Monthly Monetary Report

February 2016

BANCO CENTRAL
DE LA REPÚBLICA ARGENTINA

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Contents

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

1. Summary[1]

• During February, the Central Bank continued taking actions aimed at matching the evolution of monetary aggregates with a downward path of inflation rate. The sterilization policy implemented during this month moderated the year-on-year change of the monetary base, which stood at 25%. These actions taken by the Central Bank were favored by the performance recorded by bank reserves during this quarterly period –from December to February– regarding compliance with Minimum Cash Requirements. Upon commencement of a new Minimum Cash Requirement position, a bank reserve recomposition is expected. This would encourage a temporary acceleration in the monetary base, consistent with the sharp decrease in the growth pace expected to occur during this year.

• Among the other monetary aggregates, a reduced growth pace has also been recorded. In particular, the transactional money of the private sector (Private M2) posted again a decrease in its expansion pace (-1.2 p.p.), thus showing a 28.2% year-on-year change.

• Private sector time deposits posted a monthly increase of 1.5% and a year-on-year change of around 50%. On an amount segment basis, a certain moderation is observed in the increasing trend of deposits under $1 million, jointly with a decrease of the wholesale segment deposits. The lesser momentum of time deposits above $1 million would be partly associated with the sustained demand for LEBACs by non-financial investors.

• Loans in pesos to the private sector posted a 0.7% decrease ($5.7 billion) and the year-on-year growth pace continued to go down, from 36.7% in January to 35% in February. The decrease recorded in this month was mainly due to the performance of lending arranged through promissory notes, whereas other lines posted less significant changes.

• In a context of lesser momentum of loans to the private sector, the liquidity ratio of financial institutions in domestic currency grew again for the third consecutive month, up to 38.6%. Against the backdrop of the minimum cash requirement quarterly position, a change was observed in the liquidity structure, with more LEBACs held by financial institutions and, to a lesser extent, a higher balance of net repos and cash in banks. These increases were partially offset by a remarkable drop in the current account of banks with the Central Bank, down to one of the lowest levels in recent years.

• Consolidating its commitment to inflationary moderation, the Central Bank increased the cut-off interest rate in LEBAC weekly auctions. Thus, by the end of February, the interest rates for LEBACs stood at 31.2% for the shortest term (35 days) and 28.6% for the instruments with the longest term (at a 255-day maturity). This monetary policy bias continued during the first auction in March, in which the Central Bank encouraged interest rate increases up to 6 p.p. Likewise, the Central Bank adjusted the interest rate corridor on February 29, with reverse repo interest rates standing at 25% overnight and at 26% for seven days, and repo interest rates at 34% and 35%, for the same terms. Taking into account the performance of LEBAC interest rates, the Central Bank increased again the repo rates by the beginning of March in 3 p.p. for reverse repos and 4 p.p. for repos.

• International reserves ended up at a level close to US$29 billion, and recorded a decrease during the month mainly due to the drop of holdings of banks with the Central Bank that were used to meet the demand of their clients. A portion of such holdings corresponded to advance payments of clients recorded during December and settled in the exchange market during February.

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

2. Monetary aggregates[1]

Chart 2.1

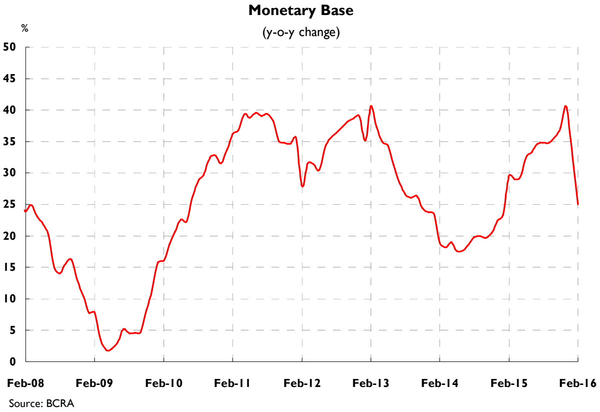


Chart 2.2

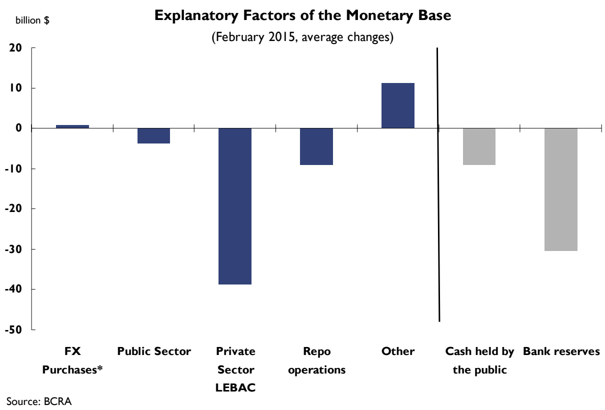
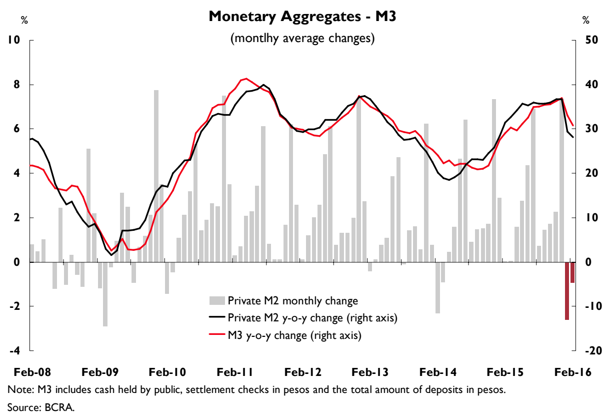


Chart 2.3



During February, the Central Bank continued taking actions aimed at matching the evolution of monetary aggregates with a downward path of inflation rate. The sterilization policy implemented during this month reduced the monetary base year-on-year change, which stood at 25% (see Chart 1). These actions taken by the Central Bank were favored by the performance recorded by bank reserves during the quarterly period –from December to February– regarding compliance with the Minimum Cash Requirement regime. Indeed, following a high level of compliance in December, higher than the level recorded in December 2014, financial institutions gradually reduced their bank reserves, which ended February at historically low levels (see section Financial Institutions' Liquidity). Against this backdrop, the Central Bank continued absorbing part of these compliance surpluses, and it also continue issuing LEBACs to holders of the non-financial sector, thus generating a monthly average decrease of the monetary base of $38.7 billion by issuing its own instruments. This allowed for more than compensating the expansionary effect of other factors, mainly due to the open position of US dollar futures contracts (see Chart 2.2). It is worth stating that upon the beginning of a new Minimum Cash Requirement position, a bank reserve recovery is expected. This would encourage a temporary acceleration of the monetary base, which is consistent with the sharp decrease of the growth pace expected to occur this year.

A growth pace reduction was also recorded in the other monetary aggregates. The broadest aggregate in pesos (M3[2]) posted a 30.9% year-on-year change, which stood 2.2 p.p. below that recorded in the previous month. When breaking down this aggregate, transactional money to the private sector (Private M2[3]) reduced again its expansion pace (-1.2 p.p.), posting a 28.2% year-on-year change (see Chart 2.3).

In February, the private M2 recorded a 0.9% decrease, posting a heterogeneous performance among its components, a drop in the cash held by the public and a slight increase in sight deposits.

Time deposits of the private sector posted a 1.5% monthly growth and a year-on-year change of around 50%. The monthly average increase was favored by the positive statistical carryover from January, since from

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[2] It includes the cash held by the public, settlement checks in pesos and deposits in pesos of the non-financial public and private sectors.
[3] It includes the cash held by the public, settlement checks in pesos and sight deposits of the private sector.

Chart 2.4

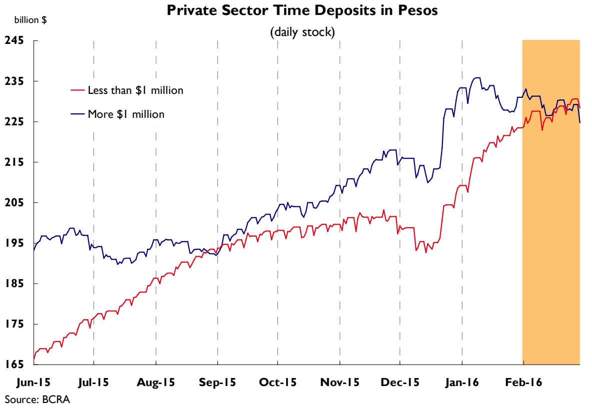


Chart 2.5

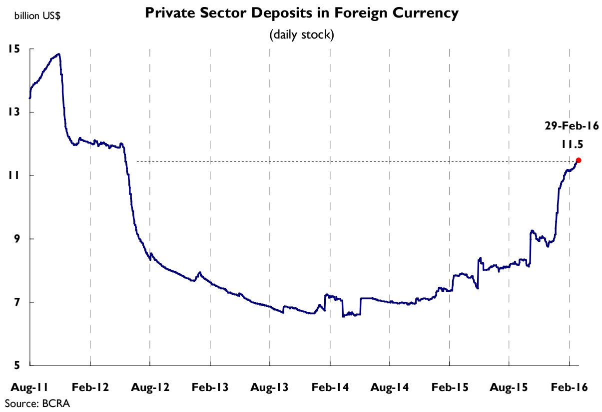
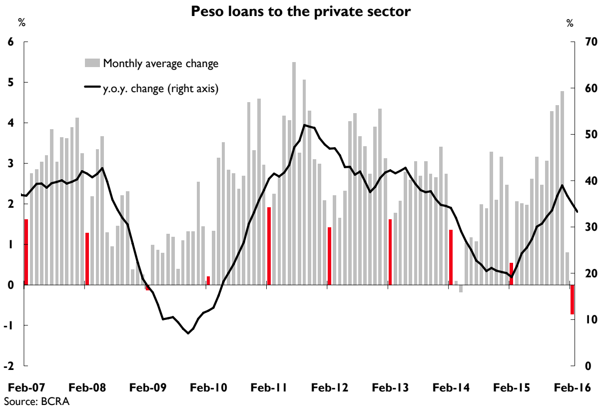


Chart 3.1



the end of January to the end of February, time deposits maintained an essentially stable stock. On an amount segment basis, a certain moderation is observed in the increasing trend of deposits under $1 million, jointly with a decrease of the wholesale segment deposits (see Chart 2.4). The lesser momentum of time deposits above $1 million would be partly associated with the sustained demand for LEBACs by non-financial investors.

As regards deposits of the public sector, they posted a 6.6% decrease, with drops in sight deposits which were partially offset by increases in time deposits. Thus, the total deposits in pesos went down 0.8% in February, exhibiting a 31% year-on year change.

In turn, the monthly average stock of deposits in foreign currency rose 3.3%, posting increases in deposits of the public sector, and mainly, those of the private sector. By the end of February, deposits of the private sector reached a stock of US$11.5 billion, resulting in the highest level since May 2012 (see Chart 2.5).

Finally, the broadest monetary aggregate, M3*[4], posted a slight monthly increase of 0,2%, exhibiting a 37.6% year-on-year variation.

3. Loans [1 5]

In February, loans in pesos to the private sector went down 0.7% ($5.7 billion), in a period characterized by a lesser momentum as a result of the summer recess. Thus, in spite of the slight increase in the same month last year, such loans continued slowing down their year-on-year growth pace, from 36.7% in January to 35% in February (see Chart 3.1). The decrease recorded in this month was mainly due to the performance of lending arranged through promissory notes, whereas other lines posted less significant changes (see Chart 3.2).

Among loans primarily aimed at financing commercial activity, lending arranged through promissory notes posted a drop in their monthly average stock, as usual every February, due to a lower level of economic activity. The decrease recorded in February was 3.1% ($5.75 billion) and was explained both by the behavior of unsecured promissory notes and of discounted documents. This decrease was more significant than that recorded in February 2015, therefore the year-on-year

[4] It includes M3 and deposits in foreign currency of the non-financial public and private sectors.
[5] The monthly changes of 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.

Chart 3.2

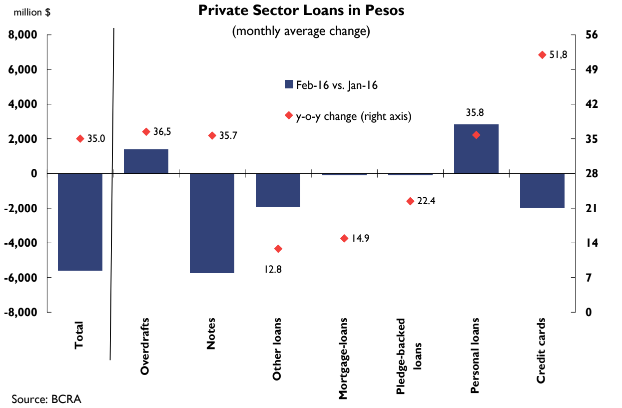


Chart 3.3

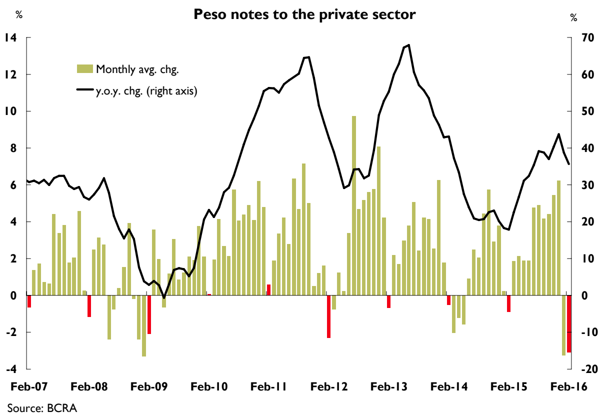
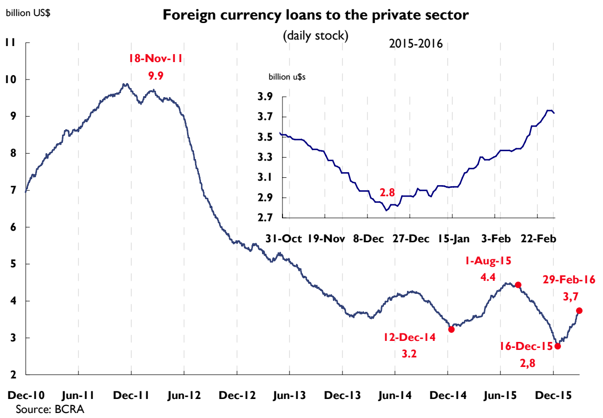


Chart 3.4



change went down 3.1 p.p. and stood at 35.7% (see Chart 3.3). In turn, overdrafts posted a 1.5% monthly increase ($1.4 billion), in line with the growth exhibited in the same month of 2015. Consequently, the year-on-year change stood around 36%.

With respect to credit lines channeled to finance household consumption, personal loans grew 1.8% ($2.84 billion), exceeding the increase of January, even though rather below the growth recorded in the same period of 2015. Thus, the year-on-year change went down 0.7 p.p., reaching 35.8%. Meanwhile, financing arranged through credit cards exhibited lesser momentum this month, with a 1.1% drop of the monthly average stock ($2 billion), even though in year-on-year terms they went up above 50%.

As regards collateralized loans, both mortgage and pledge-backed loans maintained their monthly average stock almost unchanged, and in the last 12 months they have accumulated a 14.9% and 22.4% rise, respectively.

Finally, loans to the private sector in foreign currency continued the increasing trend they have been exhibiting since mid-December. Since then, they accumulated an increase of US$940 million, essentially driven by unsecured promissory notes, a credit line mostly associated with foreign trade. Thus, the stock reached US$3.7 billion by the end of February (see Chart 3.4).

4. Financial Institutions' Liquidity

Within a context of lesser momentum regarding loans to the private sector, during February, the liquidity ratio of financial institutions in domestic currency (cash in banks, the current account of banks at the Central Bank, net repo transactions with the BCRA and the holding of LEBACs, as a percentage of deposits in pesos) grew again for the third consecutive month up to 38.8% (see Chart 4.1). Taking into account the quarterly minimum cash requirement position, a change was observed in the liquidity structure, with more LEBACs held by financial institutions and, to a lesser extent, a higher stock of net repos and cash in banks. Such increases were partially offset by a remarkable drop in the current account of banks with the Central Bank, down to one of the lowest levels in recent years.

It is necessary to recall that from December to February the quarterly period admitted for the calculation of the minimum cash requirements was in effect. Against this backdrop, the volatility recorded in the liquidity structure is a consequence of the unusual surplus of

Chart 4.1

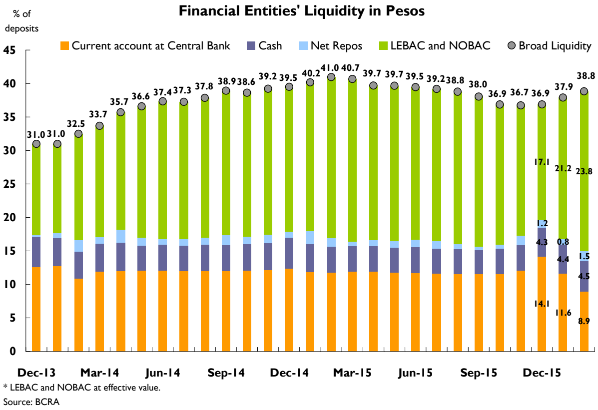


Chart 4.2

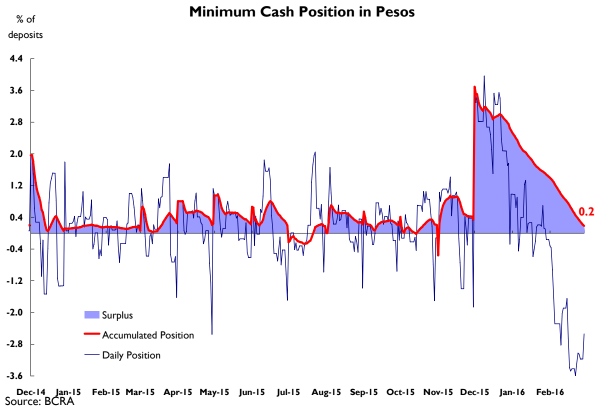
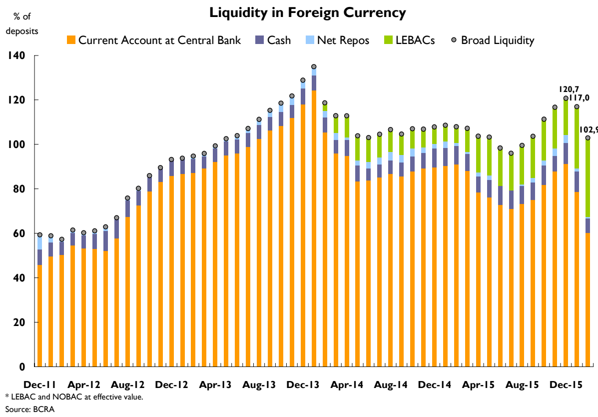


Chart 4.3



compliance with the minimum cash requirements recorded during December, which was offset during February. It is estimated that financial institutions ended February with an accumulated surplus equal to 0.2% of total deposits in pesos (see Chart 4.2).

Meanwhile, in February, the liquidity in foreign currency averaged the equivalent to 102.9% of total deposits in dollars (see Chart 4.3). It is worth recalling that both in January[6] and in February[7] a reduction was established for minimum reserve requirements of deposits in foreign currency, to the levels prevailing in March 2013. This lower requirement resulted in a decrease in current accounts at the Central Bank, the amounts of which were partially allocated to increasing its stock of LEBACs issued in dollars.

5. Interest Rates[8]

Central Bank Securities[9]

In the latest auctions of the month, the Central Bank increased the cut-off interest rates of securities, thus stopping the declines recorded during January and the first two weeks of February. Therefore, at the end of February, cut-off interest rates of LEBACs stood at 31.2% for the shortest term (35 days) and at 28.6% for instruments with the longest term (at a 255-day maturity; see Chart 5.1). This monetary policy bias continued during March first auction, where the Central Bank encouraged interest rate increases up to 6 p.p.

In the secondary market, at the end of February, interest rates recorded increases mainly in the short section of the yield curve, in line with the performance recorded in the primary market of LEBACs and repo transactions of the BCRA. The average traded amount of LEBACs in the secondary market stood at $5 billion per day.

Throughout February, the Central Bank encouraged a new contraction of the monetary base through the issue of its own securities in the market. The monetary absorption implied a 9.8% increase of the stock of LEBACs in pesos in February, and therefore the level of securities reached a Nominal Value (VN) of $440.12 billion by the end of the month (see Chart 5.2). Thus, in the last two months, the BCRA issued securities for approximately VN $95 billion, representing 15% of the monetary base at the end of 2015.

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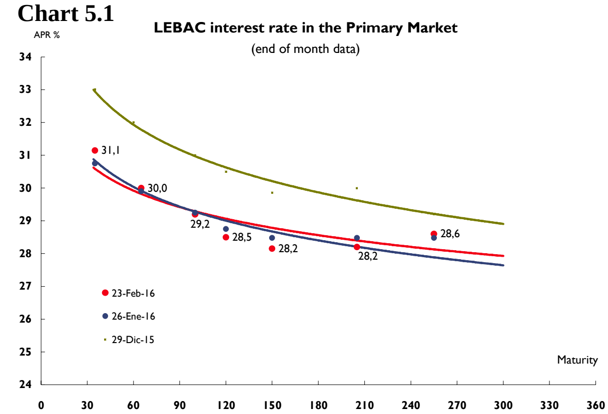
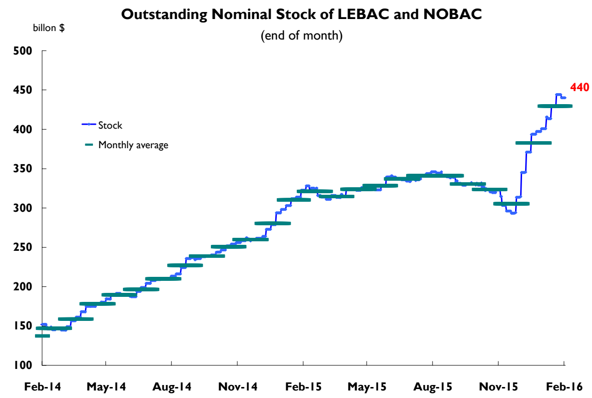
[6] Communication “A” 5873.
[7] Communication “A”5893.
[8] Interest rates mentioned in this section are expressed as annual percentage rates (APR).
[9] In this section, figures correspond to end-of-month data unless otherwise stated.

Chart 5.1



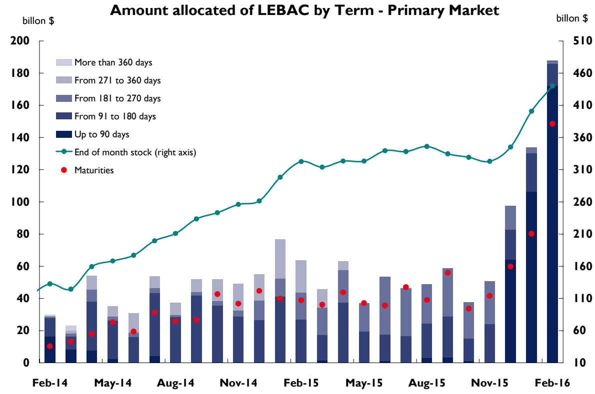
Source: BCRA

Chart 5.2



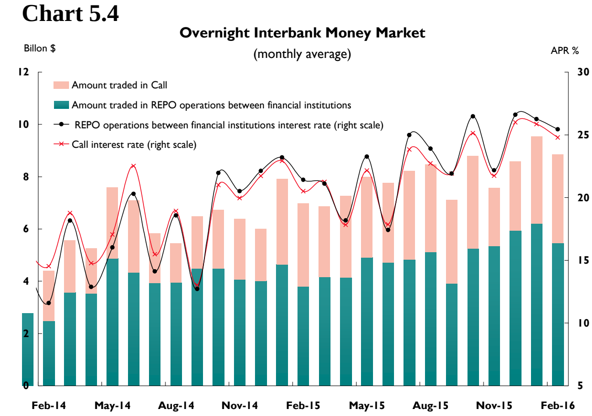
Source: BCRA

Chart 5.3



Source: BCRA

Chart 5.4



Source: BCRA

Like in the previous month, most of the market positions were concentrated in terms shorter than 90 days, and among them, the instrument with a 35-day term stood out (see Chart 5.3). Therefore, the average term of the stock of securities went down again, and by the end of the month the average term was 60 days.

As regards demand, like in January, financial institutions were the main purchasers of LEBACs, in a month in which, in recent years, liquidity surpluses have been recorded as a consequence of the closing of the minimum cash quarterly position. In addition, there was again an outstanding increase, in relative terms, of holdings by other legal entities and individuals (mainly companies), which increased their share in the total stock by almost 2 p.p., which contributed as well to the deceleration of the broadest monetary aggregates.

Concerning the foreign currency segment, the interest rates of LEBAC went down again around 1 p.p. within this month. Thus, the interest rate for 30-day and 90-day LEBACs stood at 1%. The stock kept on growing (US$900 million) and ended February with an amount of US$4.97 billion.

Central Bank Repo Transactions[1]

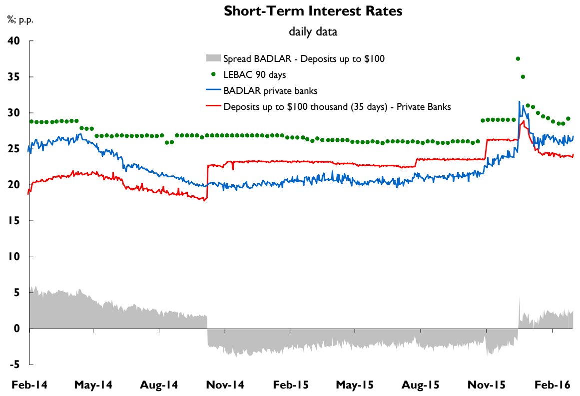
Together with the increase in LEBAC rates, on the last day of the month the Central Bank increased the interest rate corridor for its repo transactions. Therefore, at the end of February, reverse repo interest rates stood at 25% overnight and at 26% for seven days, recording 7 p.p. and 6 p.p. increases respectively. Likewise, repo interest rates went up 8 p.p. and stood at 34% and 35% for the same terms. In addition, in line with the performance of LEBAC rates, in early March, the Central Bank rose repo rates again: 3 p.p. for reverse repos and 4 p.p. for repos.

The stock of reverse repos in all modalities in which the Central Banks takes part grew almost $9 billion throughout February, standing at $30.99 billion on average for this month.

Call Money Markets[1]

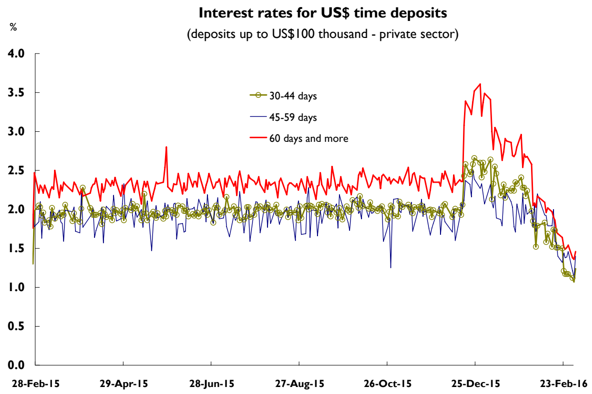
In February, average interest rates of call money market transactions went down, in line with the high liquidity levels recorded in banks. Thus, in the call market, the interest rate for overnight transactions averaged 24.8% in February, down 1.1 p.p. the value recorded in January. In addition, the average interest rate of overnight transactions between financial institutions in the REPO round stood at 25.4%, exhibiting a 0.8 p.p. decline (see

Chart 5.5



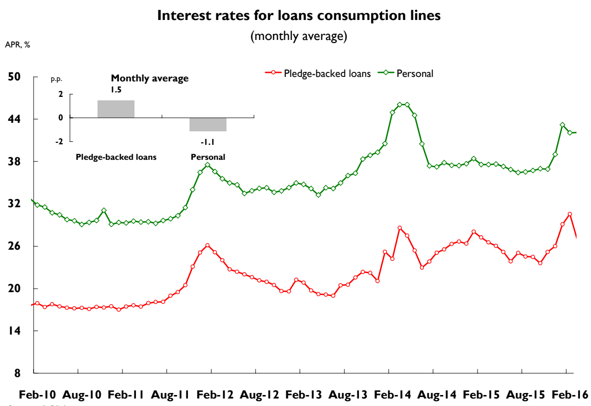
Source: BCRA

Chart 5.6



Source: BCRA

Chart 5.7



Source: BCRA

Chart 5.4). That notwithstanding, taking into account data at the end of the month, interest rates rose 8.5 p.p. in the call market and 6.8 p.p. in the REPO round, in line with the repo rate increase implemented by the BCRA on February 29.

The daily average volume traded in the call money market (call market and REPO round) fell $500 million, totaling around $8 billion.

Borrowing Rates[1]

In February, borrowing interest rates posted a decreasing trend, in a context of high liquidity among financial institutions.

Indeed, the interest rate paid by private institutions on time deposits of up to $100,000 and at up to 35 days stood at 24% on average, posting a 0.7 p.p. decrease against January. The fall was recorded in the first two weeks of the month, exhibiting a stable performance during the second half of February. In turn, the BADLAR –interest rate on time deposits of $1 million and more, at 30-35 days– of private banks stood at 26.1%, dropping 0.2 p.p. against the previous month (see Chart 5.5). In addition, in the second half of the month, the interest rate to wholesale depositors exhibited a relatively stable performance. It is worth stating that the increase on the last day of February of cut-off rates on securities auctioned on a weekly basis by the BCRA and of interests rates on its repo transactions were not reflected on the lending rates of this month, but the full impact was observed in March.

In the foreign currency segment interest rates paid by time deposits exhibited some decline against January. Following the regularization of the exchange market in December, and the reduction in cut-off rates of LEBACs in dollars, interest rates on time deposits in dollars started to exhibit a decreasing trend so far in 2016. Thus, in February, the rate corresponding to time deposits up to US$100,000 fell 0.7 p.p. for the segment of 30 to 44 days, whereas it posted 0.3 p.p. decreases for deposits at 45 to 59 days, and a 0.9 p.p. drop for deposits at 60 days and longer (see Chart 5.6).

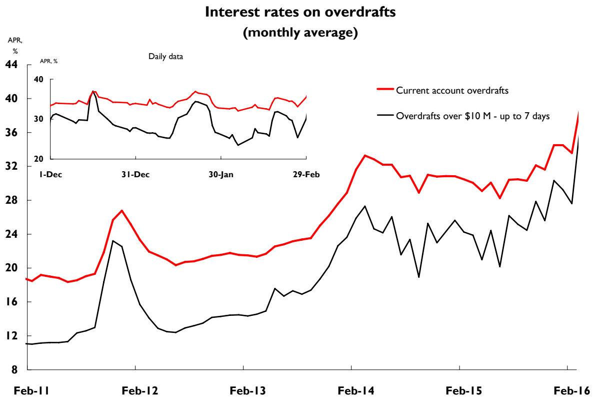
Lending Rates[1 10]

In general terms, lending interest rates posted a decrease during February. As regards the lines aimed at financing households, the monthly average of interest rates on personal loans stood at 42%, dropping 1.1 p.p. against

[10] The interest rates mentioned in this section are annual percentage rates and do not include assessment or granting expenses or other expenditures (for example, insurance) which are taken into account in the total financial cost of loans.

January. Meanwhile, the interest rate on pledge-back loans in February stood at 30.5%, mirroring a 1.5 p.p. increase (see Chart 5.7).

Chart 5.8



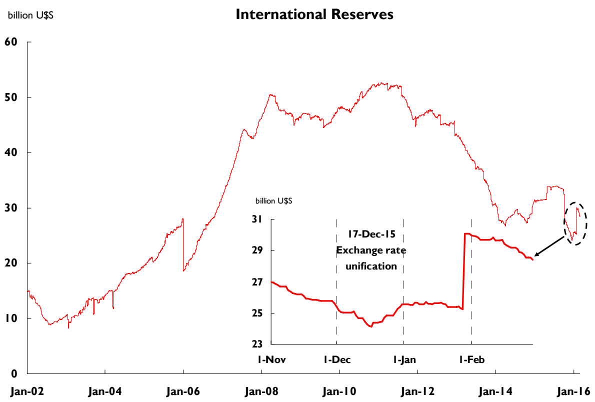
Source: BCRA

As regards particularly commercial lines, the interest rate applied to overdrafts in current accounts fell 0.9 p.p. and stood at 33.6%. The performance of the interest rate of the latter line developed in accordance with the short-term interest rates, thus mirroring the improved liquidity conditions of banks during this month. In particular, the interest rate applied to overdrafts to companies for more than $10 million and up to 7 days stood at 27.6%, thus exhibiting a 1.7 p.p. drop against January (see Chart 5.8).

In turn, the interest rate of discounted documents fell 1.4 p.p. and stood at 27.8%, in line with the activity of short-term rates. In the case of unsecured promissory notes, the average interest rate was 31.7%, standing 1.8 p.p. below the rate recorded in January.

6. International Reserves and Foreign Exchange Market[1]

Chart 6.1



Source: BCRA

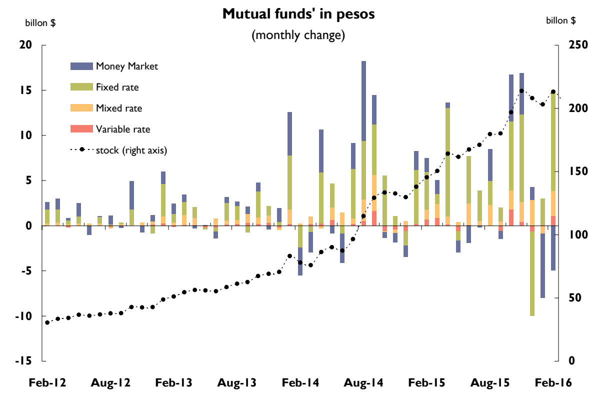
Against a backdrop of an increased demand in the exchange market, the peso/US dollar benchmark exchange rate ended at 15.58 in February, up 12.1% against the value at the end of January. Following the exchange rate unification, the Central Bank allowed the market to freely establish the exchange rate for foreign currency purchase and sale transactions in Argentina, and intervened only in specific cases in the last days of February, under a managed floating exchange rate system.

International reserves ended February at a level close to US$28.4 billion (see Chart 6.1), recording a decrease during the month, mainly due to the drop of holdings by financial entities at the Central Bank which were allocated to meet the demand of their clients. A portion of such holdings corresponded to advance payments of clients recorded during December and settled in the exchange rate market during February.

7. Collective Investment Instruments

Mutual Funds

Chart 7.1

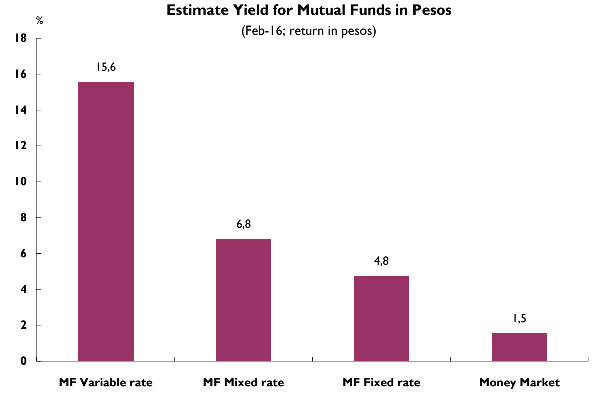


Source: CAFCI and BCRA

In February, equity of mutual funds (FCIs) in pesos and in foreign currency grew $10.35 billion (5%), and at the end of the month, it stood at $217.01 billion.

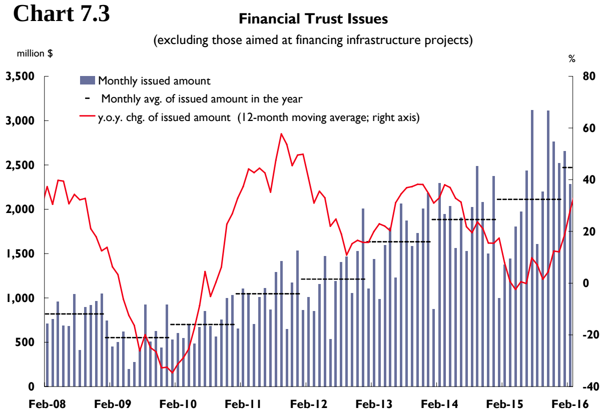
The increase was mainly due to the performance recorded in the equity of Fixed Income funds in pesos

Chart 7.2



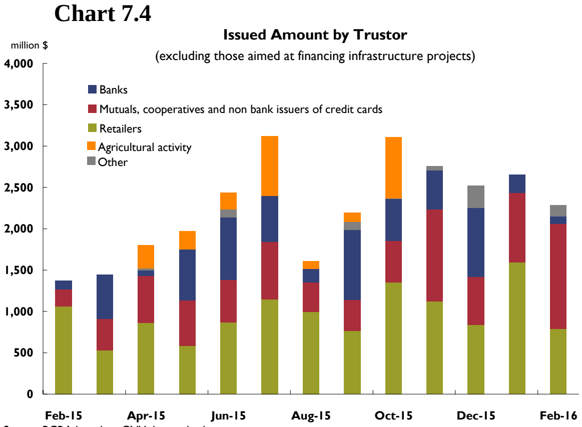
Source: BCRA

Chart 7.3



Soure: BCRA based on CNV and other data.

Chart 7.4



Source: BCRA based on CNV data and other

that grew $11.15 billion (10%). This increase intensified mostly in the second fortnight of February and was driven both by the subscription of quotas and by the accumulated yield during the month. In turn, Mixed Income funds posted a growth of $2.78 billion in the month (6.8%), whereas Variable Income funds rose $1.07 billion (16%) driven by the good performance in the domestic stock market. This performance was partly offset by Money Market funds which exhibited drops of $4.96 billion (-11.2%) explained by the redemption of quotas (see Chart 7.1).

With respect to estimated profitability, during February, the yield of variable income funds stood out, exhibiting a monthly yield of around 15.6%. In addition, mixed income funds recorded a positive yield of 6.8% and fixed income funds posted profits of 4.8%. Finally, Money Market funds gained 1.5% in this month (see Chart 7.2).

As regards the foreign currency segment, the equity of mutual funds fell US$5 million, down to US$251 million.

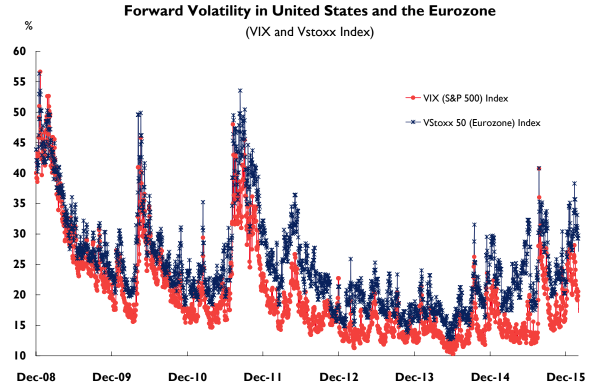
Financial Trusts[11]

In February, financial trust (FF) issues totaled around $2.29 billion through 16 issues, exhibiting a 14% drop with respect to the volume traded in January. Taking into consideration the 12-month moving average of the FF amount issued not related to financing of infrastructure works, from early 2015, an acceleration of the year-on-year growth pace was recorded. In fact, the year-on-year change went from a negative position in April 2015 to 27.9% in February 2016 (see Chart 7.3).

Among trustors, the most outstanding were "Mutual associations, cooperatives and non-bank issuers of credit cards and other financial service companies," which issued $1.27 billion, comprising more than half of the total amount issued in the month and mirroring a 52% increase against the previous month (see Chart 7.4). In turn, retail businesses issued around $800 million, almost half the amount issued in January. With respect to financial institutions, only one issue was recorded for $89 million, the lowest level of the last ten months. The other issues corresponded to a company related to agricultural activity and one belonging to the oil and gas industry, which secured commercial loans and leasing agreements, respectively.

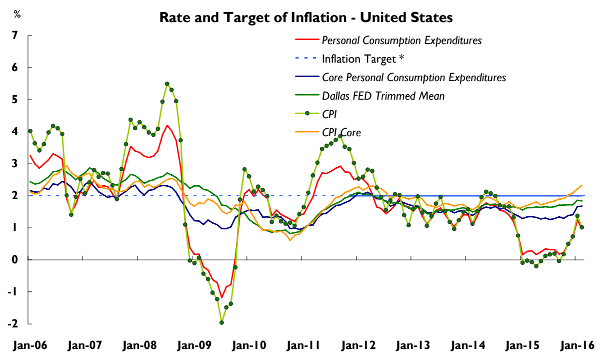
[11] Only publicly-traded financial trusts are considered.

Chart 8.1



Source: BCRA from Bloomberg data

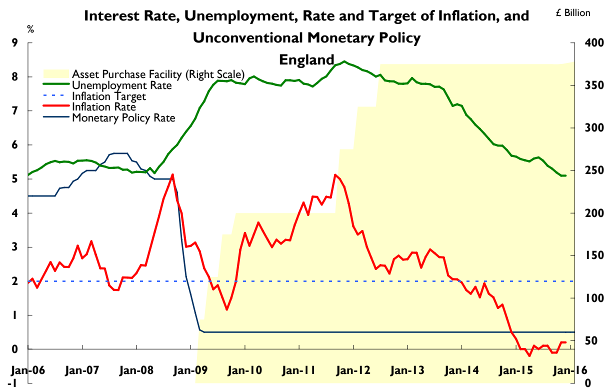
Chart 8.2



Source: BCRA based on Bloomberg, *Bureau of Economic Analysis* and Federal Reserve (FED).

* The FED is not embedded in an inflation targeting regime. It has a dual mandate where it has to foster maximum employment, moderate long run interest rates and price stability. Regarding the latest on the FED meeting of January 25 2012, it established a target of an annual variation of 2% of the Personal Consumption Expenditures in the long run.

Chart 8.3



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

The cut-off interest rate (weighted average by amount) on senior bonds –in pesos and with a duration below 12 months– with a variable yield, stood at 31.9%, exhibiting a 1.1 p.p. drop against the previous month. No transactions at a fixed rate were recorded over the month.

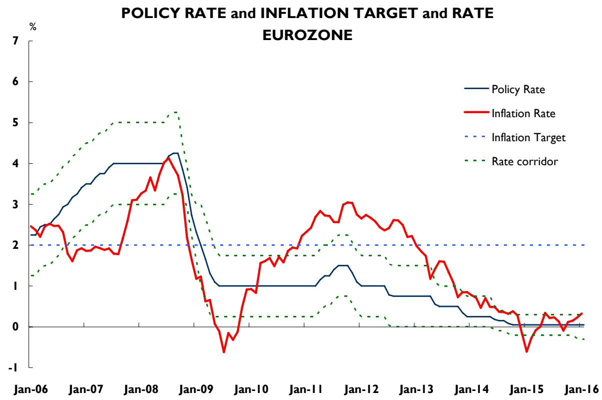
8. Main Policy Measures Taken by Other Central Banks

During February, the volatility of international financial markets (see Chart 8.1), which started in December following the decision made by the Federal Reserve (FED) to increase the benchmark interest rate, was still the main feature of the month.

Taking into account this international scenario, several members of the Federal Open Market Committee (FOMC) of the FED provided signals that future increases in the benchmark interest rate, the Federal Funds Rate, would be gradual and would take into account the international and local economic situation. In fact, it must be recalled that in the press release of the meeting held in January, the FOMC stated that it was monitoring the worldwide economic and financial evolution to estimate the possible impact this volatility might have on the labor market and inflation in the United States. Besides, the minutes published on February 17 state in detail that some members of the FOMC expressed their concern regarding the lesser momentum of domestic consumption and the low inflation level (see Chart 8.2). Within this context, the market expectations do not anticipate new the Federal Funds Rate increases until, at least, the last quarter of 2016.

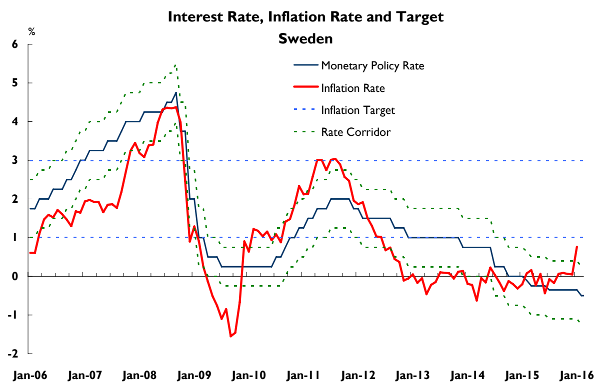
In turn, the monetary authorities from England did not amend its monetary policy bias. In fact, last February 4, the Bank of England (BoE), upon unanimous vote, maintained its Bank Rate (monetary policy interest rate) at 0.5% (see Chart 8.3). Besides, market forecasts do not anticipate a Bank Rate increase before the end of 2016, or even early 2017. By the end of the month, on February 22, the pound posted the sharpest depreciation in one day since October 2009 (1.8%), upon the support to the United Kingdom's leaving the European Union by many members of the cabinet of Prime Minister Cameron; such exit must be submitted to the vote of citizenship with a referendum to be conducted in June 2016.

Chart 8.4



The ECB does not follow an inflation targeting regime. Though, it pursues to achieve price stability defined as an inflation rate < a 2% y.o.y.

Chart 8.5



Source: BCRA based on Riksbank

With respect to the European Central Bank (ECB), in February the Governing Council (GC) did not held a meeting, therefore, its monetary policy rate still stands at 0.05%, and its rate corridor is maintained at 0.3% for credit facility interest rate and at -0.2% for deposit facility interest rate (see Chart 8.4). In addition, new expansionary measures are expected to take place in the meeting on March 10, according to the minutes recently published by the ECB. Among the possible measures, the European Central Bank might take the deposit facility interest rate to even more negative values, mirroring the measures recently taken in such respect by the monetary authorities from Japan and Sweden.

Specifically, at the meeting held on February 10, the Swedish Central Bank (Riksbank) decided to reduce its monetary policy interest rate (Repo Rate) in 0.15 p.p. down to -0.5%, and it also maintained the interest rate corridor width that stands at -1.25% (deposit facility) and 0.25% (credit facility, see Chart 8.5). The Riksbank made this decision in a context in which it reduced its inflation forecast for 2016 (against the previous forecast of mid-December 2015) to practically one half, 0.7%, outside the inflation target (2% ± 1 p.p.). However, after the meeting of the Riksbank, the inflation for January was known, 0.7% y.o.y., constituting a surprise since it exceeded market expectations (0.5%), and up 0.65 p.p. against December inflation.

In turn, among emerging countries, the People's Bank of China (PBoC) continued pumping liquidity during February at extraordinary levels (with daily instead of weekly transactions) seeking to meet the higher seasonal demand for liquidity (related to the Chinese New Year), and trying to offset the monetary contraction resulting from its intervention in the exchange market, aimed at avoiding a greater depreciation of the yuan.

Finally, in the period under analysis, no meeting was held by the Monetary Policy Committee (COPOM) of the Brazilian Central Bank (BCB); therefore, the target for the Selic rate stands at 14.25%. Besides, according to the market expectations survey –Focus– conducted by the BCB, no changes are expected at the meeting to be held on March 4 in the target related to Selic. This decision would be taken in a context in which the latest inflation value of January (10.7%) is the highest since late 2003, and recession signals are still present as well. Indeed, according to Focus, a 3.4% contraction in the Brazilian economy is anticipated for 2016.

9. Monetary and financial indicators

Figures in millions, expressed in their original currency.

Main monetary and financial system figures	Montlhy average				Average change in	
	Feb-16	Jan-16	Dec-15	Feb-15	Monthly	Last 12 months
Monetary base	**563,460**	**602,926**	**622,263**	**450,670**	**-6.5%**	**25.0%**
Currency in circulation	458,865	466,131	458,844	345,721	-1.6%	32.7%
Held by public	405,637	414,636	408,841	311,002	-2.2%	30.4%
Held by financial entities	53,228	51,495	50,003	34,718	3.4%	53.3%
Settlement check	0	1	0	0	-49.9%	-
BCRA current account	104,595	136,795	163,418	104,949	-23.5%	-0.3%
Repos stock						
Reverse repos	31,032	22,003	33,067	21,729	41.0%	42.8%
Repos	0	0	0	0	0.0%	0.0%
BCRA securities stock (in face value)	497,556	430,469	325,511	316,137	15.6%	57.4%
In banks	359,231	312,125	238,847	243,899	15.1%	47.3%
LEBAC						
In pesos	429,371	382,731	305,323	310,246	12.2%	38.4%
In Dollars	4,594	3,482	1,754	678		
NOBAC	0	0	0	0	-	-
International Reserves	**29,359**	**25,968**	**24,816**	**31,350**	**13.1%**	**-6.3%**
Private and public sector deposits in pesos (1)	**1,166,936**	**1,175,991**	**1,151,584**	**890,653**	**-0.8%**	**31.0%**
Current account (2)	344,467	365,507	374,897	251,093	-5.8%	37.2%
Savings account	231,919	235,892	244,738	179,319	-1.7%	29.3%
Not CER-adjustable time deposits	545,499	532,333	487,975	426,597	2.5%	27.9%
CER-adjustable time deposits	15	14	12	9	5.2%	68.2%
Other deposits (3)	45,034	42,245	43,962	33,634	6.6%	33.9%
Private sector deposits	899,727	889,775	887,523	654,069	1.1%	37.6%
Public sector deposits	267,208	286,216	264,061	236,584	-6.6%	12.9%
Private and public sector deposits in dollars (1)	**12,944**	**12,527**	**10,580**	**9,311**	**3.3%**	**39.0%**
Loans to private and public sector in pesos (1)	**822,897**	**829,413**	**821,540**	**607,258**	**-0.8%**	**35.5%**
Loans to private sector	764,091	769,872	763,834	565,965	-0.8%	35.0%
Overdrafts	97,580	96,174	93,780	71,498	1.5%	36.5%
Promissory bills	180,441	186,189	192,465	133,018	-3.1%	35.7%
Mortgages	55,059	55,155	54,271	47,922	-0.2%	14.9%
Pledge-backed loans	40,059	40,169	39,996	32,733	-0.3%	22.4%
Personal loans	165,001	162,244	160,782	121,540	1.7%	35.8%
Credit cards	180,150	182,134	174,635	118,662	-1.1%	51.8%
Other loans	45,800	47,808	47,906	40,592	-4.2%	12.8%
Loans to public sector	58,806	59,541	57,706	41,294	-1.2%	42.4%
Loans to private and public sector in dollars (1)	**3,532**	**3,116**	**2,931**	**3,498**	**13.3%**	**1.0%**
Total monetary aggregates (1)						
M1 (currency held by public + settlement check in pesos+ current account in pesos)	750,104	780,144	783,738	562,096	-3.9%	33.4%
M2 (M1 + savings account in pesos)	982,023	1,016,036	1,028,476	741,415	-3.3%	32.5%
M3 (currency held by public + settlement check in pesos + total deposits in pesos)	1,572,572	1,590,627	1,560,425	1,201,655	-1.1%	30.9%
M3* (M3 + total deposits in dollars + settlemente check in foreign curren	1,769,469	1,766,689	1,686,761	1,285,801	0.2%	37.6%
Private monetary aggregates						
M1 (currency held by public + settlement check in pesos + priv.current account in pesos)	605,237	611,291	622,267	473,543	-1.0%	27.8%
M2 (M1 + private savings account in pesos)	819,365	827,018	849,381	638,999	-0.9%	28.2%
M3 (currency held by public + settlement check in pesos + priv. total deposits in pesos)	1,305,364	1,304,412	1,296,364	965,072	0.1%	35.3%
M3* (M3 + private total deposits in dollars + settlemente check in foreign currency)	1,477,936	1,458,984	1,408,197	1,034,985	1.3%	42.8%

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	**-39,466**	**-6.5%**	**3,771**	**0.7%**	**-58,803**	**-9.8%**	**112,790**	**25.0%**
Financial sector	-8,935	-1.5%	-1,471	-0.3%	2,301	0.4%	-8,818	-2.0%
Public sector	-3,767	-0.6%	56,326	10.1%	6,482	1.1%	160,269	35.6%
Private external sector	865	0.1%	-18,704	-3.3%	5	0.0%	-66,590	-14.8%
BCRA securities	-38,748	-6.4%	-84,755	-15.1%	-107,370	-17.8%	-47,589	-10.6%
Others	11,119	1.8%	52,375	9.4%	39,778	6.6%	75,519	16.8%
International Reserves	**3,391**	**13.1%**	**3,166**	**12.1%**	**4,544**	**17.5%**	**-1,991**	**-6.3%**
Foreign exchange market intervention	90	0.3%	-2,018	-7.7%	-39	-0.1%	-6,974	-22.2%
International financial institutions	-156	-0.6%	-355	-1.4%	-241	-0.9%	-1,948	-6.2%
Other public sector operations	-66	-0.3%	-547	-2.1%	-834	-3.2%	3,657	11.7%
Dollar liquidity requirements	-2,047	-7.9%	-1,210	-4.6%	-1,870	-7.2%	-747	-2.4%
Others (incl. change in US$ market value of nondollar assets)	5,570	21.5%	7,296	27.9%	7,528	29.0%	4,021	12.8%

1 Excludes financial sector and foreign depositors. Loans´s figures correspond to statistical information, without being adjusted by financial trusts. Provisory figures.
2 Net of the use of unified funds.
3 Net of deposits pending of swap by public bonds (BODEN).
4 "Contribution" field refers to the percentage of change of each factor versus the main variable corresponding to the month respect which the change is being calculated.
5 Provisory data subjected to changes in valuation.

Sources: BCRA Accounting Department and SISCEN Informative Regime.

Minimum Cash Requirement and Compliance

	Feb-16	Jan-16	Dec-15
	(1)		
Domestic Currency	*% of total deposits in pesos*		
Requirement	11.4	11.4	11.5
Compliance	11.6	12.8	14.1
Position (2)	0.2	1.4	2.6
Residual time structure of term deposits used for the calculation of the requirement (3)	%		
Up to 29 days	66.5	66.7	67.6
30 to 59 days	21.3	21.5	21.2
60 to 89 days	6.7	6.5	6.2
90 to 179 days	4.1	4.0	4.1
more than 180 days	1.5	1.2	0.9
Foreign Currency	*% of total deposits in foreign currency*		
Requirement	14.3	24.9	41.8
Compliance (includes default application resource)	68.7	77.7	89.7
Position (2)	54.3	52.8	47.8
Residual time structure of term deposits used for the calculation of the requirement (3)	%		
Up to 29 days	48.3	50.2	51.8
30 to 59 days	21.0	20.4	21.4
60 to 89 days	18.5	14.1	10.9
90 to 179 days	8.7	10.8	11.6
180 to 365 days	3.3	4.4	4.2
more than 365 days	0.1	0.1	0.0

(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	Feb-16	Jan-16	Dec-15	Dec-14
Interbank Loans (overnight)				
Interest rate	24.78	25.83	25.88	21.83
Traded volume (million pesos)	3,439	3,332	2,797	2,176
Time Deposits				
In pesos				
30-44 days	24.72	25.31	26.50	19.97
60 days or more	26.34	27.24	28.47	23.12
Total BADLAR (more than $1 million, 30-35 days)	23.76	23.94	25.27	17.81
Private Banks BADLAR (more than $1 million, 30-35 days)	26.11	26.31	27.54	19.98
In dollars				
30-44 days	1.37	2.01	2.10	0.88
60 days or more	1.96	3.03	3.21	1.67
Total BADLAR (more than $1 million, 30-35 days)	1.11	1.64	1.70	0.85
Private Banks BADLAR (more than $1 million, 30-35 days)	1.34	2.42	2.57	1.02
Lending Interest Rates	**Feb-16**	**Jan-16**	**Dec-15**	**Dec-14**
Stock Repos				
Gross interest rates 30 days	27.87	28.68	30.90	24.00
Traded volume (all maturities, million pesos)	591	626	956	377
Loans in Pesos (1)				
Overdrafts	33.58	34.51	34.50	30.86
Promissory Notes	31.71	33.49	30.61	26.15
Mortgages	24.63	22.62	22.84	22.30
Pledge-backed Loans	30.51	29.04	26.00	26.35
Personal Loans	42.04	43.14	39.00	37.70
Credit Cards	s/d	40.25	38.35	39.39
Overdrafts - 1 to 7 days - more than $10 million	27.60	29.25	30.33	24.31
International Interest Rates	**Feb-16**	**Jan-16**	**Dec-15**	**Dec-14**
LIBOR				
1 month	0.43	0.43	0.36	0.16
6 months	0.87	0.86	0.77	0.34
US Treasury Bonds				
2 years	0.73	0.89	0.97	0.61
10 years	1.77	2.07	2.35	2.20
FED Funds Rate	0.50	0.50	0.39	0.25
SELIC (1 year)	14.25	14.25	14.25	11.70

(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	Feb-16	Jan-16	Dec-15	Dec-14
BCRA Repo Interest Rates				
Overnight reverse repo	18.24	18.00	20.81	13.00
7-day reverse repo	20.21	20.00	22.81	14.00
7-day repo	27.28	27.00	27.00	17.00
Total Repo Interest Rates				
Overnight	19.77	20.85	22.65	16.33
7 days	20.84	20.01	22.78	15.01
Repo traded volumen (daily average)	28,323	18,464	22,708	12,550
Peso LEBAC Interest Rate[1]				
1 month	30.60	31.19	35.67	s/o
2 months	29.56	30.45	34.73	s/o
3 months	28.75	29.89	32.31	26.84
9 months	s/o	s/o	s/o	29.08
12 months	s/o	s/o	s/o	29.29
Peso NOBAC with variable coupon Spread[1]				
200 days BADLAR Private Banks	s/o	s/o	s/o	s/o
Dollars LEBAC Interest Rate[1]				
1 month	1.16	2.57	3.22	2.50
3 months	1.10	2.72	3.69	3.00
6 months	s/o	3.13	3.75	3.50
12 months	s/o	3.13	3.96	4.00
LEBAC and NOBAC traded volume (daily average)	0	3893	2813	3518
Foreign Exchange Market	**Feb-16**	**Jan-16**	**Dec-15**	**Dec-14**
Dollar Spot				
Exchange agencies	14.84	13.64	11.39	8.55
BCRA Reference	14.84	13.71	11.51	8.55
Future dollar				
NDF 1 month	14.83	13.83	13.48	8.76
ROFEX 1 month	14.99	13.82	12.80	8.73
Traded volume (all maturities, million pesos)	8,328	6,570	3,856	2,413
Real (Pesos/Real)	3.74	3.37	2.93	3.24
Euro (Pesos/Euro)	16.48	14.84	12.43	10.54
Capital Market	**Feb-16**	**Jan-16**	**Dec-15**	**Dec-14**
MERVAL				
Index	11,866	10,637	12,849	8,563
Traded volume (million pesos)	285	175	204	174
Governement Bonds (parity)				
DISCOUNT (US$ - NY legislation)	118.39	114.60	140.45	111.67
BONAR X (US$)	101.67	102.13	130.49	126.63
DISCOUNT ($)	114.70	117.71	120.57	72.29
Country risk				
Spread BODEN 2015 vs. US Treasury Bond	595	635	639	975
EMBI+ Latin America (without Argentina)	654	639	580	502

1 Corresponds to average results of each month primary auctions.

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 Pablo 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