

Monthly Monetary Report

July 2016



BANCO CENTRAL
DE LA REPÚBLICA ARGENTINA

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The closing date for statistics in this report was August 4, 2016. All figures are provisional and subject to review.

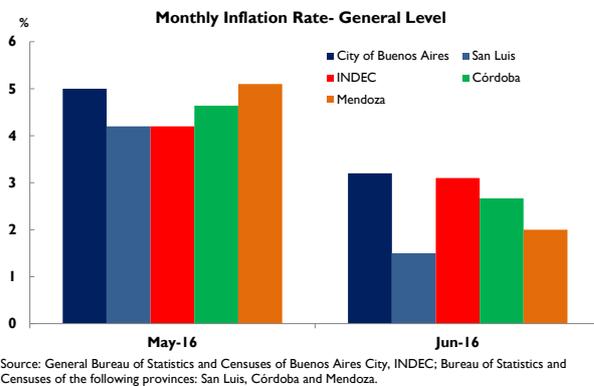
1. Summary¹

- The price indexes published during July exhibited a widespread slowdown of inflation in June against May, as well as core inflation numbers with heterogeneous performances between the Metropolitan Area of Buenos Aires and the provinces of Argentina. Particularly, according to the Consumer Price Index of Greater Buenos Aires (IPC GBA) released by the National Institute of Statistics and Censuses (INDEC) and used by the BCRA as parameter –at least until a nationwide index becomes available– to assess the fulfillment of its inflation target, monthly inflation went down from 4.2% in May to 3.1% in June. Meanwhile, core inflation went up slightly from 2.7% in May to 3% in June.
- The Central Bank’s Market Expectations Survey (REM) published in early August showed a rise of around 0.1 percentage points (p.p.) in inflation expectations for the fourth quarter. Thus, according to REM, the expected monthly inflation for the last months of 2016 is 1.7%, thus standing above the target of the monetary authority for the period (1.5% or lower). Nevertheless, all the information sources analyzed by the Central Bank showed that monthly inflation would have decreased significantly in July against June, and this means that the disinflation process is still in progress.
- Taking into account the above-mentioned factors, the Central Bank reduced in July its main benchmark interest rate –corresponding to 35-day LEBACs– by 0.5 p.p. in the first auction of the month down to 30.25%, and decided to keep it at this level until the end of the month. Later on, in the first auction of August, the Central Bank lowered the rate by 0.25 p.p. down to 30%. Repo interest rates were reduced accordingly and, by late July, the rates on overnight reverse repos and repos stood at 26% and 35%, respectively, and the rates on 7 days repos stood at 27% and 36%, respectively. In early August, these interest rates also went down 0.25 p.p. The BCRA continued operating with caution so as to consolidate a disinflation path consistent with its monthly inflation target of 1.5% or lower for the last quarter of 2016.
- In terms of the monetary market, the shortest-term interest rates –mainly those in place in the call money markets and also the rates on loans granted through overdrafts at up to 7 days– have exhibited a mixed performance, though they averaged values were below the figures recorded in June and stood within the interest rate corridor set by the BCRA in the repo market. On the other hand, borrowing interest rates continued to show a declining trend during July, in a period when financial institutions continued to have sizable level of liquidity.
- The monthly increase of the monetary base was boosted by the seasonal increase of the cash held by the public –associated with the collection of the semi-annual complementary wage and the winter vacations– and the effective implementation of the increase in the minimum reserve requirement announced in May. The purchases of foreign currency by the Central Bank, from both the private and the public sectors, were once again the main source of money creation, which allowed for meeting a higher demand for money. Part of the expansion associated with such operations was mainly sterilized through the issue of LEBACs. Meanwhile, the broadest monetary aggregates slowed down once again in year-on-year (y.o.y.) terms.
- As it was the case in June, the increase of deposits in pesos allowed financial institutions to comply with the higher minimum reserve requirements and expand their liquidity held in LEBACs. Thus, the broad liquidity ratio in domestic currency (cash in banks, current account of banks with the Central Bank, net repo transactions with the BCRA and holding of LEBACs, as a percentage of deposits in pesos) went up 2.1 p.p. against June, to 42.3%.
- As a result of the recent improvement of the BCRA’s balance sheet, by the end of July the Central Bank decided the early cancellation of the reverse repo transactions for US\$5 billion that had been arranged by late January 2016 and also recorded new transactions with two international banks for US\$1 billion. In addition to the reduction by US\$4 billion of its reverse repo transactions, it also achieved a remarkably lower interest rate (LIBOR US\$ at 1 month +2.25%).

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

2. Interest Rates²

Chart 2.1

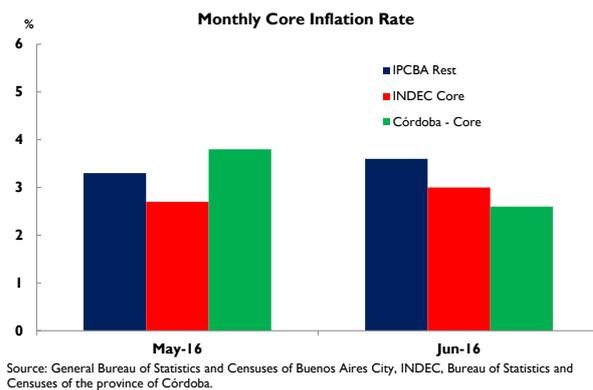


Benchmark Interest Rates

The price indexes published over the month exhibited a widespread slowdown of inflation in June against May, while core inflation showed a heterogeneous performance between the Metropolitan Area of Buenos Aires and the provinces of Argentina (see Charts 2.1 and 2.2).

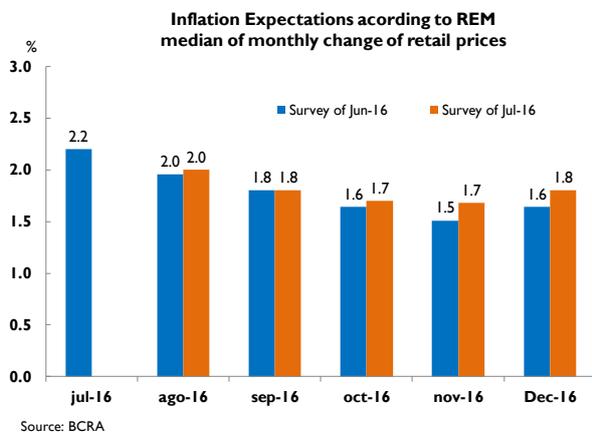
Particularly, according to the Consumer Price Index of Greater Buenos Aires (IPC GBA) released by the National Institute of Statistics and Censuses (INDEC) and used by the BCRA as parameter –at least until a nationwide index becomes available– to assess the fulfillment of its inflation target, monthly inflation went down from 4.2% in May to 3.1% in June. Meanwhile, core inflation went up slightly from 2.7% in May to 3% in June.

Chart 2.2



According to the Central Bank’s Market Expectations Survey (REM) published in early August, the expected monthly inflation for the last quarter of the year went up around 0.1 percentage points (p.p.), standing 1.7% above the target of the BCRA for that period (1.5% or lower). Nevertheless, all the information sources analyzed by the Central Bank showed that monthly inflation would have decreased significantly in July against June, and this means that there is a disinflation process in progress.

Chart 2.3



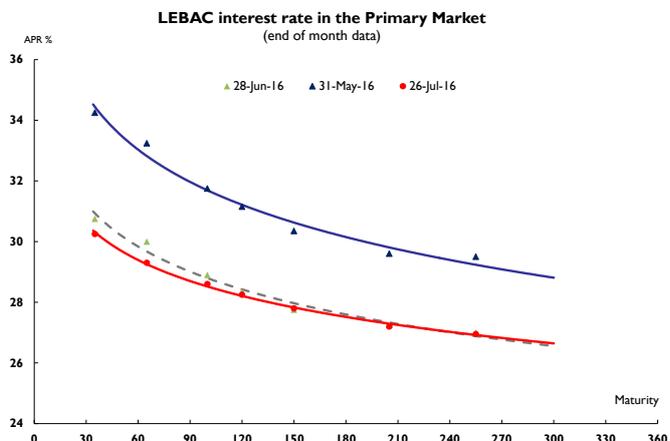
Taking into account the above mentioned factors, the Central Bank reduced in July its main benchmark interest rate –corresponding to 35-day LEBACs– by 0.5 percentage points (p.p.) in the first auction of the month down to 30.25%, and decided to keep it at this level until the end of the month. Later on, in the first auction of August, the Central Bank lowered it by 0.25 p.p. down to 30%.

In the primary market, LEBAC interest rates with longer terms remained unchanged against those recorded by the end of June. Consequently, the yield curve continued flattening (see Chart 2.4).

Meanwhile, the Central Bank continued operating actively in the secondary market so as to encourage a convergence of the yields observed within a corridor of +/- 0.5 p.p. against the benchmark rate. Transactions were made with 35-day instruments and the monthly sales amounted to a total of NV \$43.3 billion (see Chart 2.5).

² Interest rates mentioned in this section are expressed as annual percentage rates (APR).

Chart 2.4

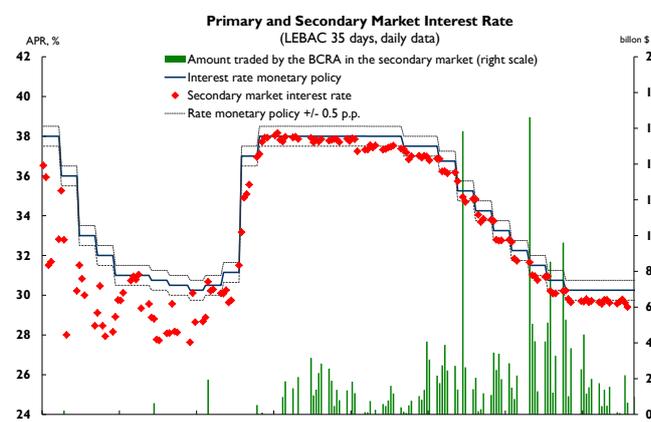


Source: BCRA

In line with the decision adopted for the 35-day LEBAC interest rate, the Central Bank decided in July to reduce the interest rates on its repo transactions by 0.5 p.p. for both overnight and 7-day transactions. Consequently, by late July, the interest rate on overnight reverse repos and repos stood at 26% and 35%, respectively, and the rates on repos at 7 days stood at 27%-36%, respectively. Before the publication of this report, in early August, a reduction of 0.25 p.p. for all interest rates on repo transactions of the Central Bank was decided.

As a result, the BCRA will continue operating with caution so as to consolidate a disinflation path consistent with the monthly inflation target of 1.5% or lower for the last quarter of 2016.

Chart 2.5



Source: BCRA

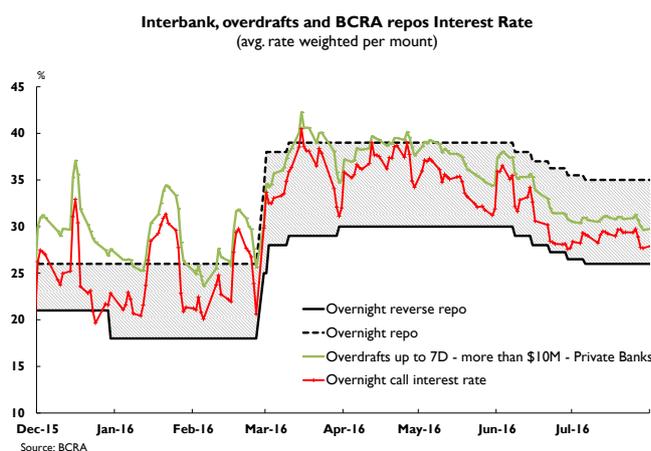
Market Interest Rate

Short-term interest rates exhibited a mixed performance, though their values stood on average below the figures recorded in June and within the interest rate corridor set by the BCRA for the repo market (see Chart 2.6).

In the call money markets, the interest rate on overnight transactions averaged 29% in July, down 2.5 p.p. against the value recorded in June. The average interest rate for overnight transactions among financial entities in the REPO round stood at 28.3%, posting a 2.9 p.p. drop. The daily average amount traded in both markets went up almost \$2 billion, to a total of around \$11.1 billion.

Lending interest rates mainly devoted to household financing showed a mixed evolution. The average interest rate on personal loans stood at 42.5%, up 0.2 p.p. against June. Meanwhile, the interest rate on pledge-backed loans averaged 25.8% in July, down 1 p.p. (see Chart 2.7).

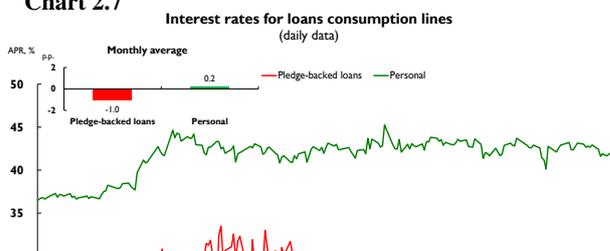
Chart 2.6



Source: BCRA

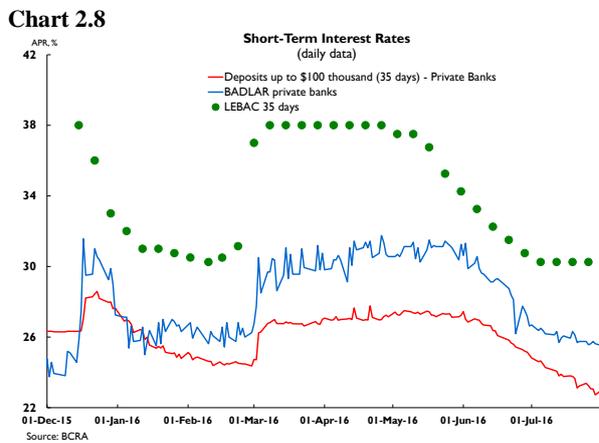
Lending interest rates mainly devoted to household financing showed a mixed evolution. The average interest rate on personal loans stood at 42.5%, up 0.2 p.p. against June. Meanwhile, the interest rate on pledge-backed loans averaged 25.8% in July, down 1 p.p. (see Chart 2.7). Meanwhile, borrowing interest rates went down slightly over the month, leading to a spread increase against the 35-day LEBAC rate, an evolution resulting from the adequate liquidity conditions of financial institutions. Particularly, the monthly average of the BADLAR –interest rate on time deposits of \$1 million and more, at 30-35 days– of private banks stood at 26%, down 2.9 p.p. against June. On the other hand, the interest rate paid by private entities on time deposits of up to \$100,000 and at up to 35 days accumulated a monthly drop of 2.4 p.p. and stood at 23.81% on average (see Chart 2.8).

Chart 2.7

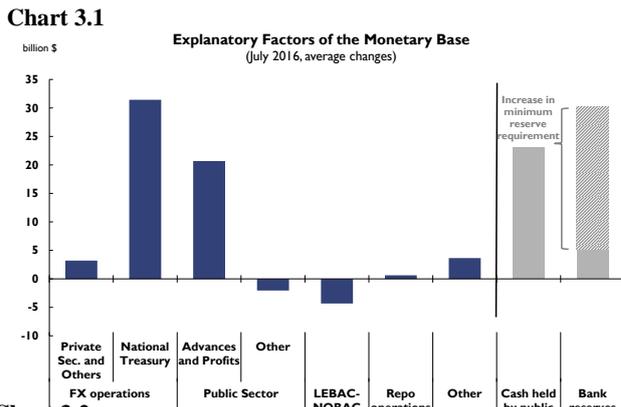


3. Monetary Aggregates¹

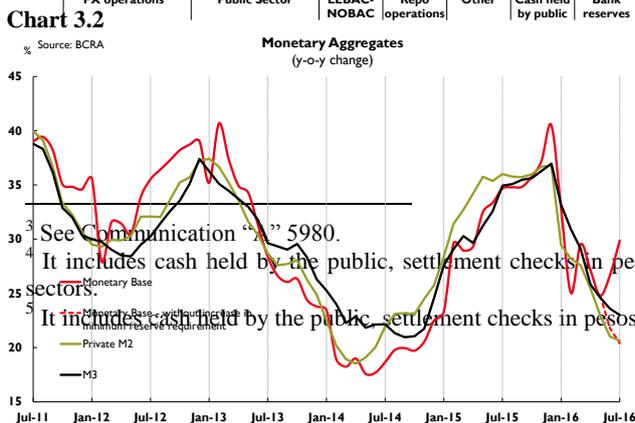
In July, the monthly expansion of the demand for monetary base was due to a series of specific factors. On one hand, the cash held by the public increased, driven by seasonal factors related to the payment of the semi-annual complementary wage and the winter vacations. On the other hand, bank reserves went up due to the increase in the minimum reserve requirement over this period³. The increasing demand for the monetary base was met with net purchases of foreign currency by the monetary authority, from both the private and the public sectors, totaling US\$2.6 billion over the month, and with the Central Bank's transfers to the Treasury, consistent with the annual amount of \$160 billion agreed upon between the BCRA and the Ministry of Economy and Public Finances. Part of the monetary expansion associated with these transactions was sterilized through the issue of LEBACs (see Chart 3.1). As a result of the above-mentioned increase of the minimum reserve requirement, the year-on-year expansion of the monetary base accelerated once again and reached 29.9%. If the effect of the regulatory change were excluded, the monetary base would have shown a deceleration and a year-on-year change of around 20% (see Chart 3.2).



The expansion pace of the remaining monetary aggregates kept moderating (see Chart 3.2). The year-on-year change of M3⁴ diminished 0,6 p.p. to 23%, while the year-on-year growth of transactional money from the private sector (Private M2⁵) contracted 0.3 p.p., down to 20.7%. Nevertheless, the latter recorded a monthly rise of 6.6%, boosted by the above-mentioned seasonal increase of demand, with hikes in the cash held by the public and in sight deposits.



Time deposits from the private sector exhibited a monthly rise of 2.7% with an expansion in both the retail and wholesale sectors. Deposits under \$1 million went up 3.5% (55.5% y.o.y.), thus keeping the momentum seen since late 2015 (see Chart 3.3). Meanwhile, the deposits of the wholesale sector recorded an increase of 1.3%, due in part to the positive statistical carryover of June since, over the month, the stock remained virtually stable. This evolution would be related to the widening of the spread between the interest rates accrued by the shortest-term LEBAC and the rate paid on wholesale time deposits (see Section Market Interest Rate).



On the other hand, deposits in pesos from the public sector fell 2.1%, with drops in time deposits and, mainly, in sight deposits. As a result, total deposits in pesos (in-

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

cluding both public and private sector deposits) went up 3.5% in July, posting a year-on-year change of 24.7%.

The average monthly stock of deposits in foreign currency remained virtually unchanged against June, with drops in the deposits from the public sector which were offset by the rise in deposits from the private sector. The latter expanded US\$360 million over July, reaching a stock of US\$12.3 billion, driven by the upward trend exhibited by deposits under US\$1 million (see Chart 3.4).

Finally, the broadest monetary aggregate, M3*⁶, increased 4.3%, exhibiting a year-on-year change of 30.6%.

4. Loans ¹⁷

In July, loans in pesos to the private sector posted a monthly increase of 1.2% (\$9.1 billion), while their year-on-year expansion pace slowed down once again, from 26.6% in June to 24.2% in July (see Chart 4.1). Unlike the performance observed in the first half of the year, July's growth was mainly accounted for by credit lines for commercial purposes (overdrafts, promissory notes and other loans; see Chart 4.2).

Regarding this type of financing, the loans arranged through promissory notes went up 1.8% (\$3.15 billion) in July. As a result, they have grown once again, after several months of decline, even though their year-on-year change went down 3.4 p.p. to 17.7%. If analyzed by type of transaction, document discount showed an increasing trend over the month, favored by the Financing Line for Production and Financial Inclusion (LFPIF). In this respect, a high share was observed in June and July of amounts traded at interest rates similar to those established under the framework of the LFPIF (21.75%-22.25% range; see Charts 4.3). In turn, unsecured promissory notes reversed their declining trend and remained stable. Also within lending for commercial purposes, overdrafts posted a 1.9% increase (\$1.92 billion) in July, similar to the figure recorded in June but below that of July 2015. Consequently, their year-on-year change went down around 6 p.p. to approximately 23%.

Likewise, lending devoted to financing household consumption has shown a heterogeneous performance. On

Chart 3.3
billion \$ Private Sector Time Deposits in Pesos (daily stock)

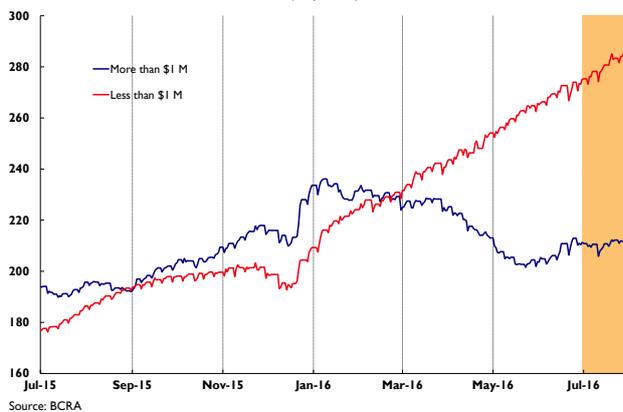


Chart 3.4
million US\$ Private Sector Deposits in Foreign Currency (daily stock)

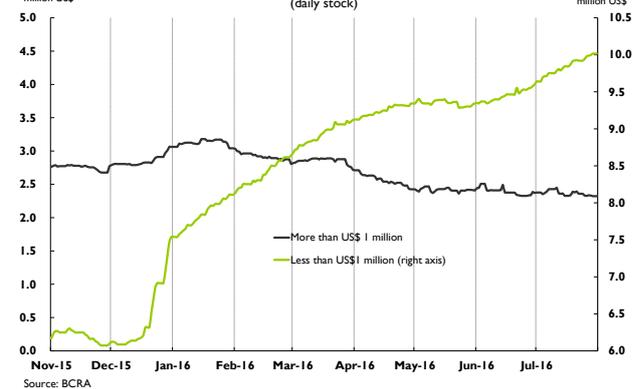
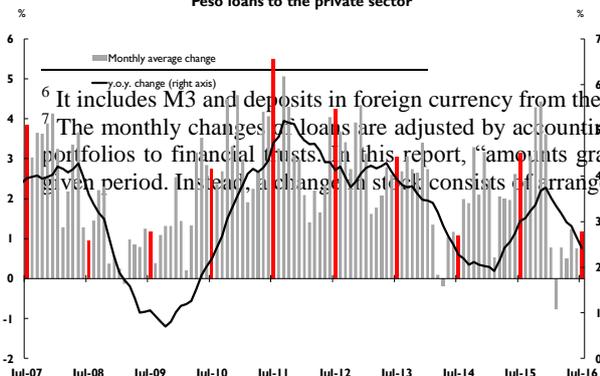


Chart 4.1
Peso loans to the private sector

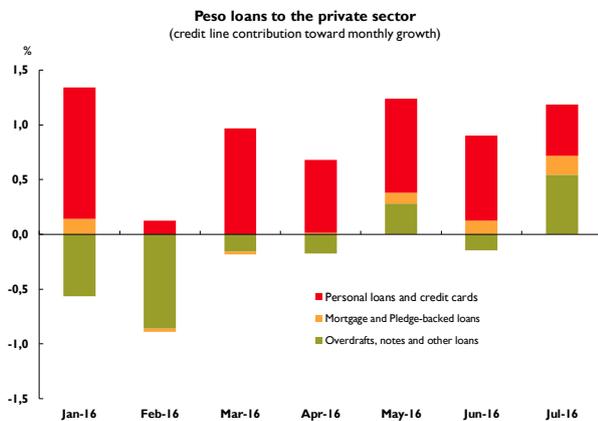


⁶ It includes M3 and deposits in foreign currency from the non-financial public and private sectors.

⁷ The monthly changes in loans are adjusted by accounting activity, mainly 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. Instead, a change in stock consists of arranged loans less amortizations and repayments for the period.

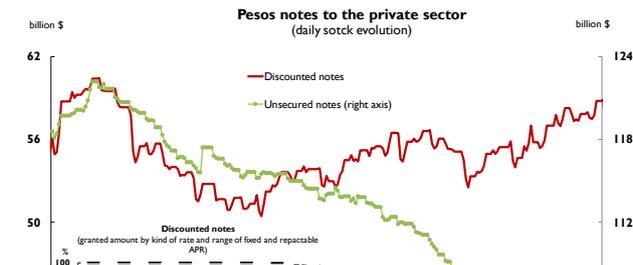
the one hand, personal loans expanded in July at a pace similar to that of June (up 1.7%; \$3.1 billion) and, in year-on-year terms, they went up around 32%, down 0.6 p.p. against June. On the other hand, the stock of loans arranged through credit cards remained virtually unchanged. It is worth mentioning that on July 1, there was a significant drop in the stock of these loans, due to the concentration of sizable maturities of one of the credit cards devoted to financing agricultural and livestock producers. Meanwhile, in the aggregate of the last 12 months up to July, the growth rate stood around 43%, down 1 p.p. against the figure recorded in June.

Chart 4.2



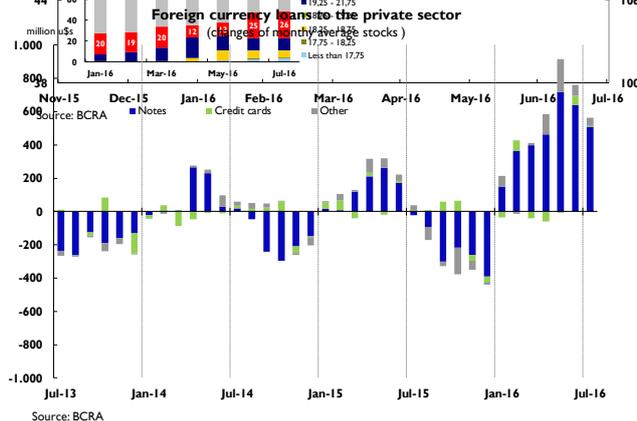
Regarding collateralized loans, pledge-backed loans went up 2.1% (\$890 million), benefitted by the positive “statistical carryover” of June. In fact, the change in the stock between July 31 and June 30 reached 1.3% (\$570 million). In turn, the year-on-year change remained virtually the same at around 22%. On the other hand, mortgage loans grew 0.8% in July (\$430 million), thus recording the second rise in a row of the year. As a result, they accumulated a 10.5% increase in the last 12 months. It is worth mentioning that several financial institutions are granting mortgages denominated in Housing Units (*Unidades de Vivienda –UVIs*), at an interest rate of around 5% and for an average term of approximately 15 years. As of July, around \$50 million were disbursed; in addition, there would be approved amounts that have not been granted yet.

Chart 4.3



Lastly, loans in foreign currency to the private sector continue to grow at a steady pace, driven by unsecured promissory notes, a credit line closely linked to foreign trade. In particular, they exhibited an increase of US\$570 million in July (see Chart 4.4). As a result, so far this year, they have recorded an accumulated expansion close to US\$3.72 billion.

Chart 4.4



5. Financial Institutions’ Liquidity¹

A new increase in the minimum reserve requirement became effective in July. In the case of deposits in pesos, the effect was equivalent to 2% of total deposits in such currency. Following the trend seen in June, the monthly increase of deposits over loans allowed financial institutions to comply with the increase in the minimum reserve requirement and, in addition, improve their liquidity held in LEBACs. As a result, the broad liquidity ratio in domestic currency (cash in banks, current account of banks with the Central Bank, net repo transactions with the BCRA and the holding of LEBACs, as a percentage of deposits in pesos) went up 2.1 p.p. against June, to

42.3% (see Chart 5.1). Moreover, it is estimated that financial entities ended June with a surplus in the Minimum Cash Position equivalent to 0.2% of total deposits in pesos.

Regarding the segment in foreign currency, the remarkable growth of loans in dollars contributed to the decrease of the foreign currency liquidity ratio (cash in banks, current account of banks with the Central Bank, net repo transactions with the BCRA and the holding of LEBACs in foreign currency as a percentage of deposits in dollars), even though it still stands at high levels. In July, the broad liquidity ratio in foreign currency stood at 80.3%, down 3.7 p.p. against the figure recorded in June. Vis-à-vis the higher minimum reserve requirements, the reduction was mainly accounted for by the drop of LEBACs and net repo transactions in foreign currency.

6. International Reserves and Foreign Exchange Market

In July, international reserves posted an increase of around US\$2 billion, and ended the period at approximately US\$32.5 billion (see Chart 6.1). Part of the monthly increase was due to debt issue in foreign currency by the Argentine Government. The increase was also due to currency purchase by the monetary authority in the foreign exchange market and to the increase of current accounts of financial entities with the Central Bank, closely related in this case to the rise of deposits in dollars.

In turn, after the improved balance sheet of the Central Bank observed in recent months, this Institution decided in late July an early cancellation of reverse repo transactions for US\$5 billion that had been arranged by the end of January 2016, and recorded new transactions with two international banks for US\$1 billion. In addition to the reduction of its reserve repo transactions by US\$4 billion, the interest rate was markedly lower (LIBOR US\$ at 1 month + 2.25%). At the same time, the Central Bank set in motion one of the mechanisms usually available to the Institution with the Bank of International Settlements (BIS) to manage its balance sheet more efficiently and at a lower cost, resulting in an additional inflow of US\$2.5 billion; this will provide more room of maneuver in the next few months.

The peso/US dollar reference exchange rate ended July at 15.04, up 0.8% against the figure recorded by the end of June. As it had already happened in previous months, the Central Bank let the market freely establish the exchange rate in the purchase and sale of foreign currency, with only specific interventions. As a result, the ex-

Chart 5.1

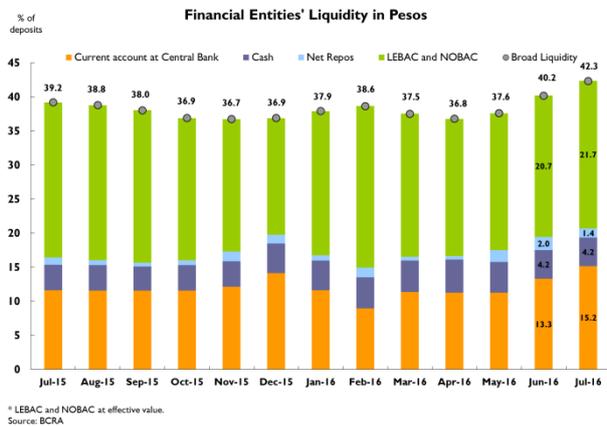


Chart 6.1

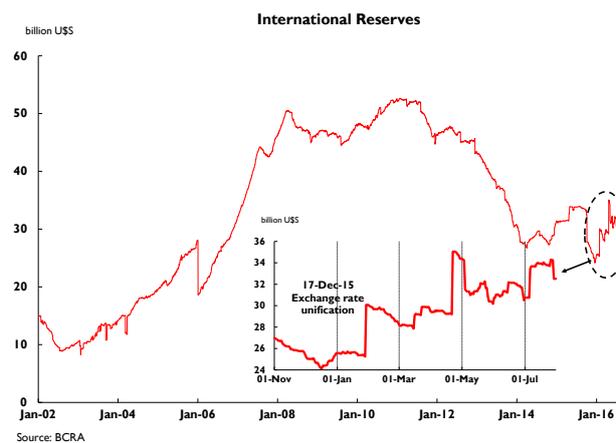
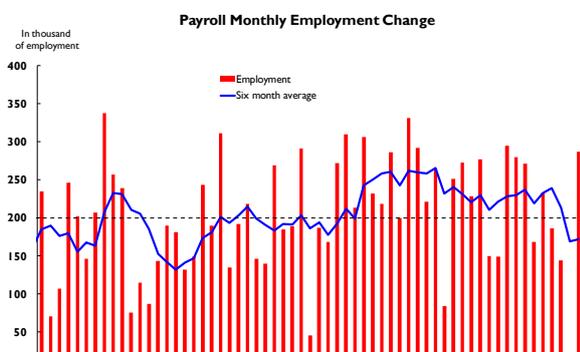


Chart 7.1



change rate regime adopted by the monetary authority gives the national economy more flexible to face external events.

7. Major Policy Measures Taken by Other Central Banks

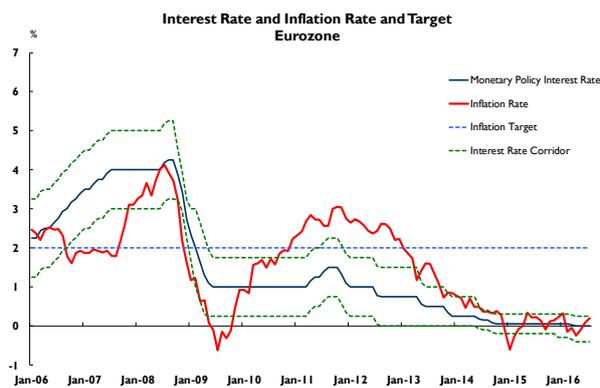
In July, the meetings held by the monetary authorities of advanced nations, such as those of the United States, the Euro Zone, England and Japan, stood out. In turn, among developing countries, there were also meetings held by the Central Banks of Colombia and Brazil.

In the first case, a meeting held by the Federal Open Market Committee (FOMC) of the Federal Reserve (FED) of the United States decided to keep the target of its benchmark interest rate (the Federal Funds rate) within the 0.25-0.5% range. In its press release, the institution underlined the strength of the labor market (see Chart 7.1), together with a slight improvement in the global financial conditions. On this basis, the market understood that the FED hinted at the possibility of an increase in the Federal Funds Rate before the end of the year.

In turn, the Governing Council (GC) of the European Central Bank (ECB) kept its benchmark interest rate unchanged, which is applied on the Main Refinancing Operations (MRO), at the minimum historical figure of 0.05%; in turn, its interest rate corridor also continued to stand at -0.4% and 0.25% for deposit and credit facilities, respectively (see Chart 7.2). Neither did it introduce changes to its asset purchase program. The GC authorities underlined the resilience of the Euro Zone financial markets after the United Kingdom's decision to leave the European Union (Brexit). In addition, in the press release after the meeting, the Governing Council stated that it will use all the instruments available, if appropriate, to ensure the pass-through of the expansionary policy to the real economy.

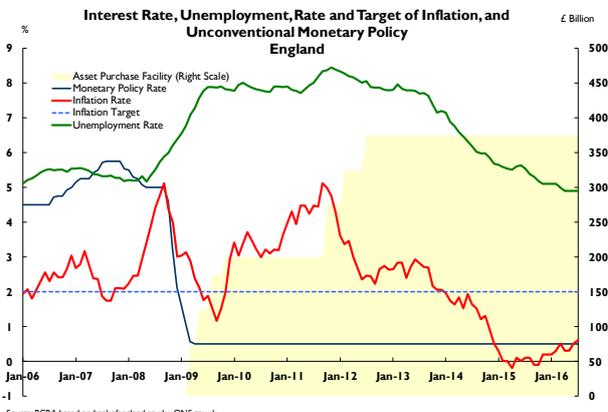
After the Brexit, the Monetary Policy Committee (MPC) of the Bank of England (BoE) unexpectedly decided to keep its benchmark interest rate (Bank Rate) at 0.5% and its asset purchase program at £375 billion (see Chart 7.3). However, most members of the MPC stated that expansionary measures should be adopted at the next meeting⁸. In this respect, they pointed out that their size and nature will depend on the new set of forecasts to be released on such occasion.

Chart 7.2



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

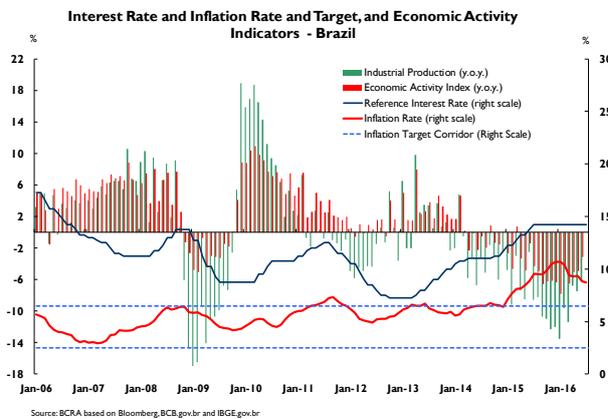
Chart 7.3



Source: BCRA based on bankofengland.co.uk y ONS.gov.uk

⁸ In fact, on August 4, the MPC reduced the Bank Rate to 0.25% and, in addition, it adopted quantitative easing measures.

Chart 7.4



On the other hand, at its meeting held on July 29, the authorities of the Bank of Japan (BoJ) adopted new expansionary measures. They have almost doubled their exchange-traded funds (ETFs) purchase program from an amount equivalent to US\$32 billion per year to US\$58 billion. The BoJ has also doubled its funding program in dollars to US\$24 billion. Nevertheless, the market was expecting a broader set of expansionary measures.

In Latin America, the Bank of the Republic (Central Bank of Colombia) decided to raise once again its benchmark interest rate (base overnight rate for expansion auctions) by 0.25 p.p. to 7.75%, thus accumulating an increase of 4.25 p.p. since the beginning of the rise cycle in April 2014 and of 2 p.p. so far this year. This measure was taken within a context where inflation reached 8.6% in June, over 4.5 p.p. above the upper limit of the inflation target ($3\% \pm 1$ p.p.).

Lastly, on July 20, the Monetary Policy Committee (COPOM) of the Central Bank of Brazil decided to keep for eight meetings in a row the Selic rate target at 14.25% in a context of recession where the inflation rate, standing at 8.8% in June, continued to stand markedly above the target ($4.5\% \pm 2$ p.p.), even though with a declining trend (see Chart 7.4).

8. Indicadores Monetarios y Financieros

Figures in millions, expressed in their original currency.

Main monetary and financial system figures	Monthly average				Average change in	
	Jul-16	Jun-16	Dec-15	Jul-15	Monthly	Last 12 months
Monetary base	671,463	618,259	622,263	517,033	8.6%	29.9%
Currency in circulation	483,581	459,233	458,844	401,687	5.3%	20.4%
Held by public	432,073	409,027	408,627	364,636	5.6%	18.5%
Held by financial entities	51,508	50,205	50,217	37,049	2.6%	39.0%
Settlement check	0	0	0	0	-9.7%	-
BCRA current account	187,881	159,027	163,418	115,347	18.1%	62.9%
Repos stock						
Reverse repos	35,364	35,985	33,067	19,643	-1.7%	80.0%
Repos	0	0	0	0	0.0%	0.0%
BCRA securities stock (in face value)						
In banks	561,052	551,561	325,511	352,802	1.7%	59.0%
LEBAC	275,400	263,342	239,287	262,615	4.6%	4.9%
In pesos	557,717	539,449	305,323	336,885	3.4%	65.6%
In Dollars	223	851	1,754	1,739	-	-
NOBAC	0	0	0	0	-	-
International Reserves	33,231	31,485	24,816	33,872	5.5%	-1.9%
Private and public sector deposits in pesos ⁽¹⁾	1,233,684	1,192,034	1,151,700	989,327	3.5%	24.7%
Current account ⁽²⁾	317,374	322,225	374,962	276,941	-1.5%	14.6%
Savings account	274,211	241,428	244,736	219,387	13.6%	25.0%
Not CER-adjustable time deposits	591,287	579,511	487,974	455,150	2.0%	29.9%
CER-adjustable time deposits	38	21	12	10	80.0%	281.6%
Other deposits ⁽³⁾	50,773	48,849	44,015	37,838	3.9%	34.2%
<u>Private sector deposits</u>	<u>990,023</u>	<u>943,057</u>	<u>887,580</u>	<u>777,549</u>	<u>5.0%</u>	<u>27.3%</u>
<u>Public sector deposits</u>	<u>243,661</u>	<u>248,977</u>	<u>264,120</u>	<u>211,778</u>	<u>-2.1%</u>	<u>15.1%</u>
Private and public sector deposits in dollars ⁽¹⁾	15,376	15,337	10,579	10,398	0.3%	47.9%
Loans to private and public sector in pesos ⁽¹⁾	852,826	842,951	821,536	684,388	1.2%	24.6%
<u>Loans to private sector</u>	<u>788,468</u>	<u>779,360</u>	<u>763,673</u>	<u>634,793</u>	<u>1.2%</u>	<u>24.2%</u>
Overdrafts	103,365	101,442	93,780	83,742	1.9%	23.4%
Promissory bills	177,139	173,993	192,445	150,528	1.8%	17.7%
Mortgages	55,308	54,874	54,270	50,038	0.8%	10.5%
Pledge-backed loans	42,792	41,900	39,996	34,947	2.1%	22.4%
Personal loans	181,865	178,758	160,780	137,060	1.7%	32.7%
Credit cards	190,926	190,534	174,753	133,223	0.2%	43.3%
Other loans	37,073	37,859	47,650	45,255	-2.1%	-18.1%
<u>Loans to public sector</u>	<u>64,358</u>	<u>63,591</u>	<u>57,863</u>	<u>49,596</u>	<u>1.2%</u>	<u>29.8%</u>
Loans to private and public sector in dollars ⁽¹⁾	6,699	6,129	2,935	4,446	9.3%	50.7%
Total monetary aggregates ⁽¹⁾						
M1 (currency held by public + settlement check in pesos+ current account in pesos)	749,448	731,252	783,590	641,579	2.5%	16.8%
M2 (M1 + savings account in pesos)	1,023,659	972,680	1,028,325	860,966	5.2%	18.9%
M3 (currency held by public + settlement check in pesos + total deposits in pesos)	1,665,757	1,601,061	1,560,327	1,353,964	4.0%	23.0%
M3* (M3 + total deposits in dollars + settlement check in foreign currency)	1,898,464	1,820,748	1,686,655	1,454,028	4.3%	30.6%
Private monetary aggregates						
M1 (currency held by public + settlement check in pesos + priv.current account in pesos)	640,907	617,869	622,087	541,432	3.7%	18.4%
M2 (M1 + private savings account in pesos)	898,243	842,616	849,199	744,397	6.6%	20.7%
M3 (currency held by public + settlement check in pesos + priv. total deposits in pesos)	1,422,096	1,352,084	1,296,208	1,142,187	5.2%	24.5%
M3* (M3 + private total deposits in dollars + settlement check in foreign currency)	1,607,578	1,522,634	1,408,034	1,221,182	5.6%	31.6%

Explanatory factors	Average Change							
	Monthly		Quarterly		YTD 2014		Last 12 months	
	Nominal	Contribution ⁽⁴⁾	Nominal	Contribution ⁽⁴⁾	Nominal	Contribution ⁽⁴⁾	Nominal	Contribution ⁽⁴⁾
Monetary base	53,204	8.6%	89,140	15.3%	49,200	8.0%	154,429	29.9%
Foreign exchange purchases with the private sector	3,207	0.5%	30,656	5.3%	31,216	5.0%	-60,726	-11.7%
Foreign exchange purchases with the NT	31,431	5.1%	84,861	14.6%	68,098	11.0%	83,678	16.2%
Temporary Advances and Profit Transfers	20,680	3.3%	43,237	7.4%	88,968	14.4%	187,753	36.3%
Other public sector operations	-2,056	-0.3%	-5,913	-1.0%	-5,272	-0.9%	-1,671	-0.3%
Sterilization (BCRA securities and repos)	-3,111	-0.5%	-62,418	-10.7%	-169,574	-27.4%	-126,332	-24.4%
Others	3,052	0.5%	-1,282	-0.2%	35,764	5.8%	71,728	13.9%
International Reserves	1,746	5.5%	2,216	7.1%	8,416	26.7%	-640	-1.9%
Foreign exchange market intervention	252	0.8%	2,223	7.2%	2,286	7.3%	-7,458	-22.0%
International financial institutions	-91	-0.3%	-431	-1.4%	-1,150	-3.7%	-1,983	-5.9%
Other public sector operations	1,792	5.7%	2,649	8.5%	3,562	11.3%	6,980	20.6%
Dollar liquidity requirements	-201	-0.6%	2,672	8.6%	1,509	4.8%	3,771	11.1%
Others (incl. change in US\$ market value of nondollar assets)	-5	0.0%	-4,897	-15.8%	2,209	7.0%	-1,950	-5.8%

1 Excludes financial sector and foreign depositors. Loans' 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 SISGEN Informative Regime.

Minimum Cash Requirement and Compliance

	Jul-16	Jun-16	May-16
(1)			
Domestic Currency	% of total deposits in pesos		
Requirement	14.9	13.0	11.0
Compliance	15.2	13.3	11.3
Position (2)	0.2	0.3	0.2
<i>Residual time structure of term deposits used for the calculation of the requirement (3)</i>	%		
Up to 29 days	66.2	67.1	66.6
30 to 59 days	21.8	21.6	22.1
60 to 89 days	6.1	5.9	6.3
90 to 179 days	3.5	3.3	3.2
more than 180 days	2.4	2.2	1.8
Foreign Currency	% of total deposits in foreign currency		
Requirement	25.5	22.2	20.2
Compliance (includes default application resource)	72.1	74.0	66.8
Position (2)	46.6	51.7	46.6
<i>Residual time structure of term deposits used for the calculation of the requirement (3)</i>	%		
Up to 29 days	55.7	53.7	55.2
30 to 59 days	20.4	22.6	19.3
60 to 89 days	10.4	10.0	12.4
90 to 179 days	9.7	9.8	9.2
180 to 365 days	3.7	3.8	3.9
more than 365 days	0.1	0.1	0.1

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

(2) Position= Requirement - Compliance

(3) Excludes judicial time deposits.

Source: BCRA

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

Borrowing Interest Rates	Jul-16	Jun-16	May-16	Dec-15	Jul-15
Interbank Loans (overnight)					
Interest rate	29.05	31.53	34.45	25.89	23.86
Traded volume (million pesos)	4,108	3,156	3,280	2,798	3,455
Time Deposits					
<u>In pesos</u>					
30-44 days	24.66	27.00	28.49	26.50	20.18
60 days or more	25.14	27.72	29.20	28.47	22.93
Total BADLAR (more than \$1 million, 30-35 days)	25.37	27.64	29.31	25.27	17.71
Private Banks BADLAR (more than \$1 million, 30-35 days)	26.02	28.95	30.92	27.54	20.69
<u>In dollars</u>					
30-44 days	0.67	0.68	0.69	2.10	1.69
60 days or more	1.19	1.21	1.22	3.21	2.56
Total BADLAR (more than \$1 million, 30-35 days)	0.62	0.61	0.60	1.70	1.43
Private Banks BADLAR (more than \$1 million, 30-35 days)	1.08	0.83	1.00	2.57	2.38
Lending Interest Rates	Jul-16	Jun-16	May-16	Dec-15	Jul-15
Stock Repos					
Gross interest rates 30 days	27.43	30.83	34.74	30.90	23.64
Traded volume (all maturities, million pesos)	619	679	641	956	593
Loans in Pesos ⁽¹⁾					
Overdrafts	35.90	38.61	40.31	34.50	30.43
Promissory Notes	31.47	32.06	33.28	30.61	26.25
Mortgages	24.59	27.51	24.21	22.86	25.10
Pledge-backed Loans	24.78	25.83	25.67	26.00	25.04
Personal Loans	42.51	42.31	43.13	39.00	36.44
Credit Cards	n/a	44.46	46.24	40.12	39.39
Overdrafts - 1 to 7 days - more than \$10 million	30.77	34.37	37.17	30.33	26.19
International Interest Rates	Jul-16	Jun-16	May-16	Dec-15	Jul-15
LIBOR					
1 month	0.48	0.45	0.44	0.36	0.19
6 months	1.00	0.94	0.93	0.77	0.46
US Treasury Bonds					
2 years	0.67	0.73	0.81	0.97	0.66
10 years	1.50	1.64	1.80	2.35	2.32
FED Funds Rate	0.50	0.50	0.50	0.39	0.25
SELIC (1 year)	14.25	14.25	14.25	14.25	13.82

(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	Jul-16	Jun-16	May-16	Dec-15	Jul-15
BCRA Repo Interest Rates					
Overnight reverse repo	26.08	28.43	30.00	20.81	13.81
7-day reverse repo	27.08	29.43	31.00	22.81	14.97
7-day repo	36.08	38.43	40.00	27.00	18.13
Total Repo Interest Rates					
Overnight	26.54	29.29	31.02	22.65	17.19
7 days	27.00	28.96	n/a	22.78	21.20
Repo traded volumen (daily average)	34,701	34,268	32,073	22,708	19,639
Peso LEBAC Interest Rate¹					
1 month	30.25	31.94	36.25	35.67	n/a
2 months	29.38	30.93	34.70	34.73	n/a
3 months	28.64	29.78	33.10	32.31	26.00
9 months	n/a	n/a	n/a	n/a	n/a
12 months	n/a	n/a	n/a	n/a	n/a
Peso NOBAC with variable coupon Spread¹					
200 days BADLAR Private Banks	n/a	n/a	n/a	n/a	n/a
Dollars LEBAC Interest Rate¹					
1 month	n/a	n/a	n/a	3.22	3.25
3 months	n/a	n/a	n/a	3.69	3.90
6 months	n/a	n/a	n/a	3.75	4.00
12 months	n/a	n/a	n/a	3.96	4.20
LEBAC and NOBAC traded volume (daily average)	11282	13202	12352	2813	2773
Foreign Exchange Market	Jul-16	Jun-16	May-16	Dec-15	Jul-15
Dollar Spot					
Exchange agencies	14.90	14.18	14.12	11.39	9.14
BCRA Reference	14.97	14.23	14.22	11.51	9.15
Future dollar					
NDF 1 month	15.15	14.31	14.51	13.48	9.26
ROFEX 1 month	15.27	14.51	14.45	12.80	9.27
Traded volume (all maturities, million pesos)	6,124	6,662	5,214	3,856	2,335
Real (Pesos/Real)	4.56	4.16	3.99	2.93	2.82
Euro (Pesos/Euro)	16.54	15.94	15.98	12.43	10.06
Capital Market	Jul-16	Jun-16	May-16	Dec-15	Jul-15
MERVAL					
Index	15,434	13,497	13,027	12,849	11,678
Traded volume (million pesos)	340	304	193	204	149
Government Bonds (parity)					
DISCOUNT (US\$ - NY legislation)	114.02	111.10	106.37	140.45	135.20
BONAR X (US\$)	102.86	102.53	101.71	130.49	140.44
DISCOUNT (\$)	118.76	112.21	100.80	120.57	74.88
Country risk					
Spread BODEN 2015 vs. US Treasury Bond	312	364	377	639	835
EMBI+ Argentina	511	521	546	476	603
EMBI+ Latin America	497	543	555	574	538

¹ Corresponds to average results of each month primary auctions.

9. 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