

Monthly Monetary Report

April 2019



BANCO CENTRAL
DE LA REPÚBLICA ARGENTINA

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1. Summary

- In March, the Monetary Policy Committee (COPOM) of the Central Bank of Argentina (BCRA) decided to extend the zero growth target of the Monetary Base (MB) until December 2019. As a result, it set the monthly average target of the MB at the level reached in February: \$1,343 billion (net of expansion of the foreign currency purchase and the seasonal increase of December). In April, the MB monthly average reached \$1,325 billion, which implied that the BCRA overcomplied again with its target, on this occasion by \$18 billion (1.4%).
- The LELIQs average rate went up 5.8 percentage points (p.p.) between late March and April, standing at 73.9% by the end of April. Time deposits interest rates continued partially mirroring the increase of the monetary policy rate. For example, the private banks TM20 ended the month at 55%, 6.1 p.p. above the value recorded by the end of March.
- To favor a more efficient transmission of changes from the BCRA's reference interest rate to the yields received by depositors, effective as from May, the BCRA authorizes financial institutions to take deposits of clients without a previous contractual relationship.
- The private sector time deposits in pesos expanded 1.3% (\$14.5 billion) in April and 1.8% if the stock is considered seasonally-adjusted. As a result, deposits accumulated a 71% growth in the last 12 months.
- The seasonally-adjusted stock of loans in pesos to the private sector contracted 0.2% in April, with a reduced financing with credit cards against previous months. In turn, credits granted through promissory notes expanded once again. Loans being provided to SMEs with a subsidized interest rate belong to this segment.
- To reinforce the contractionary bias of its monetary policy and vis-à-vis the increase of exchange rate volatility, by late April, the BCRA announced that it will be authorized to sell foreign currency, even when the exchange rate stands within the exchange reference zone (which had been defined before as non-intervention zone). It has also increased from US\$150 to US\$250 million the amount of the regular daily sale above such range. In April, the BCRA did not make transactions in the spot exchange market.
- International reserves ended April with a stock of US\$71.66 billion, US\$5.47 billion above the level of late March. Such increase was due to the disbursement of the fourth tranche of the stand-by agreement with the IMF, which was partially offset by the debt payment in foreign currency by the National Treasury.

*The closing date for the statistics of this report was May 7, 2019.
All figures are provisional and subject to review.*

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2. Monetary Aggregates

By mid-March, the Central Bank of Argentina (BCRA) has tightened its Monetary Base (MB) target, defining a zero growth target until late 2019 from a level of \$1,343 billion in February, net of expansion of the purchase of foreign currency and the seasonal increase of December.¹ In April, the MB monthly average reached \$1,325 billion, which implied that the BCRA overcomplied with its target once again, in this case by \$18 billion (1.4%; see Chart 2.1). The MB went up 0.8% in April mainly due to the increase of currency in circulation (1.2%) since the other component of the MB, the current account in the BCRA, remained stable against March.

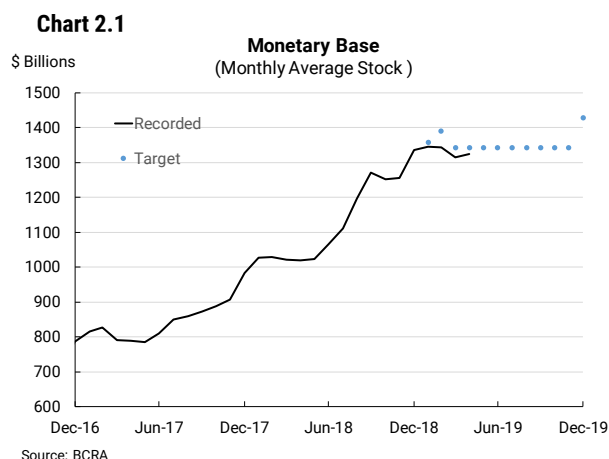
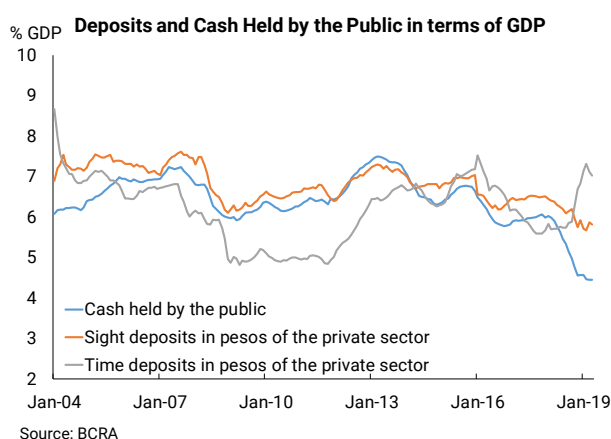


Chart 2.2

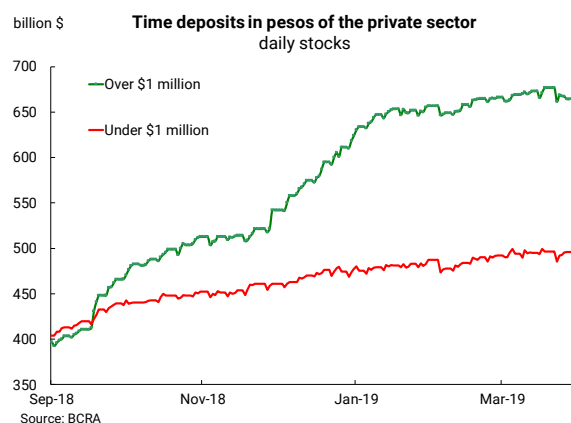


both the cash held by the public and sights deposits in pesos of the private sector stood at minimum levels if compared to recent years (see Chart 2.2).

The private sector time deposits in pesos were the component of private M3 that grew the most in nominal terms in April. The monthly average stock for this type of deposits increased 1.3% (\$14.5 billion; see Chart 2.3) and 1.8% if the stock is considered seasonally-adjusted. The monthly growth mainly consisted in deposits from companies, in line with the net worth expansion of the money market's mutual funds,

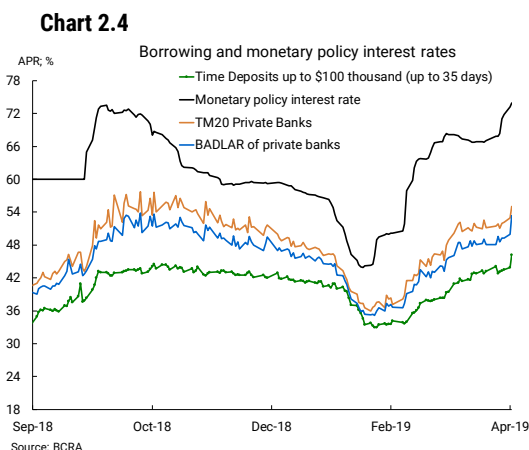
The monthly increase seasonally-adjusted of cash held by the public was the highest in recent months, standing at 3.4%, mainly boosted by rises in the allowances granted to the sectors that typically make a more intensive use of cash as from March, the holders of social benefits, pensioners and retirees. Nevertheless, during the last 12 months, the nominal increase of the cash held by the public stood well below the rise of prices, reaching 7%. In turn, sight deposits of the private sector also grew in nominal terms (1.2%), exhibiting a 2.4% rise seasonally-adjusted. In GDP terms,

Chart 2.3



¹ See <http://www.bcr.gov.ar/Noticias/Comunicado-140319.asp>.

which invest around 50% of their portfolio in time deposits, concentrated in the first fortnight of the month.



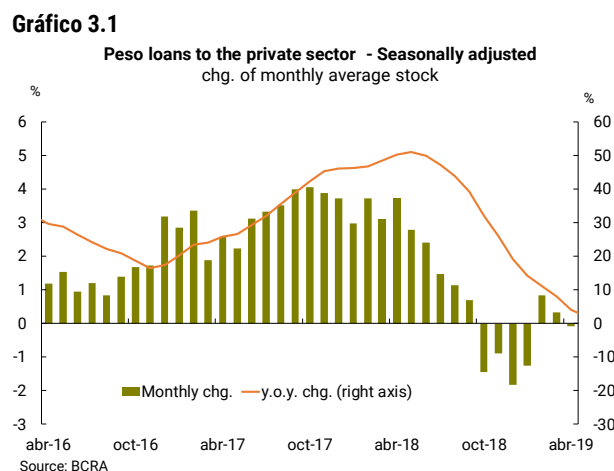
The borrowing interest rates remained stable during most of April, partially accompanying the rise of the monetary policy interest rate by the end of the month. The TM20 rate – interest rate for 30-day to 35-day time deposits of \$20 million or more of private banks ended the month at 55%, up 6.1 p.p. against the value reached by the end of March. In turn, the interest rate paid for time deposits of up to \$100,000 and up to 35 days went up 6.7 p.p. during the month and closed April at 46.2% (see Chart 4). In turn, LELIQs average rate increased 5.8 p.p. between late March and April standing at 73.9% by the end of April.

It is worth stating that, effective as from May, the BCRA authorizes financial institutions to take time deposits of clients without a previous contractual relationship in order to encourage competition and promote a more effective transmission of the monetary policy rate to the yields received by depositors.² To foster transparency, the BCRA started to publish in its webpage a comparative chart with the interest rates paid by the different financial institutions.³

3. Loans to the Private Sector and Lending Interest Rates

In nominal and seasonally-adjusted terms, the stock of loans in pesos to the private sector went down 0.2% in April, resulting in 4% change in the last 12 months. The reversed sign in the monthly change against the two previous months was mainly due to a lower momentum in financing with credit cards.

The monthly decrease of credit card financing was 0.5% (in nominal and seasonally-adjusted terms) but, in the last 12 months, this financing channel has accumulated a nominal growth of around 20%. In turn, personal loans expanded for the third consecutive month: 0.3% in nominal terms and seasonally adjusted, with an 8.3% year-on-year (y.o.y.) change.

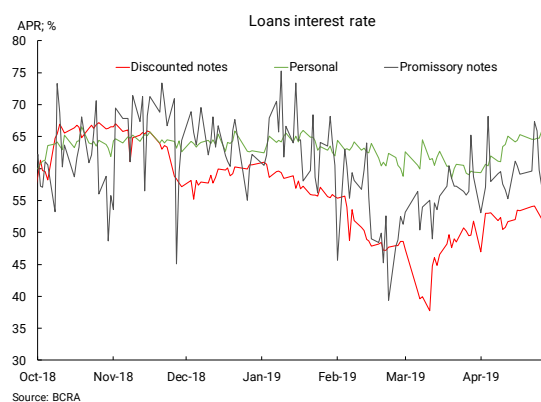


² Communication A 6667.

³ http://www.bcr.gov.ar/BCRAyVos/Plazos_fijos_online.asp

Among loans for commercial purposes, financing through overdrafts went down 0.5% in nominal and seasonally-adjusted terms, while promissory notes recorded a 0.2% increase during the month. It is worth mentioning that lending to SMEs at preferential rates continued even though the share of discounted documents with rates below 30% (APR) was lower than in the previous month (from 25% in the total transacted volume in March to 16% in April). The interest rate of these lines increased during the month: the rate charged for loans granted under unsecured promissory notes averaged 60.5%, up 4.2 p.p. against March while the rate for discounted documents averaged 52.7% during the month, recording a monthly rise of 6.5 p.p.

Chart 3.2



As regards loans with real property collateral, the seasonally-adjusted stock of mortgage loans grew 0.5% while pledge-backed loans continued to fall in April (-0.6% in nominal and seasonally-adjusted terms). The interest rates for these lines did not exhibit significant changes during the month. In the case of the UVA segment, which includes almost all mortgage loans and half of pledge-backed loans, the interest rate on mortgage loans and pledge-backed loans averaged 6.2% and 14.8%, respectively.

In short, loans in pesos to the private sector contracted 4% in April in real terms and seasonally-adjusted.

4. Financial Institutions' Liquidity

Chart 4.1

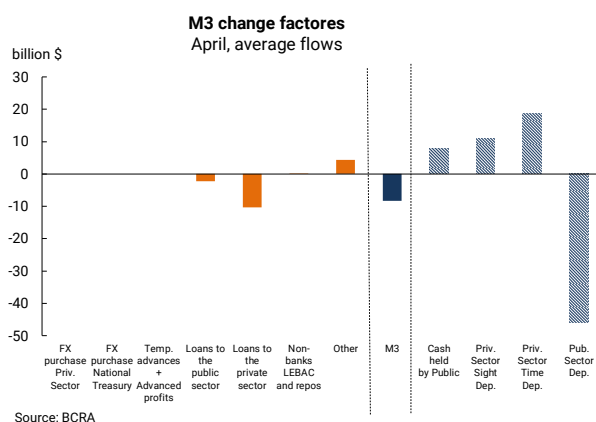
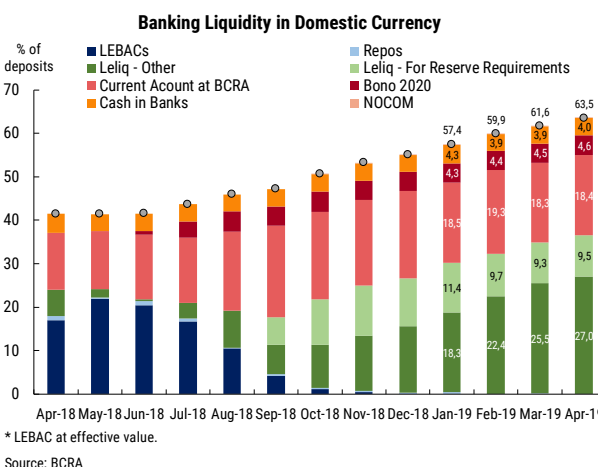


Chart 4.2



In April, the broad liquidity in pesos of financial institutions –including the stocks of current accounts with the BCRA, cash, LELIQs and the National Treasury's bond admitted for compliance

with minimum reserve requirements– went up again since, even though total deposits in pesos contracted due to public sector deposits, there was also a net cancellation of loans (see Chart 4).

In line with the records of previous months, the monthly increase of liquidity consisted in holdings of LELIQs of “free availability”, not used to comply with the minimum reserve requirements (see Chart 4.2).

5. International Reserves and Foreign Exchange Market

On April 16, the Monetary Policy Committee (COPOM) decided to reduce the adjustment rate for the bounds of the exchange reference zone to 0% for the rest of the year. This means that the lower and upper bounds will be kept constant at 39.755 and 51.448, respectively, until December 31, 2019. If the exchange rate stands below that zone, the BCRA will not purchase dollars until next

Chart 5.1

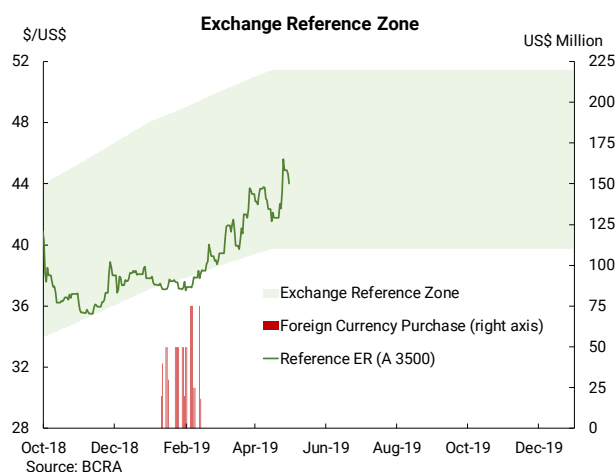
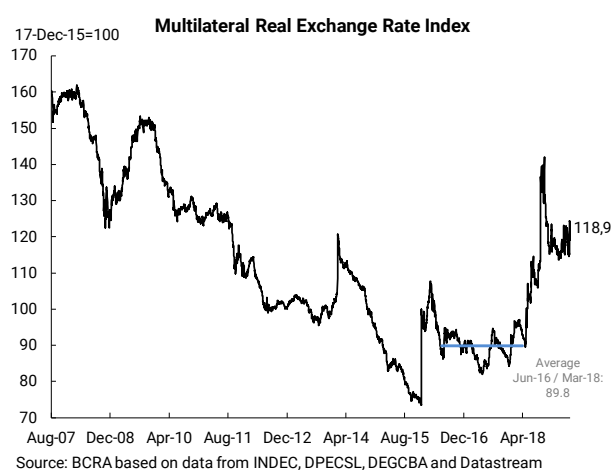


Chart 5.2



June 30.⁴ In this sense, during April, the Argentine peso/US dollar exchange rate stood within the exchange reference zone.⁵ The exchange rate by late April was \$44.01/US\$1, recording a 1.5% increase against the value of late March (see Chart 5.1). Although the real exchange rate stands below the maximum value reached in September 2018, it is still above the average recorded between mid-2016 and March 2018. During April, it dropped 1.8% (see Chart 5.2).

On April 29, due to the high volatility observed by the end of the month, COPOM informed that the BCRA will be authorized to sell dollars even if the exchange rate stands below \$51.448/US\$1. In turn, if the exchange rate stands above that level, the amount of regular daily sales agreed upon now reaches US\$250 million. Likewise, it may also intervene on other occasions to counteract episodes of excessive volatility if considered appropriate.⁶

International reserves ended April with a stock of US\$71.66 billion, up US\$5.47 billion against March. This increase mainly resulted from the disbursement of the fourth tranche of the stand-by

⁴ <http://www.bcra.gob.ar/Noticias/Comunicado-010419.asp>

⁵ Until April 28, 2019, it was called “non-intervention zone”.

⁶ <http://www.bcra.gob.ar/Noticias/Comunicado-290419.asp>

agreement with the IMF, which was partially offset by the payment of debt in foreign currency made by the National Treasury.

6. Monetary and Financial Indicators

Figures in millions, expressed in their original currency.

Main monetary and financial system figures	Monthly average				Average change in percentage	
	abr-19	mar-19	dic-18	abr-18	Monthly	Last 12 months
Monetary base	1,324,824	1,314,388	1,336,800	1,019,735	0.8%	29.9%
Currency in circulation	816,912	807,136	794,347	749,306	1.2%	9.0%
Held by public	706,527	698,523	688,462	659,966	1.1%	7.1%
Held by financial entities	110,385	108,612	105,885	89,340	1.6%	23.6%
Settlement check	0	0	0	0	0.0%	0.0%
BCRA current account	507,912	507,253	542,453	270,429	0.1%	87.8%
BCRA Repos stock						
Reverse repos	1,199	3,412	9,270	21,447	-64.9%	-94.4%
Repos	0	0	0	921	0.0%	0.0%
LELIQ stock (in face value)	1,008,404	963,936	709,981	-	4.6%	-
LEBAC stock (in face value)	0	0	40,269	1,249,338	-	-100.0%
In pesos	0	0	40,269	1,249,338	-	-100.0%
In banks	0	0	2,953	358,774	-	-100.0%
In Dollars	0	0	0	0	-	-
International Reserves	72,679	67,958	56,978	60,763	6.9%	19.6%
Private and public sector deposits in pesos ⁽¹⁾	2,725,376	2,743,876	2,676,642	2,040,462	-0.7%	33.6%
<u>Private sector deposits</u>	<u>2,148,273</u>	<u>2,120,598</u>	<u>1,950,790</u>	<u>1,458,322</u>	<u>1.3%</u>	<u>47.3%</u>
Current account ⁽²⁾	406,739	394,149	374,902	311,203	3.2%	30.7%
Savings account	519,522	520,490	542,957	411,645	-0.2%	26.2%
Not CER-adjustable time deposits	1,127,252	1,114,907	945,342	669,254	1.1%	68.4%
CER-adjustable time deposits	30,523	28,277	27,089	9,710	7.9%	214.4%
Other deposits ⁽³⁾	64,237	62,775	60,500	56,511	2.3%	13.7%
<u>Public sector deposits</u>	<u>577,104</u>	<u>623,278</u>	<u>725,852</u>	<u>582,140</u>	<u>-7.4%</u>	<u>-0.9%</u>
Private and public sector deposits in dollars ⁽¹⁾	34,792	34,196	32,722	30,250	1.7%	15.0%
Loans to private and public sector in pesos ⁽¹⁾	1,527,897	1,539,235	1,567,310	1,472,807	-0.7%	3.7%
<u>Loans to private sector</u>	<u>1,504,209</u>	<u>1,514,657</u>	<u>1,540,182</u>	<u>1,445,876</u>	<u>-0.7%</u>	<u>4.0%</u>
Overdrafts	141,113	143,977	154,337	151,664	-2.0%	-7.0%
Promissory bills	228,532	227,846	249,495	282,425	0.3%	-19.1%
Mortgages	212,126	211,676	210,493	170,418	0.2%	24.5%
Pledge-backed loans	93,344	94,262	97,258	96,472	-1.0%	-3.2%
Personal loans	423,571	421,731	420,874	390,942	0.4%	8.3%
Credit cards	364,084	372,826	359,877	302,944	-2.3%	20.2%
Other loans	41,439	42,338	47,847	51,010	-2.1%	-18.8%
<u>Loans to public sector</u>	<u>23,688</u>	<u>24,579</u>	<u>27,128</u>	<u>26,932</u>	<u>-3.6%</u>	<u>-12.0%</u>
Loans to private and public sector in dollars ⁽¹⁾	15,878	15,841	15,542	16,274	0.2%	-2.4%
Total monetary aggregates ⁽¹⁾						
M1 (currency held by public + settlement check in pesos+ current account in pesos)	1,292,014	1,279,123	1,291,845	1,158,090	1.0%	11.6%
M2 (M1 + savings account in pesos)	1,869,316	1,847,351	1,862,634	1,620,868	1.2%	15.3%
M3 (currency held by public + settlement check in pesos + total deposits in pesos)	3,431,903	3,442,399	3,365,104	2,700,428	-0.3%	27.1%
M3* (M3 + total deposits in dollars + settlement check in foreign currency)	4,934,010	4,853,759	4,607,573	3,315,164	1.7%	48.8%
Private monetary aggregates						
M1 (currency held by public + settlement check in pesos + priv.current account in pesos)	1,113,266	1,092,672	1,063,364	971,169	1.9%	14.6%
M2 (M1 + private savings account in pesos)	1,632,788	1,613,162	1,606,321	1,382,814	1.2%	18.1%
M3 (currency held by public + settlement check in pesos + priv. total deposits in pesos)	2,854,800	2,819,121	2,639,252	2,118,288	1.3%	34.8%
M3* (M3 + private total deposits in dollars + settlement check in foreign currency)	4,150,209	4,052,906	3,721,822	2,650,870	2.4%	56.6%

Explanatory factors	Average Change							
	Monthly		Quarterly		YTD 2014		Last 12 months	
	Nominal	Contribution ⁽⁴⁾	Nominal	Contribution ⁽⁴⁾	Nominal	Contribution ⁽⁴⁾	Nominal	Contribution ⁽⁴⁾
Monetary base	10,435	0.8%	-20,764	-1.5%	-11,977	-0.9%	305,089	29.9%
Foreign exchange purchases with the private sector	0	0.0%	29,756	2.2%	36,547	2.7%	-310,280	-30.4%
Foreign exchange purchases with the NT	0	0.0%	0	0.0%	38,060	2.8%	-177,245	-17.4%
Temporary Advances and Profit Transfers	0	0.0%	0	0.0%	248	0.0%	-11,747	-1.2%
Other public sector operations	-1,623	-0.1%	-3,411	-0.3%	-4,862	-0.4%	-7,641	-0.7%
Sterilization (LEBAC, repos and LELIQ)	13,002	1.0%	-48,694	-3.6%	-81,085	-6.1%	794,025	77.9%
Others	-944	-0.1%	1,585	0.1%	-886	-0.1%	17,976	1.8%
International Reserves	4,720	6.9%	6,507	9.8%	15,701	27.6%	11,916	19.6%
Foreign exchange market intervention	0	0.0%	796	1.2%	978	1.7%	-11,837	-19.5%
International financial institutions	7,704	11.3%	7,211	10.9%	12,633	22.2%	34,842	57.3%
Other public sector operations	-3,987	-5.9%	-4,136	-6.3%	-6,745	-11.8%	-26,876	-44.2%
Dollar liquidity requirements	457	0.7%	1,164	1.8%	1,870	3.3%	3,082	5.1%
Others (incl. change in US\$ market value of nondollar assets)	547	0.8%	1,471	2.2%	6,964	12.2%	12,705	20.9%

1 Excludes financial sector and foreign depositors. Loans's figures correspond to statistical information, without being adjusted by financial trusts. Provisory figures.

2 Net of the use of unified funds.

3 Net of deposits pending of swap by public bonds (BODEN).

4 "Contribution" field refers to the percentage of change of each factor versus the main variable corresponding to the month respect which the change is being calculated.

Sources: BCRA Accounting Department and SISGEN Informative Regime.

Minimum Cash Requirement and Compliance

	Apr-19	Mar-19	Feb-19
Domestic Currency	% of total deposits in pesos		
Requirement	31,8	31,0	31,8
Compliance in current account	18,4	18,3	19,3
Compliance in Leliq	22,6	21,9	22,2
Compliance in BOTE	4,0	3,9	3,9
<i>Residual time structure of term deposits used for the calculation of the requirement (1)</i>	%		
Up to 29 days	67,0	67,0	65,0
30 to 59 days	21,9	21,9	21,6
60 to 89 days	6,1	6,1	6,4
90 to 179 days	3,5	3,5	4,5
more than 180 days	1,4	1,4	2,5
Foreign Currency	% of total deposits in foreign currency		
Requirement	23,9	24,1	24,1
Compliance (includes default application resource)	44,1	43,9	43,6
<i>Residual time structure of term deposits used for the calculation of the requirement (1)</i>	%		
Up to 29 days	61,2	61,2	55,7
30 to 59 days	19,6	19,6	24,4
60 to 89 days	9,3	9,3	8,6
90 to 179 days	8,3	8,3	8,3
180 to 365 days	1,6	1,6	3,0
more than 365 days	0,0	0,0	0,0

(1) Excludes judicial time deposits.

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

Source: BCRA

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

Borrowing Interest Rates	abr-19	mar-19	feb-19	dic-18	abr-18
Interbank Loans (overnight)					
Interest rate	65.59	55.12	45.76	58.68	26.85
Traded volume (million pesos)	9,479	11,569	8,836	9,824	6,357
Time Deposits					
<u>In pesos</u>					
30-44 days	46.20	39.09	37.43	46.13	20.71
60 days or more	46.27	39.74	38.84	46.57	22.30
Total BADLAR (more than \$1 million, 30-35 days)	48.46	40.23	38.06	48.29	20.66
Private Banks BADLAR (more than \$1 million, 30-35 days)	48.50	41.27	37.91	48.57	22.78
<u>In dollars</u>					
30-44 days	1.26	1.25	1.38	1.40	0.57
60 days or more	1.76	1.81	1.96	1.72	0.83
Total BADLAR (more than \$1 million, 30-35 days)	1.36	1.37	1.63	1.82	0.55
Private Banks BADLAR (more than \$1 million, 30-35 days)	1.52	1.35	1.31	1.68	0.95
Lending Interest Rates	abr-19	mar-19	feb-19	dic-18	abr-18
Stock Repos					
Gross interest rates 30 days	49.31	42.79	38.25	44.04	26.12
Traded volume (all maturities, million pesos)	3,282	2,978	2,429	2,465	1,354
Loans in Pesos ⁽¹⁾					
Overdrafts	69.15	63.00	60.64	70.80	33.29
Promissory Notes	60.53	56.32	52.25	64.56	27.05
Mortgages	43.96	45.27	42.31	47.60	20.38
Pledge-backed Loans	22.89	22.57	25.57	24.98	17.53
Personal Loans	63.19	60.87	62.21	63.91	40.26
Credit Cards	s/d	62.26	63.04	61.11	39.39
Overdrafts - 1 to 7 days - more than \$10 million	68.84	60.82	51.81	65.06	28.08
International Interest Rates	abr-19	mar-19	feb-19	dic-18	abr-18
LIBOR					
1 month	2.48	2.49	2.49	2.45	1.90
6 months	2.63	2.67	2.74	2.89	2.49
US Treasury Bonds					
2 years	2.35	2.40	2.51	2.70	2.38
10 years	2.53	2.55	2.67	2.85	2.87
FED Funds Rate	2.50	2.50	2.50	2.33	1.75
SELIC (1 year)	6.50	6.50	6.50	6.50	6.50

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

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

Reference Interest Rates	abr-19	mar-19	feb-19	dic-18	abr-18
BCRA Repo Interest Rates					
Overnight reverse repo	59.66	50.53	37.60	46.32	25.41
Total Repo Interest Rates					
Overnight	63.08	55.18	41.55	55.85	25.48
Repo traded volumen (daily average)	22,109	17,708	8,620	8,728	9,574
LELIQ rate	68.46	62.43	47.57	0.00	0.00
Peso LEBAC Interest Rate¹					
1 month	s/o	s/o	s/o	s/o	26.30
2 months	s/o	s/o	s/o	s/o	26.00
3 months	s/o	s/o	s/o	s/o	25.70
LEBAC and NOBAC traded volume (daily average)	0	0	0	469	48,593
Foreign Exchange Market	abr-19	mar-19	feb-19	dic-18	abr-18
Dollar Spot					
Exchange agencies	43.26	41.51	38.40	37.83	20.23
BCRA Reference	43.34	41.55	38.46	37.87	20.26
Future dollar					
NDF 1 month	44.83	42.89	39.42	39.56	17.40
ROFEX 1 month	47.12	44.89	40.83	41.01	20.65
Traded volume (all maturities, million pesos)	51,095	49,776	39,549	39,431	12,136
Real (Pesos/Real)	11.12	10.80	10.32	9.75	5.93
Euro (Pesos/Euro)	48.63	46.89	43.58	43.04	24.85
Capital Market	abr-19	mar-19	feb-19	dic-18	abr-18
MERVAL					
Index	31,311	33,511	36,599	30,540	31,228
Traded volume (million pesos)	714	829	798	578	605
Governement Bonds (parity)					
DISCOUNT (US\$ - NY legislation)	79.74	83.75	87.71	81.69	109.39
BONAR X (US\$)	88.00	91.88	96.73	92.29	111.42
DISCOUNT (\$)	72.56	83.34	88.17	80.78	109.21
Country risk					
Spread BONAR 24 vs. US Treasury Bond	1,310	1,034	774	950	249
EMBI+ Argentina	842	749	680	766	407
EMBI+ Latinoamérica	550	539	527	586	463

1 Corresponds to average results of each month primary auctions.

7. 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

CER: Coeficiente de Estabilización de Referencia. Reference Stabilization Coefficient

CNV: Comisión Nacional de Valores. National Securities Commission

CPI: Consumer Price Index

DISC: Discount Bond

EMBI: Emerging Markets Bonds Index

FCI: Mutual Funds

Fed: Federal Reserve

GBA: Greater Buenos Aires metropolitan area

GDP: Gross Domestic Product

IAMC: Instituto Argentino de Mercado de Capitales.

IGBVL: Lima Stock Exchange Index (Peru)

LEBAC: *Letras del Banco Central.* BCRA Bills

LELIQ: *Letras de Liquidez del Banco Central.* BCRA Bills

LCIP: Credit Line for Productive Investment.

LIBOR: London Interbank Offered Rate

M2: Notes and Coins + Current Accounts and Savings Accounts in \$

M3: Notes and Coins + Total Deposits in \$.

M3*: Notes and Coins + Total Deposits in \$ and US\$

MERVAL: *Mercado de Valores de Buenos Aires.* Buenos Aires Stock Exchange Index

NBFI: Non-Banking Financial Institutions

NDF: Non Deliverable Forward

NOBAC: Notas del Banco Central. BCRA Notes

NV: Nominal value

ONs: Corporate Bonds

PyME: Small and medium enterprises

ROFEX: Rosario Futures Exchange Rate Market

SELIC: Brazilian Central Bank's Benchmark Interest Rate

SISCEN: *Sistema Centralizado de Requerimientos Informativos.* BCRA Centralized Reporting Requirement System

S&P: Standard and Poor's 500 Index

TIR: Internal rate of return (IRR).

y.o.y.: Year-on-year