Monthly Monetary Report

September 2014

BANCO CENTRAL
DE LA REPÚBLICA ARGENTINA

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The closing date for statistics in this report was October 9, 2014. All figures are provisional and subject to review.

1. Summary[1]

• In September, the broadest monetary aggregate in pesos (M3) grew 1.5%, keeping its y.o.y. change rate stable, at around 21%. In terms of components, private sector deposits posted the largest rise, with time deposits in pesos exhibiting a 1.2% growth, and recording a y.o.y. increase close to 28%.

• Financial institutions' liquidity in domestic currency (cash in banks, institutions' current account with the Central Bank, net repos with the institution plus LEBAC and NOBAC holdings) increased in September, accounting for 39% of deposits in pesos. In terms of composition, the 1.2 p.p. increase in the ratio was mainly due to the rise of excess liquidity (repos with the Central Bank and LEBAC and NOBAC).

• In September, loans in pesos to the private sector grew 1.9% ($9.3 billion), accounting for an increase of 20.5% in the past twelve months. Financing arranged through promissory notes and personal loans were the main drivers of this growth. The amount of personal loans awarded exhibiting the highest record, not only in September, but also over the last few years. In the month, around $8.3 billion loans were granted, out of which about $740 million corresponded to loans included in the Pro.Cre.Auto Program. Thus, since its implementation, under the Pro.Cre.Auto Program, approximately 16,070 transactions were handled, with loans granted totaling about $1.6 billion.

• At mid-month, the "AHORA 12" Program was launched. Through this program, financial institutions offer financing to the private sector. Such financing is offered in 12 installments without interest for the purchase of goods and services, in order to stimulate domestic consumption. The Central Bank has issued two regulations to support the implementation of the program. On the one hand, it decided that loans to non-financial institutions issuing credit cards with 0% interest rate can be assigned to complete part of the quota of the Credit Line for Productive Investment, provided that such institutions had previously joined the "AHORA 12" program. Moreover, through Communication "A" 5638, a deduction from the minimum reserve requirement was established. Such deduction amounts to 16% of loans that financial institutions grant under the "AHORA 12" program, and those loans, with 0% interest rate, to non-financial institutions that are issuers of credit cards, provided that such institutions had previously joined the "AHORA 12" program.

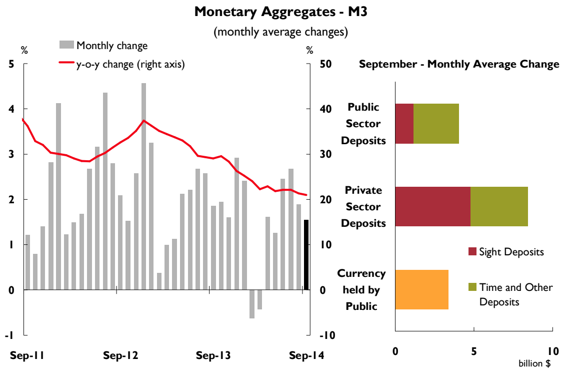
• Interest rates paid by financial institutions on their time deposits decreased. Regarding the wholesale segment, the BADLAR rate at private banks fell 0.9 p.p., averaging 20.3%. In the retail segment, the monthly average interest rate paid by private banks on time deposits up to $100,000 and up to 35 days stood at 18.4% recording, as in August, a monthly drop of 0.5 p.p. This performance was also observed in interest rates on commercial loans in pesos (current account overdrafts, -2 p.p.; and promissory notes, both discounted, -0.3 p.p., as well as unsecured promissory notes, -1.6 p.p.).

• In order to encourage savings in domestic currency, Communication "A" 5640 set a minimum interest rate for time deposits taken by individuals as from October 8, provided that the total amount of time deposits per individual in the institution does not exceed the amount of the deposit insurance coverage. Such minimum interest rate is a percentage of the cut-off interest rate corresponding to the LEBAC with the term closest to 90 days. In turn, in order to extend the protection of depositors, the amount of deposit insurance coverage was raised, by holder, from $120,000 to $350,000 (Communication "A" 5641).

• As from October 3, the new Central Bank repo rates became effective. Rates on reverse repos stood at 13% overnight and 14% at 7 days, while rates on repo loans stood at 16% overnight and 17% at 7 days.

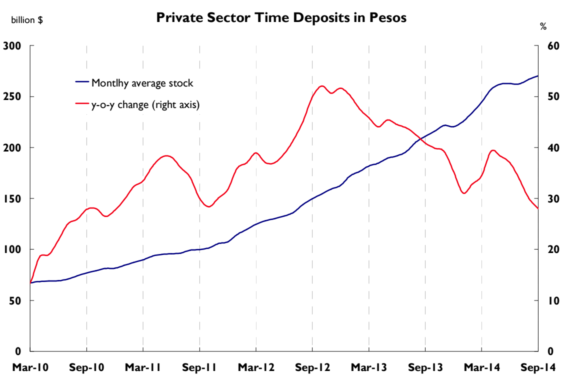
[1] Unless otherwise stated, figures to which reference is made are monthly averages of daily data.

Chart 2.1



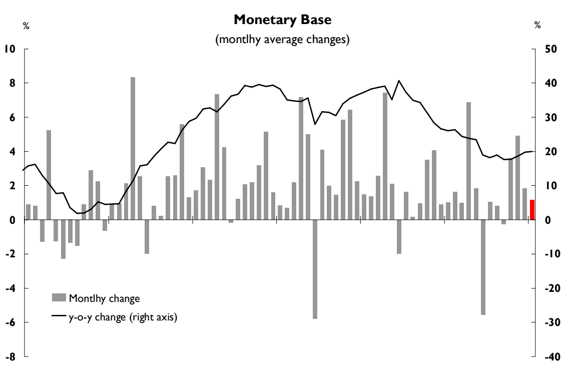
Note: M3 includes cash held by public, settlement checks in pesos and the total amount of deposits in pesos. Source: BCRA.

Chart 2.2



Source: BCRA

Chart 2.3



Source: BCRA

2. Monetary aggregates[1]

In September, the broadest monetary aggregate in pesos (M3[2]) showed an increase of 1.5%, keeping its y.o.y. change rate stable at around 21%. The increase was led by private sector deposits and, to a lesser extent, by the stock of cash held by the public and deposits from the public sector (see Chart 2.1).

Private sector deposits in pesos showed a monthly growth of 1.5%, with increases in sight and time deposits Time deposits grew 1.2%, mainly driven by the wholesale segment. Nevertheless, the segment of less than $1 million also increased. Thus, private sector time deposits continued to grow, increasing almost 28% in the last 12 months (see Chart 2.2).

Deposits in foreign currency increased in September, driven by the growth recorded in public sector deposits, while private sector deposits showed a slight decline. Thus, the broadest monetary aggregate, M3*[3], grew 1.5%, showing a 22.5% y.o.y. change rate.

With an average stock amounting to $395.6 billion, the monetary base in September grew 1.2%, recording the smallest increase since June (see Chart 2.3). In y.o.y. terms, the increase was close to 20%, in line with previous months. This monthly increase was driven in equal parts by cash held by the public and bank reserves (consisting of cash held in financial institutions and the stock of current accounts of the institutions with the Central Bank).

3. Financial institutions' liquidity[1]

Financial institutions' liquidity in domestic currency (cash in banks, institutions' current account with the Central Bank, net repos with the institution plus LEBAC and NOBAC holdings) increased in September and reached 39% of deposits in pesos (see Chart 3.1). Besides the already mentioned increase in deposits, the sale of dollars stemming from the regulation that set the limit for the positive foreign currency net global position at 20% of adjusted stockholder's equity was also a source of funding for financial institutions. This created increased liquidity. In terms of composition, the 1.2 p.p. increase in the liquidity ratio was mainly explained by

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

Chart 3.1

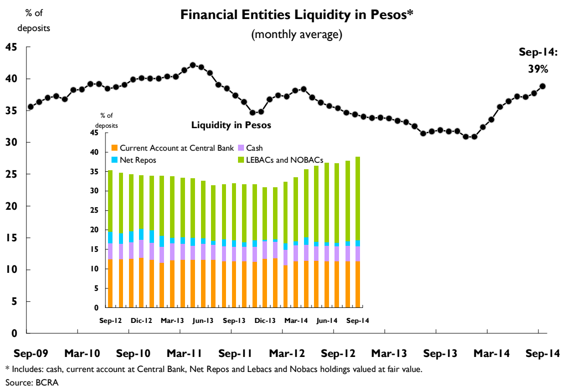


Chart 4.1

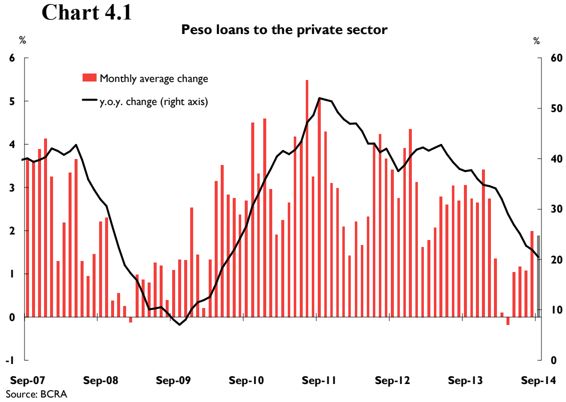
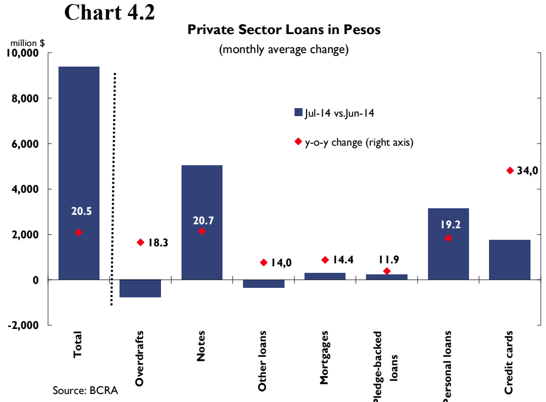


Chart 4.2



the hike observed in the surplus liquidity (repos with the Central Bank and LEBAC and NOBAC holdings).

In turn, the average estimated surplus of the month corresponding to the minimum cash regime amounted to 0.3% of total deposits in pesos. It is worth noting that through Communication “A” 5623 changes were introduced to such requirement as from September with a view to: 1) increasing the number of ATMs in areas with scarce banking services by increasing the deduction of the minimum cash requirement on withdrawals from ATMs, the use of which is not restricted to the clients of each financial institution; and 2) encouraging the payment of social security benefits, which usually involves large withdrawals channeled through cashiers of banks' branches. To that end, minimum reserve requirements were reduced in terms of the funds that financial institutions may receive from the Argentine Social Security Administration (ANSES) for the purposes stated above.

Additionally, Communication “A” 5638 set forth that as from October 2014 an additional deduction from the minimum reserve requirement amounting to 16% of loans that financial institutions grant under the “AHORA 12” program (see Loans section), and those aimed at non-financial institutions issuing credit cards with 0% interest rate, provided that such institutions had previously joined the “AHORA 12” program.

In turn, during September, as a result of the changes observed in the Net Global Position in foreign currency, liquidity in such currency segment dropped 2 p.p., averaging 104.7% of total deposits in dollars.

4. Loans [1] [4]

In September, loans in pesos to the private sector showed an increase similar to the previous month, amounting to 1.9% ($9.3 billion). And in the past twelve months they recorded a 20.5% rise (see Chart 4.1). Among the different credit lines, the growth evidenced by notes and personal loans should be highlighted (see Chart 4.2).

Loans aimed at financing commercial activities had a heterogeneous performance. On one hand, financing arranged through notes continued to grow, posting a 4.4% increase ($5 billion), the highest this year and

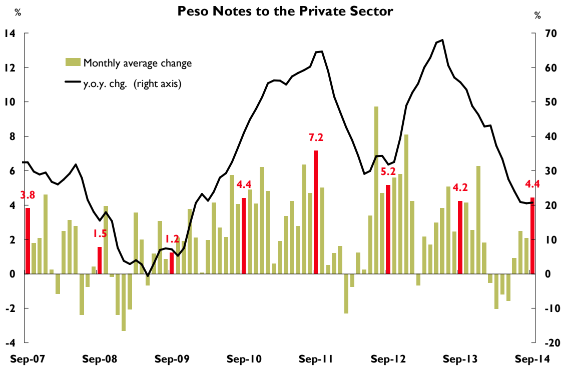
[4] Monthly changes of loans are presented in accounting records and are fundamentally caused by transfers of loans in financial institutions' portfolios to financial trusts. In this report, “amounts granted” or “new loans” refer to loans (new and renewed) arranged in a given period. In contrast, a change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

similar to the one recorded last September (see Chart 4.3). Consequently, the y.o.y. change rate remained virtually unchanged at 20.7%. It is worth noting that in September, financial institutions had to comply with an intermediate goal of the "Credit Line for Productive Investment" (LCIP). They had to grant financing equaling at least 50% of the total amount of the second tranche of the 2014 quota, and at least half of that requirement had to be allocated to MSMEs. In turn, this requirement led to significant increases in financing arranged through unsecured promissory notes by the end of September, since the loans under the LCIP are usually arranged. by unsecured promissory notes. Moreover, discounted documents posted a good performance, in line with the growing trend that began in August (see Chart 4.4). In turn, even though overdrafts recorded a slight decrease of 1.1% ($750 million) in monthly terms, in the past twelve months they recorded an 18.3% growth. The remaining commercial loans, grouped under "Other Loans" recorded a 0.8% decrease ($300 million).

As regards credit lines mainly channeled to finance household consumption, personal loans accelerated their monthly growth pace, showing a 3% increase ($3.2 billion) — the highest in the last 10 months. Meanwhile, the y.o.y. variation moderated its trend, standing at 19.2%. The evolution of new personal loans shows that the amount granted in September was the highest in recent years. Indeed, around $8.3 billion loans were awarded, out of which $740 million were loans granted under the Pro.Cre.Auto Program (see Chart 4.5). Thus, since its implementation, approximately 16,070 transactions were handled, with loans granted totaling about $1.6 billion.

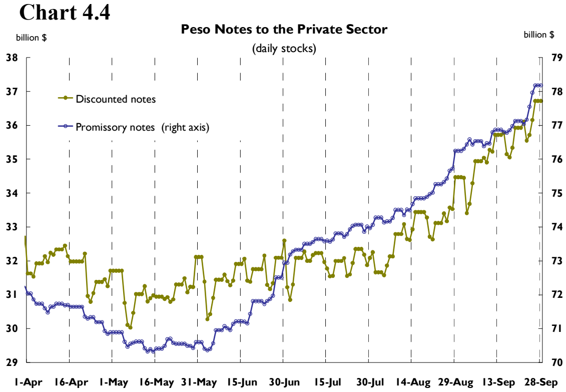
Additionally, credit card financing moderated its growth rate, posting a 1.8% increase ($1.6 billion), while growing 34% y.o.y. It is worth noting that at mid-month the "AHORA 12" program[5] was launched. Through this program, financial institutions offer financing to the private sector in 12 installments without interest for the purchase of goods and services, in order to stimulate domestic consumption. Regarding this Program, it was decided that loans, with 0% interest rate, to non-financial institutions that are issuers of credit cards can be assigned to complete part of the quota of the Credit Line for Productive Investment, provided that such institutions had previously joined the "AHORA 12" program. Such financing, together with loans incorporated by financial institutions through transfer, cession or trusts (provided that the loans assigned or

Chart 4.3



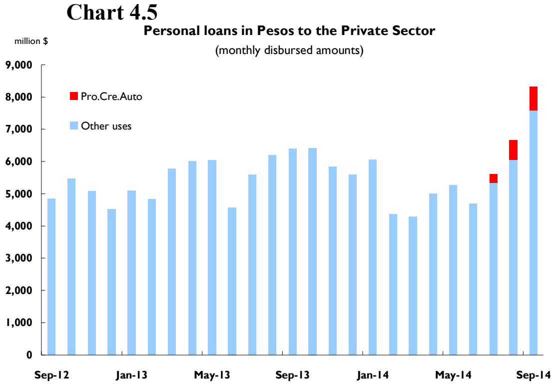
Source: BCRA

Chart 4.4



Source: BCRA

Chart 4.5



Source: BCRA

5 Joint Resolution 671/2014 and 267/2014.

Chart 5.1

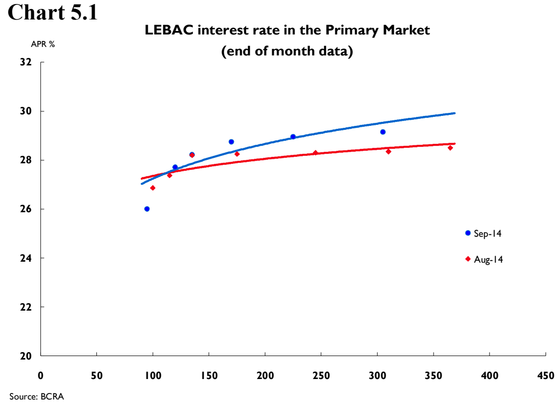


Chart 5.2

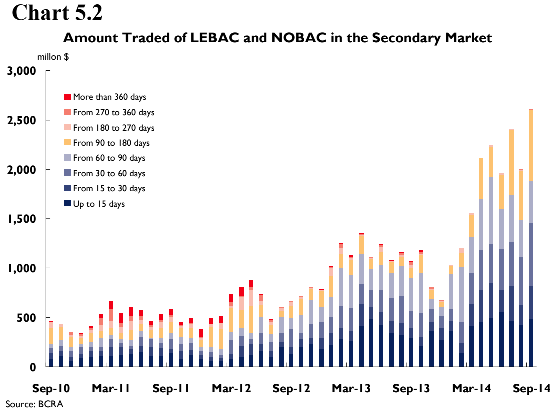
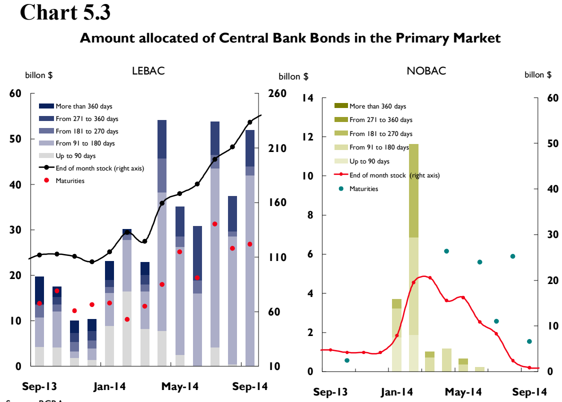


Chart 5.3



transferred under a trust have been originated or assigned by a Group II[6] financial institution) shall not exceed 15% of the second tranche of the LCIP quota of 2014.

As for collateralized loans, mortgage loans increased by 0.6% ($295 million), a figure similar to the previous month, with a y.o.y. growth of 14.4%. It should be noted that a part of the demand for mortgage loans for housing (individuals) is not computed in the statistics on bank loans because it is channeled through the Bicentennial Credit for Housing Program (Pro.Cre.Ar.). Moreover, pledge-backed loans posted a second consecutive increase after several months of falls. In September, they posted a 0.7% growth ($230 million); while reducing their y.o.y. growth pace, reaching 11.9%.

Finally, loans to the private sector in foreign currency showed a decline of 4.6% (US$195 million), with a monthly average balance standing at about US$4 billion.

5. Interest rates [7]

Central Bank securities[8]

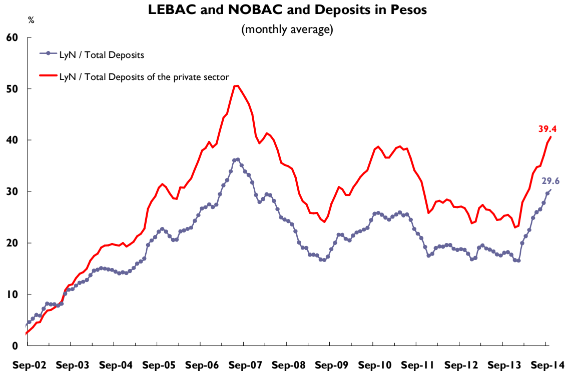
In September, LEBAC interest rate curve became steeper, with increases in longer terms bonds, ranging from 0.5 p.p. to 0.8 p.p. Interest rates on LEBACs auctioned at pre-determined cut-off rate — 100 and 115 days — remained stable and stood at 26.9% and 27.4%, respectively. Likewise, the interest rate on the instrument with the longest maturity — 365 days — stood at 29.3% 0.8 p.p. above the value recorded at the end of August (see Chart 5.1).

In the secondary market of securities, interest rates on LEBACs ended the month with similar levels to those of August. The total average turnover of LEBACs and NOBACs traded in the secondary market hit a new record high after increasing $432 million, and reaching $2.5 billion a day. The monthly increase was driven by transactions with LEBACs at terms not exceeding 90 days (see Chart 5.2).

The Central Bank continued resorting to its securities as the main sterilization instrument in September. At the end of the month the outstanding nominal stock of LEBACs and NOBACs in pesos stood at $234.3 billion, an increase of 9.8% against late August. Once again the rise involved LEBAC bills, while the stock of NOBAC

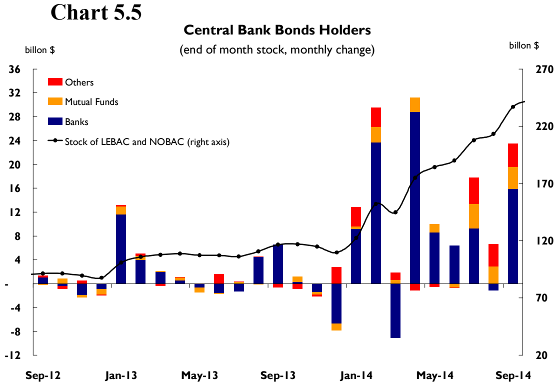
[6] Group as defined in Communication "A" 5590.
[7] Interest rates mentioned in this section are expressed as annual percentage rates (APR).
[8] In this section, figures are end of the month data unless otherwise stated.

Chart 5.4



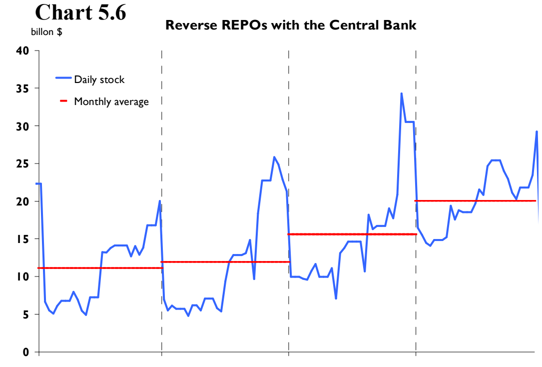
Source: BCRA

Chart 5.5



Source: BCRA

Chart 5.6



Source: BCRA

notes in pesos continued decreasing. The outstanding stock of LEBACs grew 10.7%, ending the month with $233.5 billion. The amount of LEBACs awarded reached $51.9 billion. Out of such total, 80% was issued at terms ranging from 90 to 180 days and, as in previous months, transactions involving terms exceeding 365 days were not carried out (see Chart 5.3). The outstanding stock amounted to approximately 30% of total deposits in pesos.

As to the main holders of LEBAC and NOBAC, the stock monthly increase was led by financial institutions' portfolios, followed by those of Mutual Funds and those of other holders (see Chart 5.5), out of which insurance companies and occupational risk insurance companies should be highlighted.

Finally, regarding the foreign currency segment, the stock of LEBACs continued to decrease, this time by US$57 million, until reaching US$761 million. Such decline was driven once more by lower private banks' holdings. In turn, interest rates paid by the Central Bank on its issues of Bills and Notes remained unchanged.

Central Bank repo transactions[1]

During the month, interest rates on reverse repos remained unchanged, standing at 9% overnight and at 9.50% at seven days; in contrast, interest rates on repo loans stood at 11% overnight and at 11.50% at seven days.

In a context of increased short-term liquidity levels during September, the average stock of the Central Bank reverse repos — for all terms — recorded an increase of almost $5.1 billion (26%) and it stood at $19.7 billion (see Chart 5.7). The increase was driven by repo transactions of financial institutions followed, to a lesser extent, by those of FCI. In turn, no repo loans were recorded for the institution.

It is also worth noting that as from October 3, new Central Bank repo rates will become effective: 13% overnight and 14% for seven days in the case of reverse repos; and 16% overnight and 17% at seven days in the case of repo loans.

Call money market[1]

Interest rates on the call money market went down in September, in a context of higher levels of short-term liquidity in financial institutions. Thus, the average interest rate on overnight transactions dropped 5.7 p.p. in the unsecured call market, standing at 13%. Likewise,

Chart 5.7

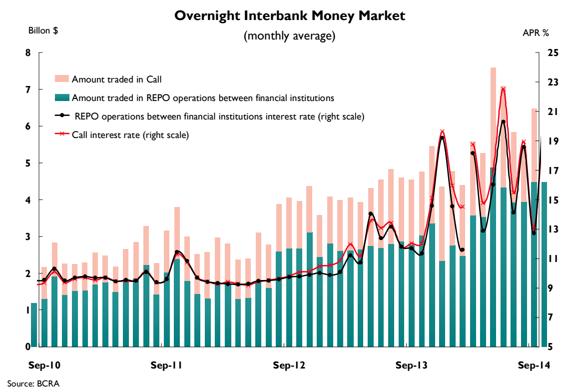
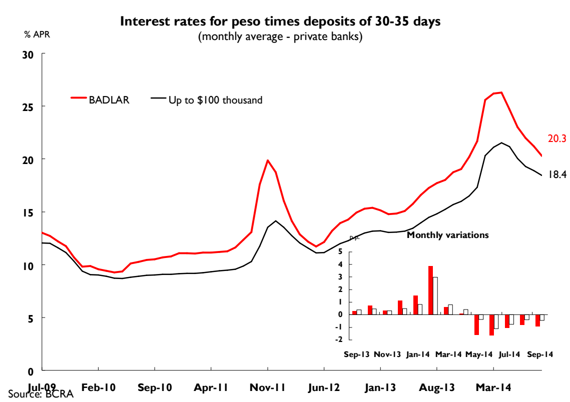


Chart 5.8



the average interest rate on overnight transactions between financial institutions in the secured market (REPO round) decreased 5.9 p.p., amounting to 12.7% (see Chart 5.7).

The daily average volume traded in the call money market (including REPO round and call market) increased $700 million (12%) and reached about $6.5 billion. This increase was mainly driven by the volume traded on the REPO round.

Borrowing rates[1]

In September, interest rates paid by financial institutions on their time deposits continued with the falling trend evidenced since mid-April. As usual, the decline was led by interest rates applied on wholesale deposits.

Regarding the wholesale segment, the BADLAR of private banks — interest rate on time deposits of $1 million and more and at 30-35 days — dropped 0.9 p.p., averaging 20.3%. Thus, in the last five months it decreased almost 6 p.p., reaching levels similar to those recorded in late December 2013.

As far as the retail segment is concerned, the monthly average interest rate paid by private banks on time deposits of up to $100,000 and at up to 35 days stood at 18.4%, recording, as in August, a monthly drop of 0.5 p.p. All in all, a decrease of more than 3 p.p. has been recorded since April (see Chart 5.8).

It is worth noting that, to encourage savings instruments in domestic currency, through Communication "A" 5640 a minimum interest rate was set on time deposits of natural persons, provided that the total amount of time deposits per individual in the institution does not exceed the amount of the deposit insurance coverage. Such minimum interest rate is a percentage of the interest rate corresponding to the LEBAC with the closest term to 90 days[9]. The value of the above-mentioned benchmark interest rate varies according to the term of the deposit: 87% for deposits up to 44 days, 89% for deposits between 45 and 59 days and 93% for those of 60 days or more. This measure will be effective as from October 8. In order to extend the protection of depositors, the amount of deposit insurance coverage was raised, by holder, from $120,000 to $350,000 (Communication "A" 5641).

[9] To establish the benchmark interest rate, the simple average of cut-off rates of the second month immediately preceding the taking of deposits is used.

Chart 5.9

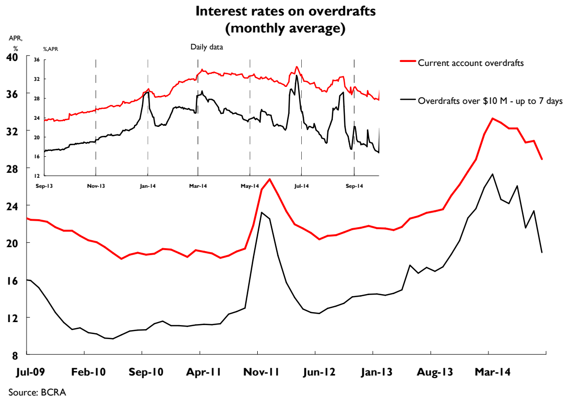


Chart 5.10

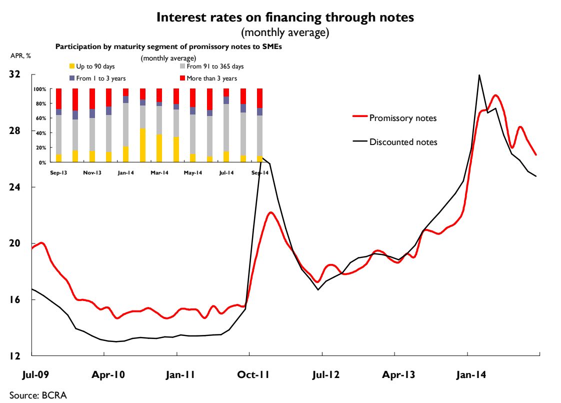
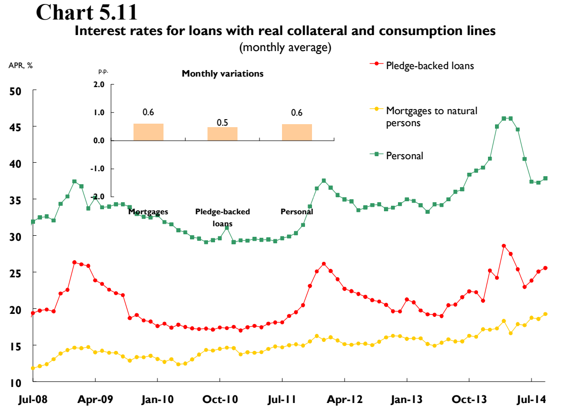


Chart 5.11



Lending rates[1][10]

In September, interest rates on loans granted to the private sector posted a heterogeneous performance: those applied on commercial lines decreased, while those associated to loans with longer terms increased moderately.

Among commercial lines, interest rates charged on current account overdrafts showed the greatest drops. The average monthly rate charged on current account overdrafts granted to companies for over $10 million and up to 7 days averaged 18.9%, dropping 4.4 p.p. in the month and reaching the lowest levels of the last 12 months. Moreover, the interest rate of all current account overdrafts averaged 28.9%, almost 2 p.p. below the values recorded in August (see Chart 5.9).

Moreover, interest rates on loans arranged through promissory notes decreased along the month. The monthly average of interest rates on discounted documents posted a fall of 0.3 p.p., and stood at 24.8%. In turn, the monthly average of interest rates on unsecured promissory notes stood at 24.7%, decreasing 1.6 p.p., in line with a higher share of loans granted within the framework of the LCIP, in a month where at least 50% of the total amount of financing corresponding to the second tranche of the quota for 2014 was to be awarded. Thus, the interest rate of unsecured promissory notes continued to decrease, while an increase in the share of lending exceeding 3 years was observed (see Chart 5.10).

Interest rates applied on longer-term loans increased during the month. The monthly average interest rate charged on pledge-backed loans of 25.6%, grew 0.5 p.p. against August. Meanwhile, the interest rate on mortgages for natural persons averaged 19.2%, increasing 0.6 p.p.

As regards prevailing maximum interest rates for personal loans, in September there were virtually no changes against the values recorded in August, in line with the average interest rate for July's LEBACs at 90 days, standing at 38,9% and 48.2% for Group I and Group II Institutions, respectively. However, due to a change in the share of amounts traded, the average weighted interest rate of total personal loans averaged 37.8%, hiking 0.6 p.p. in the month (see Chart 5.11).

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

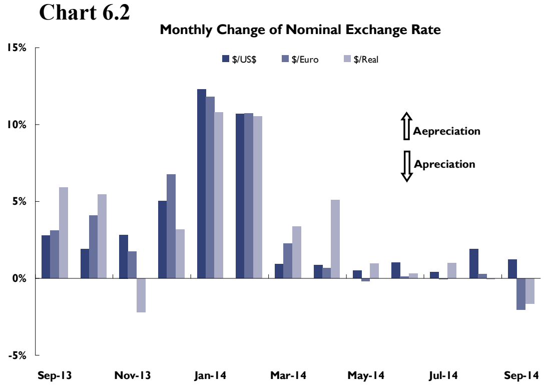
6. International reserves and foreign exchange market[1]

Chart 6.1

Source: BCRA

International reserves totaled US$27.9 billion by the end of September (see Chart 6.1), down US$754 million against August. This fall was mainly explained by public sector's debt servicing in foreign currency and the sale of foreign currency by the Central Bank in the foreign exchange market and the loss in terms of valuation in dollars of assets denominated in other currencies that are part international reserves. Regarding this last factor, it is important to note that approximately 20% of international reserves are composed of assets not denominated in dollars. When there is a fall in the exchange rate of these currencies, the stock of international reserves is reduced by an accounting effect, since the total is measured in dollars. In particular, in September, there was a significant appreciation of the US dollar against other currencies, which implied a drop in Central Bank's international reserves of US$264 million.

Chart 6.2



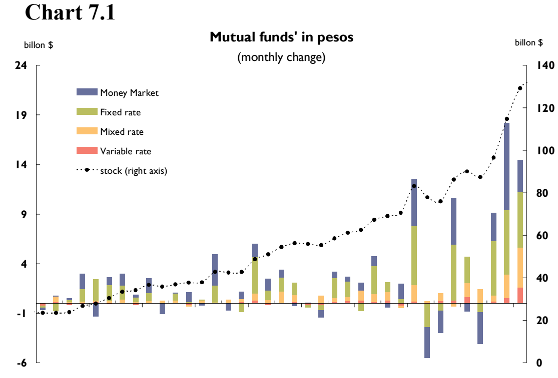
Source: BCRA

In the foreign exchange market, the peso depreciated against the US dollar and appreciated against the real and the euro. The average exchange rates for the month were 8.4 $/US$ (up 1.1% against August), 3.6 $/real (-2%) and 10.8 $/euro (-2.1%; see Chart 6.2). In turn, the exchange rates on the futures market (ROFEX) expected for the coming months fell slightly from the previous month, while the daily turnover decreased about 18% on average, after experiencing a rise in August. The daily average volume traded exceeded $2.4 billion.

7. Collective investment vehicles

Mutual funds

Chart 7.1



Source: CAFCI and BCRA

In September, investors continued to allocate excess liquidity to the subscription of unit shares of mutual funds. Equity in pesos and in foreign currency grew $14.7 billion (12.6%) reaching $132.1 billion by the end of the month.

The monthly rise was led once again by the segment in pesos, mainly by fixed income funds that raised their equity by $5.3 billion (9.6%) due to the increase in the number of unit shares and their monthly profitability. Also money market funds increased by $3.8 billion (10.7%) and mixed income funds increased by $3.7 billion (17.8%); both increases derived from a hike in the number of unit shares. Finally, funds investing most of their portfolio in variable income assets increased $1.6 billion (39.2%) due to their profitability, which was boosted by the good performance recorded on the domestic stock market, and also by the subscription of unit shares.

In September, variable income funds posted the best performance once again in terms of profitability and recorded a 30% monthly return, followed by mixed income funds, which had a monthly return of 4.8%; and fixed income funds, with a 3.7% return. In turn, short term fixed income funds using the BADLAR rate at private banks as benchmark recorded a monthly return of 1.9%. Such funds accounted for 50% of the segment and recorded the highest levels of liquidity. Finally, money market funds — which are characterized by their high liquidity since the redemption of unit shares is credited to the bank account immediately — recorded a monthly return of 1.2%.

The equity of mutual funds in foreign currency increased for the second consecutive month and reached its highest level so far in 2014, reaching US$349 million. The increase of US$40 million was mainly driven by fixed income funds (US$36 million).

Chart 7.2

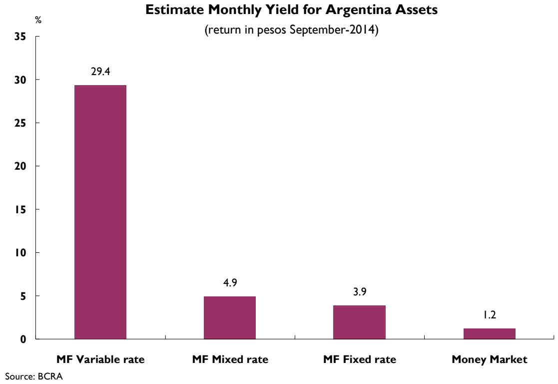


Chart 7.3

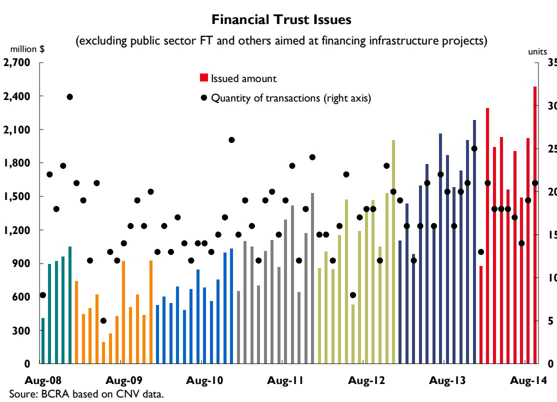
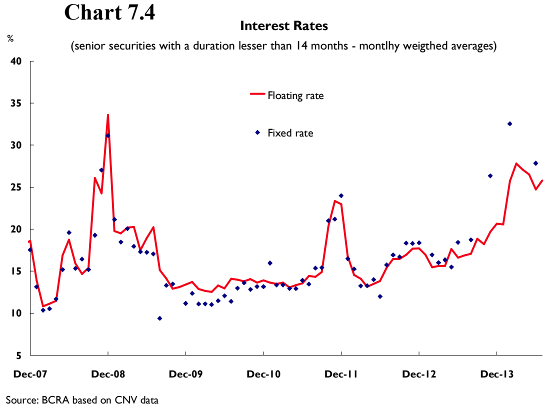


Chart 7.4



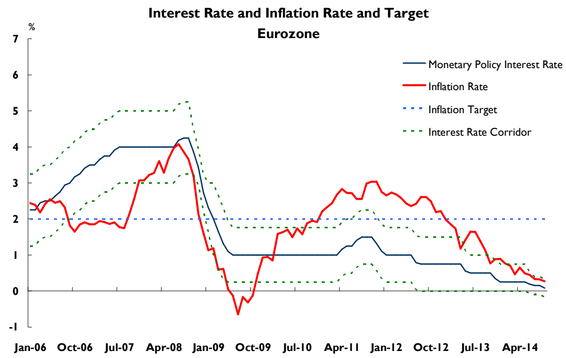
Financial trusts[11]

In September, Financial Trust (FT) issues totaled around $2.5 billion, up 23% against August, reaching the highest level in recent years (see Chart 7.3). In turn, 21 transactions were carried out in the month, 2 more than in August. It is also worth noting that several issues were registered under the dollar-linked scheme.

As for trustors, retail businesses issued $775 million, up 44% against the amount securitized the previous month. In turn, financial institutions issued about $650 million, showing a slight decrease compared to August (15%). Apart from personal loans, this group of trustors securitized pledge-backed loans. “Mutual associations, cooperatives, non-bank issuers of credit cards and other financial service companies” securitized assets for a little over $300 — mostly related to consumption — half the amount securitized in the previous month. The remaining issuances belonged to the agricultural sector (some of them are adjusted following the evolution of the peso/dollar foreign exchange rate) which totaled about $720 million and were backed by commercial loans. In addition, a company that provides equipment for the CNG industry, issued US$3 million ($25 million, as adjusted following the evolution of the peso/dollar foreign exchange rate). Assets held in trust exclusively involved leasing contracts.

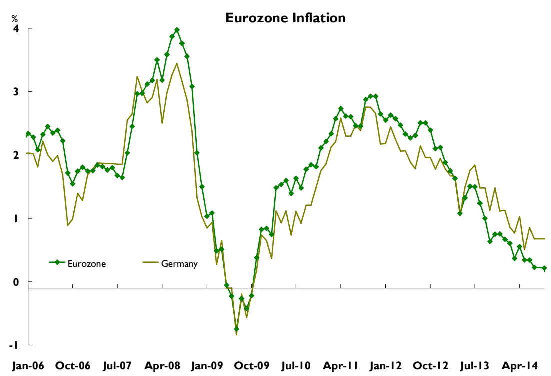
[11] Only publicly-traded financial trusts are considered.

Chart 8.1



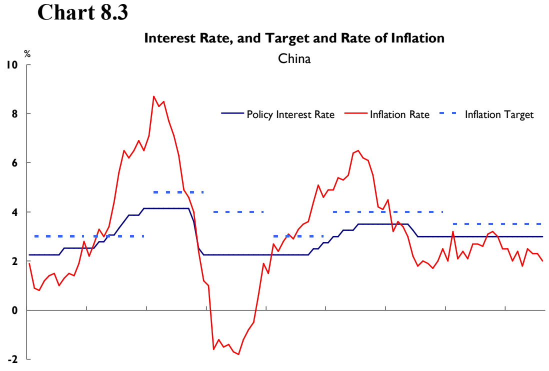
Source: BCRA based on the European Central Bank (ECB) and Eurostats. The ECB doesn't pursue an inflation targeting regime. However, it tries to achieve price stability which is defined as an inflation rate < a 2% y.o.y.

Chart 8.2



Source: BCRA based on Eurostat and Destatis

Chart 8.3



Source: BCRA based on PBoC. The PBoC does not follow an inflation targeting regime. However, the Chinse goverment has an anual inflation target that it is nowadays at 3,5%.

Lastly, cut-off interest rates (weighted average by amount) on senior bonds in pesos, with a duration below 14 months and agreed upon at a variable rate, stood at 24.5%, up 0.5 p.p. against August (see Chart 7.4). In turn, there were no transactions at a fixed rate.

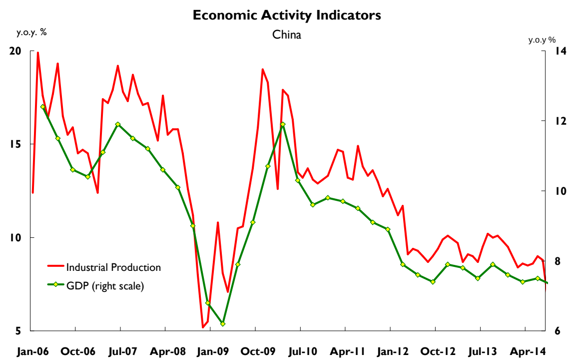
8. Major policy measures taken by other Central Banks

During September, other central banks — both in advanced and emerging countries — mostly implemented expansionary monetary policy measures. Among such measures, the ones implemented by the monetary authorities in the Euro Area, China, Chile and Peru should be highlighted. However, the exception was the US Federal Reserve (FED), with the implementation of contractionary measures.

Within the first group, the European Central Bank (ECB) unexpectedly decided to reduce its monetary policy interest rate to a record low of 0.05% (-0.1 p.p., see Chart 8.1). Such measure also led the interest rate on deposit facilities to a negative record, currently standing at -0.2%. The ECB also announced two purchase programs: the Asset-Backed Securities Purchase Program (ABSPP) and the Covered Bond Purchase Program (CBPP) that will be operational in October. However, no further details were provided on the subject. Nevertheless, some private sector estimates indicate that the volume of the program would range between €400 and €500 billion. The ECB also conducted the first auction of the Targeted Longer-Term Refinancing Operations (TLTRO) where, as a result of lower demand from banks, private sector's estimates on fund allocations were not met.

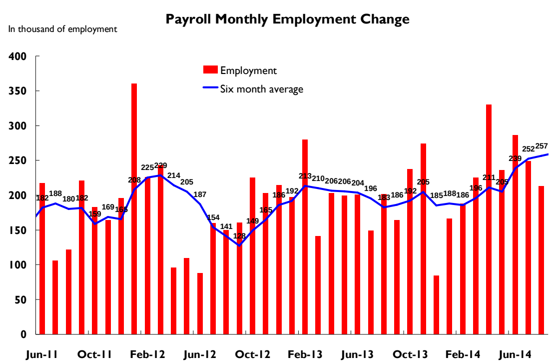
The ECB took these measures in a context where price indicators and activity continued showing a sharp downward trend. Moreover, the preliminary inflation indicator (CPI) for the euro area in September was 0.3% y.o.y., down 0.1 p.p. against August and the lowest in the last five years. In turn, inflation in Germany, the leading member of the Eurozone, would have remained in September at 0.8% y.o.y. according to a preliminary estimate of the German statistics office (unchanged against August, see Chart 8.2). As for activity data, more indicators are starting to reveal that activity levels in terms of the larger partner of the euro area would also be moderating their growth. Thus, during August, Germany's industry purchase orders fell 5.7% against the previous month, the biggest drop since 2009.

Chart 8.4



Source: BCRA based on Bloomberg

Chart 8.5



Source: BCRA based on BLS.gov

Monetary authorities of the People's Bank of China (PBoC) also implemented expansionary measures. However, in a context of slowdown in economic activity (see Chart 8.4), the monetary policy rate was left unchanged (for 1-year deposits) at 3% (see Chart 8.3). The PBoC decided, in mid-September, to use (for the fourth time since its implementation in 2013) the Standing Lending Facility (SLF) to provide funds to commercial banks at 1- and 3-month terms. This time it injected 500 billion yuan, equivalent to just over US$80 billion, at a 3-month term. In addition, on September 17, the PBoC decided to reduce its repo rates from 3.7% to 3.5%.

Other central banks that adopted expansionary measures were Chile and Peru. The Central Bank of Chile decided to reduce again by 0.25 p.p. its benchmark interest rate (Monetary Policy Rate -TPM) to 3.25% after three reductions (0.25 p.p. each) in February, March, and August. In turn, the Central Reserve Bank of Peru decreased by 0.25 p.p. to 3.5% the interest rate target on the call money market.

As for contractionary measures, the FED once again reduced its assets purchase pace (usually known as tapering) from US$25 billion to US$15 billion per month. Thus, the asset purchase program is expected to be completed by October, following the next meeting of the Open Market Committee scheduled for October 29. In addition, the FED, upon issuing its press release, maintained its wording in terms of its intention to keep the federal fund rate target within current values for a considerable time (at least six months) after having completed the asset purchase program. This decision was made despite recent macroeconomic indicators showed that non-agricultural job creation in August was below market estimates (see Chart 8.5), and even though the CPI variation slowed down in the last three months. Thus, August variation was 1.7% y.o.y., down 0.3 p.p. against the previous month.

9. Monetary and financial indicators

Figures in millions, expressed in their original currency.

Main monetary and financial system figures	Montlhy average				Average change in	
	Sep-14	Aug-14	Dec-13	Sep-13	Monthly	Last 12 months
Monetary base	**395,573**	**390,997**	**361,580**	**329,769**	**1.2%**	**20.0%**
Currency in circulation	303,587	300,243	277,095	254,326	1.1%	19.4%
Held by public	274,028	270,686	247,158	231,389	1.2%	18.4%
Held by financial entities	29,557	29,557	29,935	22,935	0.0%	28.9%
Settlement check	2	0	2	0	-	-
BCRA current account	91,987	90,754	84,484	75,443	1.4%	21.9%
Repos stock						
Reverse repos	20,036	15,614	6,351	14,892	28.3%	34.5%
Repos	0	0	0	0	0.0%	0.0%
BCRA securities stock (in face value)	227,893	210,816	111,491	113,561	8.1%	100.7%
In banks	178,750	171,259	98,364	98,905	4.4%	80.7%
LEBAC						
In pesos	225,078	203,987	107,309	108,809	10.3%	106.9%
In Dollars	778	828	0	0		
NOBAC	2,037	6,001	4,183	4,753	-66.1%	-57.1%
International reserves excluded 2009 SDRs allocations	**28,281**	**28,861**	**30,612**	**35,612**	**-2.0%**	**-20.6%**
Private and public sector deposits in pesos [1]	**763,330**	**750,989**	**667,633**	**626,883**	**1.6%**	**21.8%**
Current account [2]	221,879	217,109	190,954	171,844	2.2%	29.1%
Savings account	160,201	158,995	140,307	124,791	0.8%	28.4%
Not CER-adjustable time deposits	351,996	345,840	309,655	306,839	1.8%	14.7%
CER-adjustable time deposits	8	8	6	6	4.2%	33.3%
Other deposits [3]	29,246	29,038	26,711	23,404	0.7%	25.0%
Private sector deposits	574,880	566,556	484,439	449,848	1.5%	27.8%
Public sector deposits	188,449	184,433	183,194	177,035	2.2%	6.4%
Private and public sector deposits in dollars [1]	**8,235**	**8,205**	**8,263**	**8,149**	**0.4%**	**1.1%**
Loans to private and public sector in pesos [1]	**549,195**	**540,323**	**498,212**	**457,313**	**1.6%**	**20.1%**
Loans to private sector	506,231	497,413	457,095	420,095	1.8%	20.5%
Overdrafts	70,050	70,802	56,649	59,219	-1.1%	18.3%
Promissory bills	118,555	113,515	111,440	98,206	4.4%	20.7%
Mortgages	46,556	46,261	43,075	40,686	0.6%	14.4%
Pledge-backed loans	32,140	31,907	31,304	28,718	0.7%	11.9%
Personal loans	108,669	106,007	98,468	91,142	2.5%	19.2%
Credit cards	92,648	91,007	80,716	69,143	1.8%	34.0%
Other loans	37,613	37,915	35,442	32,983	-0.8%	14.0%
Loans to public sector	42,964	42,910	41,117	37,217	0.1%	15.4%
Loans to private and public sector in dollars [1]	**4,025**	**4,220**	**3,694**	**4,308**	**-4.6%**	**-6.6%**
Total monetary aggregates [1]						
M1 (currency held by public + settlement check in pesos+ current account in pesos)	495,909	487,796	438,115	403,234	1.7%	23.0%
M2 (M1 + savings account in pesos)	656,110	646,790	578,422	528,025	1.4%	24.3%
M3 (currency held by public + settlement check in pesos + total deposits in pesos)	1,037,360	1,021,676	914,793	858,273	1.5%	20.9%
M3* (M3 + total deposits in dollars + settlemente check in foreign curren	1,108,985	1,092,262	968,731	905,543	1.5%	22.5%
Private monetary aggregates						
M1 (currency held by public + settlement check in pesos + priv.current account in pesos)	418,057	409,398	367,407	342,771	2.1%	22.0%
M2 (M1 + private savings account in pesos)	560,379	552,264	493,877	454,957	1.5%	23.2%
M3 (currency held by public + settlement check in pesos + priv. total deposits in pesos)	848,910	837,243	731,599	681,239	1.4%	24.6%
M3* (M3 + private total deposits in dollars + settlemente check in foreign currency)	909,871	897,710	775,730	720,721	1.4%	26.2%

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	**4,576**	**1.2%**	**29,569**	**8.1%**	**33,994**	**9.4%**	**65,805**	**20.0%**
Financial sector	-18,539	-4.7%	-47,563	-13.0%	-52,076	-14.4%	-43,299	-13.1%
Public sector	19,327	4.9%	45,903	12.5%	77,750	21.5%	124,299	37.7%
Private external sector	-273	-0.1%	9,028	2.5%	40,522	11.2%	9,106	2.8%
BCRA securities	-11,552	-3.0%	-22,259	-6.1%	-80,737	-22.3%	-74,470	-22.6%
Others	15,614	4.0%	44,461	12.1%	48,535	13.4%	50,169	15.2%
International reserves excluded 2009 SDRs allocations	**-581**	**-2.0%**	**-582**	**-2.0%**	**-2,331**	**-7.6%**	**-7,331**	**-20.6%**
Foreign exchange market intervention	-31	-0.1%	1,202	4.2%	4,939	16.1%	-346	-1.0%
International financial institutions	-1	0.0%	36	0.1%	-318	-1.0%	146	0.4%
Other public sector operations	-130	-0.4%	-722	-2.5%	-2,421	-7.9%	-3,984	-11.2%
Dollar liquidity requirements	-258	-0.9%	-800	-2.8%	-3,865	-12.6%	-3,320	-9.3%
Others (incl. change in US$ market value of nondollar assets)	-161	-0.6%	-298	-1.0%	-680	-2.2%	160	0.4%

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

	Sep-14	Aug-14	Jul-14
	(1)		
Domestic Currency	*% de depósitos totales en pesos*		
Requirement	11.7	11.8	11.8
Compliance	12.0	12.0	12.0
Position (2)	0.3	0.2	0.2
Residual time structure of term deposits used for the calculation of the requirement (3)	%		
Up to 29 days	67.9	65.9	67.4
30 to 59 days	20.9	20.7	19.1
60 to 89 days	5.9	7.3	6.5
90 to 179 days	4.3	5.1	5.7
more than 180 days	1.0	1.1	1.4
Foreign Currency	*% de depósitos totales en moneda extranjera*		
Requirement	43.8	43.7	43.8
Compliance (includes default application resource)	84.5	86.3	84.6
Position (2)	40.7	42.6	40.8
Residual time structure of term deposits used for the calculation of the requirement (3)	%		
Up to 29 days	49.6	46.7	48.2
30 to 59 days	20.2	22.6	20.8
60 to 89 days	10.6	10.7	11.9
90 to 179 days	13.6	13.8	12.6
180 to 365 days	5.7	5.9	5.5
more than 365 days	0.2	0.3	1.0

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

(2) Position= Requirement - Compliance

(3) Excludes judicial time deposits.

Source: BCRA

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

Borrowing Interest Rates	Sep-14	Aug-14	Jul-14	Dec-13	Sep-13
Interbank Loans (overnight)					
Interest rate	13.08	18.78	15.61	19.67	12.19
Traded volume (million pesos)	2,051	1,874	2,084	2,144	1,874
Time Deposits					
In pesos					
30-44 days	19.17	19.64	20.17	17.67	15.58
60 days or more	20.79	21.54	22.02	19.00	15.80
Total BADLAR (more than $1 million, 30-35 days)	18.41	19.00	19.57	17.45	14.81
Private Banks BADLAR (more than $1 million, 30-35 days)	20.28	21.18	21.98	20.18	18.00
In dollars					
30-44 days	0.87	0.85	0.91	0.34	0.47
60 days or more	1.55	1.52	1.40	0.65	0.95
Total BADLAR (more than $1 million, 30-35 days)	0.85	0.81	0.89	0.39	0.52
Private Banks BADLAR (more than $1 million, 30-35 days)	0.93	0.92	1.23	0.33	0.61
Lending Interest Rates	**Sep-14**	**Aug-14**	**Jul-14**	**Dec-13**	**Sep-13**
Stock Repos					
Gross interest rates 30 days	21.58	19.84	21.14	21.64	18.23
Traded volume (all maturities, million pesos)	291	279	279	316	259
Loans in Pesos (1)					
Overdrafts	28.91	30.87	30.74	27.59	23.54
Promissory Notes	24.71	26.29	28.00	22.38	20.68
Mortgages	23.42	20.88	22.60	16.56	16.20
Pledge-backed Loans	25.61	25.08	23.86	21.07	21.55
Personal Loans	37.84	37.26	37.40	39.34	36.36
Credit Cards	s/d	41.20	40.12	37.16	35.22
Overdrafts - 1 to 7 days - more than $10 million	18.94	23.37	21.57	22.62	17.39
International Interest Rates	**Sep-14**	**Aug-14**	**Jul-14**	**Dec-13**	**Sep-13**
LIBOR					
1 month	0.15	0.16	0.15	0.17	0.18
6 months	0.33	0.33	0.33	0.35	0.38
US Treasury Bonds					
2 years	0.55	0.46	0.49	0.33	0.39
10 years	2.52	2.41	2.53	2.88	2.80
FED Funds Rate	0.25	0.25	0.25	0.25	0.25
SELIC (1 year)	11.00	11.00	11.00	10.00	9.00

(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	Sep-14	Aug-14	Jul-14	Dec-13	Sep-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	10.07	13.20	11.95	15.81	10.04
7 days	12.73	12.33	12.79	13.12	10.03
Repo traded volumen (daily average)	16,784	12,176	11,298	3,981	8,488
Peso LEBAC Interest Rate[1]					
1 month	s/o	s/o	s/o	s/o	s/o
2 months	s/o	s/o	s/o	s/o	s/o
3 months	26.80	26.38	26.80	15.52	15.34
9 months	s/o	s/o	s/o	s/o	s/o
12 months	29.29	28.02	28.25	17.80	17.89
Peso NOBAC with variable coupon Spread[1]					
200 days BADLAR Private Banks	s/o	s/o	s/o	s/o	s/o
Dollars LEBAC Interest Rate[1]					
1 month	2.50	2.50	2.50	s/o	s/o
3 months	3.00	3.00	3.00	s/o	s/o
6 months	3.50	3.50	3.50	s/o	s/o
12 months	4.00	4.00	4.00	s/o	s/o
LEBAC and NOBAC traded volume (daily average)	2738	2281	2563	673	1068
Foreign Exchange Market	**Jul-12**	**Aug-12**	**Aug-12**	**Oct-12**	**Nov-12**
Dollar Spot					
Exchange agencies	8.42	8.32	8.16	6.32	5.74
BCRA Reference	8.43	8.32	8.16	6.33	5.75
Future dollar					
NDF 1 month	8.73	8.60	8.39	6.75	5.97
ROFEX 1 month	8.58	8.50	8.34	6.56	5.87
Traded volume (all maturities, million pesos)	2,446	2,992	1,768	1,618	1,869
Real (Pesos/Real)	3.61	3.67	3.67	2.69	2.53
Euro (Pesos/Euro)	10.85	11.07	11.04	8.67	7.67
Capital Market	**Sep-14**	**Aug-14**	**Jul-14**	**Dec-13**	**Sep-13**
MERVAL					
Index	11,292	8,794	8,359	5,330	4,531
Traded volume (million pesos)	304	196	172	109	120
Governement Bonds (parity)					
BODEN 2015 (US$)	151.52	128.71	117.66	132.63	145.78
DISCOUNT (US$ - NY legislation)	130.90	107.22	108.00	106.64	100.15
BONAR 2017 (US$)	140.32	121.02	113.90	121.59	131.38
DISCOUNT ($)	66.96	68.82	73.50	63.95	48.50
Country risk					
Spread BODEN 2015 vs. US Treasury Bond	1,421	1,416	1,048	826	1,114
EMBI+ Latin America (without Argentina)	380	355	327	412	381

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