Report on Banks

December 2020

BANCO CENTRAL
DE LA REPÚBLICA ARGENTINA

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Published on February 25, 2021.
The data reported are provisional and subject to changes. Information corresponds to end-of-month data.
Data of charts and Latest Regulations of this issue. Statistics Annexes for the financial system and the ensemble of financial institutions. Glossary of abbreviations and acronyms.

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Executive Summary

- Within an unprecedented operational context marked by the COVID-19 pandemic, the intermediation activity in pesos of the financial system improved throughout 2020, with high liquidity and solvency coverage. This performance was underpinned by the measures adopted by the BCRA, which contributed to fostering credit for companies and households, broadening the alternatives for saving in pesos in the financial system and preserving high capital levels for the institutions by suspending the distribution of profits.
- In December, the stock of loans to private sector in pesos did not exhibit significant changes in real terms, and accumulated a year-on-year (y.o.y.) increase of 10.3% in real terms. As a result, there was a reversal of the drops observed in the previous two years (-18% in real terms in both 2019 and 2018). This positive performance observed in 2020 was driven by the BCRA together with de National Executive Branch by means of measures intended to mitigate the credit procyclical behavior. In particular, under the Credit Line for Productive Investment of micro, small and medium-sized companies (MSMEs), the financial system has granted loans for a total amount of $295.94 billion up to late February (16% corresponds to investment projects), benefitting 80,870 companies.
- While the modification of the parameters to classify debtors and the possibility of deferring the unpaid installments to the end of the lifetime of the loan are still in force, the credit delinquency ratio decreased once again in December down to 3.9% of the total, standing 0.3 p.p. below the figure of November. The financial system ended the year with relatively high and increasing levels of provisioning (5.8% of total loans to the private sector and 151% of the non-performing portfolio of loans).
- Impacted by seasonal factors, the private sector stock of deposits in pesos increased 2.6% in real terms in December against November. As a result, the stock of these deposits went up 34% y.o.y. in real terms (exhibiting a reversal of the drops of 10.8% in real terms in 2019, and 4.7% in real terms in 2018), posting rises in both sight accounts and time deposits.
- The broad liquidity of the financial system stood at 65% of total deposits by the end of the year, up 1 p.p. against the level observed in November and up 4.9 p.p. in a year-on-year comparison. The current level of the liquidity indicator exceeds the average value of the last 10 years.
- Along the year, there was an increase in the use of electronic means of payment within the context of the COVID-19 pandemic and the measures adopted by the BCRA to create alternatives to the use of cash. Specifically, instant transfers of funds expanded significantly (98% y.o.y. in number and 44.6% y.o.y. in amount in real terms as of January 2021), while transactions made via mobile banking and online banking gained significant ground. The BCRA had an active role in the evolution of these payment instruments based on the adoption of measures tending to drive the use of digital technologies, such as the Payment via Transfers.
- The aggregate financial system closed 2020 with high solvency margins. In December, the Regulatory Capital (RC) totaled 23.3% of risk-weighted assets (RWAs) and the capital position (RC net of the regulatory requirement) stood at around 177% of the regulatory requirement.
- In 2020, the financial system's comprehensive income in homogenous currency was equivalent to 2.2% of assets (ROA) and 15.1% of equity (ROE). In the last quarter of the year, the ROA stood at 1.5%

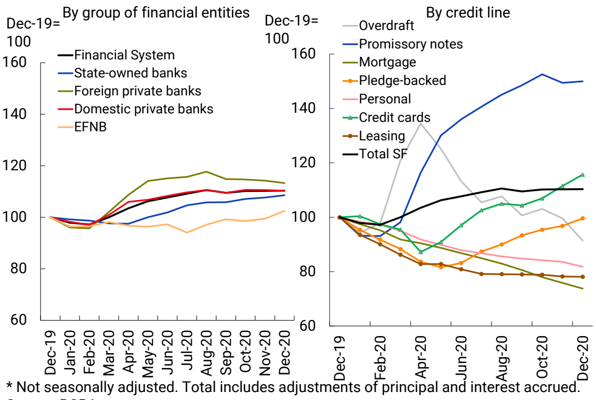
annualized (a.) and the ROE stood at 9.8%a. for the aggregate of financial institutions, one of the lowest quarterly records of the year, in line with the declining trend observed since mid-2020.

I. Financial Intermediation Activity

The financial intermediation activity in pesos of the ensemble of financial institutions with the private sector grew along 2020 and was evident in the increase of loans (mainly in the lines for commercial purposes) and of deposits. In terms of the monthly flow of funds estimated for December on the items in domestic currency,[1] the rise of private sector deposits and, to a lesser extent, of public sector deposits was the main source of funds for the aggregate of institutions. These resources were mainly used to increase broad liquidity.[2] With reference to the estimated annual flow of funds for the financial system in pesos, the increase of private sector deposits was the most relevant source of funds. In turn, the expansion of broad liquidity (associated, in part, with the sterilization of monetary issue by the BCRA to meet the fiscal needs resulting from the pandemic health-related emergency) and the growth of the financing to the public and private sectors were the main uses of funds over the period.

The stock of loans to the private sector in pesos, in real terms, did not exhibit significant changes against November (+0.1% in real terms or +4.1% in nominal terms) (see Chart 1).[3] Credit cards and pledged-backed loans were the most dynamic lending sources over the period. As a result of the more flexible financial conditions offered by the various alternatives provided by the BCRA, the increase of promissory notes stood out throughout 2020, reaching a 50% change rate in real terms in December against the same month of 2019. Over the month, a breakdown by group of institutions shows that there was a mixed performance in the financing offered: increases in real terms in state-owned financial institutions and non-banking financial institutions (EFNBs) and decreases in private institutions.[4]

Chart 1 | Loans to the private sector in pesos
In real terms*



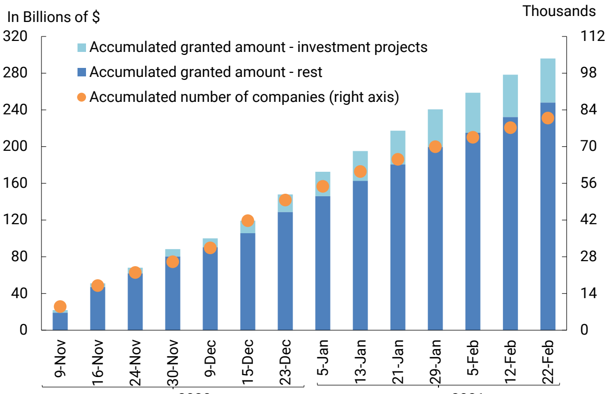
* Not seasonally adjusted. Total includes adjustments of principal and interest accrued.
Source: BCRA

During 2020, the BCRA implemented a series of initiatives tending to strengthen the supply of loans to households and companies (mainly small and medium-sized enterprises), for the purpose of mitigating the impact of the pandemic. These initiatives include the Credit Line for Productive

1 Differences of the balance sheet stock expressed in homogeneous currency.
2 Considering the segment of items in foreign currency —expressed in currency of origin— throughout 2020, the reduction of financing to the private sector was the most relevant source of funds of the financial system, whereas the decrease of private sector deposits was the main use of funds over the period.
3 Including capital adjustments and accrued interest.
4 Throughout this Report, whenever reference is made to ensembles of private (domestic and/or foreign) and state-owned financial institutions, such reference is to banks. Non-banking financial institutions shall be referred to as "EFNBs".

Investment of micro, small and medium-sized enterprises (MSMEs)[5]. From the implementation of this scheme —in November 2020— to late February 2021, an amount of $295.94 billion was disbursed (16% corresponds to investment projects), benefitting 80,870 companies (see Chart 2). The domestic private financial institutions continued to be the main grantors of these lines (accounting for 39% of the total amount disbursed), followed by state-owned institutions (32%) and by foreign private institutions (29%).

Chart 2 | Credit Line for Productive Investment of MSMEs



Source: BCRA

In turn, by means of the credit line at subsidized interest rates for companies registered with the "Emergency Assistance Program for Work and Production" (ATP)[6], $14.19 billion had been granted as of February 2021 to 603,454 workers.

In turn, regarding the credit lines intended for workers developing their activities under the Simplified Tax Regime and for self-employed workers, $66.47 billion had been granted until late February via the Zero Interest Rate Credit Line[7] (99.8% already disbursed), by means of 561,961 loans. Due to this program, 249,320 new credit cards were issued and more than 770 sight accounts were opened for the implementation of this credit line. Simultaneously, via the Culture Zero Interest Rate Credit Line[8], 2,914 loans for over $304 million have been granted (out of which 96.8% has been already disbursed).

In a year-on-year comparison, the stock of loans to private sector in pesos posted an increase of 10.3% in real terms in December, exhibiting a reversal of the negative changes observed in the last two years for the same period. Consequently, there have been positive year-on-year change rates in terms of lending in pesos to the private sector for this segment as from May 2020 (see Chart 1). This performance was mainly boosted by private financial institutions and, to a lesser extent, by state-owned institutions.

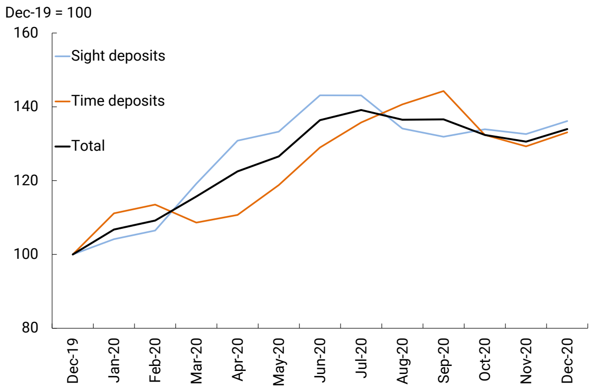
In December, lending in foreign currency to the private sector did not post significant changes against November (-0.1% in currency of origin). Thus, the total stock of loans (in domestic and foreign currency) to the private sector remained virtually unchanged over the period and accumulates a drop equivalent to 2.8% in real terms against the same month of 2019.

As regards funding of the ensemble of financial institutions, in the context of the seasonal effects of December, the total stock of private sector deposits in pesos went up 2.6% in real terms (+6.7% in nominal terms) (see Chart 3). In particular, the stock of sight accounts exhibited a similar

5 See Communication "A" 7140 as amended.
6 See Communication "A" 7082 and Communication "A" 7102.
7 See Communication "A" 6993.
8 See Communication "A" 7082.

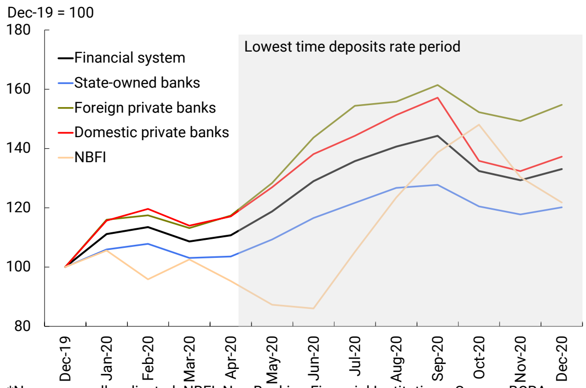
performance due, in part, to the impact of the payment of the semi-annual complementary wage and the liquidity needs typical of each year end. Meanwhile, time deposits in pesos increased

Chart 3 | Stock of private sector deposits in pesos
In real terms*



* Not seasonally adjusted. Source: BCRA

Chart 4 | Stock of time deposits in pesos
Private Sector – In real terms*



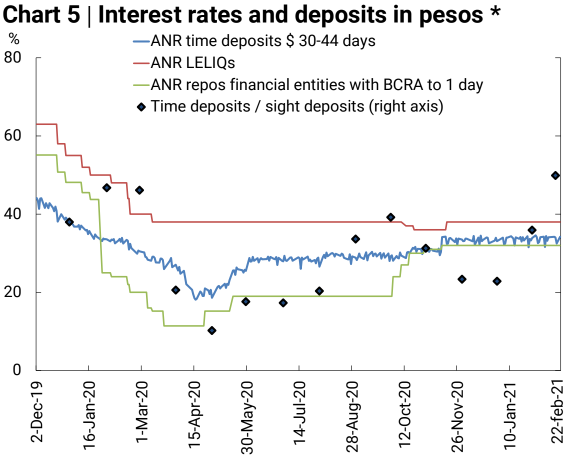
*Non seasonally adjusted. NBFI: Non Banking Financial Institutions. Source: BCRA

2.9% in real terms over the period (7% in nominal terms), mainly due to the performance of private financial institutions (see Chart 4). In December, the growth of the private sector UVA time

deposits was especially relevant, since they rose by 19% in real terms for deposits with early cancellation option and 11.6% in real terms in the case of traditional deposits.

It is noteworthy that, during 2020, the BCRA implemented several measures tending to harmonize the monetary policy interest rates and keep positive returns in real terms for savings in pesos. As from April, the BCRA has gradually increased the overnight interest rate on reverse repos for the monetary authority (assets for the financial institutions). As from October, 7-day reverse repos for the BCRA started to be offered, and the monetary policy interest rate was adjusted on several occasions (see Chart 5). In turn, the minimum guaranteed interest rates on traditional time deposits in pesos were also raised in order to ensure a return consistent with the inflation levels and favor savings in domestic currency. In addition, in 2020, the BCRA launched the UVA time deposits with early cancellation option after a period of 30 days (over a total term of, at least, 90 days), thus widening the alternatives for saving in pesos at a positive rate in real terms.

Chart 5 | Interest rates and deposits in pesos *



*Balance sheet stock in pesos (private sector). Last 2 figures are estimated .
Source: BCRA

In turn, the stock of private sector deposits in foreign currency went up 8.3% —in currency of origin— in December, impacted in part by the treatment given to these deposits in the calculation of the tax on personal assets. As a result, the total stock of private sector deposits (in domestic and foreign currency) rose 3.6% in real terms against November.

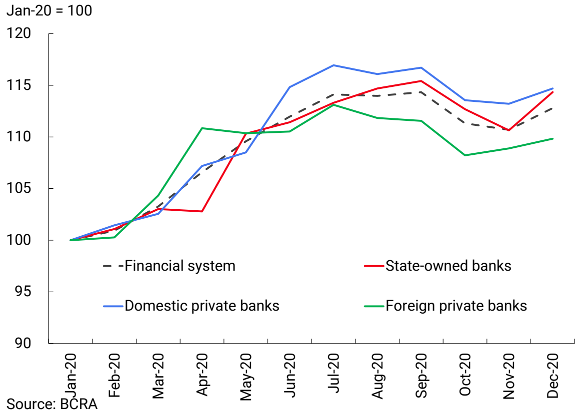
In December, public sector deposits in pesos went up 3.4% in real terms (7.5% in nominal terms), resulting in an increase of 2.8% in real terms (6.9% in nominal terms) of the total stock of deposits in pesos (including both the public and private sectors).

In a year-on-year comparison, the stock of private sector deposits in pesos rose 34% in real terms (82.4% y.o.y. in nominal terms), while public sector deposits in the same currency grew 44.7% y.o.y. in real terms (97% y.o.y. in nominal terms). Consequently, the total stock of deposits in pesos (including both the public and the private sectors) accumulated a rise of 34.8% y.o.y. (83.5% y.o.y. in nominal terms). In turn, considering the segment in domestic currency and the segment in foreign currency, the total stock of private sector deposits accumulated a year-on-year growth equivalent to 19.6% in real terms.

II. Aggregate Balance Sheet Composition

In December, the total assets of the aggregate financial system went up 1.9% in real terms, with the state-owned financial institutions leading a higher relative growth in terms of assets (see Chart 6). The assets of this sector showed a mixed performance throughout 2020. On the one hand, up to July, there were relatively high growth rates in real terms, mainly due to the increase of BCRA instrument holding in the balance sheet of the institutions and to the positive momentum of loans in pesos to the private sector. As mentioned in the previous section, during the first months of 2020, the BCRA contributed actively to help the National Executive Branch implement extraordinary support programs intended for companies and households with a view to mitigating the economic impact caused by the pandemic. Thus, part of the issue of pesos was sterilized via repos and LELIQs. In turn, as from August, the momentum of the financial system's total assets lost ground, in line with the lesser needs for monetary issue (and consequently, for sterilization), within a context of a gradual regularization of the activity in some economic sectors.

Chart 6.I Stock of total assets
In real terms

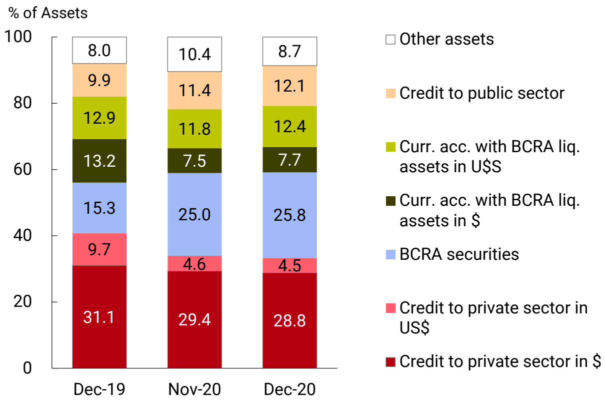


Source: BCRA

Regarding the composition of the financial system's total assets, the share of balances of current accounts with the BCRA went up, in both foreign currency and domestic currency (up to a total of 12.4% and 7.7%, respectively) (see Chart 7), within the context of seasonal factors. Simultaneously, over the month, there was also a rise in the relative share of the BCRA instruments holding in total assets (accounting for 25.8%) and of loans to the public sector. Conversely, the share of lending to the private sector shrank in the assets during December.

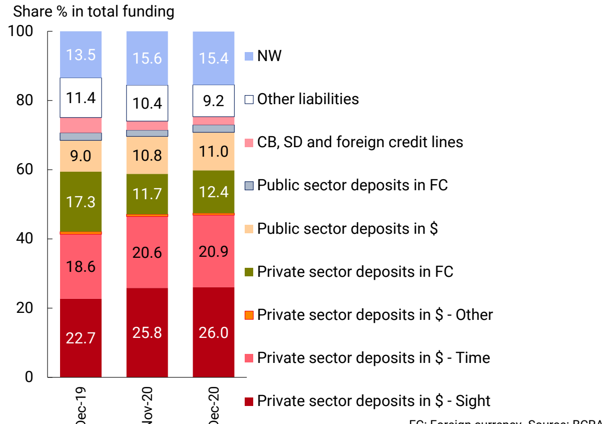
With reference to bank funding, in line with the evolution of deposits (see the previous section), there was an increase in the share of private sector deposits in domestic currency (both time deposits and sight accounts) and also in foreign currency relative to total deposits in December (see Chart 8). In particular, the share of private sector time deposits in pesos rose up to 20.9%. In turn, sight accounts in the same currency evidenced a similar growth rate up to a total of 26%.

Chart 7 | Composition of total assets
Financial System - Share %



Source: BCRA

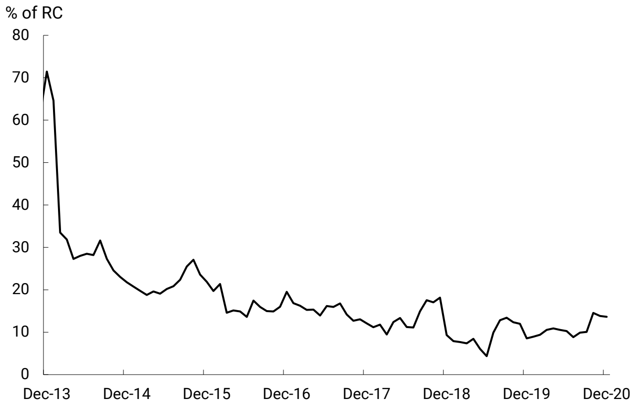
Chart 8 | Composition of the system's total funding
In % of total funding (liabilities + net worth)



FC: Foreign currency. Source: BCRA

Likewise, the share of private sector deposits in foreign currency reached 12.4% of total funding by year-end, up 0.7 p.p. against the value recorded in November. The relative share of the remaining funding items went down over the period.

Chart 9 | Foreign currency assets – Foreign currency liabilities + Foreign currency forward position (Financial System)



Source: BCRA

In December, assets in foreign currency accounted for 19.6% of the system's total assets, up 0.5 p.p. against November. In turn, liabilities in the same currency totaled 17.7% of total funding, up 0.6 p.p. against November. Despite this monthly increase, mainly driven by the abovementioned performance of private sector deposits (with a counterpart in liquidity), the relative share of both assets and liabilities in foreign currency dropped in the balance sheet of the financial system in a year-on-year comparison (-6 p.p. in terms of assets and –6.9 p.p. in the case of liabilities). Also taking into consideration the purchase and sale forward transactions in foreign currency —classified as off-balance— made by the ensemble of financial institutions, the spread of the aggregate financial system's assets and liabilities in such currency accounted for 13.6% of the regulatory capital in December, narrowing slightly against the value recorded in November (see Chart 9).

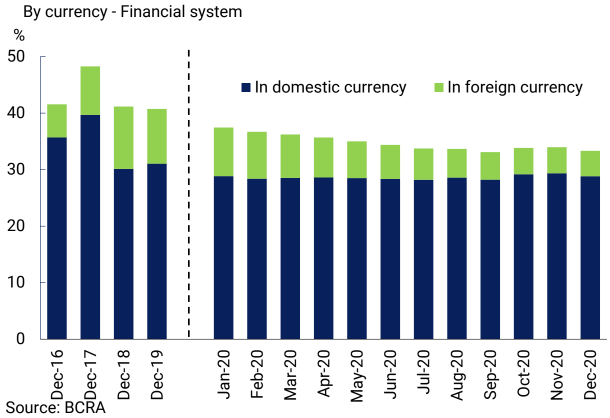
III. Portfolio Quality

The total stock of loans to private sector (including domestic and foreign currency) reached 33.3% of the financial system's assets during the last month of the year, posting a decrease of 0.6 p.p. against November, and 7.4 p.p. against the level recorded one year ago.[9] If only lending in pesos is considered, the ratio stood at 28.8% in December, down 0.5 p.p. against November (-2.2 p.p. y.o.y.) (see Chart 10). In turn, the share of loans to private sector in foreign currency continued dropping in total lending.

While the modification of the parameters to classify debtors and the possibility of deferring the unpaid installments to the end of the lifetime of a loan —accruing compensatory interest only[10]— are still in force, the delinquency rate of loans to private sector continued to go down and ended the year at 3.9%, down 0.3 p.p. against November (-1.9 p.p. y.o.y.) (see Chart 11). This drop was widespread among the various groups of financial institutions.

In December, the delinquency ratio of loans to households stood at 1.9%, down 0.3 p.p. against November (-2.3 p.p. y.o.y.), while the non-performing ratio of loans to companies stood at 5.8% over the month, down 0.1 p.p. against November (-1.6 p.p. y.o.y.). Throughout 2020, the decline of the delinquency ratio of loans to households was mainly due to the performance of personal loans and cards. In turn, the year-on-year drop in the non-performing ratio of loans to companies was mainly related to loans provided via overdrafts and promissory notes (see Chart 12).

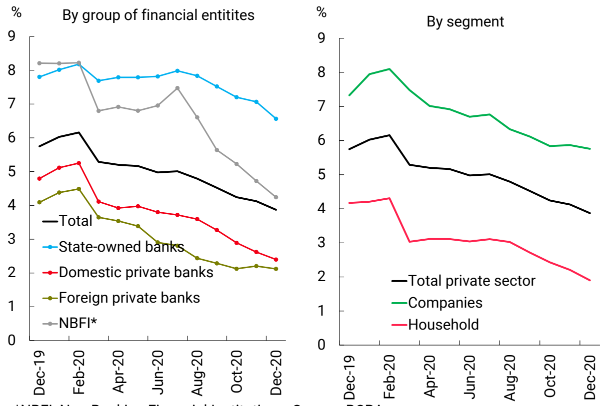
Chart 10 | Stock of loans to the private sector / Assets



Source: BCRA

Chart 11 | Non-performing loans to the private sector

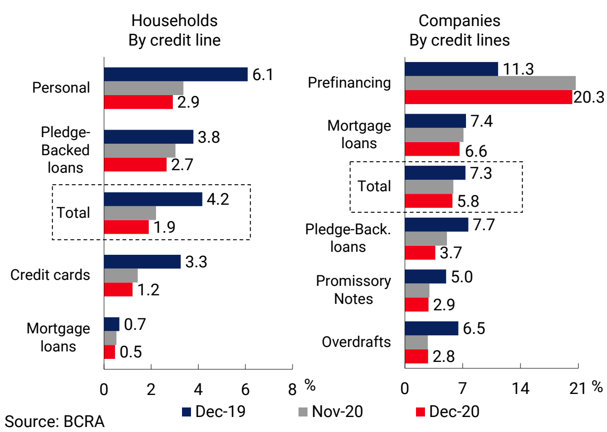
Non-performing financing / Total financing (%)



*NBFI: Non-Banking Financial Institutions. Source: BCRA

Chart 12 | Non-performing loans to the private sector

Non-performing financing / Total financing (%)



Source: BCRA

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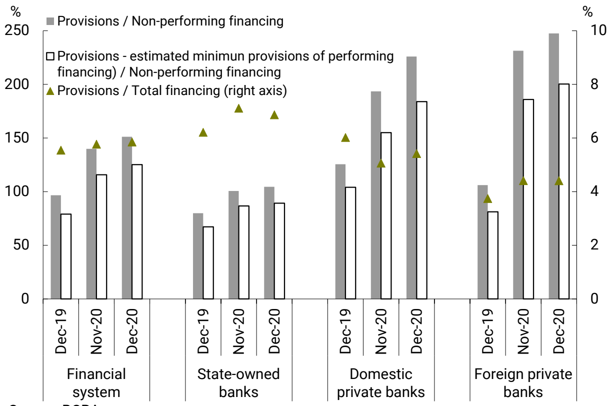
[9] However, the ratio is lower by 2 p.p. when total provisions are netted from the stock of loans to the private sector.

10 Communication "A" 6938, Communication "A" 7107, Communication "A" 7181, and item 2.1.1. of the Consolidated Text on the "Financial Services in the framework of the Health Emergency Provided For by Decree No. 260/2020 CORONAVIRUS (COVID-19)".

The financial system as a whole ended the year with sizable provisioning levels. Provisions accounted for 5.8% of total lending to the private sector, keeping an upward trend. The stock of total accounting provisions accounted for 151.1% of the stock of non-performing loans to the private sector, up 11.2 p.p. against November and 54.5 p.p. y.o.y. (see Chart 13). In turn, the stock of regulatory provisions attributable to the non-performing portfolio (according to the criteria set by the rules on regulatory minimum provisions for loan loss exposure) totaled 125.2% of such portfolio in December, up 9.4 p.p. and 46.1 p.p. against November and late 2019, respectively.

Chart 13 | Loans to the private sector and provisioning
By group of institutions



Source: BCRA

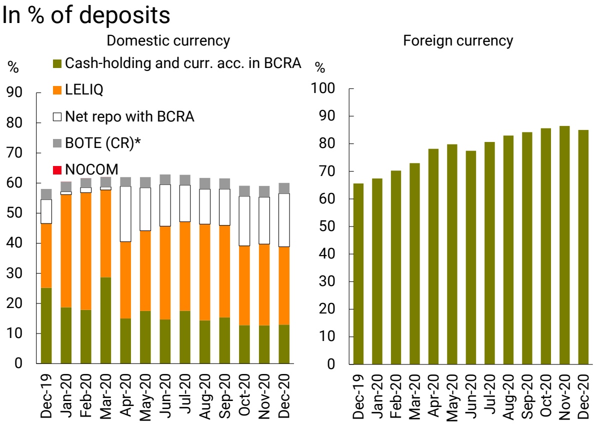
The ratio of minimum capital requirement/loans to private sector, net of provisions, makes it possible to acquire a general notion about the level of resilience of the sector if any eventual scenario of counterparty risk held true. As of December, this ratio stood at 40.3% at systemic level, down 0.1 p.p. against last month and up 13.5 p.p. against the record of December 2019.

IV. Liquidity and Solvency

The financial system ended the year with relatively high levels of liquidity. In perspective, the traditional liquidity ratios stand above the average of the last 10 years.

In December, the broad liquidity of the financial system[11] stood at 65% of total deposits (60.1% for the items in pesos and 85% for the segment in foreign currency), up 1 p.p. against the level observed in November (+1.2 p.p. and -1.4 p.p. for the items in domestic currency and in foreign currency, respectively) (see Chart 14). Among liquid assets in pesos, there was an increase in the share of net repos with the BCRA and, to a lesser extent, of the balances of the current accounts held by the institutions with the monetary authority. Throughout the

Chart 14 | Financial system liquidity
In % of deposits



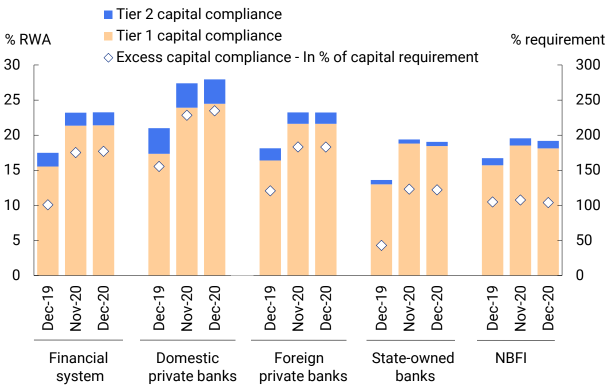
*CR: Cash reserves. Source: BCRA

11 It considers liquid assets, compliance with minimum cash requirements, and BCRA instruments, in domestic currency and foreign currency.

year, the broad liquidity ratio went up 4.9 p.p. of deposits, mainly explained by the performance of the segment in foreign currency.

Regarding the ratios recommended by the Basel Committee —Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR)—,[12,13] the ensemble of financial institutions belonging to Group A[14] showed levels that, as of December 2020, have virtually doubled the minimum values required at domestic level (in line with the recommendations of the international standards).

Chart 15 | Compliance with regulatory capital
By group of financial institutions



NBFI: Non-Banking Financial institutions. Source: BCRA

In terms of the solvency of the sector, there was a slight increase of the Regulatory Capital (RC) in terms of the risk-weighted assets (RWAs) up to a total of 23.3% at systemic level (+0.3 p.p. up to 25.5% for private financial institutions, and -0.3 p.p. up to 19% for state-owned institutions, see Chart 15). In the same line, the capital position (RC minus the regulatory requirement) of the aggregate financial institutions went up slightly during the last month of the year up to around 177% of the regulatory requirement in December (208% for private financial institutions, and 122% for state-owned institutions). It is noteworthy that part of the increase observed in the solvency indicators of the sector in 2020 was driven by the macroprudential policies timely adopted by the BCRA. In particular, the suspension of the distribution of profits will continue to be effective until the end of the first quarter of 2021.

Likewise, the leverage ratio defined on the basis of the guidelines provided by the Basel Committee (Tier 1 capital to total exposure ratio) reached 11.9% in December for the ensemble of financial institutions, sizably exceeding the minimum ratio of 3%.[15] The level of this indicator did not show high fluctuations along the year, and has stood among the highest records since the regulatory requirement was implemented at domestic level in 2018.

Regarding the profitability indicators, the financial system has accumulated, throughout 2020, a total comprehensive income in homogenous currency equivalent to 2.2% of assets (ROA) and 15.1% of equity (ROE). In particular, in the fourth quarter of 2020, the financial system recorded a ROA of 1.5%a. and a ROE of 9.8%a., and continued with the downward trend observed after the second quarter of the year (see Table 1). The drop in profitability during the last quarter of 2020 against the previous quarter was mainly related to the effect of inflation on monetary items and

12 The LCR considers the liquidity available to face any potential outflow of funds within a stress scenario in the short term. See Consolidated Text on "Liquidity Coverage Ratio".
13 The NSFR considers the availability of institutions' stable funding in line with the terms of businesses to which it is applied. See Consolidated Text on "Net Stable Funding Ratio".
14 Group of institutions subject to compliance with LCR and NSFR.
15 For further details on the methodology, see the Consolidated Text on Leverage Ratio.

to the increase in nominal expenditures due to interest (it is estimated that, over the period, there was an increase in the cost of implicit funding via deposits in pesos).[16]

Table 1 | Total comprehensive income in homogeneous currency of the financial system

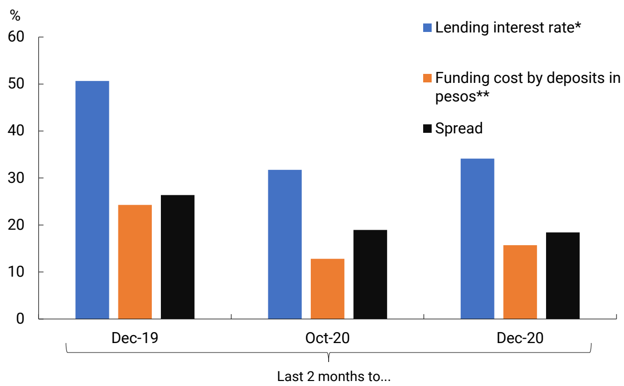
Anualizado (a.) - En %a. del activo neteado	IT-20	IIT-20	IIIT-20	IV-20	2020
Financial margin	**12.2**	**11.3**	**10.4**	**10.0**	**11.0**
Interest income	10.3	8.2	7.7	8.0	8.5
CER and CVS adjustments	1.8	1.2	1.0	1.5	1.4
Foreign exchange price adjustments	0.7	0.7	0.9	0.9	0.8
Gains on securities	9.3	7.3	8.5	7.0	8.0
Returns on repo	0.9	1.0	1.4	3.0	1.6
Interest expense	-10.3	-7.0	-8.7	-10.1	-9.0
Other financial income	-0.4	-0.2	-0.4	-0.4	-0.3
Service income margin	**2.0**	**1.9**	**1.8**	**1.8**	**1.9**
Loan loss provisions	**-1.6**	**-2.1**	**-1.1**	**-1.6**	**-1.6**
Operating costs	**-7.0**	**-6.5**	**-6.4**	**-6.5**	**-6.6**
Net Monetary Position	**-0.2**	**-0.1**	**0.3**	**-0.1**	**0.0**
Tax charges	**-2.0**	**-1.8**	**-1.8**	**-1.4**	**-1.7**
Results	**3.5**	**2.7**	**3.2**	**2.2**	**2.9**
Other Comprehensive Income (OCI)	**-1.4**	**0.7**	**-1.2**	**-0.7**	**-0.6**
Return on assets (ROA)	**2.2**	**3.3**	**2.0**	**1.5**	**2.2**
Return on equity (ROE)	**14.3**	**23.2**	**13.6**	**9.8**	**15.1**

MEMO (estimates) * - In% a. of netted assets	IT-20	IIT-20	IIIT-20	IV-20	IV-21
i. Total monetary position, including the effect of the inflation adjustment on the securities in OCI (e)	**-2.9**	**-1.9**	**-2.9**	**-4.6**	**-3.1**

*In these estimates the effect of income tax on the portfolio of securities in ORI is adjusted. Source: BCRA

In 2020, the financial margin of the institutions stood at around 11% of assets. Throughout the year, the income from interest was the most relevant component of the financial margin (8.5% of assets), followed by the income from the portfolio of securities (8% of assets). On the other hand, the interest paid on deposits was the main expenditure of the financial margin (9% of assets). Among non-financial items of the income statement, services stood out as a source of income (1.9% of assets), while administrative expenses (6.6% of assets) and loan loss provisions (1.6% of assets) were the main expenditures over the year.

Chart 16 | Estimated implicit nominal interest rates (annualized) – Financial System



*For loans in pesos (non-financial), LELIQs not used to comply with Minimum Cash requirements, and Net Repos with BCRA. ** Considering the Minimum Cash requirement. Source: BCRA

The estimate of the implicit interest rates[17] and their spread are instruments contributing to provide a general notion about the performance of the main sources of income and expenses in domestic currency within the income statement of the institutions. In this respect, it is estimated that during the last two months of 2020, the nominal implicit lending interest rate on transactions in domestic currency for the aggregate of financial institutions increased less than the cost of funding via deposits in the same currency (see Chart 16). Therefore, the estimated spread between both concepts narrowed in the last two months.[18] When the effect of inflation (which has been relatively higher in recent months) is decoupled, it has been estimated that the spread narrowing of the implicit interest rates would have been even greater, in line with the lower profitability in real terms that has been observed in recent months.

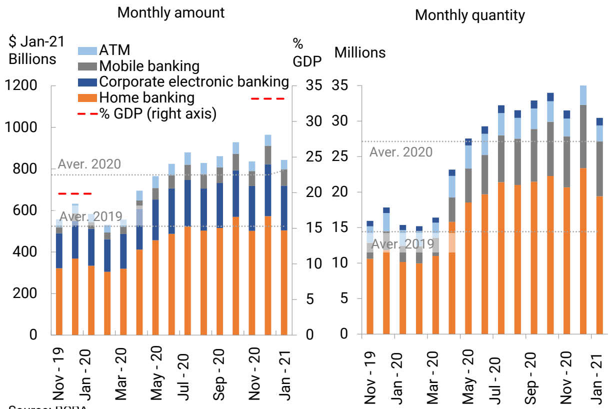
16 In general terms, the monetary items are made up by cash and cash equivalents, as well as assets and liabilities that will be received or paid by means of a fixed or determinable amount of monetary units.
17 For the calculation of the nominal implicit interest rates, concepts such as administrative expenses, tax expenditures, cost of capital or other components associated with hedging for risks inherent in financial intermediation activities are not taken into account.
18 Implicit interest rates are built by accumulating the flows for the last two months annualized. For further detail as to the method of calculation, see previous issues of the Report on Banks.

V. Payment System

The use of electronic means of payment alternative to cash continued to gain ground in 2020, due to the context of the pandemic and the resulting health-related measures in terms of isolation and social distancing adopted to mitigate the effect of the disease (which gradually became more flexible on the margin). It is noteworthy that, throughout 2020, the BCRA promoted actions tending to reduce to the minimum the infection risks of the population due to the circulation of COVID-19.

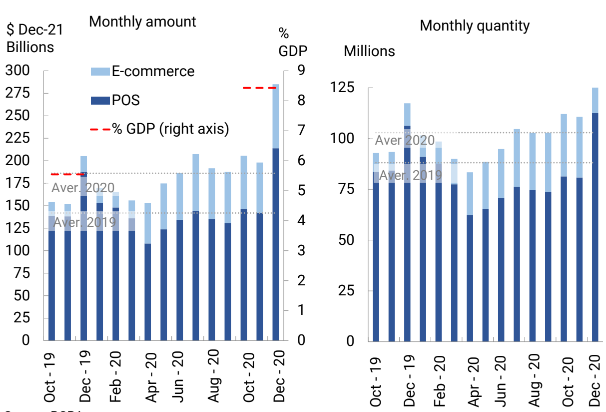
In line with the typical characteristics of any beginning of a year, instant transfers made during January 2021 (latest information available) went down against the previous month. Despite this monthly performance, instant transfers expanded markedly in a year-on-year comparison: 98.1% in number and 44.6% in amount in real terms (see Chart 17). Over the last year, this remarkable momentum observed in transfers was evidenced by their higher weight in the regular transactions of the economy. In the last three months up to January 2021, it is estimated that the (annualized) amount traded via instant transfers was equivalent to nearly 33.2% of GDP, up 13.3 p.p. in year-on-year terms.[19] Mobile banking and the online banking were the channels with the best relative performance of the last 12 months in terms of the transactions performed.

Chart 17 | Instant transfers in pesos



Source: BCRA

Chart 18 | Debit card transactions



Source: BCRA

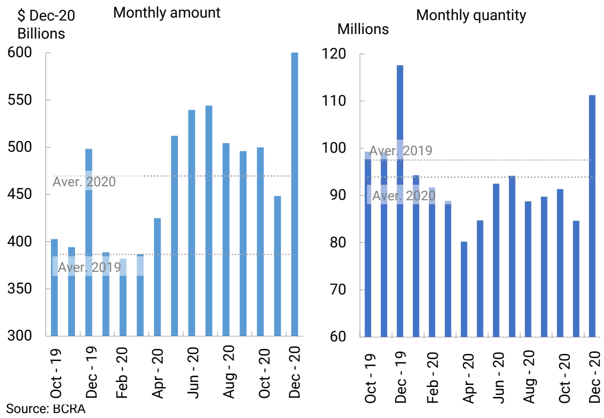
In December (latest information available), and given the seasonal factors inherent in this end of month, total transactions with debit cards went up against November (see Chart 18), including those performed via e-commerce and onsite. The volume transacted in December via both channels stood quite above the average recorded throughout 2020. Regarding the same month of 2019, total transactions with debit cards increased 27.5% in number and 38.9% in amount in real terms. In a year-on-year comparison, transactions rose in both the onsite channel and the electronic channel, and the latter exhibited a remarkable relative increase (+234.4% in number up to 24.8% of total transactions and +303.7% in amount in

19 Considering the last 12 months up to January 2021, it is estimated that instant transfers accounted for 29.5% of GDP, up 11.1 p.p. in a year-on-year comparison.

real terms up to 25% of the total amount transacted). Thus, in the fourth quarter of 2020, the annualized amount of debit card transactions accounted for 8.4% of GDP, up 2.9 p.p. against the last quarter of 2019.[20]

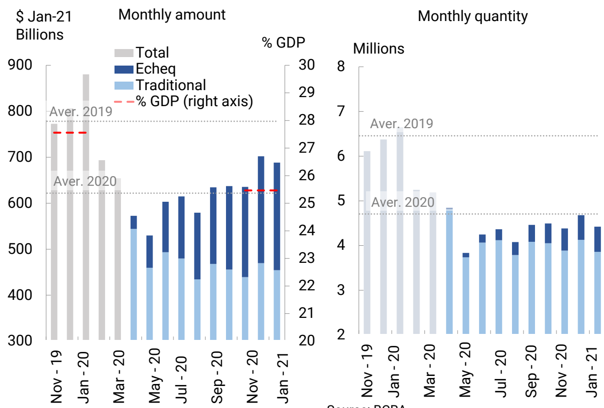
In turn, there was an increase in cash withdrawals via ATMs in December (latest information available) against November (see Chart 19), also associated with seasonal factors. In year-on-year terms, withdrawals went down in number (-5.4%) and went up in amount in real terms (24.3%); there was also a rise in the average amount of each withdrawal measured at constant currency (+$279, up to nearly $5,372 per withdrawal at December 2020 prices). This year-on-year performance is partly an evidence of the measures driven by the BCRA in due time. In particular, the objective was to reduce the risk of COVID-19 infection, seeking to reduce the frequency of use of ATMs by households and at the same time to increase the amounts of the withdrawals.

Chart 19 | Cash withdrawals



Source: BCRA

Chart 20 | Cleared checks



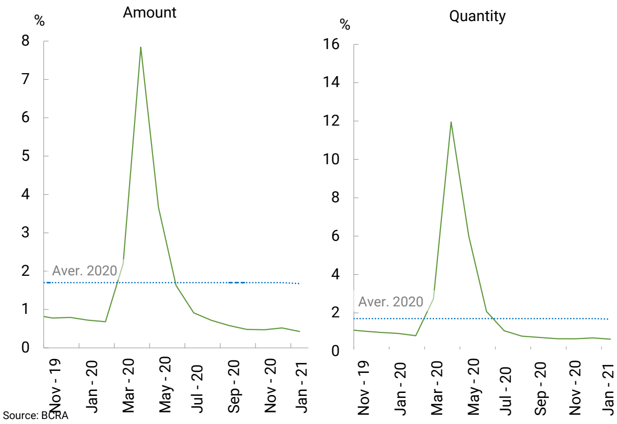
Source: BCRA

With reference to transactions made with checks, there was a decrease in total clearing in January (latest information available) against the previous month (see Chart 20). Compared to the same month of the year before, the clearing of checks also decreased in number (-33.5%) and in amount in real terms (-21.8%). As it has been observed in recent years, the share of the use of checks as payment method is gradually going down. In particular, it is estimated that the amount cleared in the last three months up to January 2021 (annualized) was equivalent to 25.5% of GDP, dropping 2.1 p.p. in a year-on-year comparison.[21] In this context, it is worth pointing out that the performance of cleared checks differs depending on whether we consider physical instruments or the electronic version. As from its implementation, ECHEQS have gradually gained ground and accounted for around 34% of the total cleared amount in January.

20 Throughout 2020, total transactions with debit cards totaled 7% of GDP, up 2.1 p.p. in a year-on-year comparison.
21 When considering the last 12 months up to January 2021, it is estimated that the clearing of checks stood at around 23.2% of GDP, down 3.4 p.p. y.o.y.

In turn, the ratio of the bouncing of checks for insufficient funds in terms of total cleared checks dropped in January 2021 against the previous month and also in a year-on-year comparison up to a total of 0.63% and 0.43% in number and amount, respectively (see Chart 21).

Chart 21 | Bounced checks for insufficient funds (in terms of total cleared checks)



Source: BCRA