

Post-Covid Monetary Policy Normalization in Argentina

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BANCO CENTRAL
DE LA REPÚBLICA ARGENTINA

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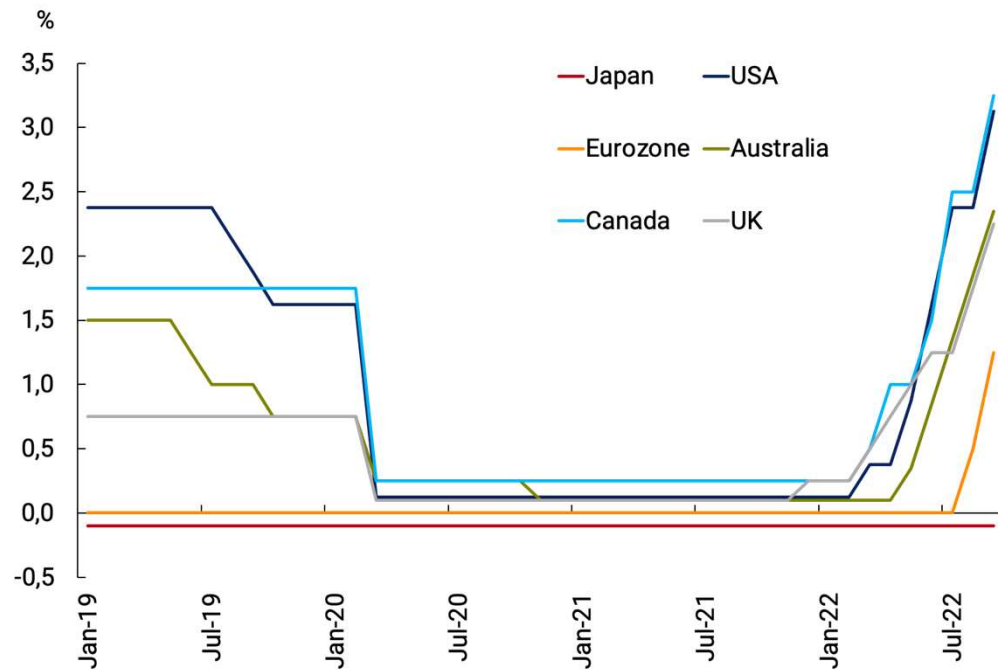
2 | Economic Activity

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4 | Monetary Policy Framework

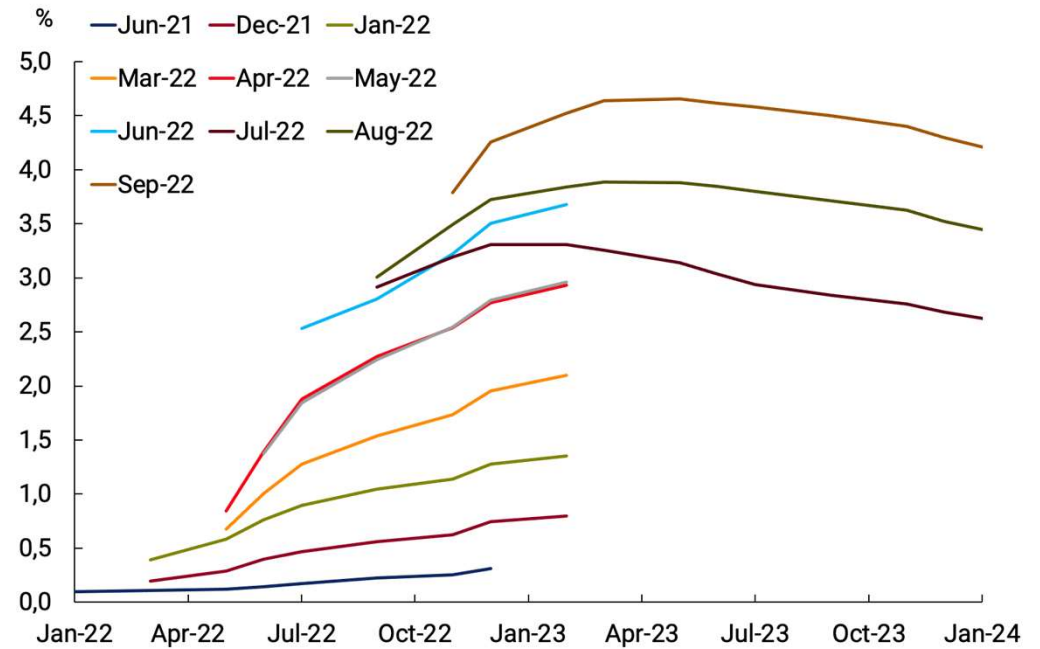
5 | Looking Ahead

Monetary Policy Interest Rates



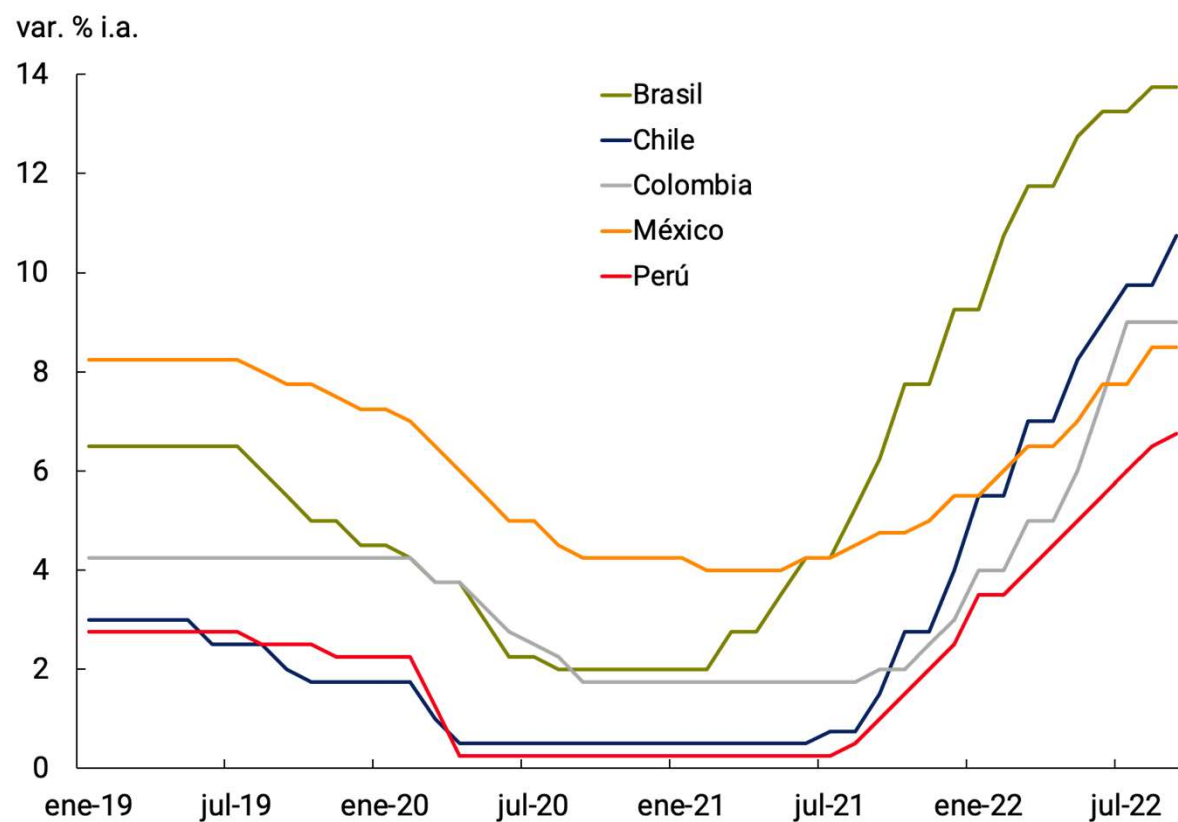
Source | Central Bank of Argentina from Bloomberg data.

Futures of the Federal Fund Rate



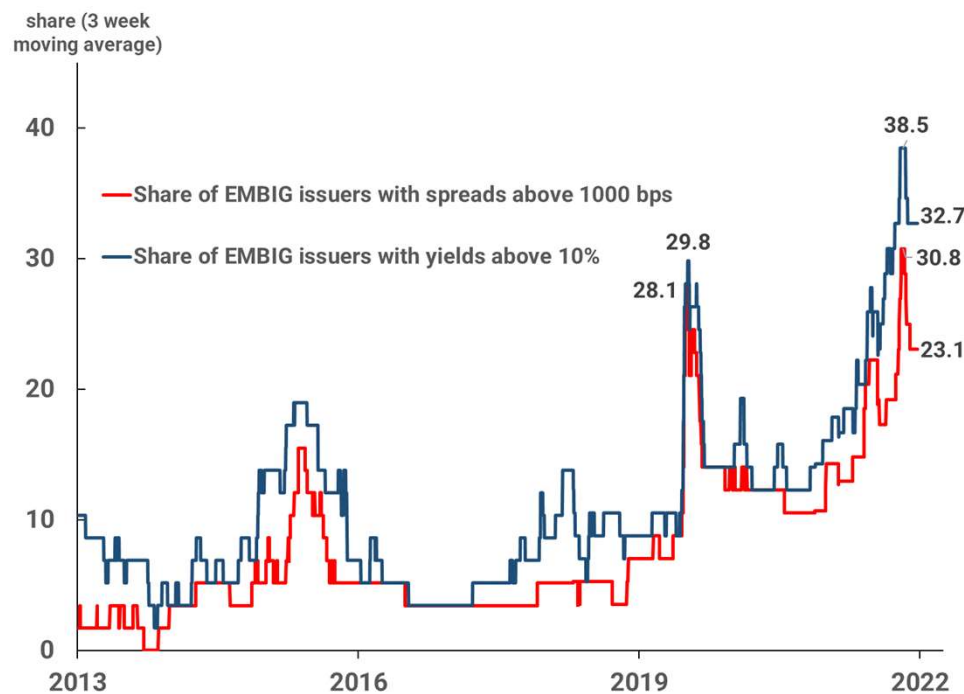
Source | Central Bank of Argentina from Bloomberg data.

Monetary Policy Interest Rates



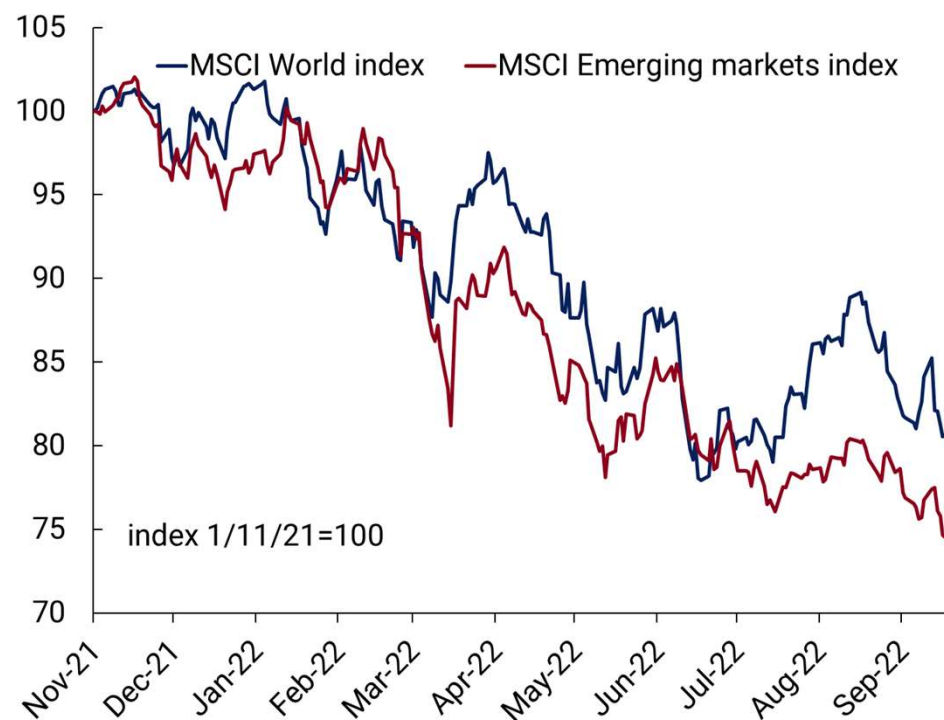
Source | Central Bank of Argentina from Bloomberg data.

EM sovereign bond yields
as % sampled countries



Source | Central Bank of Argentina from Bloomberg data.

Global and EMEs equity markets

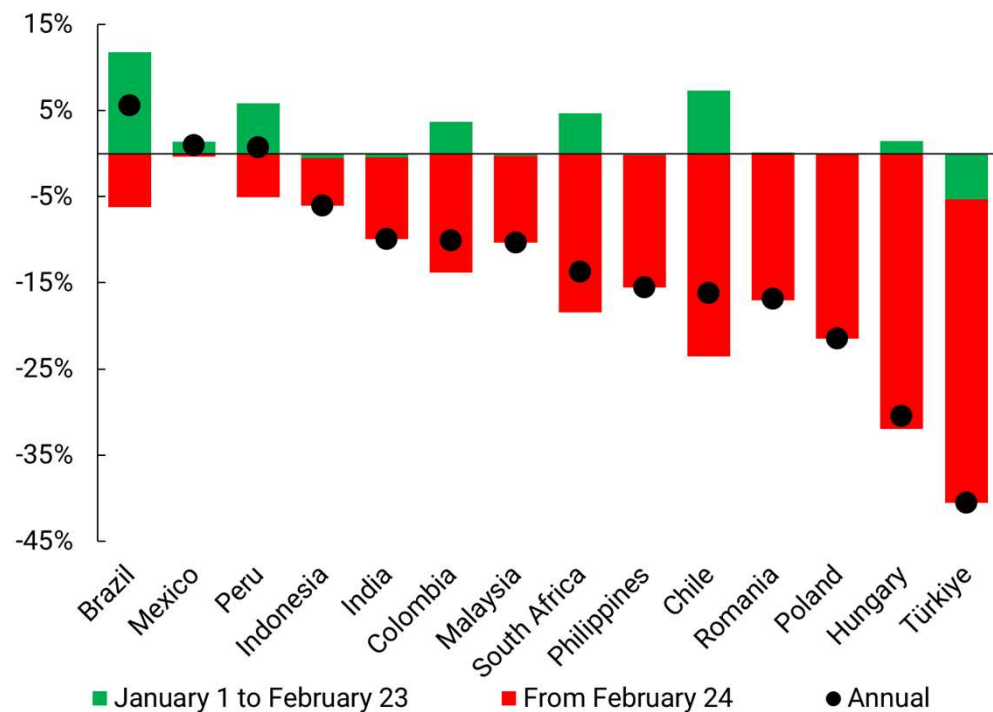


Source | Central Bank of Argentina from Bloomberg data.

International Context

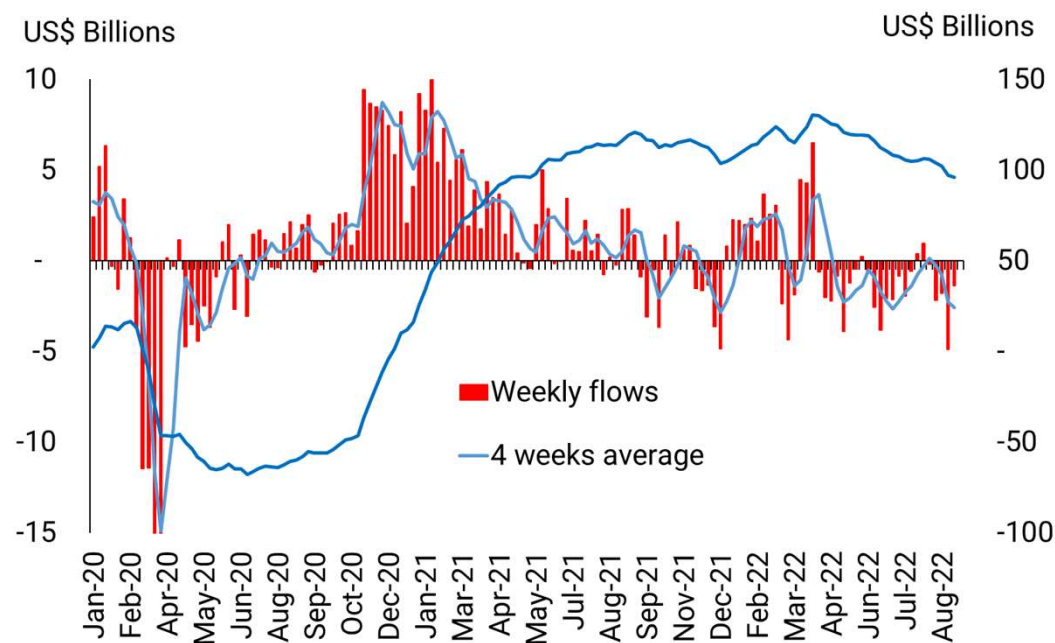
Impact on EE Exchange Rates and Capital Flows

EME currencies
2022



Source | Central Bank of Argentina from Bloomberg data.

Flows to specialized funds in emerging market economies



Source | Central Bank of Argentina from Bloomberg data.

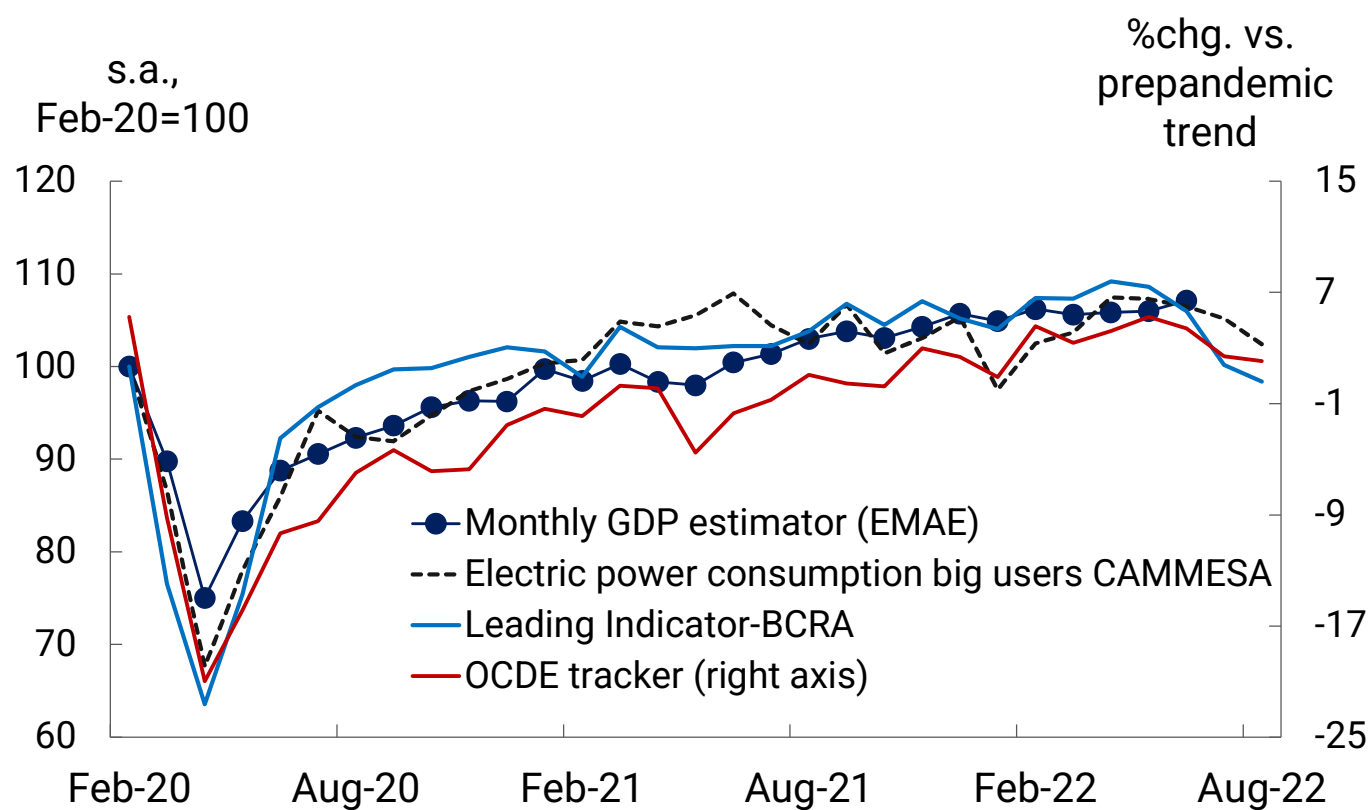
Commodity Price Indexes (IMF)

2016=100; último dato: Aug-22



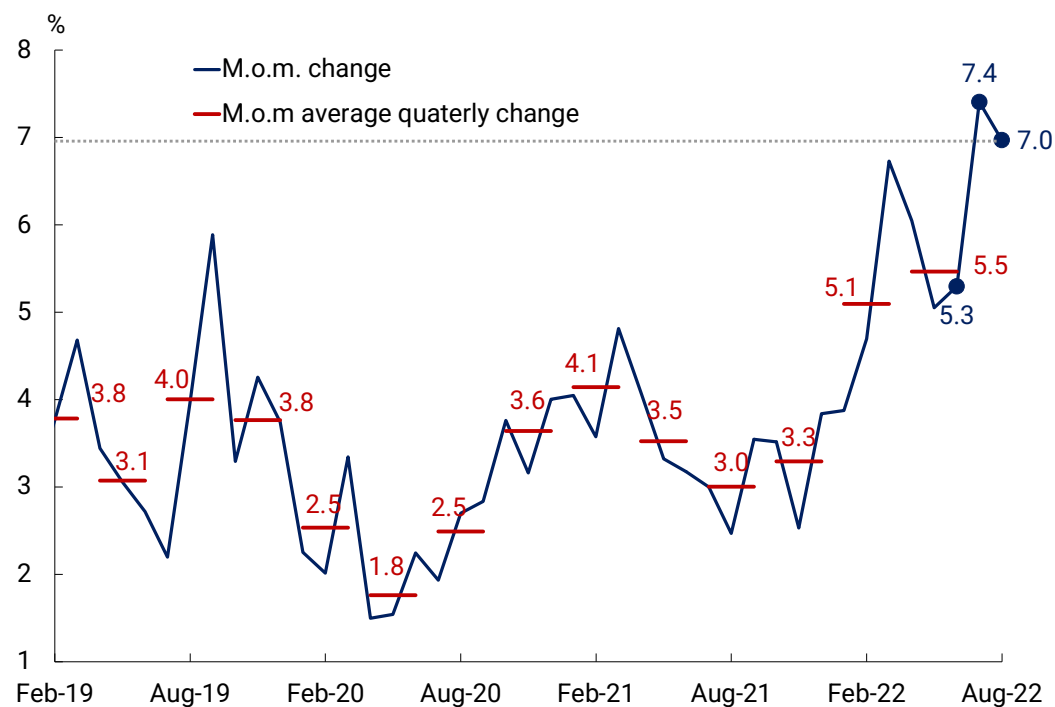
Source | Central Bank of Argentina from IMF data.

Economic activity: monthly indicators



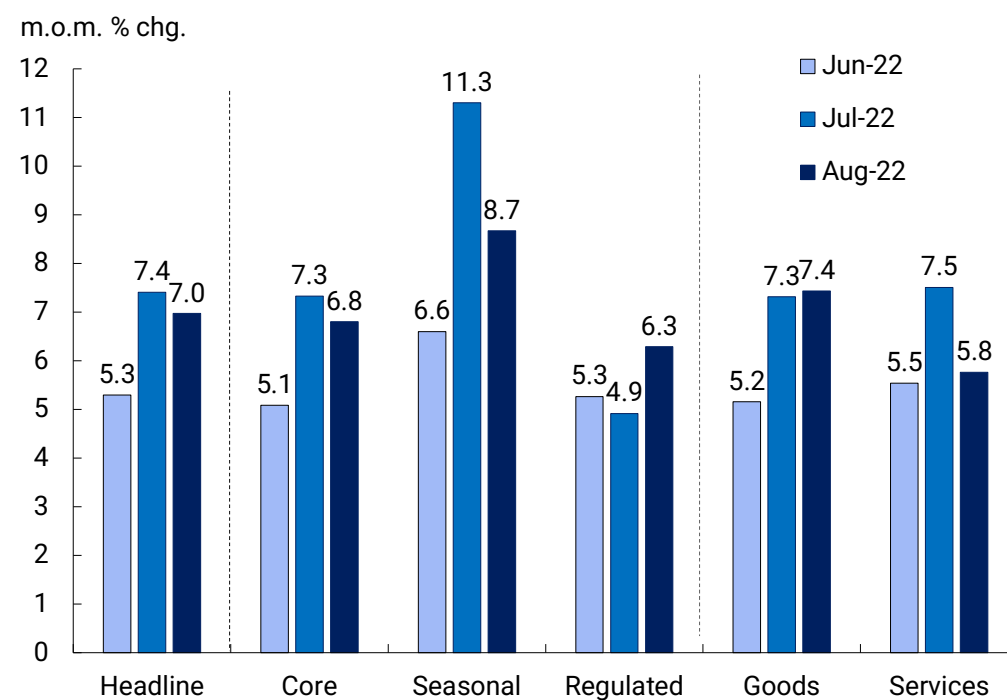
Source | BCRA from INDEC, OCDE, OJF and CAMMESA data.

Headline inflation



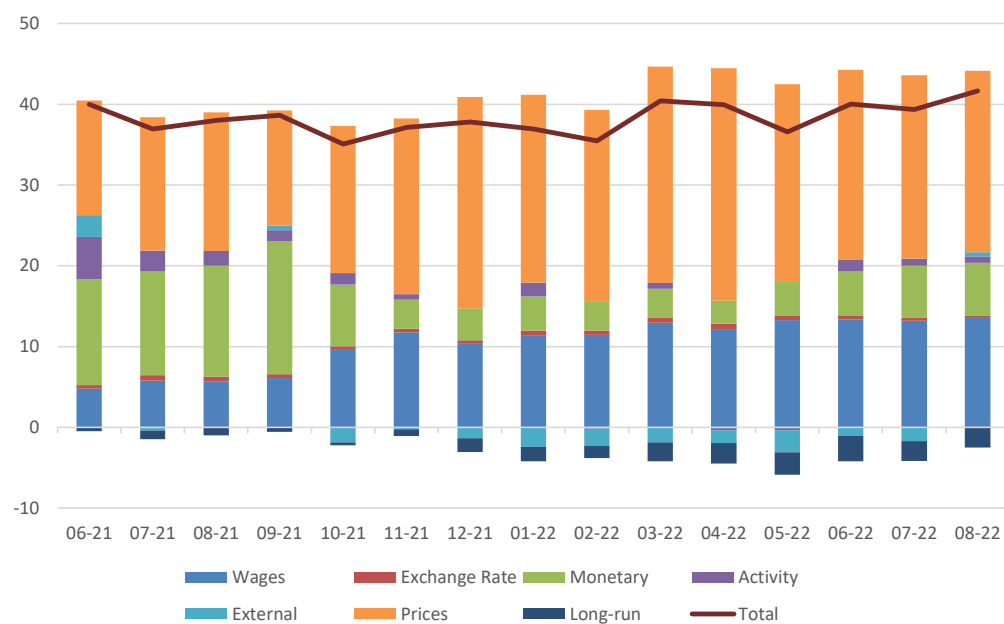
Source | INDEC.

Headline, core and other inflation components

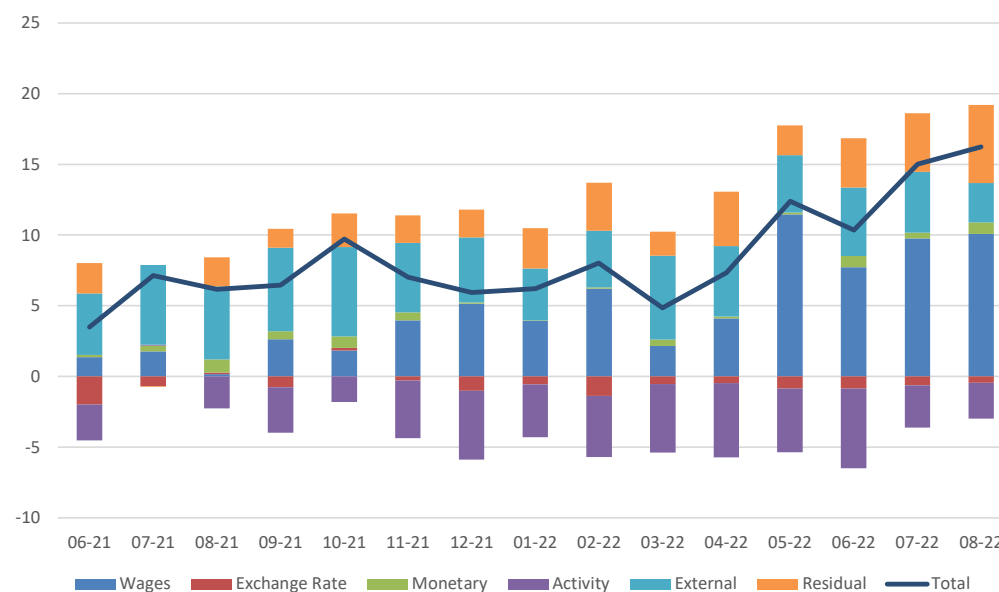


Source | INDEC.

Persistence component decomposition
(Apr-21 to Aug-22)



Contemporaneous component decomposition
(Apr-21 to Aug-22)



Source | BCRA from Garegnani, García-Cicco, Libonatti, Gomez and Krysa (2022, BCRA Working Paper).

Central Bank objectives: promoting monetary stability, financial stability, employment and economic development with social equity.

Monetary policy guidelines

Building-up of international reserves

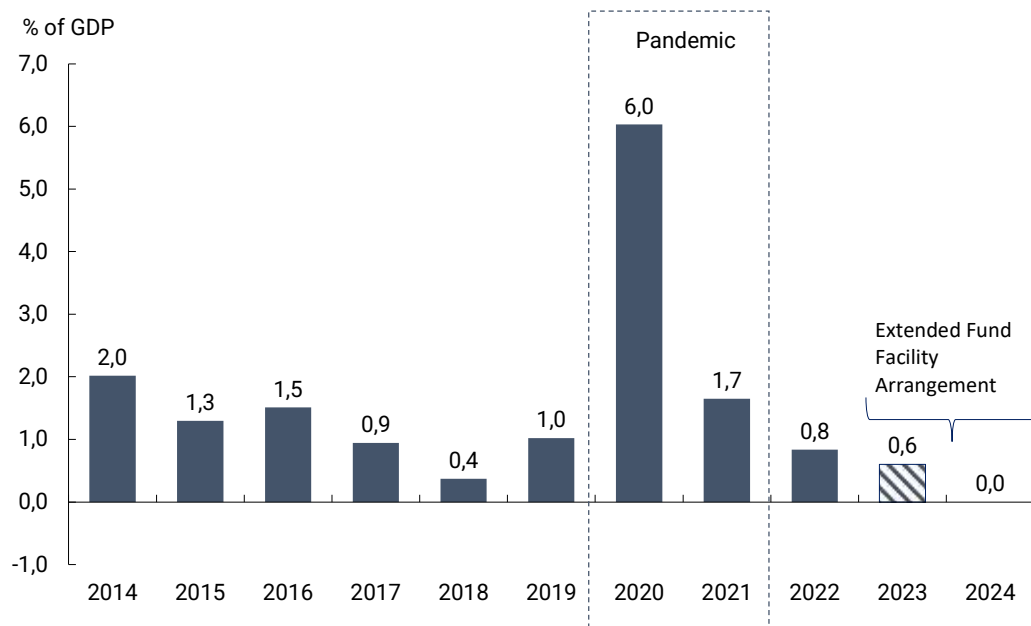
Real interest rates progressively taken to positive values

Proactive FX management (rate of crawl consistent with inflation; maintaining the competitiveness of the real exchange rate over the medium term)

Decreasing limits on monetary financing of the Treasury (under Fiscal discipline principle)

Credit stimulus to firms in local currency and at longer maturities, with emphasis on investment needs.

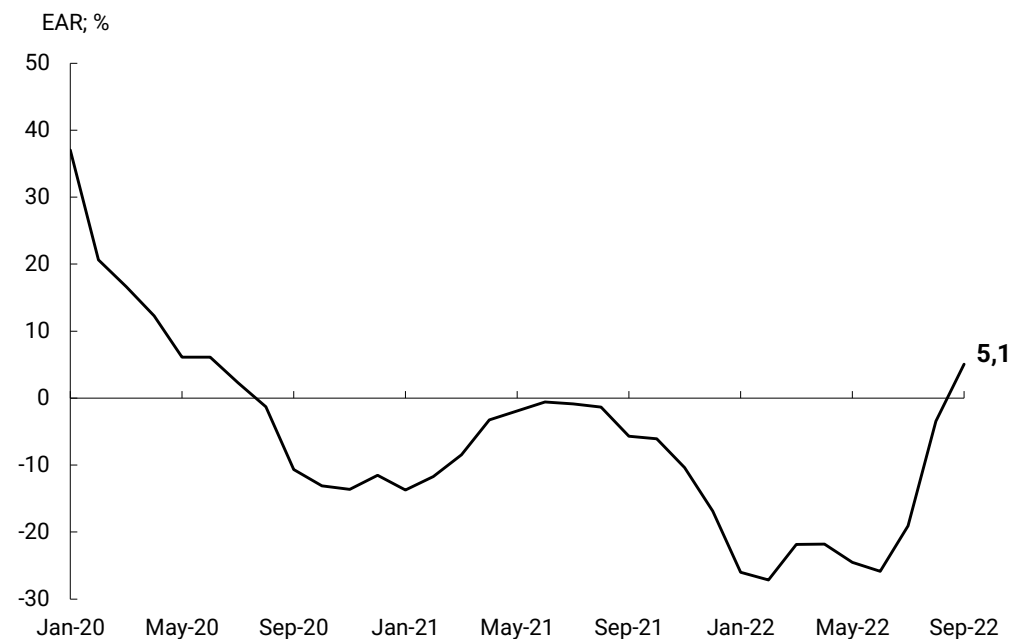
BCRA's Treasury financing



*Includes profit transfer and temporary advances.
Source | BCRA.

Policy Real Interest Rate*

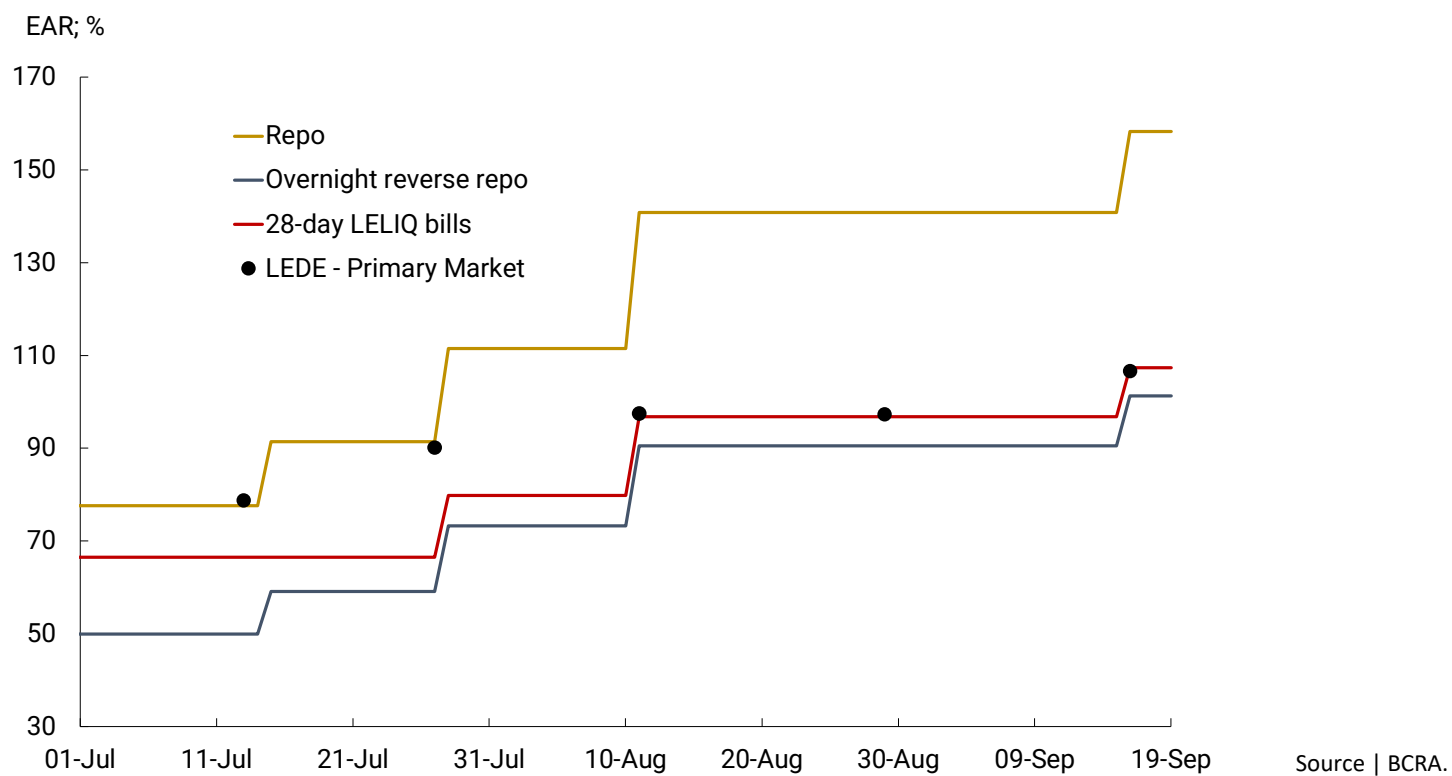
Using REM CPI Core 3-month ahead avg. inflation



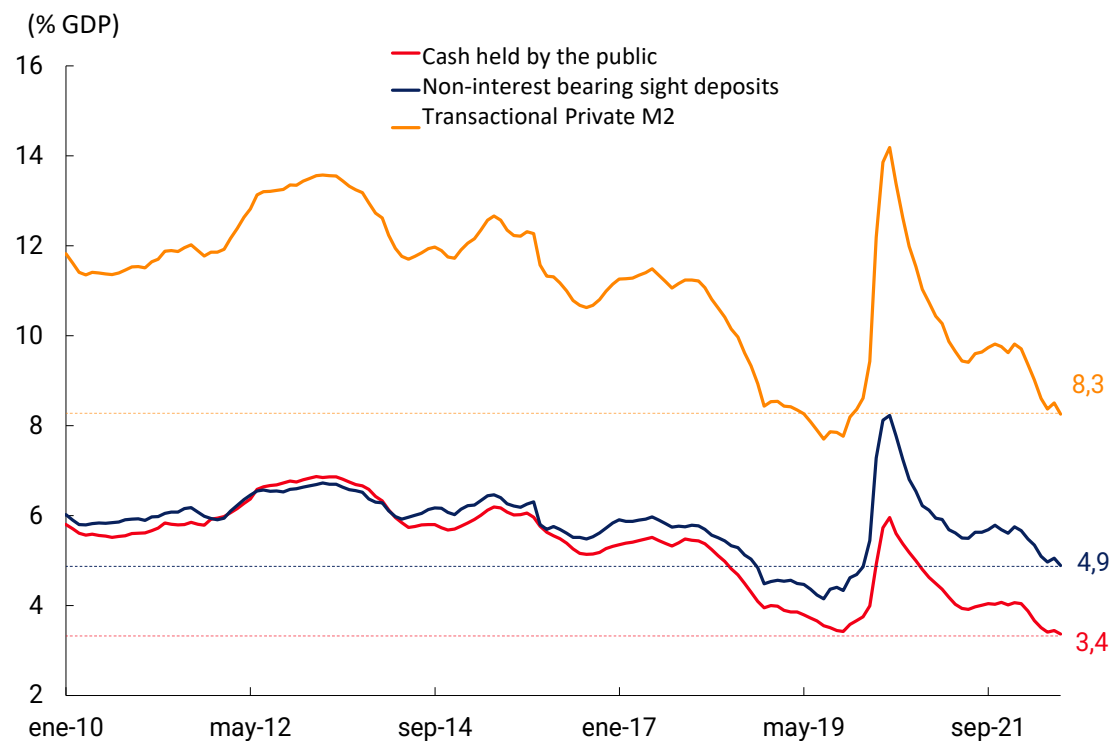
*It is the monthly avg. rate, except for the current month, which is the last day rate.
Source | INDEC.

Interest Rate Structure

Effective annual rate

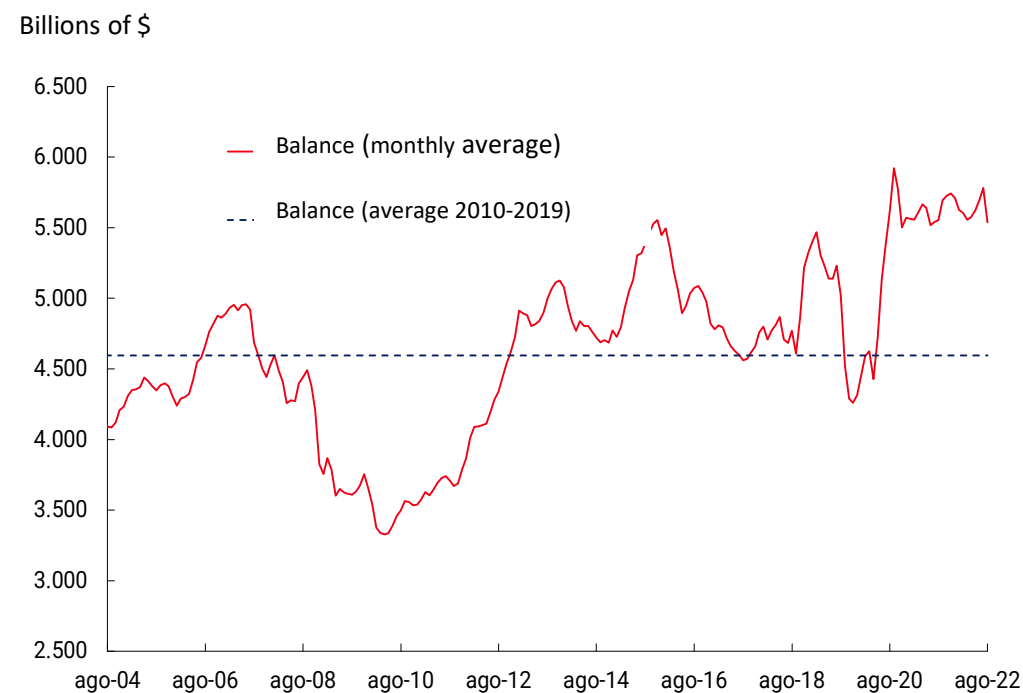


Means of payment
% GDP



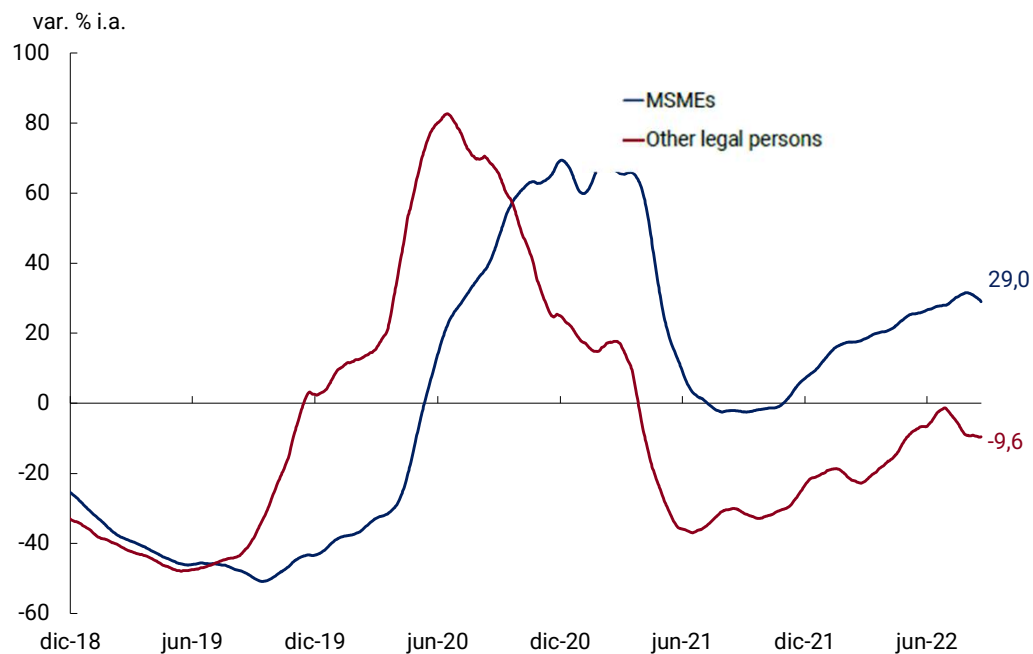
Source | BCRA.

Time deposits
Constant prices of Aug-22



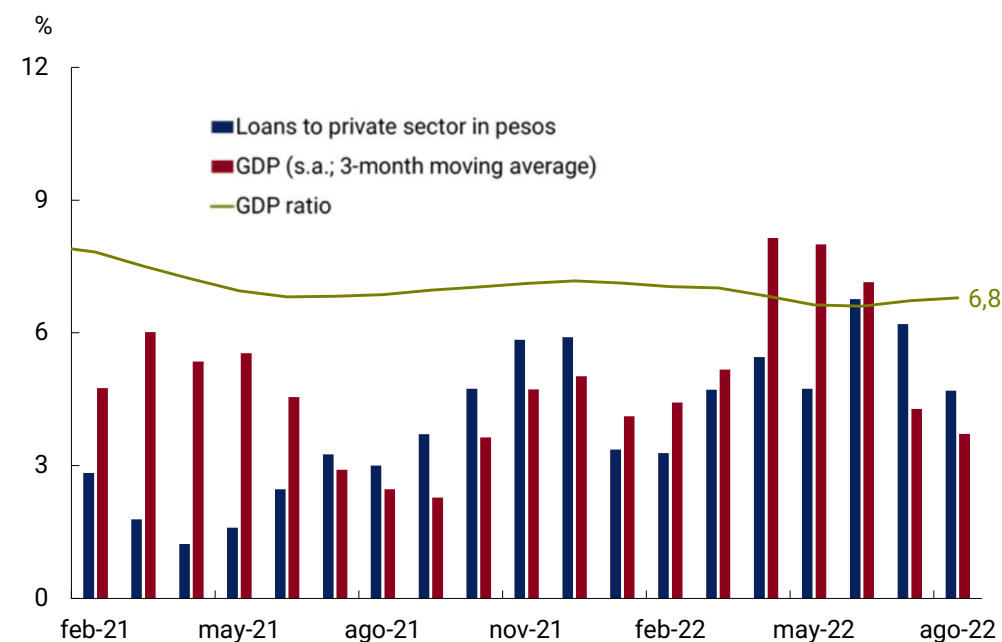
Source | BCRA.

Business Loans by Type of Debtor
y.o.y. Change of 30-day moving
average stock at constant prices



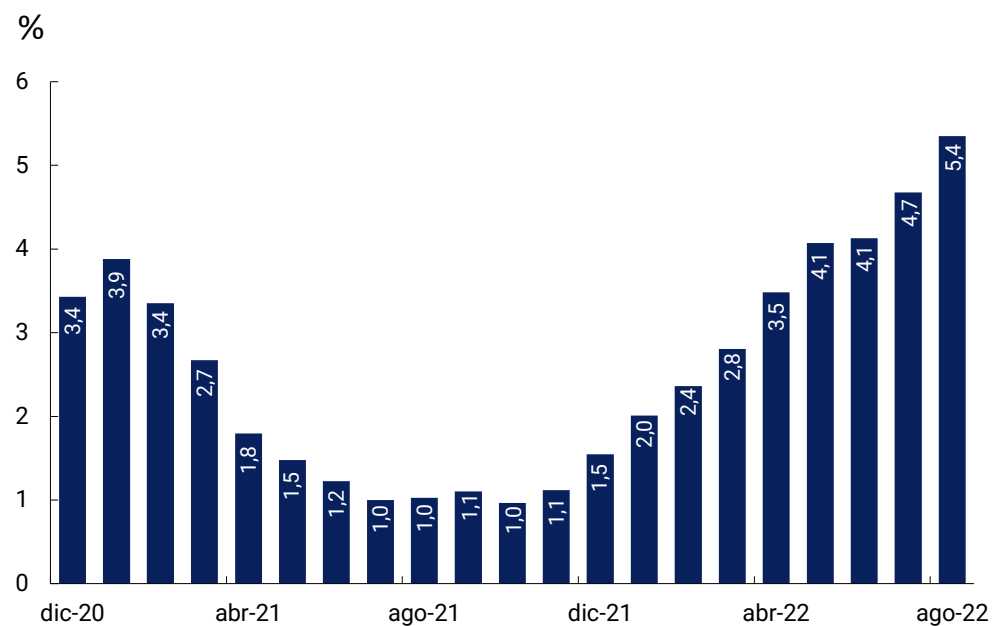
Source | BCRA

Loans to Private Sector in AR\$
% of GDP



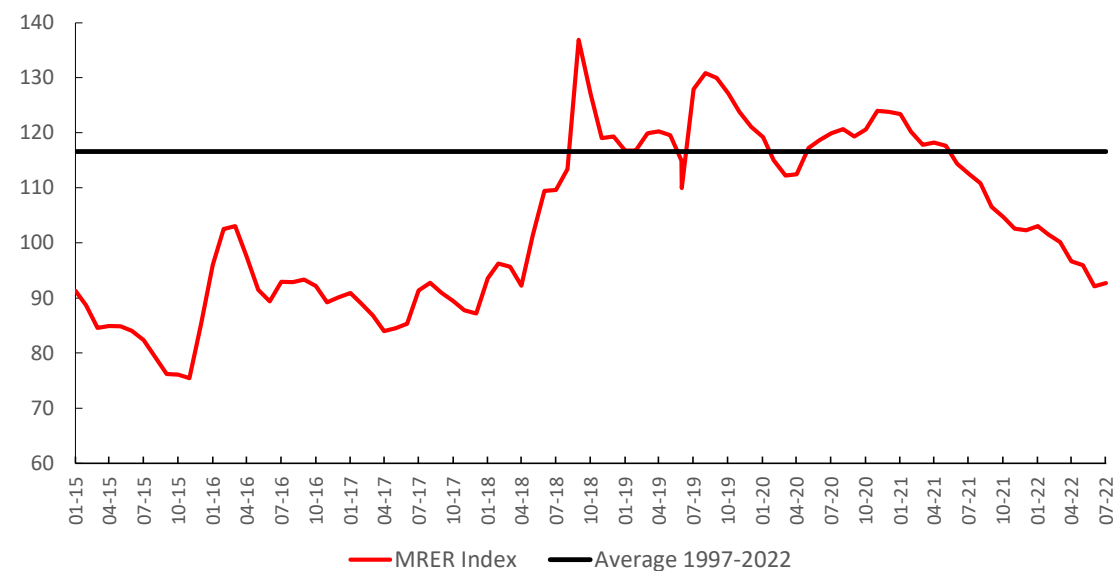
Source | BCRA.

Nominal Exchange Rate
% m.o.m. change



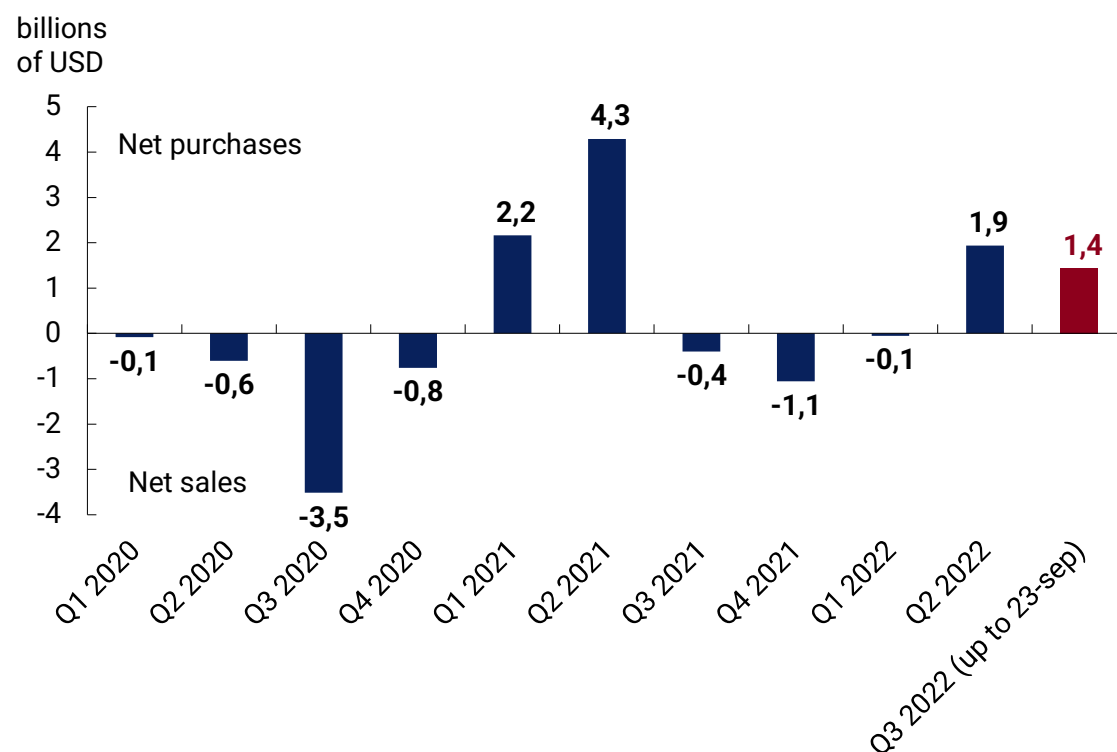
Source | BCRA.

Multilateral RER Index
17-12-15=100



Source | BCRA.

BCRA's net interventions in the FX market



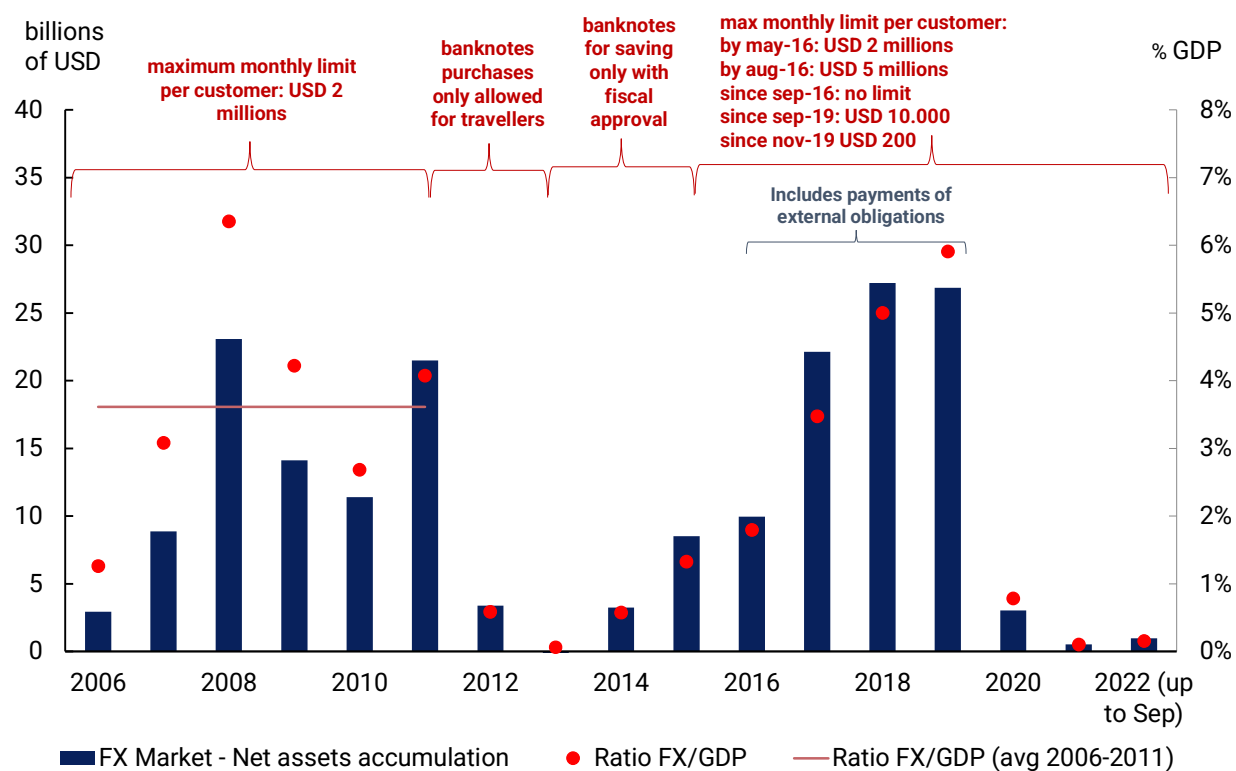
Source | BCRA.

IMF 2022 Programme tracking - Quantitative performance criteria (NIR floor) Change in Net International Reserves Equivalent in billion USD

2022-2023	9.8
2024	5.2
Total	15

Foreign Exchange Market

Net accumulation of external assets of the non-financial private sector



Source | BCRA.

Looking Ahead

International challenges

- Aggressive monetary policy tightening: USD appreciation, capital outflows, pressure on currencies
- War and energy prices
- Commodity prices, exchange rates and financial conditions

Domestic challenges

- Bringing down inflation in a sustainable way
- Development of local credit and capital markets
- Roadmap for gradual and condition-based unwinding of CFMs

Thank you