Report on Banks

May 2021

BANCO CENTRAL
DE LA REPÚBLICA ARGENTINA

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About the use of inclusive language in the Spanish version of this report

The Central Bank of Argentina is committed to encouraging the use of a non-discriminatory language that promotes the acceptance of all gender identities. It should be noted that all those who have contributed to this report acknowledge that language influences on ideas, feelings, ways of thinking, as well as principles and core values.

Published on July 29, 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

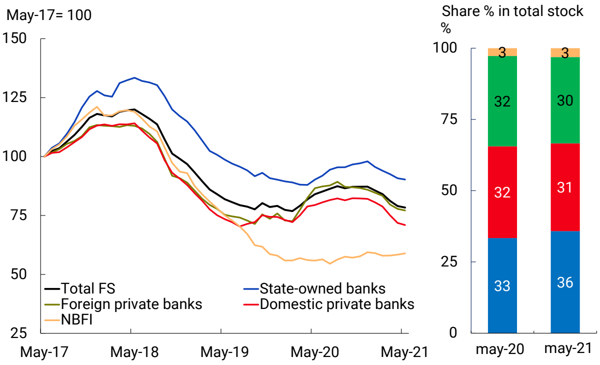
- In a context adversely impacted by the effects of the second wave of the pandemic, the financial system continued developing its activities without disruptions in May, keeping sizable solvency and liquidity levels. Over the period, the share of the electronic means of payments continued to be on the rise in the regular transactions of households and companies. In this context, the BCRA continues to focus on deepening the momentum of the payment system, especially via electronic tools, but without disregarding the security of transactions.
- The amounts traded via instant transfers of funds expanded 15.1% in real terms in the last 12 months up to June (latest information available). Within this segment, the performance of mobile banking was especially remarkable (54.6% year-on-year —y.o.y.—, considering the amounts in real terms), driven by the higher use of electronic wallets. In turn, transactions with debit cards via e-commerce went up 34.8% y.o.y., in real terms in relation with amounts. On the other hand, the clearing of electronic checks (ECHEQs) increased significantly in the last year (measured in real terms), nearly tripling its value.
- The financial system continued to show high liquidity margins, from both a historical perspective and relative to the recommendations of international standards. In May, broad liquid assets accounted for 66.5% of total deposits (62.9% for the items in domestic currency and 81.7% for the segment in foreign currency), up 0.4 p.p. and 0.7 p.p. against April and against the same month of 2020, respectively.
- In May, capital adequacy of the financial system totaled 25.8% of risk-weighted assets (RWAs), up 0.5 p.p. against April and up 2.9 p.p. in year-on-year terms. The capital position (Regulatory Capital (RC) minus the regulatory requirement) of the aggregate financial institutions stood at around 210% of the capital requirement over the month. The ratio capital position-to-loans to private sector net of provisions —an indicator associated with the sector's capital adequacy in the face of any eventual credit risk materialization— stood at 31.9% in May, quite above the average of the last 10 years (13.8%).
- The stock of loans to private sector in pesos shrank 0.8% in real terms in May (+2.4% in nominal terms) and accumulates a moderate year-on-year contraction. In the framework of the Credit Line for Productive Investment (LFIP), the BCRA has recently expanded the segment of "Financing for investment projects" to serve companies that, regardless of their size, make investments to increase the productive capacity in terms of poultry and/or pork meat. Consequently, the focus is on providing companies with access to credit and contributing to the diversification of the meat consumption basket and the increase of net exports. By means of the LFIP, over $692.4 billion had been disbursed until late June to 147,809 companies.
- The non-performing ratio of loans to private sector, for the aggregate financial system, amounted to 4.3% over the month, slightly above the figure recorded in April (-0.9 p.p. y.o.y.). This occurred within the context of the second month of transition established by the BCRA for the classification of debtors made by financial institutions. As from June, they will have to go back to the criteria in force before March 19, 2020. Simultaneously, the BCRA has kept the policy intended to focus the financial aid measures on the sectors that have been hit hardest by the pandemic, allowing financial institutions to defer to the end of the lifetime of the loan the unpaid installments corresponding to financial aid provided to debtors that are employers benefitted by the Productive Recovery Program II (REPRO II). In turn, total provisions of the financial system accounted for 5.8% of total loans to the private sector in May (in line with the record of April and of May 2020).
- In May, the stock of private sector deposits in pesos went down 0.5% in real terms (+2.8% in nominal terms) against April, but increasing 0.8% in real terms y.o.y. Over the month, sight accounts went up 1.5% in real terms (+4.8% in nominal terms), while time deposits contracted 3% in real terms (+0.2% in nominal terms). UVA time deposits continued to show a remarkable momentum and recorded a monthly increase of 22.6% in real terms for UVA deposits with early cancellation option and of 10% in real terms for traditional deposits.
- The total comprehensive income in homogeneous currency accrued by the financial system in the first five months of 2021 was equivalent to 0.7% annualized (a.) of assets (ROA) and to 4.3%a. of equity (ROE). These levels were lower than those recorded in the same period of 2020 and also in the aggregate of the entire 2020.

I. Financial Intermediation Activity

In May, the financial intermediation activity with the private sector in domestic currency exhibited a weak performance, in a context of persistence of the effects caused by the pandemic that resulted in the adoption of specific and temporary measures intended to prevent irreversible consequences for public health,[1] which have impacted on the mobility of the population and on the economic activity. Taking into account the main changes in the aggregate balance sheet of the financial system in homogeneous currency on the items in pesos,[2] the stock of loans to private sector shrank to some extent, while public sector deposits went up in May. These changes occurred in a context of broad liquidity increase for the aggregate financial system. In turn, considering the main changes in the aggregate balance sheet for the segment in foreign currency —expressed in currency of origin—, there was a drop in liquidity and an increase in private sector deposits, which were mainly used to increase the financing to the private sector in this currency.

The stock of loans to private sector in domestic currency went down 0.8% in real terms in May (+2.4% in nominal terms).[3] There was a mixed performance in the credit assistance in pesos over the month, with increases in pledge-backed loans, overdrafts and loans backed with assets under financial lease, and contractions in the other credit lines. In year-on-year terms, the stock of loans in pesos in real terms accumulated a drop of 6.7%, mainly explained by the performance of private financial institutions (see Chart 1).[4]

Chart 1 | Stock of loans to private sector in pesos
In real terms*



* Not seasonally adjusted. Total includes adjustments of principal and interest accrued. NBFI: Non-Banking Financial Institutions. Source: BCRA

So far this year, the scope of the Credit Line for Productive Investment (LFIP) of micro, small and medium-sized enterprises (MSMEs)[5] was expanded. As from its implementation —in mid-October 2020— and until the end of the first half of 2021, over $692.4 billion have been disbursed (40.5% corresponding to the 2021 quota), reaching 147,809 companies (see Chart 2). It is estimated that 22.1% of the daily average stock as of May 2021 was granted to companies with domicile for tax purposes in the province of Buenos Aires, 20.9% in the Autonomous City of Buenos Aires (CABA), 12.8% in Córdoba and 9.4% in Santa Fe (see Chart 3). In turn, a breakdown by type of activity shows that 43.3% of the stock was provided to the industry, followed by commercial activities with 24.2%.

1 For further detail, see Executive Orders 334/2021 and 287/2021.
2 Differences of the balance sheet stock expressed in homogeneous currency. Information taken from the Monthly Accounting Reporting System (May 2021, latest information available at the time of publication of this Report).
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".
5 For further detail, see the Consolidated Text on "Credit Line for Productive Investment of MSMEs".

Chart 2 | Credit Line for Productive Investment (LFIP) of MSMEs
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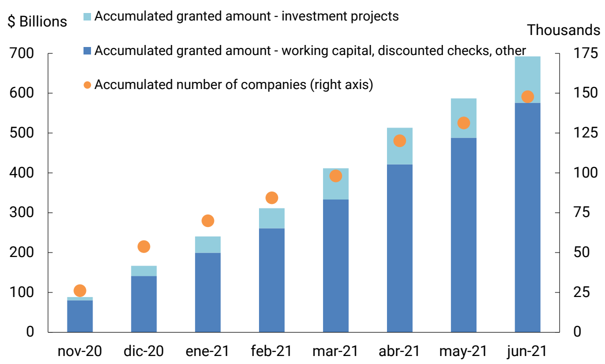
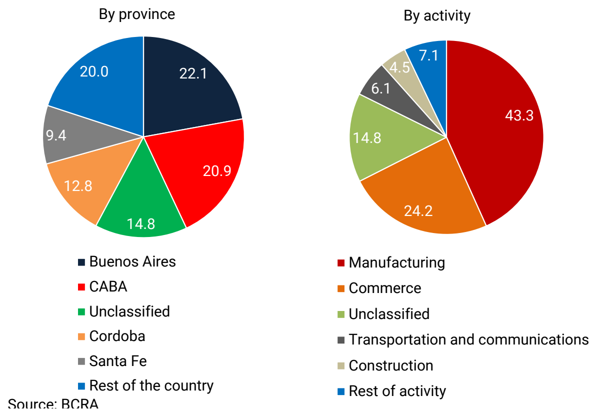


Note: End-month data. Information subject to rectification. Source: BCRA

Chart 3 | Credit Line for Productive Investment (LFIP) of MSMEs
Average daily stock accumulated as of May 2021



Source: BCRA

Within the framework of the LFIP, the BCRA has recently extended the line of "Financing for investment projects" at a nominal annual percentage rate of 30% for all companies (regardless of their size) making investments intended to increase the productive capacity in terms of poultry and/or pork meat.[6] Thus, the focus continues to be on providing companies with access to credit, and contributing to the diversification of the meat consumption basket and the increase of net exports.

Simultaneously, by means of the financing program at subsidized interest rates for companies registered with the Emergency Assistance Program for Work and Production (ATP),[7] 20,940 loans were granted for a total accumulated amount of $14.31 billion until late June.

With reference to credit lines for persons under the Simplified Tax Regime and/or people with income sources deriving from their condition of self-employed workers, $66.49 billion were disbursed by means of the Zero Interest Rate Credit Line[8] as of late June. In addition, nearly $ 311 million were granted under the Culture Zero Interest Rate Credit Line.[9]

According to the last results of the Survey on Credit Conditions corresponding to the second quarter of the year, credit standards associated with SMEs eased moderately at aggregate level among the institutions participating in the survey (standing unchanged for large companies), together with some terms and conditions of the loans approved for this segment. In terms of the perceived demand, the institutions participating in the survey reported a bias towards a neutral position for SMEs (with a slight drop in the case of large companies).[10]

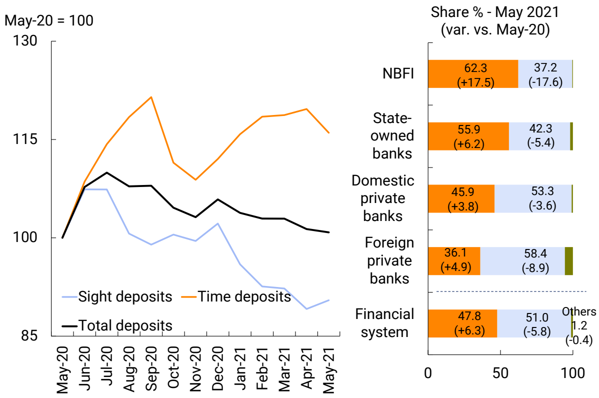
Considering the items in foreign currency, the stock of loans in this currency went up 6.4% in May against April —in currency of origin—, mainly due to financing to exports. In this context, the stock

6 See Communication "A" 7329
7 See Communication "A" 7082 and Communication "A" 7102.
8 See Communication "A" 6993.
9 See Communication "A" 7082.
10 For further detail, see the Survey on Credit Conditions corresponding to the second quarter of 2021.

of total lending (including domestic and foreign currency) to private sector did not exhibit significant changes over the period (-0.1% in real terms or 3.2% in nominal terms), accumulating an 11% drop in real terms in the last twelve months.

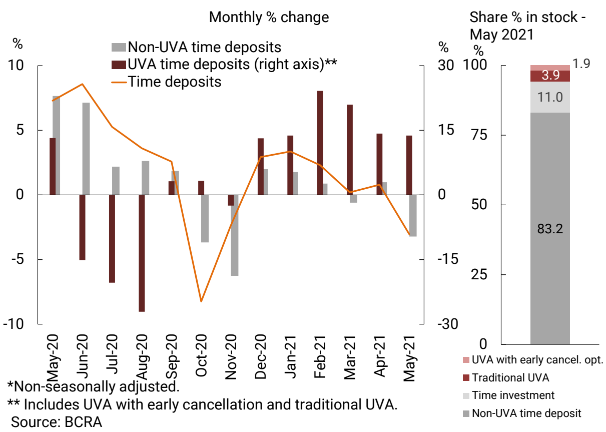
As regards funding of the ensemble of financial institutions, the stock of private sector deposits in pesos in real terms contracted 0.5% in May against April (+2.8% in nominal terms) (see Chart 4). The stock of sight accounts rose 1.5% in real terms (+4.8% in nominal terms), while time deposits shrank 3% in real terms (+0.2% in nominal terms). Within the latter segment, UVA time deposits exhibited a marked momentum over the month —as it has been seen for the last six months— (see Chart 5), recording a 22.6% increase in real terms in the case of deposits with early cancellation option and 10% in real terms for traditional deposits.

Chart 4 | Stock of private sector deposits in pesos
In real terms*



* Not seasonally adjusted. NBFI: Non Banking Financial Institutions. Fuente: BCRA

Chart 5 | Stock of private sector time deposits in pesos
– In real terms *



*Non-seasonally adjusted.
** Includes UVA with early cancellation and traditional UVA.
Source: BCRA

Monetary policy interest rates and nominal borrowing interest rates in pesos did not record significant changes during May against April. The stock of time deposits-to-stock of sight accounts ratio of the private sector in domestic currency continued to stand above the average of recent years.

The stock of the private sector deposits in foreign currency went up 1.3% over the month —in currency of origin—, and this performance was widespread among all groups of financial institutions. In this context, total private sector deposits (in domestic and foreign currency) contracted 0.6% in real terms (+2.7% in nominal terms).

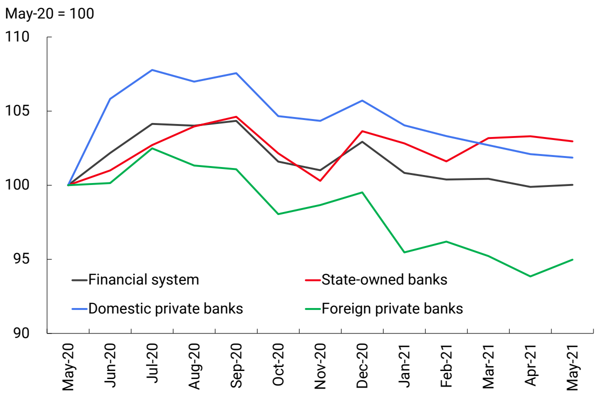
In year-on-year terms, the stock of private sector deposits in domestic currency increased 0.8% in real terms (+50% y.o.y. in nominal terms). In particular, time deposits in pesos of this sector rose 16% y.o.y. in real terms (+72.7% y.o.y. in nominal terms) over the period, while sight accounts contracted 9.5% y.o.y. in real terms (+34.6% y.o.y in nominal terms). In turn, public sector deposits in pesos grew 20.2% y.o.y. (+78.9% y.o.y. in nominal terms). As a result, the stock of total deposits in pesos (considering both sectors) accumulated an increase of 4.8% y.o.y. in real terms (+55.9% y.o.y.

in nominal terms). Taking into account all currencies and sectors, the stock of total deposits increased 1.9% y.o.y. in real terms (+51.6% y.o.y. in nominal terms).

II. Aggregate Balance Sheet Composition

In May, the total stock of assets of the ensemble of financial institutions remained virtually unchanged in both month-on-month and year-on-year terms (see Chart 6). Over the month, there was a mixed performance among the groups of financial institutions in terms of their assets: an increase in foreign private institutions and a contraction in the rest of them. In year-on-year terms, the assets of state-owned and domestic private institutions exhibited a higher relative momentum.

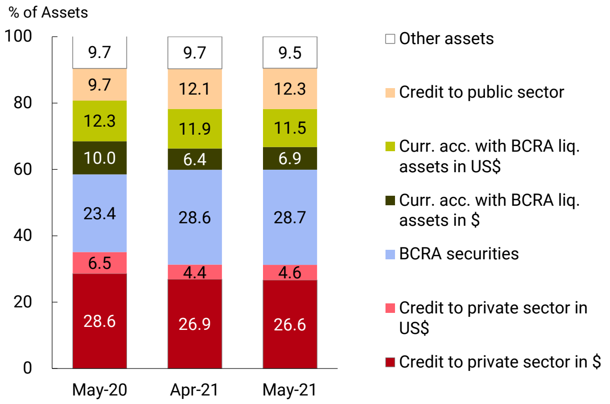
Chart 6 | Stock of total assets
In real terms



Source: BCRA

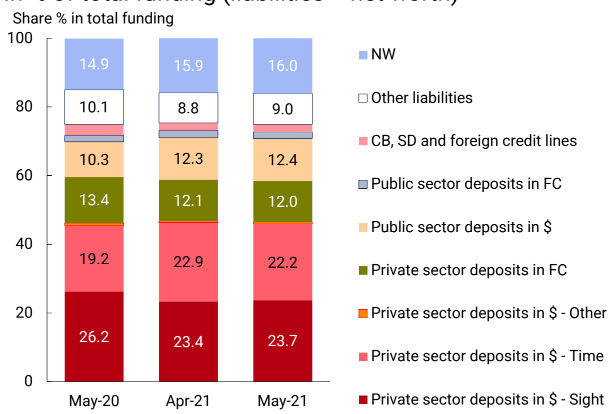
Regarding the components of the financial system’s total assets, there was an increase in the share of the balance of current accounts held by the institutions at the BCRA in domestic currency, of the lending to public sector and of loans to private sector in foreign currency (see Chart 7). In turn, there was a decrease in the relative share of the balance of current accounts in foreign currency held by the institutions at the BCRA and of the lending in pesos to the private sector.

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



Source: BCRA

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

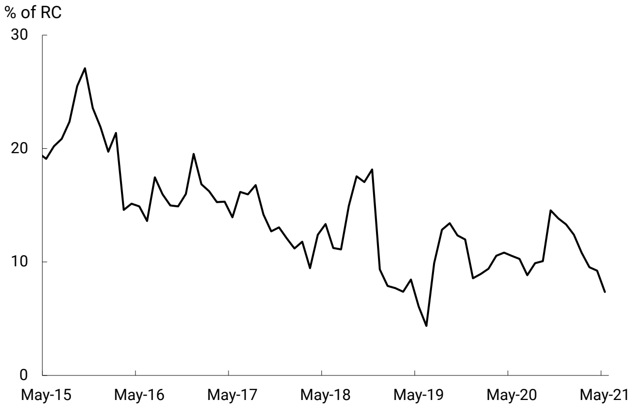


FC: Foreign currency. Source: BCRA

In relation to the composition of the system’s total funding, the highlights were a higher share of the private sector's stock of sight accounts in pesos and the relative contraction of time deposits in the same currency for such sector (see Chart 8).

In May, the assets in foreign currency of the ensemble of financial institutions accounted for 18.6% of total assets, down 0.3 p.p. against April and down 2.5 p.p. in year-on-year terms. The liabilities in the same currency accounted for 16.9% of total funding (liabilities and net worth) over the period, posting a similar performance in both month-on-month and year-on-year terms. The performance of assets and liabilities in foreign currency in total assets was mainly explained by the increase in total assets, which exceeded the rise of assets and liabilities in foreign currency. Also taking into consideration the purchase and sale forward transactions made by the ensemble of financial institutions in foreign currency —classified as off-balance—, the spread of the financial system's assets and liabilities in foreign currency narrowed 1.9 p.p. of the regulatory capital at systemic level, down to 7.4% (-3.2 p.p. y.o.y) (see Chart 9).

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

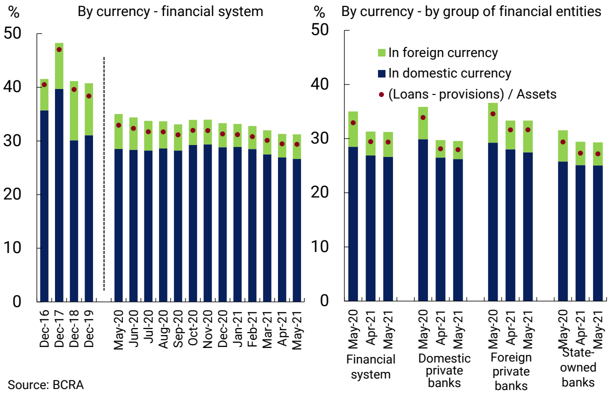


Source: BCRA

III. Portfolio Quality

In May, the gross exposure of the financial system to the private sector (in both domestic and foreign currency) stood at 31.2% of total assets,[11] slightly below the value recorded in the previous month (-3.9 p.p. y.o.y.). This ratio stood at 26.6% if considering only lending in pesos, 0.3 p.p. below the value recorded in April (-1.9 p.p. y.o.y.) (see Chart 10). In turn, the share of loans to private sector in foreign currency went up 0.2 p.p. in total assets relative to the previous month, to 4.6%, standing below the figure recorded in May 2020 (-1.9 p.p. y.o.y.).

Chart 10 | Stock of loans to private sector / Assets

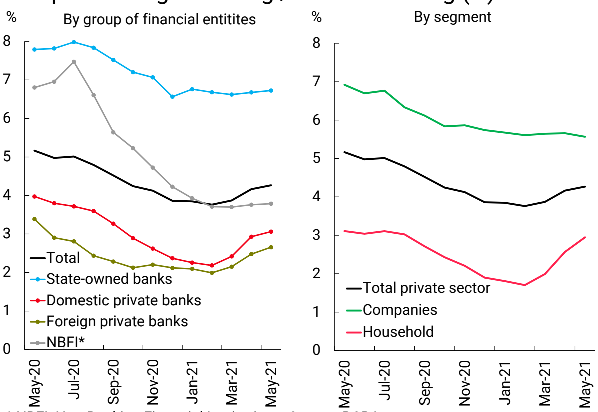


Source: BCRA

11 This ratio reached 29.4% if credit to the private sector is netted from the stock of accounting provisions.

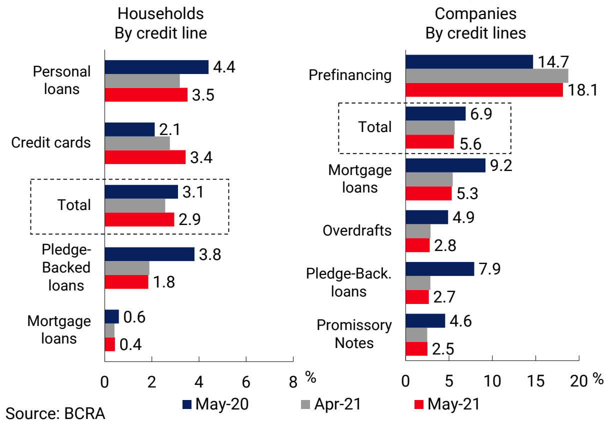
Between April and May, the BCRA established a schedule of transition for the classification of debtors made by the financial institutions. Up to March 2021, the financial institutions were required to extend by 60 days the delinquency terms admitted for situations 1, 2 and 3;[12] then, this period was reduced to 30 days for April and May 2021 and, as from June, the institutions will have to go back to the criteria used before March 19, 2020.[13] In parallel, the BCRA continues to focus its financial aid measures on the sectors that have been hardest bit by the pandemic, allowing financial institutions to defer to the end of the lifetime of the loan the unpaid installments corresponding to financial aid provided to debtors that are employers benefitted by the Productive Recovery Program II (REPRO II). In this context, the non-performing ratio of loans to private sector for the aggregate financial system rose up to 4.3%, in May, standing slightly above the value of April (-0.9 p.p. y.o.y.), mainly due to the performance of private financial institutions (see Chart 11).

Chart 11 | Non-performing loans to private sector
Non-performing financing / Total financing (%)



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

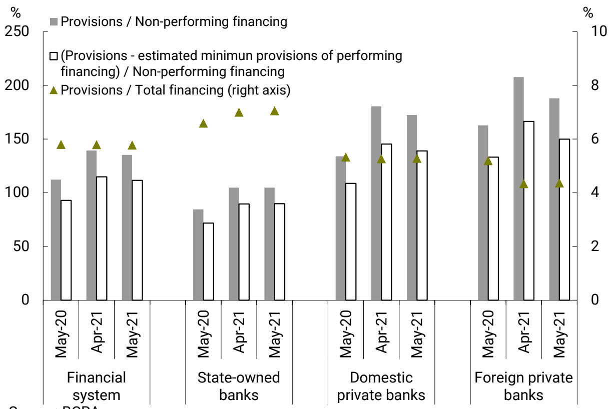
Chart 12 | Non-performing loans to private sector
Non-performing financing / Total financing (%)



Source: BCRA

The non-performing ratio of loans to households stood at 2.9% over the period (see Chart 12), up 0.4 p.p. against April (-0.2 p.p. y.o.y.). The monthly evolution was mainly due to the increase in the delinquency rate of loans for consumption (credit cards and personal loans). As regards loans to companies, the non-performing ratio stood at 5.6% in May, standing slightly below the figure recorded in April (-1.4 p.p. y.o.y.). The monthly contraction of the delinquency rate of prefinancing for exports largely explained the performance of the corporate sector.

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



Source: BCRA

12 Communication "A" 6938, Communication "A" 7107, Communication "A" 7181, and Item 2.1.1. of the Consolidated Text on "Financial Services in the framework of the Health Emergency provided for by Executive Order No. 260/2020 CORONAVIRUS (COVID-19)".
13 Communication "A" 7245.

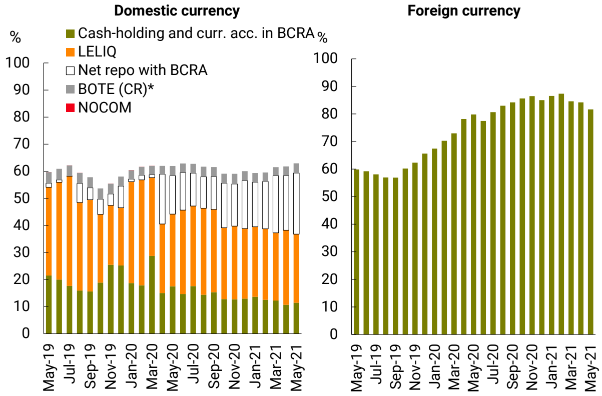
Total provisions of the aggregate financial system accounted for 5.8% of total loans to private sector in May, in line with the value of April and of the same month of 2020 (see Chart 13). Total provisions in terms of the non-performing portfolio of loans stood at 135.3% over the month (-4 p.p. m.o.m., and +23.1 p.p. y.o.y.). In turn, in May, 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) accounted for 111.5% of such portfolio.

IV. Liquidity and Solvency

The aggregate financial system is keeping high liquidity and solvency levels from both a historical perspective and in terms of the international regulatory standards.

In May, the broad liquidity[14] rose 0.4 p.p. of total deposits up to 66.5% (+1.2 p.p. to 62.9% considering items in pesos, and -2.5 p.p. to 81.7% for the segment in foreign currency; see Chart 14). Over the month, there was an increase in the share of net repos with the BCRA and of the current accounts held by the institutions at the BCRA, while there was a decrease in the stocks of LELIQs. In the last year, the broad liquidity indicator went up 0.7 p.p. of total deposits.

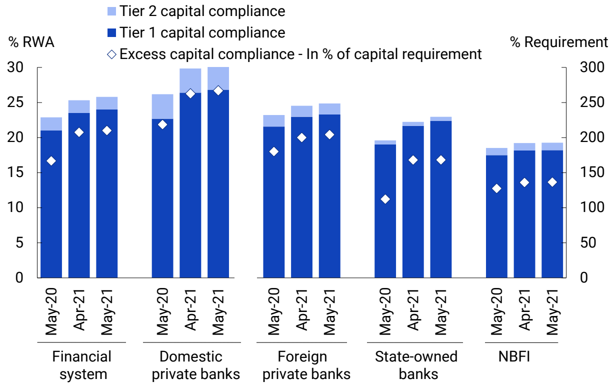
Chart 14 | Financial system liquidity
In % of deposits



*CR: Cash reserves. Source: BCRA

Considering the solvency ratios of the sector, capital adequacy (Regulatory Capital, RC) of the aggregate financial institutions stood at 25.8% of risk-weighted assets (RWAs), up 0.5 p.p. against April (see Chart 15). Tier 1 capital —with more capacity to absorb potential losses— continued concentrating most of the total capital requirement, accounting for 93% at systemic level as of May. Likewise, the regulatory capital surplus position (RC net of the capital requirement) stood at 210% over the month for the aggregate financial system, keeping sizable levels in all groups of

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



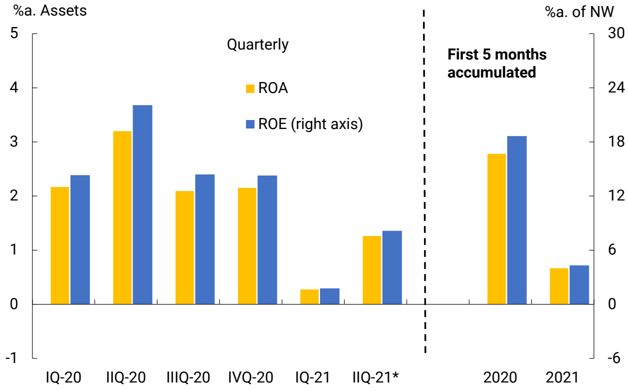
NBFI: Non-Banking Financial institutions. Source: BCRA

14 Liquid assets, regulatory liquidity requiremenys, and BCRA instruments, in domestic currency and in foreign currency.

institutions.

The ratio between the capital surplus position and the credit to private sector, net of provisions, allows for anticipating the sector's capital adequacy in view of any eventual situation of risk materialization of an external nature and very unlikely to occur. In May, this ratio stood at 31.9%, up 0.7 p.p. and 7.8 p.p. against April and in a year-on-year comparison, respectively. This level stood above the average of the last 10 years (13.8%).[15]

Chart 16 | Total comprehensive income in homogeneous currency of the financial system

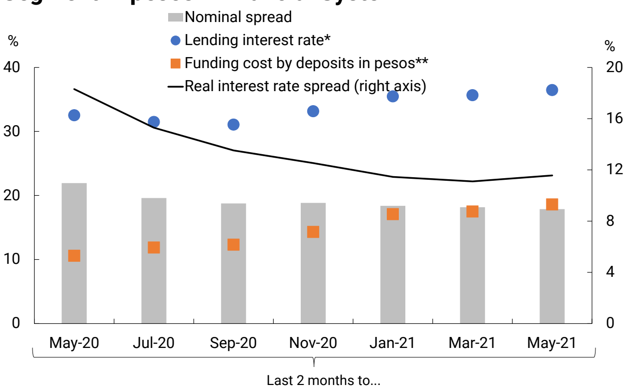


Source: BCRA. *May 2021.

In May, the financial system accrued a higher positive total comprehensive income in homogeneous currency than that of April, accumulating an income equivalent to 0.7%a. of assets and 4.3%a. of equity in the first five months of 2021 (see Chart 16). These levels were lower than those recorded one year ago (-2.1 p.p. and -14.3 p.p. in terms of assets and of equity, respectively), thus keeping the trend of lower profitability indicators being observed since mid-2020. The year-on-year performance was due, among other factors, to the effect of higher monetary losses, increase in the cost of funding for deposits in pesos, lower income from interest in pesos and higher weight of some tax burdens. This evolution was partially offset by higher income from premiums for repo transactions, lower income tax accrued and reduction of administrative expenses, among other.

The implicit interest rates and their spread are variables that may help to provide an estimation of the performance of the most relevant assets and liabilities of the sector. In perspective, it has been observed that in the last two-month periods (latest information available as of May), the nominal lending interest rate has recorded, in general, an increase similar to that of the nominal cost of funding for deposits; consequently, the spread between both concepts has not exhibited significant changes[16] (see Chart 17).

Chart 17 | Estimated implicit interest rates (annualized) – Segment in pesos - Financial System



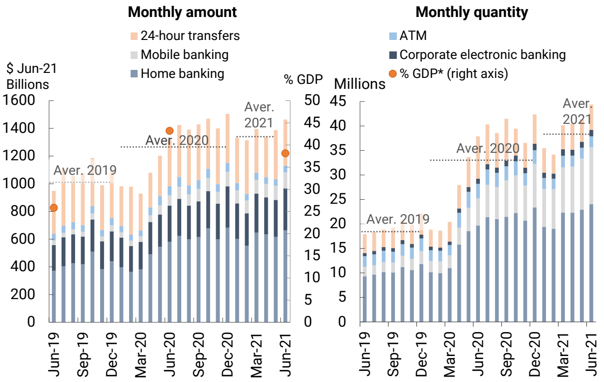
*For loans in pesos (non-financial), LELIQs not used to comply with Minimum Cash requirements, and Net Repos with BCRA. ** Considering the Minimum Cash requirement. Source: BCRA

15 For further detail, see IEF I-21.
16 In the definition used for these implicit interest rates, the effect of concepts such as administrative expenses, tax expenditure, cost of capital or other components associated with hedging for risks inherent in financial intermediation activities are not taken into account. Implicit interest rates are estimated 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

In the first months of the year, the use of electronic means of payments has continued to gain ground in the regular transactions made by households and companies, in relative terms. In this context, the objective of the BCRA is to continue implementing measures to deepen the momentum of the payment system, especially via electronic tools, but without disregarding the security of transactions. In this context, as from May, the BCRA has implemented a series of incentives in terms of Regulatory Liquidity Requirement regulations in order to promote the use of electronic means of payment and,[17] at the same time, it has established new measures to reinforce the security of this type of transactions, especially the electronic wallets.[18] These measures supplement those recently adopted to establish a self-proving acceptance of pre-approved personal loans via automatic crediting.[19] These initiatives, added to the ones implemented in recent quarters,[20] will contribute to creating a more modern, agile and advanced payment system, with enhanced security in digital transactions so as to gradually make progress in the replacement of the use of cash.[21]

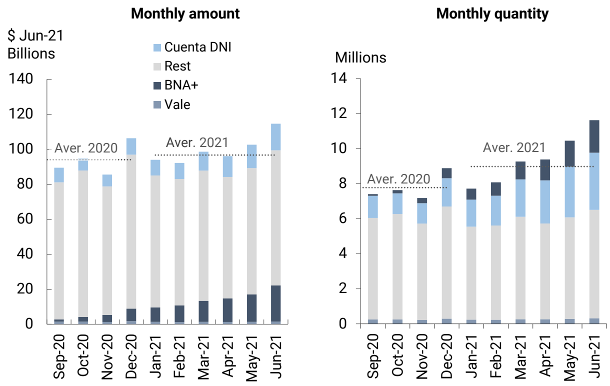
Chart 18 | Transfers in pesos (instant transfers and 24-hour transfers)



Source: BCRA. * Instant transfers. ** Three-month moving average annualized in terms of nominal GDP

Chart 19 | Instant transfers via mobile banking

Transactions via financial institutions' wallets and other



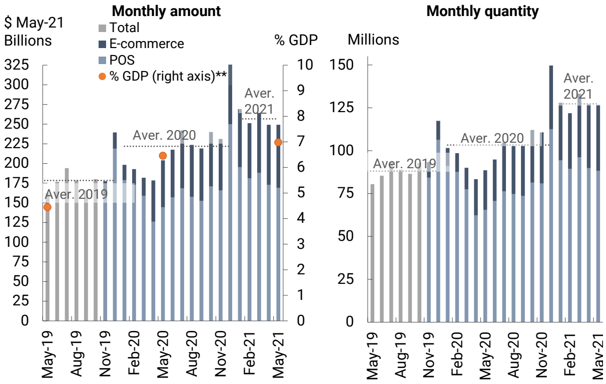
Source: BCRA.

In June, total transfers in pesos were on the rise relative to May (7.2% in number and 12.8% in amount, in real terms), standing at values higher than the monthly average of 2021 and mainly driven by instant transfers (see Chart 18). Within the latter segment, the transactions made by households via mobile banking were especially remarkable over the month (+11.7% in amount, in real terms), followed by transactions via corporate electronic banking (+13% in amount, in real

17 The regulatory liquidity requirements were reduced for the institutions whose operational infrastructure shows an increase in the electronic means through sight accounts held by natural persons, in the evolution of electronic checks (ECHEQs) and electronic credit invoices (FCE MSMEs), and in the use and operations of their ATMs. For further detail, see Communication "A" 7254.
18 On the one hand, the financial institutions must make available to their clients, by means of specific notifications and immediately (via any of the electronic communication means regularly used with their clients), the information about the Immediate Debit Transfers (DEBIN) they have received (for further detail, see Communication "A" 7326). In turn, it was decided that electronic wallets can only be associated to cards, accounts and other sources of funding of the account holder only. The purpose is to prevent the use of third party data in a wallet, which may have been obtained by fraud/deceit (for further detail, see Communication "A" 7328).
19 See Press Release on "Pre-approved loans: greater responsibility for banks".
20 Including the decrease in commission fees and a shorter term for crediting the payments made with credit cards for MSMEs and the progress sequences scheduled in Transfers 3.0 (that will make all QRs interoperable).
21 For further detail, see "Press Release of July 9, 2021".

terms). In the case of transfers via mobile banking, the increase of transactions channeled through wallets created by state-owned financial institutions stood out: *Cuenta DNI* with rises of 12.6% and 13.4% in number and amount in real terms, respectively, and *BNA+* posting increases of 25.7% and 31.5%, in number and amount in real terms (see Chart 19). Thus, there was an increase in the relative share of transactions channeled with these wallets in the total transfers made via mobile banking (+2.2 p.p. up to 44% in number and +2.9 p.p. up to 31.3% in transacted amounts). In year-on-year terms, total transfers in pesos grew 17.1% in number and 9.8% in amount, in real terms, and this remarkable momentum was entirely due to instant transfers.

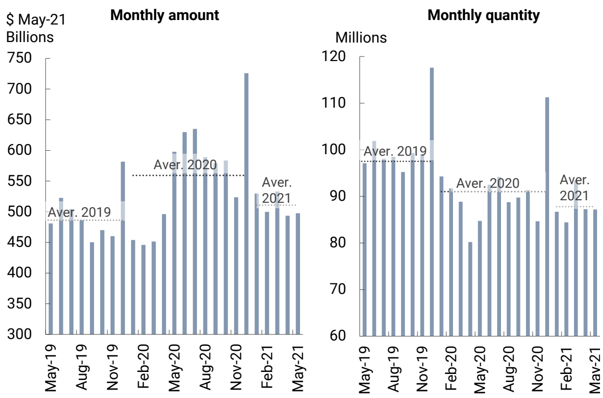
Chart 20 | Debit card transactions



Source: BCRA. ** Three-month moving average annualized in terms of nominal GDP estimated for the same period, Not-seasonally adjusted.

During May (latest information available), debit card transactions have stood at levels similar to those of the previous month (see Chart 20), standing above the average of last year. Over the month, transactions via e-commerce increased (3.8% in number and 5.3% in amount, in real terms), while onsite transactions went down (-1.8% in number and -2.3% in amount, in real terms). Consequently, electronic transactions continued to gain share in the total, up to 30.4% in number and 32.2% in amount in May. Against the same month of 2020, there was an increase in the number of debit card transactions (43.1%) and in their amount in real terms (22.2%), mainly due to transactions made by electronic means (+66.3% in number and +34.8% in amount, in real terms), which have more than offset the contraction in onsite transactions. The relevance of this payment instrument in the economy is evidenced by its relevance in terms of GDP: May annualized amount accounted for 7% of GDP, up 0.5 p.p. in year-on-year terms. In turn, it is worth mentioning that, in order to have a more flexible and agile payment chain, an agreement has been recently reached with the banking institutions to shorten, by one business day, the term for crediting, in the accounts of the stores, the amounts of sales transacted with debit cards so that they may have the funds available one business day after the sale was effectively made.[22]

Chart 21 | Cash withdrawals



Source: BCRA

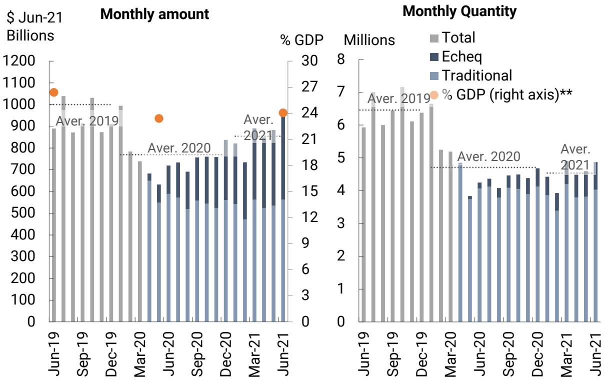
In May (latest information available), the withdrawal of funds via ATMs did not exhibit significant changes if compared to the figures recorded in April (-0.1% in number and +0.8% in amount, in real terms, see Chart 21). Thus, withdrawals from ATMs made during the

22 See previous footnote.

period stood at levels similar to the average of the year, in both number and amount in real terms. Against the same month of 2020, cash withdrawals via ATMs increased in number (2.9%) and decreased in amount in real terms (-16.8%). Thus, in terms of the average of the year, there has been a decrease in these transactions (in both number and amount, in real terms) if compared to the average of 2020.

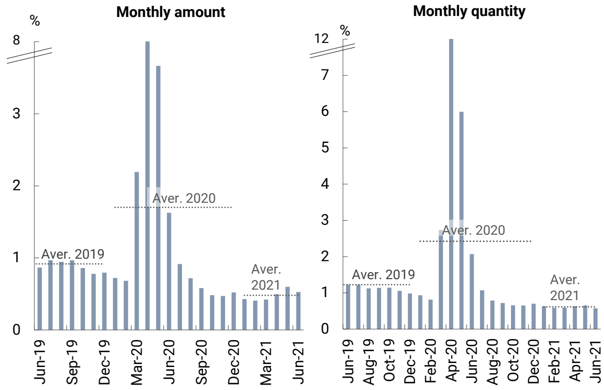
The total clearing of checks traded in June increased on a monthly basis, standing at levels higher than the monthly average of 2021 (see Chart 22). The monthly performance was due to both the physical instrument and the electronic format (ECHEQs), but the latter posted a relatively higher rise, mainly as a result of the incentives timely established by the BCRA.[23] Consequently, the share of transactions via ECHEQs went up in total cleared checks up to 17.3% in number and 40.5% in amount in June. In year-on-year terms, total transactions in terms of clearing of checks rose in number (14.6%) and in amount in real terms (31.5%).

Chart 22 | Cleared checks



Source: BCRA. * Three-month moving average annualized in terms of nominal GDP estimated for the same period, Not-seasonally adjusted.

Chart 23 | Bounced checks for insufficient funds



Source: BCRA. Note: Including bouncing of traditional checks and Echeqs

The ratio of bouncing of checks for insufficient funds relative to total cleared checks contracted in June (-0.08 p.p. for both number and amount, down to levels of 0.58% for number and 0.53% for amount), and have remained at a limited level, similar to the monthly average of 2021 (see Chart 23).

[23] For further detail, see Communication "A" 7254.