

# Monthly Monetary Report

October 2014



BANCO CENTRAL  
DE LA REPÚBLICA ARGENTINA

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The closing date for statistics in this report was November, 13 2014. All figures are provisional and subject to review.

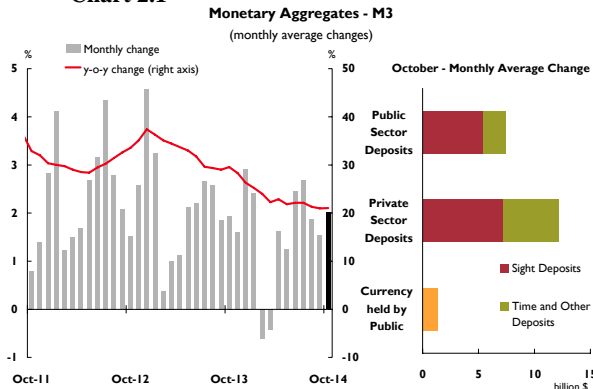
# 1. Summary<sup>1</sup>

- In October, the broadest monetary aggregate in pesos (M3) went up 1.9% and kept a stable y.o.y. growth rate around 21%, with a widespread increase in all its components.
- The increase in private sector time deposits was explained by deposits in the wholesale segment; however, as from the date on which the minimum interest rate limit set by the Central Bank for time deposits held by individuals became effective, an increase was observed in deposits from the retail segment. Indeed, in order to stimulate the use of saving instruments in domestic currency, Communication “A” 5640 became effective on October 8, setting a minimum interest rate for time deposits held by individuals, provided that the total amount of time deposits held in each financial institution by individual did not exceed the amount of the deposit insurance coverage. The enforcement of the measure was reflected in the behavior of interest rates in the retail segment, which reversed the downward trend observed since April, showing a significant monthly increase, even exceeding interest rates recorded in the wholesale segment.
- Loans in pesos to the private sector increased 3.3% (\$16.7 billion), a growth considerably higher than that recorded in previous months. This rise, even higher than the one observed in October last year, led to an acceleration of the y.o.y. growth rate, which rose from 20.5% to 21.1%. Consumer loans and financing arranged through promissory notes led the monthly increase. Such increase was boosted, among other things, by higher consumption associated to Mother's Day, and especially this year, by the boost from the “AHORA 12” program, which provides financing in 12 installments without interest for the purchase of goods and services. Also impacting on this increase were the loans granted under the Pro.Cre.Auto program, which since its inception in late June, has recorded loans for more than \$2 billion.
- In October, financial institutions' liquidity in pesos (measured as the sum of cash in banks, institutions' current account with the Central Bank, net repos with the Central Bank, and LEBAC and NOBAC holdings) remained at high levels, averaging 38.7% of total deposits in pesos, a value similar to that of September. Furthermore, as from October, financial institutions will be allowed to reduce the minimum cash requirement to an amount equivalent to 16% of the loans granted under the “Ahora 12” program.
- By the end of October the Central Bank relaunched LEBACs in pesos which can be settled at the benchmark exchange rate. Even though LEBACs will continue to be subscribed by exporters of the grain and oilseed sectors that have settled transactions through the Free and Single Foreign Exchange Market (MULC) in foreign currency for up to the equivalent in dollars of the amount to be subscribed; this time, the possibility of subscribing the instruments in the case of settling through the MULC income from advances and prefinancing of exports in addition to that usually settled in the course of normal operations was added.
- With an aim to reducing volatility in the shortest-term interest rates, earlier this month there was a change introduced to the interest rates on BCRA repo transactions. In the case of reverse repos with the Central Bank, the increase was between 4 p.p. and 4.5 p.p., leaving rates at 13% overnight and 14% at 7 days. In the case of repo loans, the increase was between 5 p.p. and 6 p.p., reaching 16%, 17% and 20%, depending on the terms, i.e. 1, 7 or 60 days, respectively. The interest rate curve of LEBACs issued by the Central Bank each week remained stable.
- International reserves increased US\$246 million and totaled US\$28.1 billion by the end of the October. During the month, the first tranche of the currency swap agreement with the Central Bank of the People's Republic of China for an amount equivalent to US\$814 million was set into motion. It should be highlighted that under this agreement, the BCRA may request additional swaps for up to approximately US\$11 billion; an important support to implement its financial, foreign exchange and monetary policy, in compliance with the mandates of the Charter of the Central Bank of Argentina.

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<sup>1</sup> Unless otherwise stated, figures to which reference is made are monthly averages of daily data.

**Chart 2.1**



## 2. Monetary aggregates<sup>1</sup>

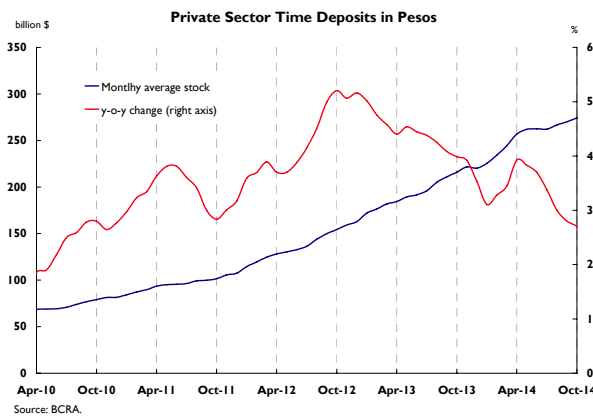
In October, the broadest monetary aggregate in pesos ( $M3^2$ ) showed an increase of 1.9% (see Chart 2.1) and kept its y.o.y. growth rate stable at about 21%. Although the monthly increase was mainly driven by private sector deposits, public sector deposits and the cash held by the public also posted rises.

Total private sector deposits in pesos recorded a monthly expansion of 1.9%, with increases in sight and time deposits. Regarding the latter, a 1.1% growth was observed in October, reaching 26.3% in the last 12 months (see Chart 2.2). The increase in private sector time deposits, on average, was explained by deposits from the wholesale segment. However, it is worth noting that from the date on which Communication “A” 5640 — that set a minimum interest rate for time deposits taken by individuals — came into force, an increase was observed in deposits from the retail segment. In turn, private sector foreign currency deposits also increased.

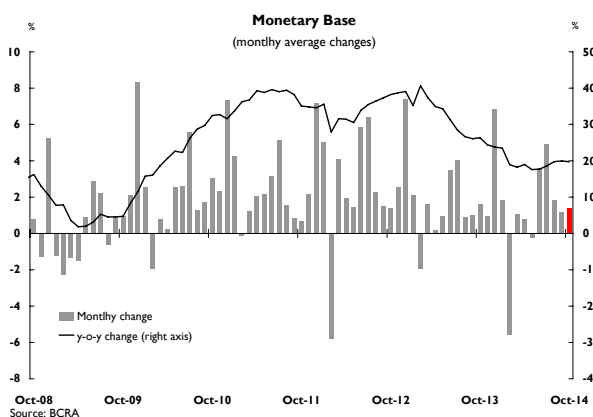
The broadest monetary aggregate,  $M3^3$ , grew 1.8%, showing a 22.2% y.o.y. change rate.

The monetary base showed a monthly growth of 1.4%, reaching an average balance of \$401.1 billion (see Chart 2.3). In y.o.y. terms, it has recorded an increase close to 20%, one of the lowest in recent years. The monthly increase was driven by the cash held by the public and, specially, by bank reserves (consisting of cash held in financial institutions and the stock of current accounts of the institutions with the Central Bank).

**Chart 2.2**



**Chart 2.3**

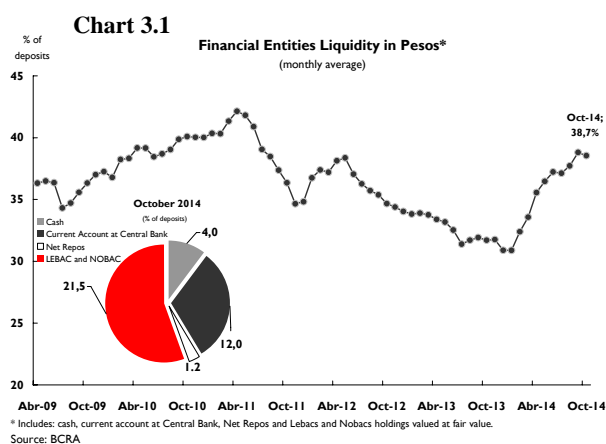


## 3. Financial institutions’ liquidity<sup>1</sup>

Financial institutions’ liquidity in domestic currency (cash in banks, institutions’ current account at the Central Bank, net repos with the institution plus LEBAC and NOBAC holdings) remains at high levels, averaging in October 38.7% of total deposits in pesos (see Chart 3.1), a similar ratio compared to that recorded in September.

<sup>2</sup> It includes cash held by the public, settlement checks in pesos and deposits in pesos of the non-financial private and public sectors.

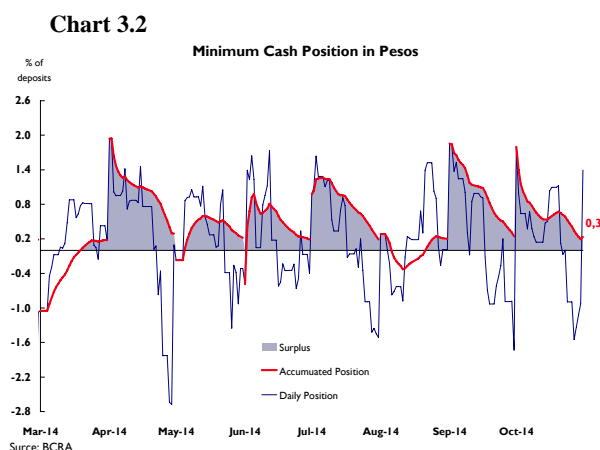
<sup>3</sup> It includes  $M3$ , settlement checks in foreign currency and deposits in foreign currency of non-financial public and private sectors.



In turn, the average estimated surplus of the month corresponding to the minimum cash regime amounted to about 0.3% of total deposits in pesos (see Chart 3.2). It is worth noting that as from October as per Communication “A” 5638, financial institutions were allowed a reduction in the minimum cash requirement for an amount equivalent to 16% of the loans granted under the “Ahora 12” program.

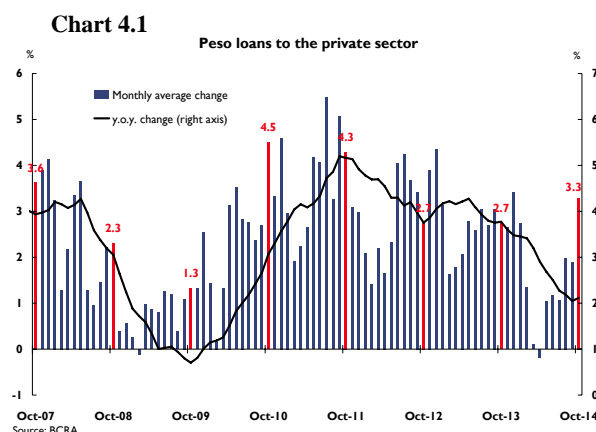
In October, in terms of the foreign currency segment, liquidity stood, on average, at 107.1% of total deposits in dollars, increasing 2.5 p.p. against September.

## 4. Loans<sup>1 4</sup>



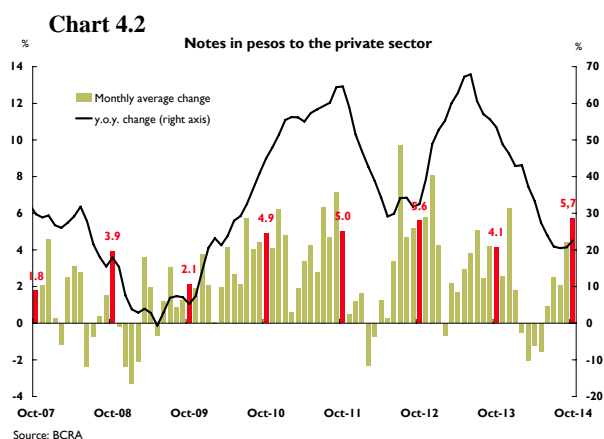
In October, loans in pesos to the private sector exhibited a 3.3% growth (\$16.7 Billion), a significant increase compared to previous months. This rise was also higher than that observed in October last year, which led to an acceleration of the y.o.y. growth rate from 20.5% to 21.1% (see Chart 4.1). Loans aimed at consumption and financing arranged through promissory notes led the monthly growth.

As regards loans aimed at financing commercial activities, those arranged through notes continued to grow on monthly terms, favored by the positive statistical carryover from September, the month in which financial institutions should have granted loans for at least 50% of the total quota of the Credit Line for Productive Investment (LCIP) for the second tranche of 2014. The increase recorded by notes in October was 5.7% (\$6.8 billion), the highest this year and even higher in y.o.y. terms. Thus, the y.o.y. change rate was 22.6%, 1.9 p.p. above that recorded the previous month (see Chart 4.2). In turn, overdrafts decreased 3.3% (\$2.3 billion), while accumulating a 14% growth rate in the last 12 months. Additionally, the remaining commercial loans, grouped under “Other loans”, recorded an increase of 1.2% (\$465 million).



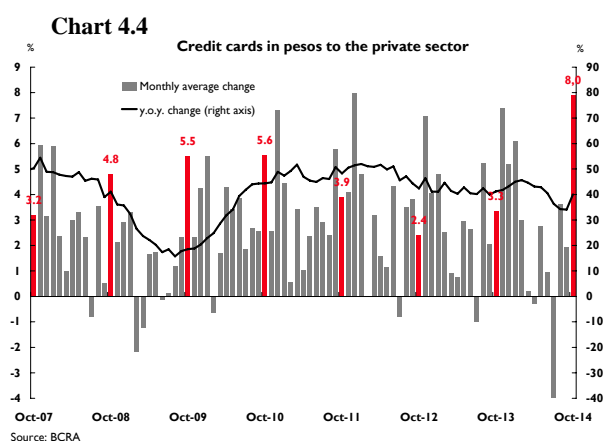
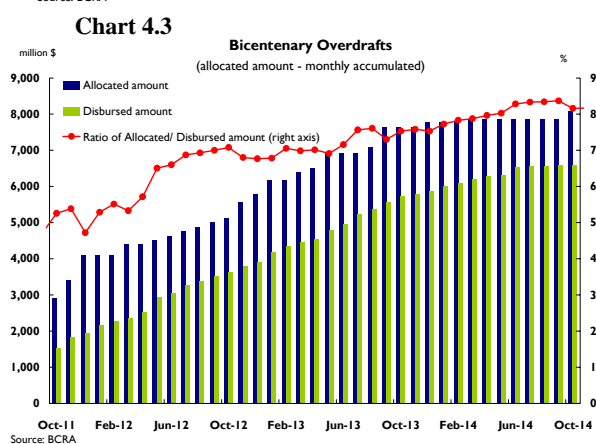
Continuing with the policy to encourage lending to the productive sector, the Central Bank made a new auction under the Bicentenary Productive Financing Program (PFPB). On this occasion, through auction No. 28, \$211 million were awarded to Banco de la Nación Argentina. Thus, total resources allocated since the beginning of the PFPB by mid-2010 totaled \$8.1 billion, with disbursement amounting to almost 80% of the

<sup>4</sup> 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.

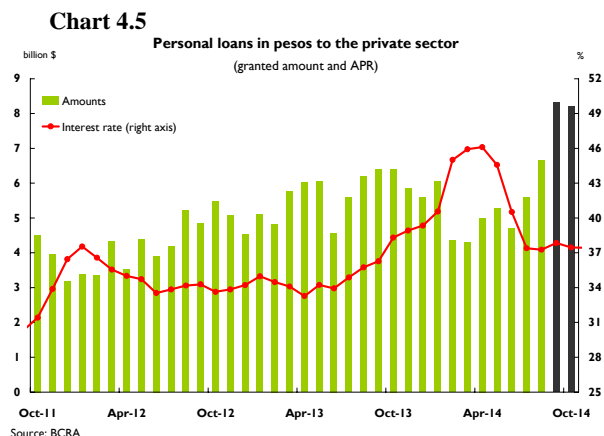


funds (see Chart 4.3). The annual interest rate to be paid shall be 13%, while the total annual financial cost for borrowers shall be 14.3%.

Loans mainly aimed at financing household consumption showed great dynamism. Credit card financing increased 8% (\$7.4 billion), one of the highest rises in recent years. Such increase was boosted, among other things, by higher consumption associated to Mother's Day, and especially this year, by the boost from the "AHORA 12" program, which provides financing in 12 installments without interest for the purchase of goods and services. Thus, the y.o.y. change rate grew 6.1 p.p., reaching 40% (see Chart 4.4). In turn, personal loans continued to grow steadily, with an increase of 3.3% (\$3.6 billion), a rate similar to that of September and higher than the rest of the year. In y.o.y. terms, a 18.9% growth was recorded. The amounts awarded under this facility began to show greater dynamism in July, after the maximum interest rates limits for such loans was set. Indeed, in October new loans totaled more than \$8 billion, which is a high amount, just like the one recorded the previous month, in relation to total amounts traded during the rest of the year (see Chart 4.5). It should be noted that new personal loans include the loans granted under the Pro.Cre.Auto program, which since its inception in late June, has recorded loans for more than \$2 billion through roughly 20,203 transactions (see Chart 4.6).

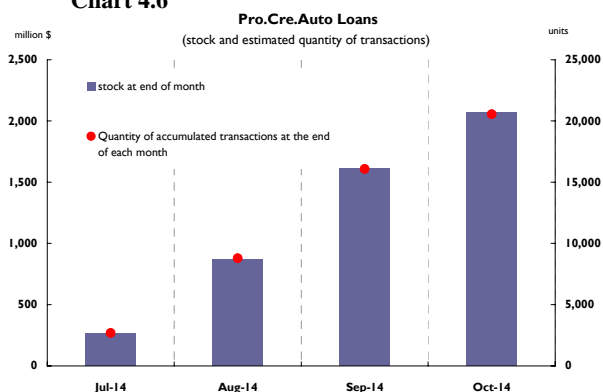


As regards collateralized loans, mortgage loans rose by 0.8% (\$370 million), a figure slightly higher than that of September, accumulating in the last 12 months a growth close to 14%. Even though this facility is experiencing minor momentum, it should be noted that a part of the demand for mortgage 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, after a period of successive reductions, pledge-backed loans recorded increases over the quarter. In fact, they showed an increase of 1.4% (\$435 million), although in terms of the y.o.y. change, pledge-backed loans continued with a downward trend and stood at 9.7%. As mentioned above, loans granted under the Pro.Cre.Auto. program, although aimed at financing the purchase of vehicles, were channeled through personal loans with no supporting pledge. If these loans were to be included within the segment of pledged-backed loans, their y.o.y. change rate would have stabilized at around 16% in the last three months.



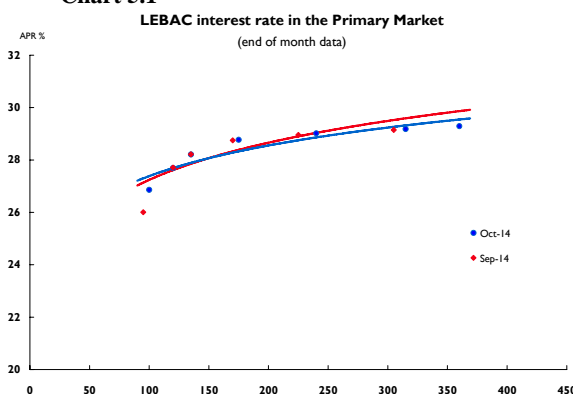
Finally, loans in foreign currency to the private sector posted a reduction of 5.7% (US\$230 million), with an average monthly stock of around US\$3.8 billion.

**Chart 4.6**



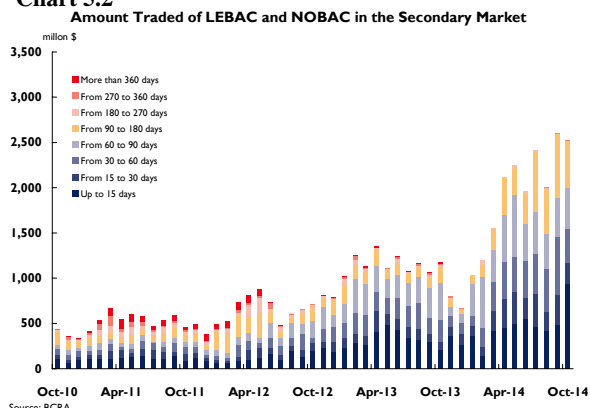
Source: BCRA

**Chart 5.1**



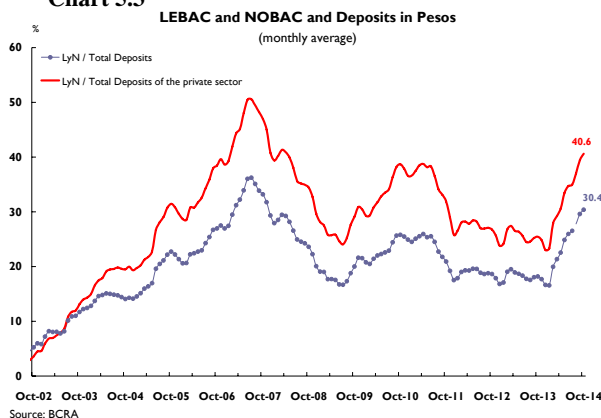
Source: BCRA

**Chart 5.2**



Source: BCRA

**Chart 5.3**



Source: BCRA

## 5. Interest rates <sup>5</sup>

### Central Bank securities <sup>6</sup>

The interest rate curve of LEBACs issued by the Central Bank each week remained stable in October. Interest rates on LEBACs at a predetermined rate, at 100 and 120 days, were 26.9% and 27.7%, respectively. Whereas the interest rate on the instrument with the longest maturity — 360 days — stood at 29.3% (see Chart 5.1).

Interest rates on LEBACs recorded some volatility for the shortest terms (under 40 days) in the secondary market, in line with the performance recorded in the call money market. In turn, interest rates for longer terms remained relatively stable. The total average turnover of LEBACs and NOBACs traded in the secondary market was \$2.6 billion a day. Particularly, transactions with LEBACs at terms not exceeding 15 days stood out (see Chart 5.2).

The Central Bank continued resorting to its securities as the main instrument to absorb excess liquidity in October. At the end of the month, the outstanding nominal stock of LEBAC and NOBAC reached \$243.9 billion, approximately 30% of total deposits in pesos (see Chart 5.3), an increase of 4.1% against the end of September. Once again the rise involved LEBAC bills at a fixed rate, while the stock of NOBAC notes in pesos at a variable rate remained stable at \$860 million (soon to be due in early November).

The allocation of LEBACs reached \$52 billion, and even though most issues continued concentrating maturities between 90 and 180 days (68% of the total), the increase of the amount allocated in terms between 270 and 365 days stood out, reaching 26% of the total (see Chart 5.4).

As to the main debt holders, the rise in the monthly stock was accounted for by holders that are non-bank institutions (see Chart 5.5), among which institutional investors (Mutual Funds and Insurance Companies, etc.) stood out.

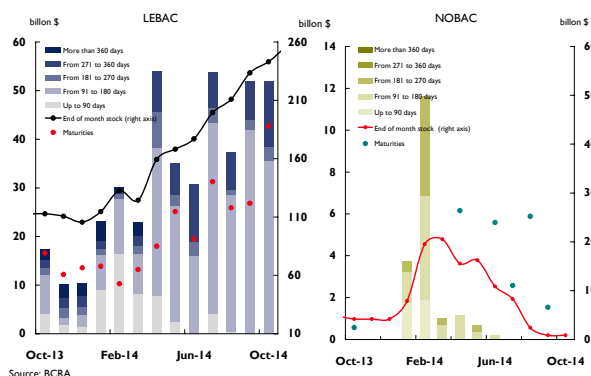
Regarding the foreign currency segment, the stock of LEBACs declined US\$48 million, standing by the end of the month at US\$713 million. Unlike the previous month, this drop was driven by a lower number of public banks' holdings. This behavior occurred in a

<sup>5</sup> Interest rates mentioned in this section are expressed as annual percentage rates (APR).

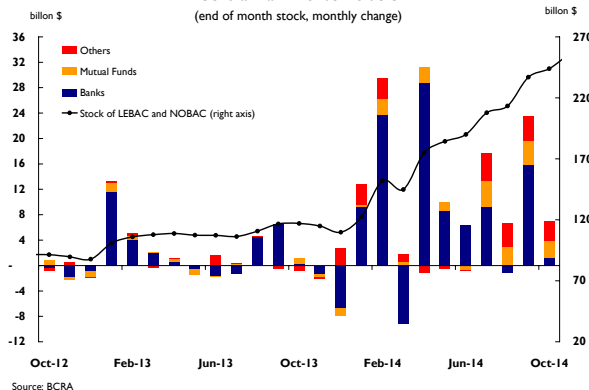
<sup>6</sup> In this section, figures are end of the month data unless otherwise stated.



**Chart 5.4**  
Amount allocated of Central Bank Bonds in the Primary Market



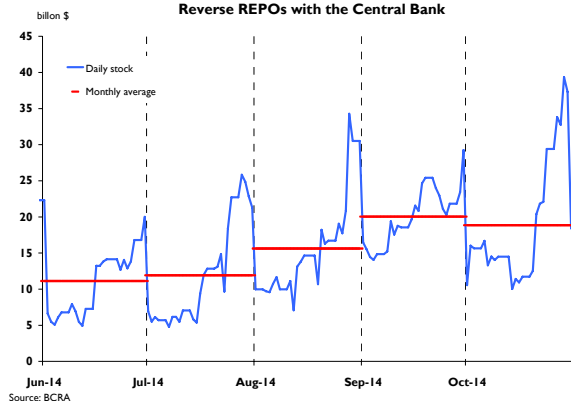
**Chart 5.5**  
Central Bank Bonds Holders  
(end of month stock, monthly change)



**Table 1**  
REPOs interest rate with the Central Bank

Maturity	Reverse REPOs		REPOs	
	previous	actual	previous	actual
1	9,0	13,0	11,0	16,0
7	9,5	14,0	11,5	17,0
60			14,0	20,0

**Chart 5.6**  
Reverse REPOs with the Central Bank



context where interest rates paid by the Central Bank on its issues of Bills and Notes remained unchanged.

By the end of October the Central Bank relaunched LEBACs in pesos which can be settled at the benchmark exchange rate. Even though LEBACs will continue to be subscribed by exporters of the grain and oilseed sectors that have settled transactions through the Free and Single Foreign Exchange Market (MULC) in foreign currency for up to the equivalent in dollars of the amount to be subscribed; this time, the possibility of subscribing the instruments in the case of settling through the MULC income from advances and prefinancing of exports in addition to that usually settled in the course of normal operations was added, as set forth in Communication "A" 5655.

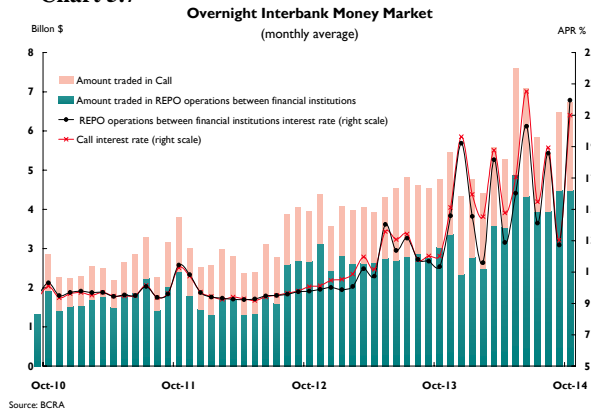
Regarding these instruments, their issuing terms remained unchanged. They will be subscribed in pesos, maturing at 180 days, at predetermined cut-off rate of 3.65%. Upon maturity of the instrument, the settlement will be performed at the subscribed nominal value, applying the change of the benchmark exchange rate between the subscription date and the maturity date. Within the terms of issue, these instruments can only be transferred once and their counterparty must be an agent of the same sector.

## Central Bank repo transactions<sup>1</sup>

Aiming to reduce volatility in interest rates with the shortest terms, earlier this month the BCRA modified the interest rates on its repo transactions. In the case of Central Bank reverse repos, the increase was between 4 p.p. and 4.5 p.p., leaving rates at 13% overnight and 14% at seven days. In the case of repo loans, the increase was between 5 p.p. and 6 p.p., reaching 16%, 17% and 20%, according to their terms; i.e., overnight, 7 days or 60 days, respectively (see Table 1). Meanwhile, the interest rate of repo loans at a variable rate available up to 90 days continues at a level of 2 p.p. above the BADLAR rate at private banks.

In October, the average stock of Central Bank reverse repos, considering all the transactions conducted by this institution, declined almost \$1.2 billion (6%), standing at \$18.8 billion (see Chart 5.7). The decline was explained by financial institutions, since the stock of repo transactions from mutual funds (FCIs) recorded an increase. In turn, no repo loans were recorded.

**Chart 5.7**



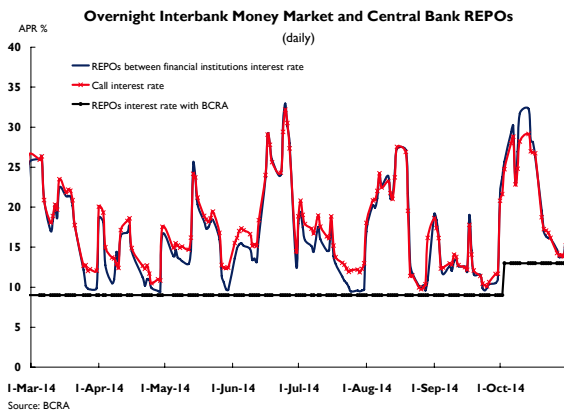
## Call money market<sup>1</sup>

Interest rates on the call money market went up in October. The average interest rates on overnight transactions on the call money market rose 8 p.p., standing at around 21%. Also, the average interest rate of overnight transactions among financial institutions in the REPO round increased 9 p.p., standing at 22% (see Chart 5.7).

This behavior was explained by various factors. On the one hand, by the increase in Central Bank repo rates, in particular, Central Bank reverse repo rates which represent a floor to the call money market interest rate. On the other hand, by the fact that during the first part of the month, usually when institutions try to gather funds to meet the minimum cash position, the growth recorded by loans was much higher than that of deposits, thus boosting demand for liquidity.

The daily average volume traded in the call money market (including the REPO round between institutions and the call money market) stood around \$6.8 billion.

**Chart 5.8**

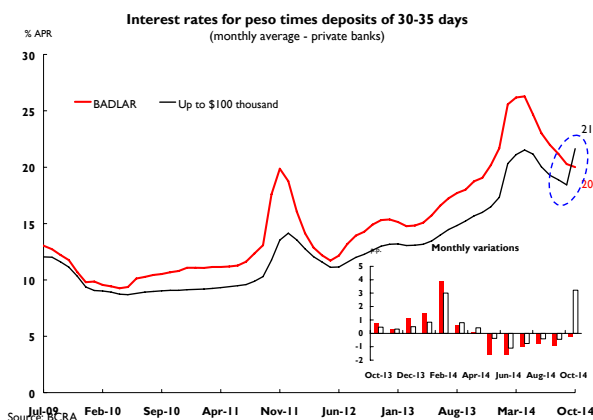


## Borrowing rates<sup>1</sup>

In order to stimulate the use of saving instruments in domestic currency, Communication “A” 5640 became effective on October 8, setting a minimum interest rate for time deposits held by individuals, provided that the total amount of time deposits held in each financial institution by individual did not exceed the amount of the deposit insurance coverage. Likewise, in order to extend the protection of depositors, Communication “A” 5641 raised, as from November, the amount of deposit insurance coverage by holder, from \$120,000 to \$350,000. The minimum interest rates were set as a proportion of the cut-off interest rate of LEBACs at a predetermined rate with the term closest to 90 days<sup>7</sup>. The proportion of such benchmark interest rate varies according to term of the deposit: 87% for deposits up to 44 days, 89% for deposits between 45 and 59 days and 93% for those at 60 days or more. Thus, in October, the minimum interest rates were 22.9%, 23.4% and 24.5%, respectively.

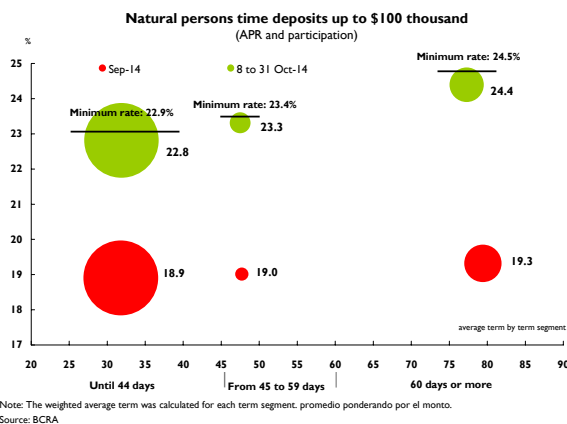
The enforcement of the measure was reflected in the behavior of interest rates in the retail segment, which reversed the downward trend observed since April, showing a significant monthly increase, even exceeding rate values recorded in the wholesale segment.

**Chart 5.9**



<sup>7</sup> To establish the benchmark interest rate, the simple average of cut-off rates of the second consecutive month immediately preceding the taking of deposits is used.

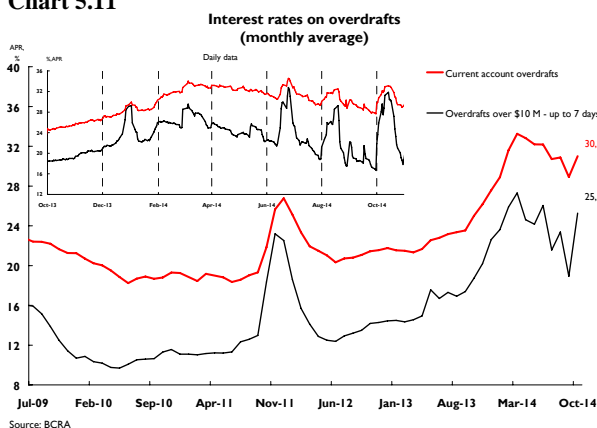
**Chart 5.10**



Indeed, the monthly average interest rate paid by private banks for deposits in the retail segment — up to \$100,000 and up to 35 days — recorded an increase of 3.2 p.p., and stood at 21.6% (see Chart 5.9). When breaking down the increase according to terms, in the case of time deposits of individuals up to \$100,000, it is observed that banks have adjusted their interest rates according to the new regulation, so that the monthly average as from October 8 — date of entry into force of the regulation — stood at 22.8% for deposits up to 44 days, which is the term concentrating the highest traded volume (see Chart 5.10).

It is worth noting that as from November, minimum interest rates will also be applied to deposits up to \$350,000, standing at 23.3% for deposits up to 44 days, 23.9% for deposits between 45 and 59 days, and 24.9% for deposits at 60 days or more, respectively (Communication “B” 10889).

**Chart 5.11**

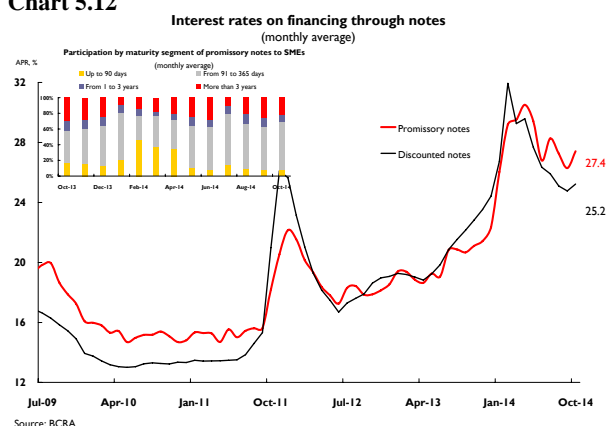


With respect to the wholesale segment, the BADLAR rate at private banks — interest rate on time deposits of \$1 million and more and at 30-35 days — averaged 20%, with a 0.3 p.p. monthly drop in the month, standing at levels below those observed in December 2013.

### Lending rates<sup>18</sup>

Interest rates charged on loans granted to the private sector exhibited a heterogeneous performance.

**Chart 5.12**

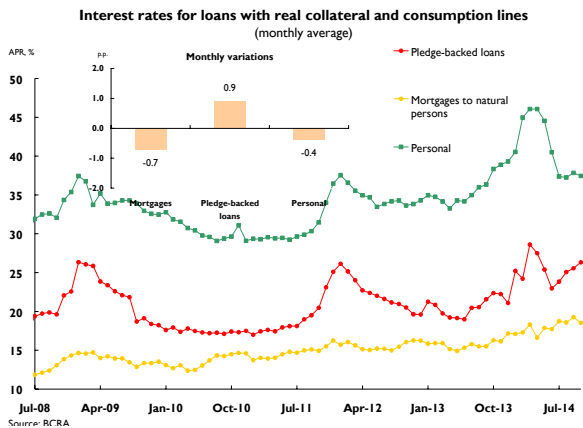


In the case of interest rates charged on commercial lines, increases were led by current account overdrafts, that exhibited their usual m.o.m. seasonality, in line with specific liquidity requirements corresponding to the beginning of the month, but this time the increase was more significant. This is especially true in the case of the interest rate on overdrafts to companies for over \$10 million and up to 7 days, representing about 25% of total current account overdrafts. In October, this interest rate averaged 25.3%, increasing 6.3 p.p., while the interest rate of total current account overdrafts averaged 31%, 2.1 p.p. above that of September (see Chart 5.11).

Moreover, interest rates on loans arranged through promissory notes increased along the month after the decline recorded in September. The monthly average of interest rates on discounted documents stood at 25.2%, increasing 0.4 p.p. In turn, the monthly average of interest rates on promissory notes stood at 25.9%,

<sup>18</sup> Interest rates mentioned in this section are annual percentage rates and do not include assessment or granting expenses or other expenditures (e.g. insurance) which are taken into account in the total financial cost of loans.

**Chart 5.13**



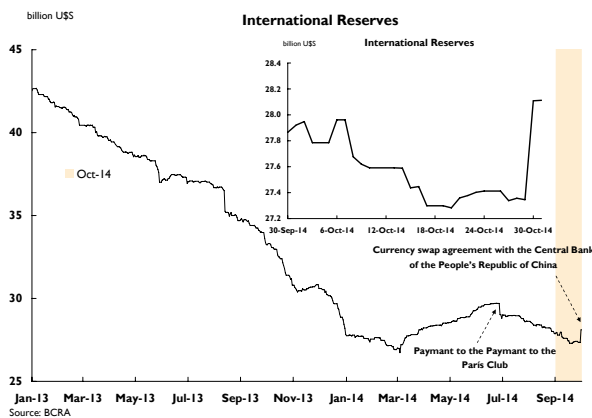
reversing, to certain extent, the decrease recorded in September, after increasing 1.2 p.p. In this regard, part of the increase was explained by a lower share of loans granted under the LCIP, after meeting the intermediate goal corresponding to September, when at least 50% of the total amount of financing of the second tranche of the quota of 2014 should have been agreed upon. This drop in the participation of LCIP loans in the total amount of financing was reflected in a declining share of lending exceeding 3 years compared to September (see Chart 5.12).

In general, interest rates on longer-term financing decreased during the month. In the case of collateralized loans, the interest rate charged on pledged-backed loans was the only one to record increases (0.9 p.p.), averaging 26.4%. In turn, the interest rate charged on mortgage-backed loans for individuals stood at 18.5%, 0.7 p.p. below the level recorded in September.

With regard to the interest rate on personal loans, the maximum rates prevailing in October stood slightly above September values, in line with the increase in the simple average interest rate of LEBACs closer to 90 days in August<sup>9</sup>: 39.7% and 49.3% for institutions falling under Group I and Group II<sup>10</sup>, respectively. However, this increase was not reflected in the monthly average interest rate of the line of credit, which stood at 37.4%, decreasing 0.4 p.p. in the month (see Chart 5.13).

In November, the maximum interest rate effective for personal loans will be 38.9% and 48.2% for institutions in Group I and Group II, respectively (Communication “B” 10889).

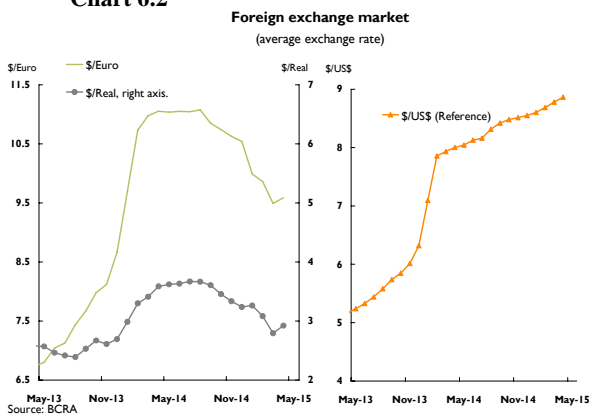
**Chart 6.1**



## 6. International reserves and foreign exchange market<sup>1</sup>

International reserves increased US\$246 million in October, totaling US\$28.1 billion by the end of the month (see Chart 6.1). During October, the first tranche of the currency swap agreement with the Central Bank of the People's Republic of China for an amount equivalent to US\$814 million was set into motion. It is worth noting that under this agreement, the BCRA may request additional swaps for up to approximately US\$11 billion; an important support to implement its financial, foreign exchange and monetary policy, in compliance

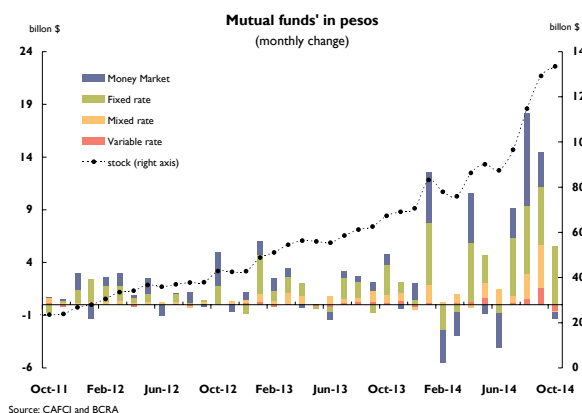
**Chart 6.2**



<sup>9</sup> Starting in November, according to Communication “A” 5651, the definition of “benchmark interest rate” for minimum and maximum rates was standardized. Such rate will be calculated based on the simple average of predetermined cut-off yields of LEBACs closer to the 90 day-term of the second month immediately preceding loan disbursement.

<sup>10</sup> Groups as defined in Communication “A” 5590.

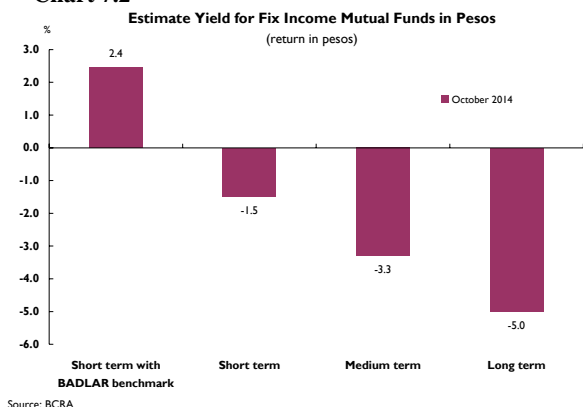
**Chart 7.1**



with the mandates of the Charter of the Central Bank of Argentina.

Regarding the foreign exchange market, the peso depreciated against the US dollar, although it appreciated against the real and the euro. The average exchange rates were \$8.5/US\$, growing at a lower rate than in the previous month (0.7% compared to September), 3.5\$/real (-3.7%) and 10.7 \$/euro (-0.8%; see Chart 6.2). In turn, the daily average amount traded in the futures market (ROFEX) exceeded \$1.8 billion, with a decrease of 25% of the daily average volume traded. Meanwhile, there was a decrease recorded in the exchange rates expected for the coming months compared to the previous month.

**Chart 7.2**



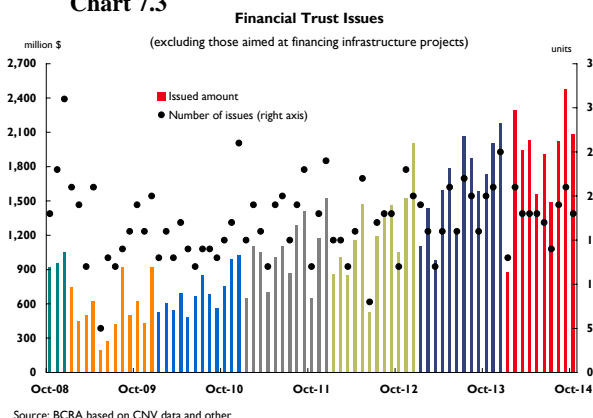
## 7. Collective investment vehicles

### Mutual funds

In October investors continued allocating their liquidity surpluses to the subscription of unit shares from mutual funds, but at a slower pace than in the previous three months. Equity of all funds denominated in pesos and in foreign currency increased \$4.1 billion (3.1%) standing by the end of the month at \$136.3 billion.

The monthly increase was driven by the segment in pesos, and in particular by the increase in short-term fixed income funds that use the BADLAR at private banks<sup>11</sup> as benchmark. These funds increased their equity about \$6.3 billion (20.9%), due to both the increase in the number of unit shares, and the increase in their value. The other segments of fixed income recorded drops, the same as Money Market funds.

**Chart 7.3**

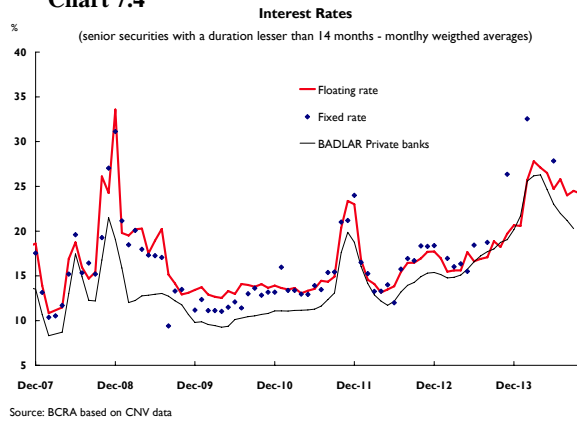


In turn, funds that invest most of their portfolio in variable income assets recorded a decrease of \$590 million (-10.2%) and mixed income funds about \$100 million (-0.4%) but in these cases it was due to losses recorded in the value of the assets of the portfolio, resulting from the drops recorded in the domestic stock market.

In October, estimated returns of variable and mixed income funds were negative (10% and 1.8% in the month, respectively) while those of fixed income funds were almost neutral. Among these funds, profitability was negative in most segments, except in the case of funds whose benchmark is the BADLAR rate of private banks that posted positive monthly returns of 1.9%.

<sup>11</sup> Classification based on the Argentine Chamber of Mutual Funds (Cámara Argentina de Fondos Comunes de Inversión, CAFCI). The aim of these Mutual Funds is to replicate the BADLAR at private banks.

**Chart 7.4**



Finally, Money Market Funds, posted monthly returns of 1.1%.

Regarding the foreign currency segment, equity fell US\$16 million to US\$336 million. This decline was mainly driven by fixed income funds, which went down US\$10 million.

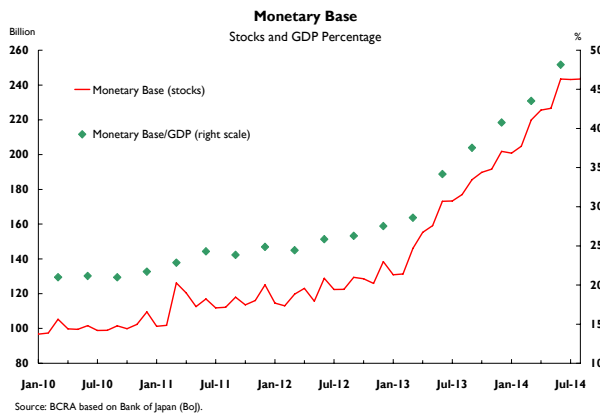
### Financial trusts<sup>12</sup>

Financial trust (FT) issues totaled around \$2.1 billion in October, through 18 issues. This amount went down 16% compared to the high volume issued in September, although it was similar to that of August (see Chart 7.3).

The main trustors were financial institutions, which accounted for more than half of the total amount issued in the month. They issued about \$1.1 billion, 68% more than in September, becoming the largest issuance since January 2013. Apart from loans related to consumption, assets securitized by this type of trustors included leasing contracts. In turn, the retail sector securitized personal loans for \$535 million, about 30% less than the previous month and a similar amount to that observed in July and August. Meanwhile, “Mutual associations, cooperatives, non-bank issuers of credit cards and other financial service companies” issued \$450 million, an increase of 44% over the previous month.

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 yield, remained relatively stable, and stood at 24.2% (see Chart 7.4). Meanwhile, in the fixed rate segment, no transactions were recorded.

**Chart 8.1**

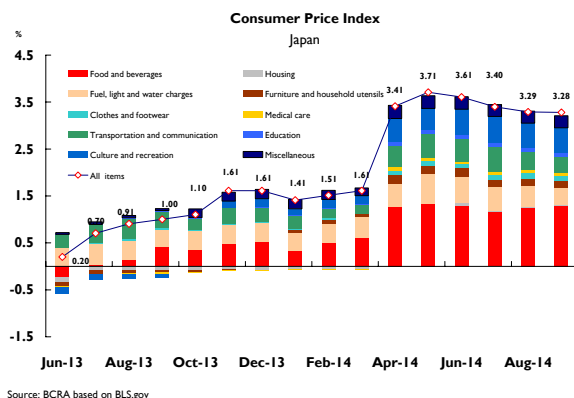


## 8. Major policy measures taken by other Central Banks

In October, both developed and emerging countries continued implementing monetary policy measures with a significant impact on the markets. In some cases they were expansive measures (i.e. having a more expansionary or less contractionary effect than before), as in the case of the monetary authorities of Japan, Sweden, South Korea and Chile, and in other cases, of a contractionary nature (or less expansionary effect) as in the case of the US, Russia and Brazil.

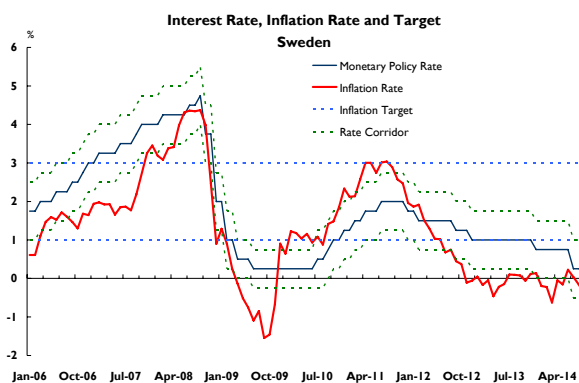
Among the measures adopted by developed countries, markets were astonished by the monetary stimuli introduced by the Bank of Japan (BoJ) at the end of the

**Chart 8.2**



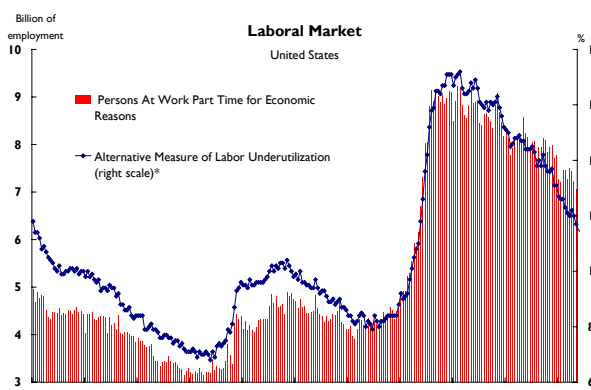
<sup>12</sup> Only publicly-traded financial trusts are considered.

**Chart 8.3**



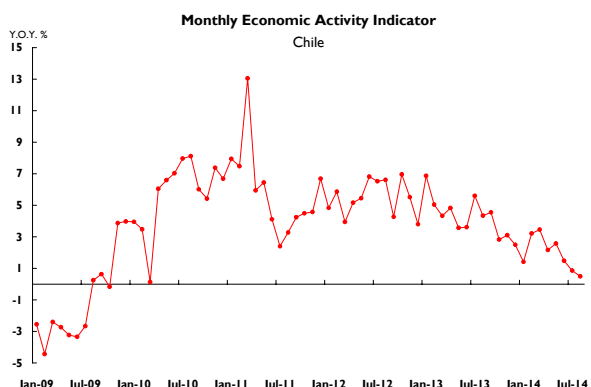
Source: BCRA based on Riksbank

**Chart 8.4**



\* Alternative measure of labor underutilization and 'all marginally attached workers' as a percentage of the civilian labor force.  
Source: BCRA based on BLS.gov

**Chart 8.5**



Source: BCRA based on BCCCh

month. The BoJ decided to increase its commitment to expand the monetary base to ¥80 trillion per year — approximately US\$700 billion, from a previous base of about ¥60-70 trillion per year. In addition, the BoJ decided to increase its purchase target of Exchange Traded Funds (ETFs)<sup>13</sup> and assets related to the real estate market (tripling such target, in each case, to US\$27 billion and \$1 billion, respectively). Since the BoJ began its quantitative and qualitative expansion program in April 2013, the monetary base increased 73% (¥106.5 trillion, see Chart 8.1). Japan's monetary authority took these measures while announcing new projections for the Japanese economy. The BoJ forecasts a 0.5% growth for 2014 fiscal year (April 1, 2014 to March 31, 2015), half the figure estimated in July. Regarding inflation for this fiscal year (revised as a result of the increase in consumption tax in April 2014), the Bank expects an increase of 1.2%, 0.1 p.p. less than the previous projection. In addition, the latest available information on inflation corresponding to September remained unchanged compared to the previous month, i.e. 3.3% y.o.y. (See Chart 8.2).

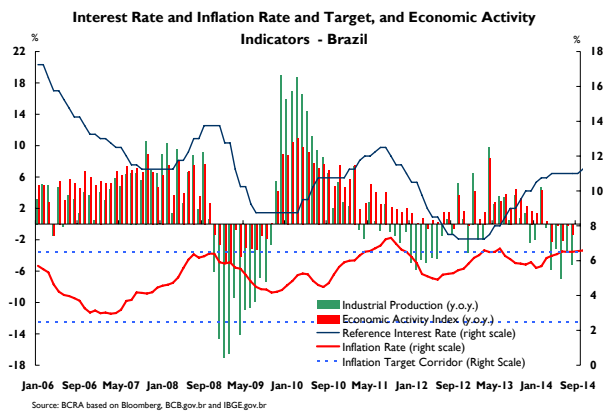
Sweden also implemented expansionary measures. The Riksbank (Sweden's Central Bank) decided to cut by 0.25 p.p. its repo rate to 0%, while interest rate band limits were adjusted to 0.75% and -0.75% respectively. This measure was implemented with the aim of contributing to increase inflationary pressures in a context of deflation (see Chart 8.3).

In turn, as expected at its meeting on October 29, the Federal Open Market Committee (FOMC) of the Federal Reserve (FED) decided to terminate its Treasury securities purchase program (QE3, which began on September 13, 2012), that was on a level of purchases of US\$15 billion a month. In its press release, the FED highlighted the improvement in indicators of underemployment (see Chart 8.4), while stressing that there are lower chances for inflation to remain below the 2% threshold. In this context, it noted that if the next indicators of inflation and employment show a faster improvement than projected, the FOMC could start raising the Federal Funds Rate target sooner than expected by the market (most analysts agree on June 17, 2015 as a probable date).

Among emerging countries, monetary authorities of South Korea and Chile adopted expansionary measures. In the first case, the Bank of South Korea decided to reduce its one-week repo rate (Base Rate) by 0.25 p.p. to 2%. This rate had already been reduced by the same

<sup>13</sup> Funds that allow for the taking of positions in terms of indices created based on the price of a wide range of assets (stocks, bonds, commodities, other indices, etc.).

**Chart 8.6**



amount during the meeting held in August. This decision was made in a context in which inflation remains below the target (2.5-3.5%) and is decreasing, while some activity indicators would be pointing to better prospects for aggregate demand. In the case of Chile, the Central Bank decided to reduce again by 0.25 p.p. its benchmark interest rate to 3% after four previous reductions in 2014 (0.25 p.p. each time). This decision was made in a context of a sharp slowdown in economic activity (see Chart 8.5), and even though inflation was 4.9% y.o.y. for the sixth consecutive month above the target (3% ± 1 p.p.). However, the Central Bank of Chile said in its press release that medium-term inflation expectations remain around 3%.

Finally, Russia and Brazil adopted contractionary measures. In the first case, the Central Bank of Russia increased by 1.5 p.p. (to 9.5%) the Key Rate to address rising inflationary pressures and to try to curb the depreciation of the ruble. In the case of the Central Bank of Brazil, the Monetary Policy Committee (COPOM) decided, in a split vote, to unexpectedly increase the target for the Selic rate by 0.25 p.p. to 11.25%. In its press release, it was stated that the balance of risks on inflation had deteriorated, among other factors, by the intensification in the adjustment of relative prices in the economy. The COPOM took this decision despite the fact that the most recent activity data continues to be unpromising. Industrial production reached six consecutive months of y.o.y. decline, while the GDP Leading Economic index (IBC-Br) already reached five (see Chart 8.6).



## 9. Monetary and financial indicators

Figures in millions, expressed in their original currency.

Main monetary and financial system figures	Monthly average				Average change in	
	Oct-14	Sep-14	Dec-13	Oct-13	Monthly	Last 12 months
<b>Monetary base</b>	<b>401,131</b>	<b>395,573</b>	<b>361,580</b>	<b>335,078</b>	<b>1.4%</b>	<b>19.7%</b>
Currency in circulation	306,366	303,587	277,095	258,276	0.9%	18.6%
Held by public	275,179	274,094	247,158	234,464	0.4%	17.4%
Held by financial entities	31,186	29,491	29,935	23,808	5.7%	31.0%
Settlement check	1	2	2	0	-	-
BCRA current account	94,765	91,987	84,484	76,803	3.0%	23.4%
<b>Repos stock</b>						
Reverse repos	18,834	20,036	6,351	12,577	-6.0%	49.8%
Repos	0	0	0	0	0.0%	0.0%
<b>BCRA securities stock (in face value)</b>						
<b>In banks</b>	239,558	227,893	111,491	116,946	5.1%	104.8%
<b>LEBAC</b>	184,017	178,750	98,364	103,245	2.9%	78.2%
In pesos	237,971	225,078	107,309	112,745	5.7%	111.1%
In Dollars	727	778	0	0		
<b>NOBAC</b>	860	2,037	4,183	4,201	-57.8%	-79.5%
<b>International reserves excluded 2009 SDRs allocations</b>	<b>27,570</b>	<b>28,281</b>	<b>30,612</b>	<b>34,258</b>	<b>-2.5%</b>	<b>-19.5%</b>
<b>Private and public sector deposits in pesos <sup>(1)</sup></b>	<b>781,894</b>	<b>763,436</b>	<b>667,633</b>	<b>640,467</b>	<b>2.4%</b>	<b>22.1%</b>
Current account <sup>(2)</sup>	233,625	221,870	190,954	171,788	5.3%	36.0%
Savings account	161,034	160,203	140,307	127,322	0.5%	26.5%
Not CER-adjustable time deposits	356,413	352,032	309,655	316,688	1.2%	12.5%
CER-adjustable time deposits	8	8	6	6	0.0%	33.3%
Other deposits <sup>(3)</sup>	30,814	29,323	26,711	24,663	5.1%	24.9%
<u>Private sector deposits</u>	<u>586,059</u>	<u>575,053</u>	<u>484,439</u>	<u>459,470</u>	<u>1.9%</u>	<u>27.6%</u>
<u>Public sector deposits</u>	<u>195,835</u>	<u>188,383</u>	<u>183,194</u>	<u>180,996</u>	<u>4.0%</u>	<u>8.2%</u>
<b>Private and public sector deposits in dollars <sup>(1)</sup></b>	<b>8,245</b>	<b>8,236</b>	<b>8,263</b>	<b>8,169</b>	<b>0.1%</b>	<b>0.9%</b>
<b>Loans to private and public sector in pesos <sup>(1)</sup></b>	<b>565,135</b>	<b>549,107</b>	<b>498,212</b>	<b>469,372</b>	<b>2.9%</b>	<b>20.4%</b>
<u>Loans to private sector</u>	<u>522,642</u>	<u>506,141</u>	<u>457,095</u>	<u>431,423</u>	<u>3.3%</u>	<u>21.1%</u>
Overdrafts	67,718	70,041	56,649	59,543	-3.3%	13.7%
Promissory bills	125,367	118,562	111,440	102,273	5.7%	22.6%
Mortgages	46,926	46,556	43,075	41,248	0.8%	13.8%
Pledge-backed loans	32,569	32,134	31,304	29,687	1.4%	9.7%
Personal loans	111,977	108,648	98,468	94,161	3.1%	18.9%
Credit cards	100,032	92,611	80,716	71,454	8.0%	40.0%
Other loans	38,053	37,589	35,442	33,057	1.2%	15.1%
<u>Loans to public sector</u>	<u>42,493</u>	<u>42,966</u>	<u>41,117</u>	<u>37,949</u>	<u>-1.1%</u>	<u>12.0%</u>
<b>Loans to private and public sector in dollars <sup>(1)</sup></b>	<b>3,797</b>	<b>4,025</b>	<b>3,694</b>	<b>4,148</b>	<b>-5.7%</b>	<b>-8.4%</b>
<b>Total monetary aggregates <sup>(1)</sup></b>						
M1 (currency held by public + settlement check in pesos+ current account in pesos)	508,805	495,965	438,115	406,255	2.6%	25.2%
M2 (M1 + savings account in pesos)	669,839	656,168	578,422	533,577	2.1%	25.5%
M3 (currency held by public + settlement check in pesos + total deposits in pesos)	1,057,074	1,037,531	914,793	874,934	1.9%	20.8%
M3* (M3 + total deposits in dollars + settlement check in foreign currency)	1,129,447	1,109,160	968,731	924,229	1.8%	22.2%
<b>Private monetary aggregates</b>						
M1 (currency held by public + settlement check in pesos + priv.current account in pesos)	425,167	418,150	367,407	347,925	1.7%	22.2%
M2 (M1 + private savings account in pesos)	568,768	560,472	493,877	462,222	1.5%	23.1%
M3 (currency held by public + settlement check in pesos + priv. total deposits in pesos)	861,239	849,149	731,599	693,937	1.4%	24.1%
M3* (M3 + private total deposits in dollars + settlement check in foreign currency)	923,149	910,112	775,730	735,231	1.4%	25.6%

Explanatory factors	Average Change							
	Monthly		Quarterly		YTD 2014		Last 12 months	
	Nominal	Contribution <sup>(4)</sup>	Nominal	Contribution <sup>(4)</sup>	Nominal	Contribution <sup>(4)</sup>	Nominal	Contribution <sup>(4)</sup>
<b>Monetary base</b>	<b>5,558</b>	<b>1.4%</b>	<b>17,187</b>	<b>4.5%</b>	<b>39,551</b>	<b>10.9%</b>	<b>66,053</b>	<b>19.7%</b>
Financial sector	1,151	0.3%	-7,073	-1.8%	-12,436	-3.4%	-6,108	-1.8%
Public sector	16,467	4.2%	56,200	14.6%	102,083	28.2%	134,033	40.0%
Private external sector	-4,148	-1.0%	-2,274	-0.6%	37,103	10.3%	15,164	4.5%
BCRA securities	-6,407	-1.6%	-26,429	-6.9%	-87,144	-24.1%	-79,198	-23.6%
Others	-1,506	-0.4%	-3,238	-0.8%	-55	0.0%	2,162	0.6%
<b>International Reserves</b>	<b>-711</b>	<b>-2.5%</b>	<b>-1,949</b>	<b>-6.6%</b>	<b>-3,042</b>	<b>-9.9%</b>	<b>-6,688</b>	<b>-19.5%</b>
Foreign exchange market intervention	-488	-1.7%	-255	-0.9%	4,451	14.5%	800	2.3%
International financial institutions	-34	-0.1%	-74	-0.2%	-352	-1.1%	-17	-0.1%
Other public sector operations	2,921	10.3%	2,413	8.2%	505	1.7%	178	0.5%
Dollar liquidity requirements	-30	-0.1%	-681	-2.3%	-3,896	-12.7%	-3,422	-10.0%
Others (incl. change in US\$ market value of nondollar assets)	-3,079	-10.9%	-3,353	-11.4%	-3,764	-12.3%	-4,240	-12.4%

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

	Oct-14	Sep-14	Aug-14
(1)			
<b>Domestic Currency</b>	% of total deposits in pesos		
Requirement	11.7	11.7	11.8
Compliance	12.0	12.0	12.0
Position <sup>(2)</sup>	0.3	0.3	0.2
<i>Residual time structure of term deposits used for the calculation of the requirement <sup>(3)</sup></i>	%		
<i>Up to 29 days</i>	69.3	67.9	65.9
<i>30 to 59 days</i>	19.9	20.9	20.7
<i>60 to 89 days</i>	5.8	5.9	7.3
<i>90 to 179 days</i>	3.9	4.3	5.1
<i>more than 180 days</i>	1.0	1.0	1.1
<b>Foreign Currency</b>	% of total deposits in foreign currency		
Requirement	44.5	44.3	43.7
Compliance (includes default application resource)	86.8	85.0	86.3
Position <sup>(2)</sup>	42.2	40.7	42.6
<i>Residual time structure of term deposits used for the calculation of the requirement <sup>(3)</sup></i>	%		
<i>Up to 29 days</i>	46.9	49.7	46.7
<i>30 to 59 days</i>	21.4	20.2	22.6
<i>60 to 89 days</i>	12.3	10.6	10.7
<i>90 to 179 days</i>	13.3	13.6	13.8
<i>180 to 365 days</i>	6.0	5.7	5.9
<i>more than 365 days</i>	0.1	0.2	0.3

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

(2) Position= Requirement - Compliance

(3) Excludes judicial time deposits.

Source: BCRA

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

<b>Borrowing Interest Rates</b>	<b>Oct-14</b>	<b>Sep-14</b>	<b>Aug-14</b>	<b>Dec-13</b>	<b>Oct-13</b>
<b>Interbank Loans (overnight)</b>					
Interest rate	21.05	13.08	18.78	19.67	12.24
Traded volume (million pesos)	2,295	2,048	1,874	2,144	1,856
<b>Time Deposits</b>					
<u>In pesos</u>					
30-44 days	19.46	19.17	19.64	17.67	16.27
60 days or more	22.34	20.79	21.54	19.00	18.01
Total BADLAR (more than \$1 million, 30-35 days)	18.02	18.45	19.00	17.45	16.70
Private Banks BADLAR (more than \$1 million, 30-35 days)	20.01	20.28	21.18	20.18	18.74
<u>In dollars</u>					
30-44 days	0.84	0.87	0.85	0.34	0.41
60 days or more	1.45	1.55	1.51	0.65	0.84
Total BADLAR (more than \$1 million, 30-35 days)	0.77	0.87	0.81	0.39	0.46
Private Banks BADLAR (more than \$1 million, 30-35 days)	1.14	0.93	0.92	0.33	0.50
<b>Lending Interest Rates</b>	<b>Oct-14</b>	<b>Sep-14</b>	<b>Aug-14</b>	<b>Dec-13</b>	<b>Oct-13</b>
<b>Stock Repos</b>					
Gross interest rates 30 days	21.93	21.58	19.84	21.64	18.42
Traded volume (all maturities, million pesos)	316	291	279	316	290
<b>Loans in Pesos <sup>(1)</sup></b>					
Overdrafts	31.01	28.93	30.90	27.59	25.02
Promissory Notes	25.93	24.73	26.29	22.38	21.11
Mortgages	20.39	23.45	20.88	16.56	17.16
Pledge-backed Loans	26.43	25.61	25.08	21.07	22.42
Personal Loans	37.42	37.85	37.27	39.34	38.37
Credit Cards	s/d	40.72	41.11	37.16	34.69
Overdrafts - 1 to 7 days - more than \$10 million	25.27	18.94	23.38	22.62	18.72
<b>International Interest Rates</b>	<b>Oct-14</b>	<b>Sep-14</b>	<b>Aug-14</b>	<b>Dec-13</b>	<b>Oct-13</b>
<b>LIBOR</b>					
1 month	0.15	0.15	0.16	0.17	0.17
6 months	0.32	0.33	0.33	0.35	0.36
<b>US Treasury Bonds</b>					
2 years	0.43	0.55	0.46	0.33	0.32
10 years	2.29	2.52	2.41	2.88	2.60
<b>FED Funds Rate</b>	0.25	0.25	0.25	0.25	0.25
<b>SELIC (1 year)</b>	11.03	11.00	11.00	10.00	9.36

(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	Oct-14	Sep-14	Aug-14	Dec-13	Oct-13
<b>BCRA Repo Interest Rates</b>					
Overnight reverse repo	12.65	9.00	9.00	9.00	9.00
7-day reverse repo	13.61	9.50	9.50	9.50	9.50
7-day repo	16.52	11.50	11.50	11.50	11.50
<b>Total Repo Interest Rates</b>					
Overnight	17.40	10.07	13.20	15.81	10.25
7 days	14.46	12.73	12.33	13.12	9.68
Repo traded volumen (daily average)	14,891	16,784	12,176	3,981	8,484
<b>Peso LEBAC Interest Rate<sup>1</sup></b>					
1 month	s/o	s/o	s/o	s/o	s/o
2 months	s/o	s/o	s/o	s/o	14.93
3 months	26.86	26.80	26.38	15.52	15.23
9 months	s/o	s/o	s/o	s/o	s/o
12 months	29.29	29.29	28.02	17.80	17.81
<b>Peso NOBAC with variable coupon Spread<sup>1</sup></b>					
200 days BADLAR Private Banks	s/o	s/o	s/o	s/o	s/o
<b>Dollars LEBAC Interest Rate<sup>1</sup></b>					
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)	2585	2738	2281	673	1181
<b>Foreign Exchange Market</b>	<b>Jul-12</b>	<b>Aug-12</b>	<b>Aug-12</b>	<b>Oct-12</b>	<b>Nov-12</b>
<b>Dollar Spot</b>					
Exchange agencies	8.48	8.42	8.32	6.32	5.85
BCRA Reference	8.49	8.43	8.32	6.33	5.85
<b>Future dollar</b>					
NDF 1 month	8.74	8.73	8.60	6.75	6.14
ROFEX 1 month	8.60	8.58	8.50	6.56	6.00
Traded volume (all maturities, million pesos)	1,809	2,446	2,992	1,618	1,332
<b>Real (Pesos/Real)</b>	3.46	3.61	3.67	2.69	2.67
<b>Euro (Pesos/Euro)</b>	10.74	10.85	11.07	8.67	7.98
<b>Capital Market</b>	<b>Oct-14</b>	<b>Sep-14</b>	<b>Aug-14</b>	<b>Dec-13</b>	<b>Oct-13</b>
<b>MERVAL</b>					
Index	10,565	11,292	8,794	5,330	5,227
Traded volume (million pesos)	282	304	196	109	139
<b>Government Bonds (parity)</b>					
BODEN 2015 (US\$)	144.00	151.52	128.71	132.63	148.89
DISCOUNT (US\$ - NY legislation)	125.66	130.90	107.22	106.64	114.69
BONAR 2017 (US\$)	134.75	140.32	121.02	121.59	136.99
DISCOUNT (\$)	65.31	66.96	68.82	63.95	58.35
<b>Country risk</b>					
Spread BODEN 2015 vs. US Treasury Bond	1,733	1,421	1,416	826	960
EMBI+ Latin America (without Argentina)	427	380	355	412	384

<sup>1</sup> 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 Paulo 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