECB decided by the end of June to deny further funding to the Central Bank of Greece's under the Emergency Liquidity Assistance (ELA) in view of the stagnant stage of its debt negotiations and the ensuing risk of default, essentially because Greece debt collateralizes ELA financing. Against the backdrop of a general bank-run, the Greek monetary authority was forced to establish a long bank holiday together with capital controls. As of the closing date of this report, Greece did not default on

Chart 8.4

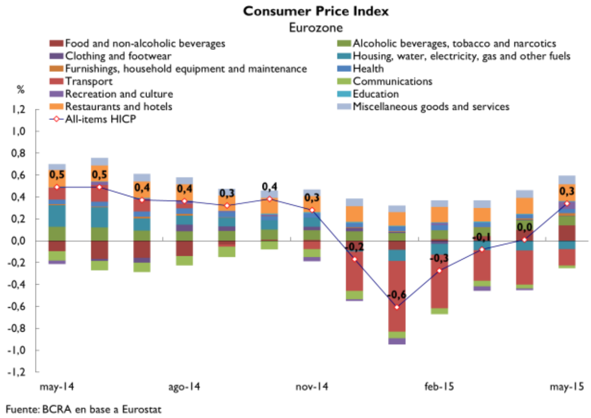


Chart 8.5

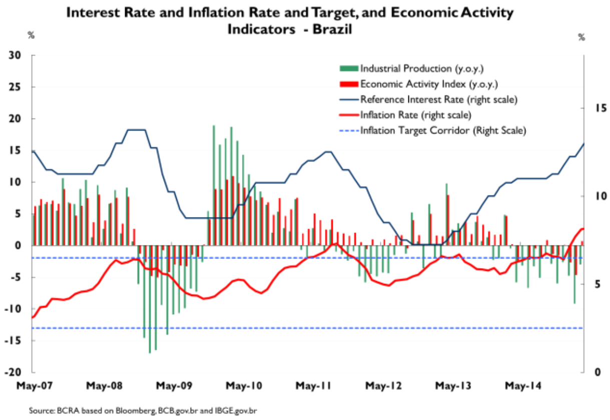
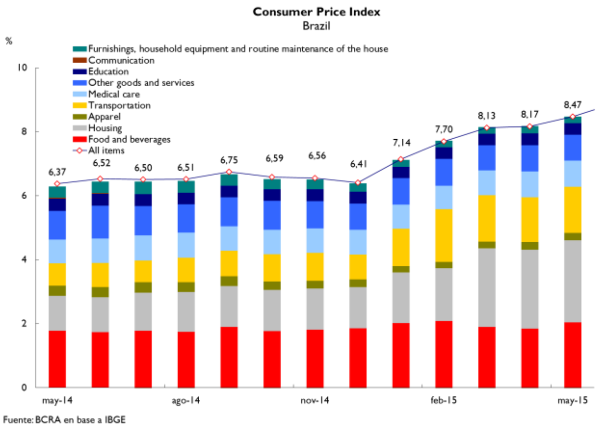


Chart 8.6



its debt.[13] Should this situation take place, the Federal Reserve Bank and the Bank of England, among other central banks could put off the decision to adopt contractionary measures given the impact a potential default could have on markets.

In the case of Latin American monetary authorities, the meeting held on June 3 by the Monetary Policy Committee (COPOM) of the Central Bank of Brazil unanimously decided to raise the target for the Selic rate by 0.5 p.p. to 13.75%. This measure is the fifteenth rise since April 2013 when this target-hike cycle began (for a total of 6.5 p.p.). The COPOM took this decision in a context of inflation exceeding the target band (4.5%±2 p.p.), decreasing level of activity and fiscal adjustment. In the first case, inflation increased to 8.5% y.o.y. in May, (up 0.3 p.p. against May) and has stood above the target for almost a year. In addition, the minutes of the COPOM's meeting disclosed in mid-June show that high inflation was one of the main reasons that boosted the hike in the target for the Selic rate. As per the latest survey on market expectations conducted by the Central Bank of Brazil, the Selic target is expected to rise by 0.5 p.p. in late July when the BCB will meet again.

In turn, the Central Reserve Bank of Peru (BCRP) did not change its target for the interest rate in the call money market (keeping it at 3.25%). Instead, it reduced once again the minimum reserve requirement rate for deposits in domestic currency from 7% to 6.5%. The BCRP has reduced such rate by 13.5 p.p. since July 2013.

[13] On July 16, the ECB raised the funding it provides to the Greek financial system through the Emergency Liquidity Assistance (ELA) line by €900 reaching a stock of almost €90 billion. The decision was taken after the Greek's parliament passed the laws that were required by the Euro group as a first step to continue negotiations geared to grant a third assistance program for Greece. This funding by the ECB allows Greek banks to improve their liquidity position and would contribute to their reopening after almost two weeks of a bank holiday.

9. Monetary and Financial Indicators

Figures in millions, expressed in their original currency.

Main monetary and financial system figures	Montlhy average				Average change in	
	Jun-15	May-15	Dec-14	Jun-14	Monthly	Last 12 months
Monetary base	**488,049**	**468,116**	**442,861**	**366,004**	**4.3%**	**33.3%**
Currency in circulation	375,416	358,815	338,425	277,800	4.6%	35.1%
Held by public	338,545	323,427	299,390	249,583	4.7%	35.6%
Held by financial entities	36,867	35,386	39,034	28,216	4.2%	30.7%
Settlement check	4	2	1	0	80.6%	-
BCRA current account	112,633	109,301	104,436	88,205	3.0%	27.7%
Repos stock						
Reverse repos	20,676	17,237	15,333	11,123	19.9%	85.9%
Repos	0	0	0	0	0.0%	0.0%
BCRA securities stock (in face value)	330,019	325,443	259,788	189,616	1.4%	74.0%
In banks	239,671	238,783	200,220	47,027	0.4%	409.6%
LEBAC						
In pesos	328,337	323,779	259,788	175,616	1.4%	87.0%
In Dollars	1,682	1,664	0	0		
NOBAC	0	0	0	14,000	-	-
International Reserves	**33,680**	**33,796**	**30,233**	**28,863**	**-0.3%**	**16.7%**
Private and public sector deposits in pesos (1)	**956,618**	**928,034**	**840,058**	**727,660**	**3.1%**	**31.5%**
Current account (2)	277,951	269,200	275,630	215,101	3.3%	29.2%
Savings account	199,290	187,016	175,719	147,236	6.6%	35.4%
Not CER-adjustable time deposits	442,612	434,831	356,281	336,504	1.8%	31.5%
CER-adjustable time deposits	10	9	8	7	10.3%	42.9%
Other deposits (3)	36,755	36,978	32,420	28,812	-0.6%	27.6%
Private sector deposits	750,477	724,294	624,701	546,237	3.6%	37.4%
Public sector deposits	206,141	203,740	215,357	181,423	1.2%	13.6%
Private and public sector deposits in dollars (1)	**9,889**	**9,618**	**8,788**	**8,615**	**2.8%**	**14.8%**
Loans to private and public sector in pesos (1)	**665,225**	**650,846**	**590,814**	**524,771**	**2.2%**	**26.8%**
Loans to private sector	615,442	600,037	549,787	483,205	2.6%	27.4%
Overdrafts	78,374	74,264	66,782	65,388	5.5%	19.9%
Promissory bills	143,677	140,992	133,922	108,519	1.9%	32.4%
Mortgages	49,054	48,527	47,502	45,482	1.1%	7.9%
Pledge-backed loans	34,251	33,720	32,700	31,909	1.6%	7.3%
Personal loans	134,113	131,042	117,247	103,855	2.3%	29.1%
Credit cards	132,011	129,581	110,982	91,425	1.9%	44.4%
Other loans	43,963	41,912	40,651	36,626	4.9%	20.0%
Loans to public sector	49,783	50,809	41,027	41,566	-2.0%	19.8%
Loans to private and public sector in dollars (1)	**4,431**	**4,196**	**3,331**	**4,159**	**5.6%**	**6.5%**
Total monetary aggregates (1)						
M1 (currency held by public + settlement check in pesos+ current account in pesos)	616,500	592,629	575,021	464,684	4.0%	32.7%
M2 (M1 + savings account in pesos)	815,789	779,645	750,740	611,920	4.6%	33.3%
M3 (currency held by public + settlement check in pesos + total deposits in pesos)	1,295,167	1,251,463	1,139,449	977,243	3.5%	32.5%
M3* (M3 + total deposits in dollars + settlemente check in foreign curren	1,388,989	1,341,556	1,217,403	1,049,531	3.5%	32.3%
Private monetary aggregates						
M1 (currency held by public + settlement check in pesos + priv.current account in pesos)	515,048	495,272	459,757	383,094	4.0%	34.4%
M2 (M1 + private savings account in pesos)	696,270	667,221	621,075	514,370	4.4%	35.4%
M3 (currency held by public + settlement check in pesos + priv. total deposits in pesos)	1,089,026	1,047,723	924,092	795,821	3.9%	36.8%
M3* (M3 + private total deposits in dollars + settlemente check in foreign currency)	1,166,860	1,124,584	988,611	855,769	3.8%	36.4%

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	**19,933**	**4.3%**	**34,984**	**7.7%**	**45,188**	**10.2%**	**122,045**	**33.3%**
Financial sector	-20,929	-4.5%	-42,430	-9.4%	-43,848	-9.9%	-131,252	-35.9%
Public sector	16,327	3.5%	9,762	2.2%	61,487	13.9%	154,080	42.1%
Private external sector	5,939	1.3%	20,436	4.5%	17,160	3.9%	27,274	7.5%
BCRA securities	824	0.2%	4,881	1.1%	-30,674	-6.9%	-65,286	-17.8%
Others	17,772	3.8%	42,334	9.3%	41,062	9.3%	137,229	37.5%
International Reserves	**-116**	**-0.3%**	**2,248**	**7.2%**	**3,447**	**11.4%**	**4,817**	**16.7%**
Foreign exchange market intervention	676	2.0%	2,404	7.6%	2,050	6.8%	3,311	11.5%
International financial institutions	-134	-0.4%	-615	-2.0%	-1,039	-3.4%	-953	-3.3%
Other public sector operations	-516	-1.5%	164	0.5%	2,552	8.4%	8,582	29.7%
Dollar liquidity requirements	-145	-0.4%	-1,375	-4.4%	-705	-2.3%	-1,348	-4.7%
Others (incl. change in US$ market value of nondollar assets)	3	0.0%	1,669	5.3%	590	2.0%	-4,775	-16.5%

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

	jun-15 (1)	may-15	abr-15
Domestic Currency	*% of total deposits in pesos*		
Requirement	11,4	11,3	11,3
Compliance	11,7	11,5	11,5
Position (2)	0,2	0,2	0,3
Residual time structure of term deposits used for the calculation of the requirement (3)	%		
Up to 29 days	65,8	65,6	68,2
30 to 59 days	22,6	21,9	20,8
60 to 89 days	6,0	6,6	5,5
90 to 179 days	4,4	4,8	4,4
more than 180 days	1,3	1,2	1,1
Foreign Currency	*% of total deposits in foreign currency*		
Requirement	39,6	40,6	40,9
Compliance (includes default application resource)	71,8	75,7	77,8
Position (2)	32,2	35,2	36,9
Residual time structure of term deposits used for the calculation of the requirement (3)	%		
Up to 29 days	48,5	46,1	45,6
30 to 59 days	24,7	22,3	21,6
60 to 89 days	11,7	15,7	13,5
90 to 179 days	10,2	11,3	15,1
180 to 365 days	4,8	4,5	4,0
more than 365 days	0,1	0,1	0,2

(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.

Borrowing Interest Rates	**Jun-15**	**May-15**	**Apr-15**	**Jun-14**
Interbank Loans (overnight)				
Interest rate	17.93	22.51	17.85	22.51
Traded volume (million pesos)	3,144	3,381	3,174	2,846
Time Deposits				
In pesos				
30-44 days	20.28	20.21	20.40	20.92
60 days or more	22.97	23.25	23.26	23.42
Total BADLAR (more than $1 million, 30-35 days)	18.27	18.13	18.43	20.25
Private Banks BADLAR (more than $1 million, 30-35 days)	20.37	20.25	20.74	23.02
In dollars				
30-44 days	1.65	1.63	1.63	0.93
60 days or more	2.56	2.37	2.50	1.67
Total BADLAR (more than $1 million, 30-35 days)	1.29	1.32	1.24	0.88
Private Banks BADLAR (more than $1 million, 30-35 days)	2.14	2.26	2.17	1.02
Lending Interest Rates	**Jun-15**	**May-15**	**Apr-15**	**Jun-14**
Stock Repos				
Gross interest rates 30 days	22.95	23.94	23.49	23.33
Traded volume (all maturities, million pesos)	568	601	567	299
Loans in Pesos (1)				
Overdrafts	28.30	30.10	29.11	32.21
Promissory Notes	25.22	26.15	26.59	26.81
Mortgages	23.56	22.78	22.93	21.06
Pledge-backed Loans	23.87	25.19	26.06	22.97
Personal Loans	36.84	37.30	37.64	40.51
Credit Cards	s/d	39.85	39.83	39.39
Overdrafts - 1 to 7 days - more than $10 million	20.16	24.42	20.97	26.05
International Interest Rates	**Jun-15**	**May-15**	**Apr-15**	**Jun-14**
LIBOR				
1 month	0.19	0.18	0.18	0.15
6 months	0.44	0.42	0.40	0.32
US Treasury Bonds				
2 years	0.68	0.60	0.53	0.44
10 years	2.36	2.20	1.93	2.59
FED Funds Rate	0.25	0.25	0.25	0.25
SELIC (1 year)	13.70	13.25	12.80	11.00

(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	Jun-15	May-15	Apr-15	Jun-14
BCRA Repo Interest Rates				
Overnight reverse repo	13.00	13.00	13.00	9.00
7-day reverse repo	14.00	14.00	14.00	9.50
7-day repo	17.00	17.00	17.00	11.50
Total Repo Interest Rates				
Overnight	14.52	16.99	14.96	13.89
7 days	14.91	16.21	16.94	13.73
Repo traded volumen (daily average)	18,057	15,014	15,420	10,271
Peso LEBAC Interest Rate[1]				
1 month	s/o	s/o	s/o	s/o
2 months	s/o	s/o	s/o	s/o
3 months	25.97	25.96	26.16	26.83
9 months	s/o	s/o	s/o	27.90
12 months	s/o	s/o	s/o	28.26
Peso NOBAC with variable coupon Spread[1]				
200 days BADLAR Private Banks	s/o	s/o	s/o	s/o
Dollars LEBAC Interest Rate[1]				
1 month	3.25	3.25	3.25	2.50
3 months	3.90	3.90	3.90	3.00
6 months	4.00	4.00	4.00	3.50
12 months	4.20	4.20	4.20	4.00
LEBAC and NOBAC traded volume (daily average)	3000	2962	2821	1918
Foreign Exchange Market	**Jun-15**	**May-15**	**Apr-15**	**Jun-14**
Dollar Spot				
Exchange agencies	9.04	8.95	8.87	8.12
BCRA Reference	9.05	8.95	8.87	8.13
Future dollar				
NDF 1 month	9.16	9.07	9.00	8.34
ROFEX 1 month	9.17	9.07	9.01	8.31
Traded volume (all maturities, million pesos)	2,411	3,207	2,543	1,992
Real (Pesos/Real)	2.90	2.93	2.92	3.63
Euro (Pesos/Euro)	10.16	10.00	9.59	11.05
Capital Market	**Jun-15**	**May-15**	**Apr-15**	**Jun-14**
MERVAL				
Index	11,343	11,825	11,789	7,839
Traded volume (million pesos)	151	155	253	193
Governement Bonds (parity)				
BODEN 2015 (US$)	133.47	130.68	132.24	122.82
DISCOUNT (US$ - NY legislation)	125.65	127.17	132.39	104.96
BONAR 2017 (US$)	129.58	128.56	130.55	117.27
DISCOUNT ($)	80.59	83.54	92.28	76.61
Country risk				
Spread BODEN 2015 vs. US Treasury Bond	854	1,159	1,031	1,080
EMBI+ Latin America (without Argentina)	514	480	492	344

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