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ARGENTINA

October 2018

STAND-BY ARRANGEMENT—REVIEW UNDER THE EMERGENCY FINANCING MECHANISM

In the context of the Emergency Financing Mechanism the following document has been released in this package:

- An interim review under the Emergency Financing Mechanism**,** dated July 30, 2018, of the initial policy response and reaction of markets to the authorities' policies.

The document listed below has been separately released. It contains the most recent information on the Stand-By Arrangement with Argentina:

Argentina – First Review Under the Stand-By Arrangement; Inflation Consultation; Financing Assurances Review; and Requests for Rephasing, Augmentation, Waivers of Nonobservance and Applicability of Performance Criteria, and Modification of Performance Criteria.

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International Monetary Fund
Washington, D.C.

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ARGENTINA

STAND-BY ARRANGEMENT—REVIEW UNDER THE EMERGENCY FINANCING MECHANISM

July 30, 2018

- **Context:** On June 20, 2018 the Executive Board approved a three-year Stand-By Arrangement (SBA) for Argentina under the Emergency Financing Mechanism (EFM), in the amount of SDR 35.379 billion (about US$50 billion or 1,110 percent of quota). A first purchase of US$15 billion was made following the Board meeting, the domestic counterpart of half the first purchase was made available for budget support.

- **Emergency Financing Mechanism.** The EFM procedures call for a review of the initial policy response and the reaction of markets to the authorities' policies within one to two months after the approval of the arrangement. This short report provides an interim overview of recent developments and policies since Board approval of the SBA. The mission for the first review of the Stand-By Arrangement is scheduled to take place in Buenos Aires on August 13-22 and a Staff Report will be circulated for Board consideration in September.

- **Summary:** Preliminary data suggests that all the performance criteria and structural benchmark for end-June are likely to be met, although end-of-June inflation was above the inner band of the consultation clause reflecting the pass through from the higher-than-expected depreciation of the peso. Pressures on financial markets have abated in July, also owing to the strong tightening of monetary conditions from the authorities. Continued restraint on government spending has helped reduce the primary fiscal deficit in the first six months of 2018, exceeding program goals, and the authorities are working to secure political support for the 2019 Budget. The recent staff report publication garnered broad press coverage and interest from market participants, providing details on the authorities' plan. The authorities have also strongly renewed their ownership of the program, stressing that its implementation is essential to stabilize the economy and publicly renewing their commitment to achieve the targets under the program.

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RECENT DEVELOPMENTS

1. After a first tumultuous week following the approval of the SBA on June 20, financial volatility moderated in July.

- *Bond prices*. The yield on the 10-year US$ bond is currently around 8.4 percent (similar to levels prevailing at the time of program approval but 140 bps above the yield in early May). The EMBI+ spread peaked at 612 bps on July 2 but has been lower in recent weeks (although still far higher than the 350-bps level registered at the beginning of the year). Yields on 1-month LEBACs reached a peak of over 60 percent in early July, but have since dropped to 46.5 percent.

- *Stock prices.* The MERVAL has weakened around 10 percent since June 20, despite Argentina being reclassified on that date to emerging market status in the MSCI index.

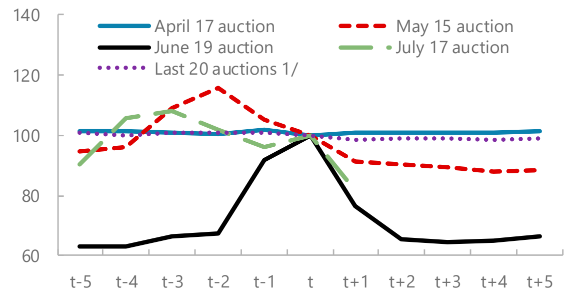
- *Exchange rate.* The peso depreciated by 1¼ percent in nominal effective terms since June 20. and volatility has fallen over the last few weeks although it remains higher than over the past two years, with the currency moving in a wide (7 percent) range over the past month. The real exchange rate has fallen around 25 percent since the beginning of the year, bringing it closer to the level that is consistent with medium-term fundamentals and desirable policies. The current level of the exchange rate is, however, somewhat more depreciated than was assumed under the program, which will have an impact on near-term inflation dynamics.

2. Economic activity is slowing in line with program projections, so far mostly due to the drought. The monthly index of economic activity fell 2.7 percent in April (m/m, sa), the lowest level of activity since late 2008 largely due to a 30 percent fall (y/y) in agricultural production. Non-agricultural industrial production contracted in May, construction weakened in June, and employment gains are leveling off. The expectation is that the macroeconomic effects of the deceleration in capital inflows, that started in April, will become more evident in the third quarter activity data.

3. Inflation remains high. The CPI rose by 3.7 percent in June (29.5 percent y/y), breaching the inner band of the inflation consultation clause; a consultation with staff was held in mid-July. The higher inflation largely reflects the pass-through from the depreciation of the peso and a further drift upward in inflation expectations (which are around 2 percent above the mid-point of the BCRA's target band).

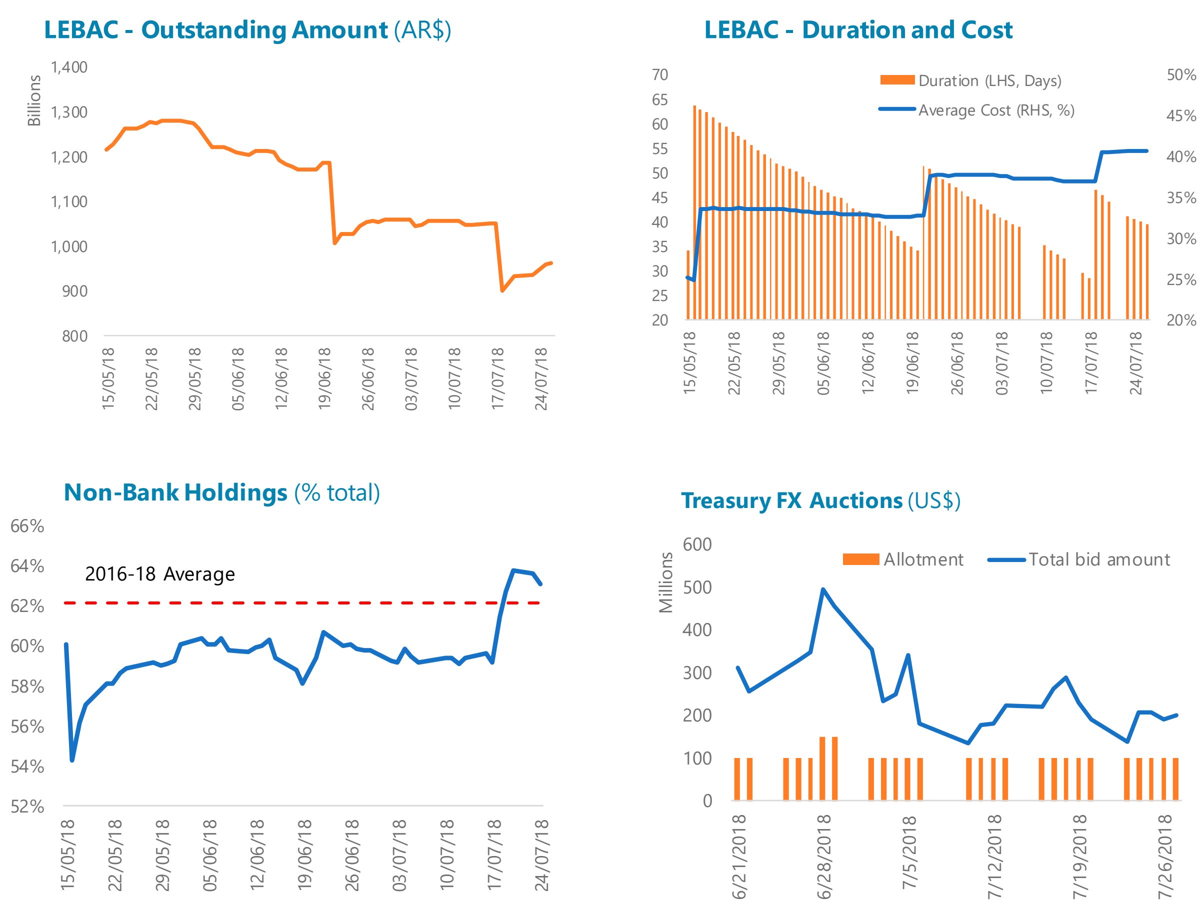
4. The BCRA tightened its policy stance, contributing to reduce financial volatility. The BCRA has kept its policy rate unchanged at 40 percent since early May 2018m but in June strengthened their policy communications by introducing forward guidance (indicating that rates will be kept at, or above, current levels until inflation and inflation expectations both start to fall). The BCRA has also increased short-term rates in the LEBAC secondary market and raised reserve requirements in an effort to constrain liquidity and support the exchange rate. The Treasury has issued AR$60 billion (over US$2 billion) in the domestic market with the intention that it be used to pay down the BCRA's claim on the government, which will also help absorb peso liquidity.

1-month LEBAC yield in secondary market
(Index=100 at the day of the auction [t])



Source: BCRA and IMF staff calculations. 1/ Median value.

LEBACs and Treasury FX Auctions



5. The maturing of LEBACs in July was met with relative calm, although the high stock of LEBACs remains a source of vulnerability.

- In May and June, the rollover of LEBACs were preceded by anxiety in markets, leading to substantial exchange rate and interest rate volatility. On July 17, however, the BCRA rolled over ¾ of the maturing liabilities at an interest rate (on 1-month instruments) of 46.5 percent, and the exchange rate moved only modestly. While the interest rate was higher than anticipated in the program, the rollover rate was lower (as the program had anticipated it at 90 percent).

- Since the May rollover, the total amount of LEBAC outstanding has declined by 21 percent. The interest paid has increased by more than 10 percent while average duration was reduced by 20 days. Furthermore, non-bank LEBAC holdings have increased above the 2016-2018 average after the latest rollover. Nonetheless, the share in non-residents' hands has remained stable (at around 14 percent). On August 21, about US$21 billion in LEBACs will again mature, of which about half is held by non-banks.

6. The current account deficit rose to 5.3 percent of GDP in the first quarter. A surge in imports, subdued exports, and falling terms of trade were exacerbated in the first quarter by the drought. Interest payments on external debt remain high, making up more than one-half of the CA deficit in the first quarter which was predominantly financed by public sector borrowing (including US$13 billion in federal government borrowing in the first quarters well as nonresident investment in provincial bonds and LEBACs). Nonetheless, inflows reversed during the second quarter, with no government issuance in international markets and an increase in private capital outflows. Preliminary trade data for Q2 also point to an adjustment in the trade balance, in line with program expectations.

7. The primary fiscal deficit was 0.9 percent of GDP in the first six months of 2018, 0.5 percent of GDP lower than the same period last year. Real current spending was down by about 5.1 percent compared to the first half of 2017, a result of a reduction in spending on wages and goods and services, discretionary transfers to provinces, and capital spending. Domestic energy prices were increased in line with the program, but the depreciation of the peso led to a lower-than-expected reduction in energy subsidies. This shortfall was offset by buoyant tax revenues, which were up 2 percent in real terms during the first half of the year. Preliminary data indicate that the end-June QPCs for primary balance and social spending are likely to be met. Going forward, the authorities seems well positioned to meet this year fiscal target of 2.7 percent of GDP, with continued restraint in current spending expected to offset the likely slowdown of revenues as the economy weakens.

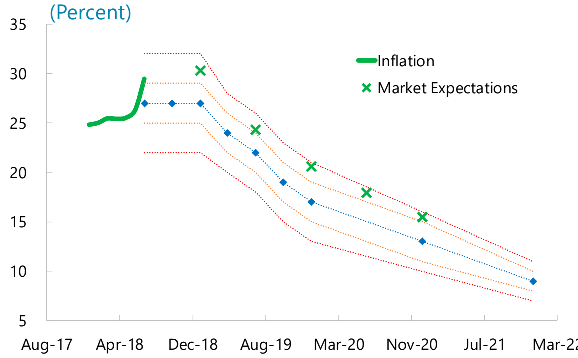
8. Banks remain generally healthy. Banks are well-capitalized (an average 15 percent tier-1 capital adequacy ratio), profitable (27.3 percent return on equity in 2017), and liquid. NPLs are low (1.9 percent of loans as of March 2018) and fully provisioned for. The average maturity of the loan portfolio is short, banks generally have long FX positions, and have little exposure to sovereign risk and inflation. For most banks, loans are growing faster than deposits. However, liquidity in *Banco de la Nación* fell sharply in March 2018, following a dividend payment to the Argentine Treasury.

9. The staff report was published on July 13, and has received wide press coverage and interest from market participants. Reports focused on the program's commitment to maintain soy export taxes at current levels, although noting that the measure would be contingent on economic developments and the fiscal performance under the program. An interview with the Argentina mission chief was published in full in the Argentine press. Following the publication of the staff report, both President Macri and Minister Dujovne have held press conferences discussing the program and emphasizing the need for reforms. Authorities have stepped up their efforts to build political support for measures and the press has picked up on key reforms, including the recapitalization of the BCRA.

POLICIES

A. Monetary Policy

Inflation Consultation Clause
(Percent)



Source: BCRA and Fund staff calculations.

10. In the formal consultation with staff, the BCRA reiterated its commitment to meet the inflation targets. As required under the inflation consultation clause in the event of a breach, the authorities presented to staff a comprehensive analysis of inflation developments, highlighting that the breach was largely driven by the pass-through from the larger-than-expected depreciation of the peso in May. There was broad agreement that inflation is likely to continue to be high in the short term, although inflationary pressures should dissipate later in the year reflecting the more stable currency, tighter monetary conditions, and the growing output gap. Authorities and staff agreed that the policy rate would have to remain high for an extended period of time to bring down inflation within the monetary policy planning horizon. However, there was agreement that the end-2019 inflation target remains fully achievable. The authorities are conscious of the need to realign market expectations with their forward guidance on policy (especially given that the median market analyst expects policy rates to fall starting in August). There was also concern that inflation expectations for end-2019 were 350 bps above the 17 percent target.

11. Given the uncertainties surrounding the monetary transmission mechanism and the outlook for inflation the central bank continues to look at a range of indicators to guide their policy decisions. Their "dashboard" includes monetary aggregates, realized and expected inflation, the exchange rate, and the output from a suite of models. Staff and the authorities are working together to better focus the BCRA's policy communications around their inflation objective, so as to ensure that expectations become better-anchored to the mid-point of their target band. In this regard, the gap between short-term money market rates (e.g. on 1-month LEBACs) and the policy rate has weakened the BCRA's ability to signal its policy intentions (and there is some confusion in markets about which rate provides the right measure of the policy stance). Going forward, as volatility linked to the monthly LEBAC rollovers abates as the stock is reduced, short-term yields in the secondary market should start to converge back toward the policy rate and the yield curve will become better aligned with the BCRA's announced policy plans.

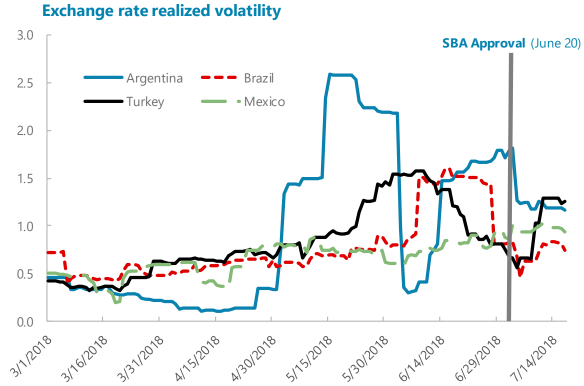
12. The outstanding stock of LEBACs continues to be a source of vulnerability and is creating some confusion among investors about the BCRA's inflation targeting framework. The regular monthly maturity of a significant volume of central bank liabilities invites market volatility during the week of the rollover. The program envisages issuing Treasury bonds over time to substitute for the LEBACs as market appetite for duration grows. However, this may prove to be a lengthy process. In the interim, Argentina is left exposed to external shocks or speculative pressures in the run-up to these rollovers. Indeed, the overhang from the LEBACs (and its implication for future FX volatility) may, itself, be weighing on the Treasury's access to market financing through the issuance of peso debt. To lessen this vulnerability, and in line with program expectations, the Treasury has already earmarked US$2 billon (from the proceed of the 2-year peso bond that was issued on June 18) to repay BCRA net credit to government and lessen the BCRA's sterilization needs. This should allow the central bank to reduce the outstanding stock of LEBACs.

B. Exchange Rate Policy

13. The BCRA has held daily FX auctions on behalf of the Treasury, selling a pre-announced quantity of USD 100 million each working day. There was a temporary increase (to US$150 million) for the June 28-29 auction, to meet an end-quarter cash needs. These resources arise from the drawdown of the budget support provided upon approval of the SBA.

14. The BCRA has taken measures to dampen excessive volatility in the exchange rate but remains committed to a floating regime. The BCRA undertook a modest FX intervention (of US$300 million) on June 29, in reaction to a very large (4.8 percent) intraday depreciation of the peso (that occurred at quarter-end and followed the incomplete rollover of maturing LEBACs in the preceding week). Net international reserves ended June above the adjusted program floor and FX intervention remains consistent with the program. Nonetheless, low trading volumes, high bid-ask spreads, and large intraday movements of the peso (vis-a-vis the previous day market close) provide an indication that market functioning remains fragile. Realized volatility, for example, has been well above that in other EMs (other than Turkey). Since end-June, daily volumes in the currency market have returned to normal levels with relatively modest daily movements in the exchange rate. This recent market stability has been achieved, however, through much higher yields on short-term instruments than was envisaged in the original program (notably for 1-month LEBACs).

Exchange rate realized volatility



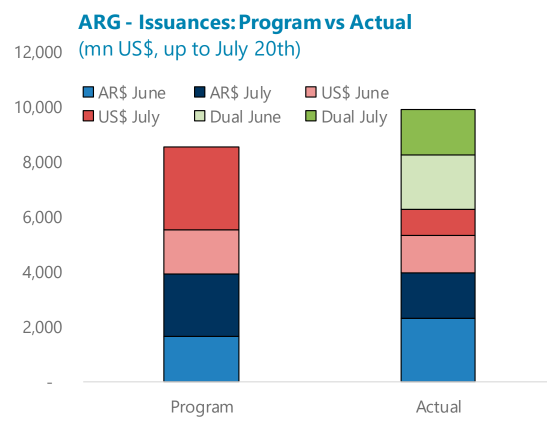
Source: Bloomberg and IMF calculations.

C. Fiscal Policy

15. The authorities have begun working to build consensus around a 2019 Budget that targets their primary deficit goal of 1.3 percent of GDP. In early July, the authorities issued a decree to freeze federal hiring (excluding security forces, the military, and universities) for the next two years, in line with the program. The authorities are also working to build political support for a package of measures that would secure the announced fiscal target. The Budget will be sent to congress in mid-September; measures underpinning the adjustment will be discussed with the authorities during the upcoming program review.

16. Domestic market issuance has been broadly in line with program assumptions, although confidence has not been fully restored yet. Since Board approval, the authorities have placed US$7.5 billion of FX, peso, and dual currency debt into the domestic market at rates ranging from 26 to 33 percent for 2-year peso bonds and around 5.5 percent for 1-year dollar-denominated debt. These instruments have been purchased by both resident and nonresident investors. These placements were, however, supported by:

- Allowing banks to fulfill the increase in reserve requirements (that was put in place in June and July) using around US$3 billion in bonds maturing in 2020.
- Issuing a dual currency instrument specifically targeted at a few large investors.
- Higher-than-expected demand from public sector entities in purchasing FX LETES.



While these developments were discussed with staff prior to implementation, they had not been anticipated at the time of program approval. Going forward, the authorities intend to narrow the range of instruments issued to better build a benchmark yield curve in both pesos and U.S. dollars.

D. Safeguards

17. A safeguards assessment of the BCRA is underway and a mission is scheduled for August 20-30. Preliminary observations, based on information provided to staff, point to a need for significant strengthening of the BCRA Law to provide for operational independence of the central bank. This includes changes to the mandate; the institutional and financial autonomy of the BCRA; the governance arrangements for the BCRA Board's oversight of daily management; and the prohibition of monetary financing of the state budget. Financial reporting practices also fall short of international norms and the adoption of international financial reporting standards (IFRS) is needed to improve transparency. External audit arrangements appear broadly adequate (with an annual audit by large international audit firms). The safeguards mission will also aim to clarify the audit process.

STAFF APPRAISAL

18. The authorities are moving ahead in both building support for, and implementing, their policy plans. Although volatility has persisted in financial markets, pressures on the peso appear to have eased and the recent LEBAC auction took place under a relatively benign environment. This has been in large part thanks to the measures taken by the authorities to tighten liquidity conditions and raise interest rates. Near-term challenges remain, especially with regards countering inflation and dealing with the vulnerabilities posed by the large outstanding stock of short-term central bank liabilities.

19. Authorities stand ready to review the current monetary policy stance, in the face of significant and uncertain inflationary pressures. The focus in the coming months should be on implementing a steady, predictable, and well-communicated policy strategy that is squarely aimed at achieving the BCRA's inflation targets and aligning inflation expectations with these targets.

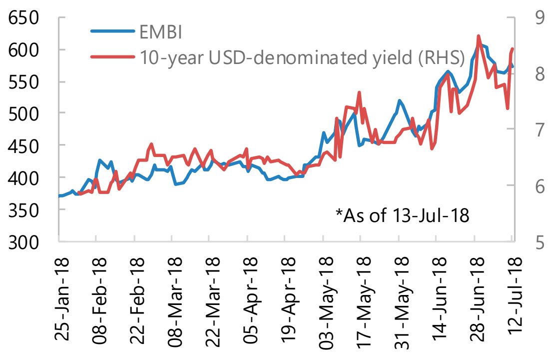
20. Continued efforts to restrain primary spending will be key to achieving the 2018 fiscal target. Fiscal data up to June shows that the authorities are in a good position to meet this year fiscal targets. While revenue performance up to end-June has surpassed original projections, fiscal targets will have to be safeguarded against the adverse effects of a weakening economy. The authorities continue to view expenditure restraint as the central means to implement their fiscal plans, restore confidence, and maintain market access on favorable terms.

21. To date, the authorities have demonstrated strong ownership of their policy plans. Most program targets are likely to be met and authorities have made important progress in key areas of the program, including reducing in central bank credit to government and meeting this year fiscal target. Nonetheless, the lower than projected rollover rates in the LEBAC market and higher-than-expected sovereign spreads illustrate the continuing vulnerabilities facing Argentina. Going forward, continuing to build political and social consensus around the government's policy plans is essential to its success. Steadfast implementation and demonstrable ownership will also be essential, and clear communications will be key to anchoring market expectations and fostering confidence.

Figure 1. Recent Market Developments

Sovereign bond yields have risen further since mid-June

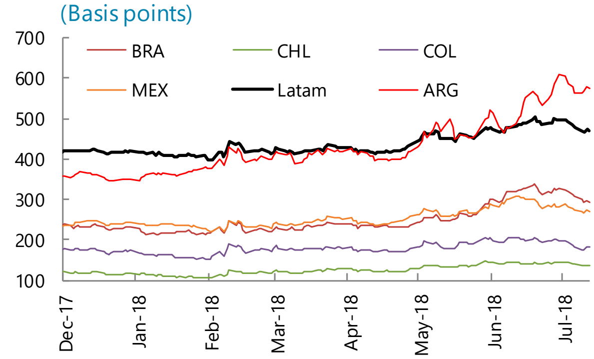
EMBI and 10-year government bond yield
(EMBI in basis points and yield in percent*)



Source: JP Morgan and Bloomberg.

... underperforming regional peers...

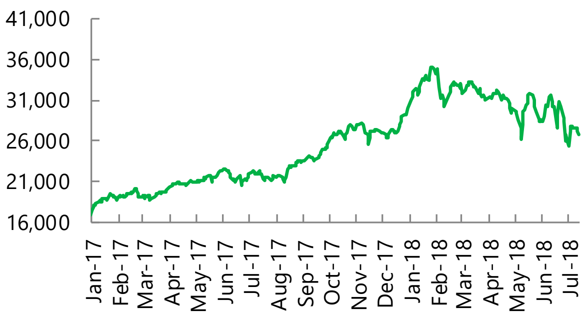
Emerging Market Bond Indices
(Basis points)



Source: J.P. Morgan.

... while equity markets have fallen sharply.

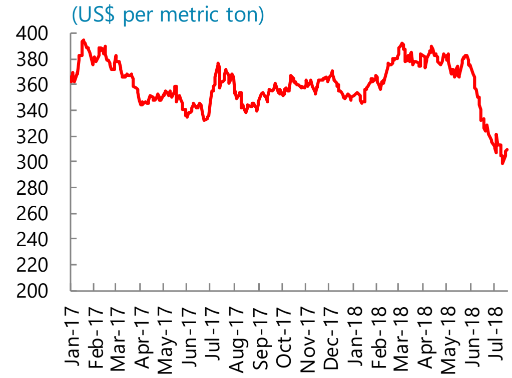
Merval Stock Index
(Level)



Source: Bloomberg.

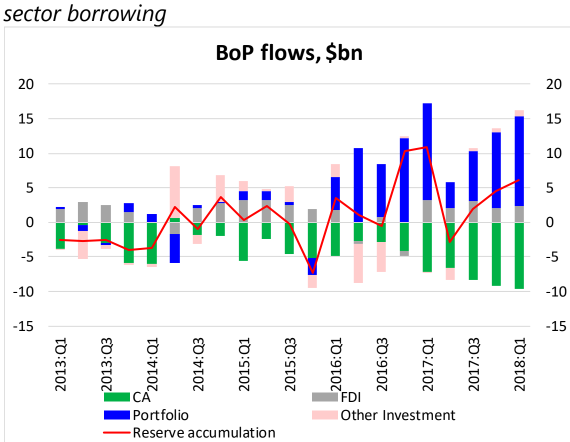
US soy prices have fallen by 17 percent since end-May, though prices facing Argentine exporters have fallen less

Soybean price
(US$ per metric ton)



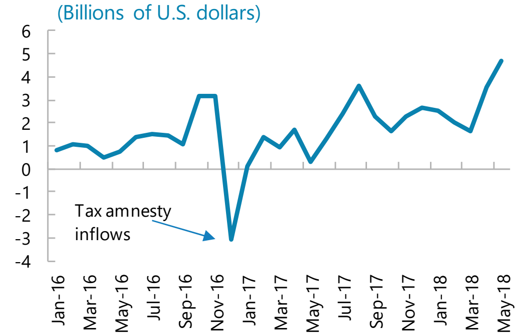
Source: Bloomberg.

Portfolio inflows remained high, mainly reflecting public sector borrowing



Private sector capital outflows have accelerated

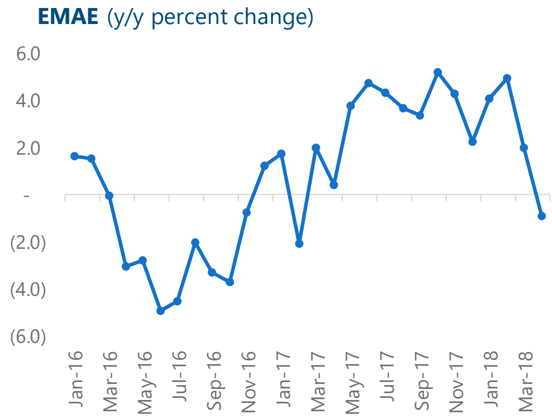
Capital Outflows
(Billions of U.S. dollars)



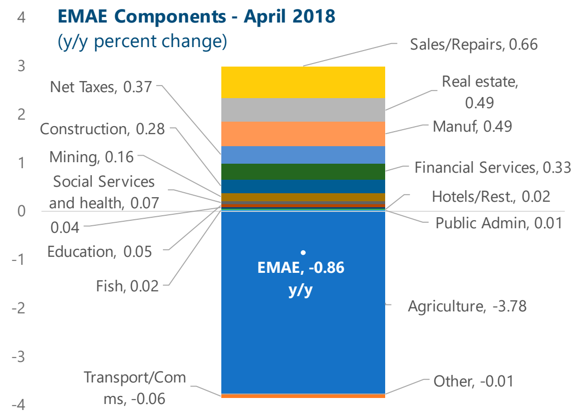
Sources: BCRA and Fund staff calculations.

Figure 2. Real and External Sector

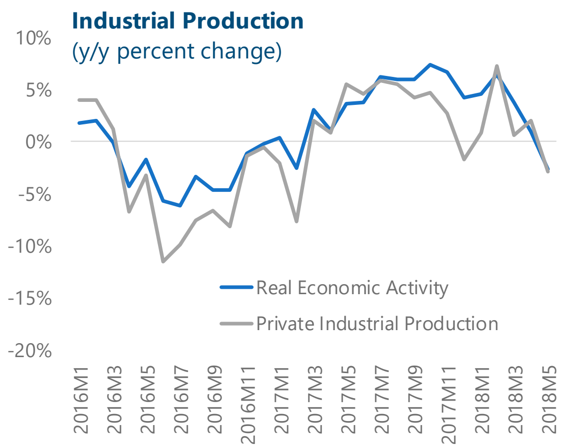
Economic activity as measured by the monthly economic activity index has weakened in April, in line with projections…



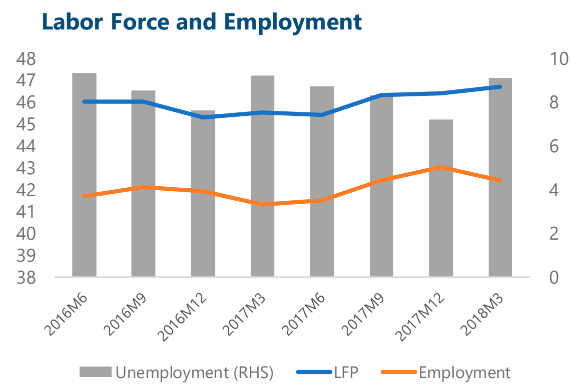
… largely driven by the drought's impact on agriculture



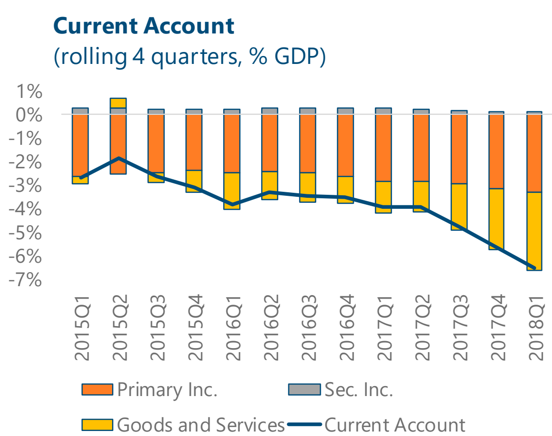
Industrial production has also weakened recently…



… and labor market indicators have softened in 2018



Current account deficit continues to widen owing to a worsening trade balance and increased interest payments.



Reserves remain stable with limited FX intervention

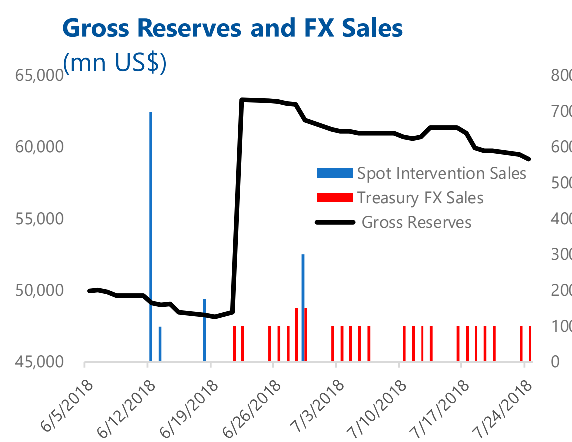
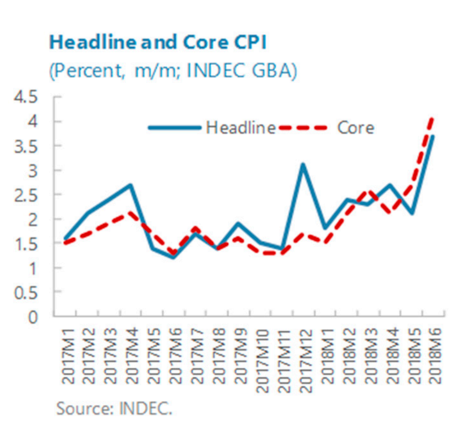
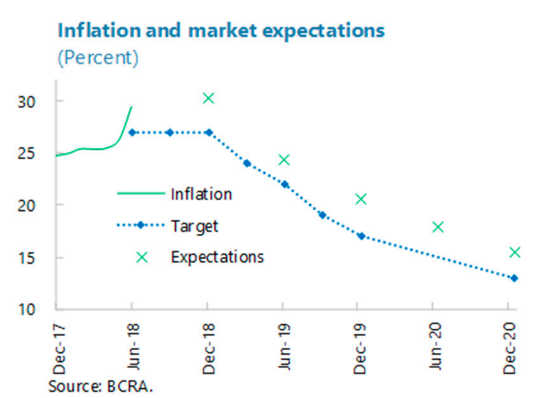


Figure 3. FX and Monetary Developments

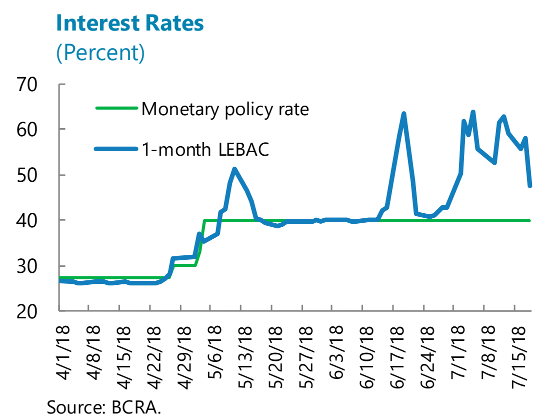
Headline and core inflation have been high…



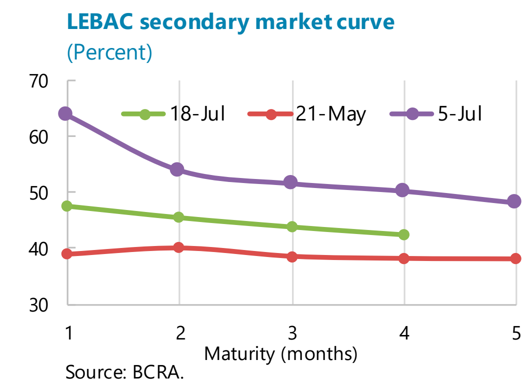
… with expectations above the central bank's targets



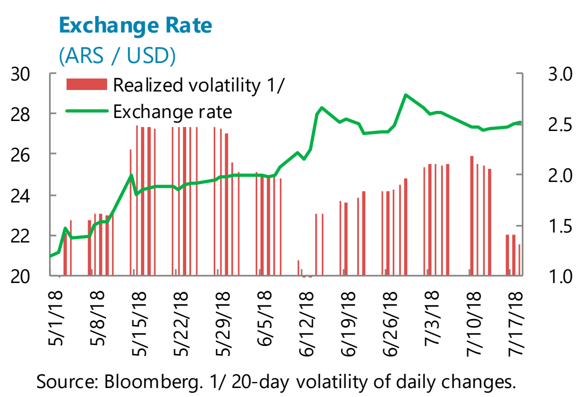
The BCRA has tightened monetary conditions…



… with forward guidance increasing rates along the curve for central bank paper



The peso depreciated sharply in the last week of June, but has appreciated gradually since…



Daily FX auctions have been transparent, pre-announced, and aligned with market prices

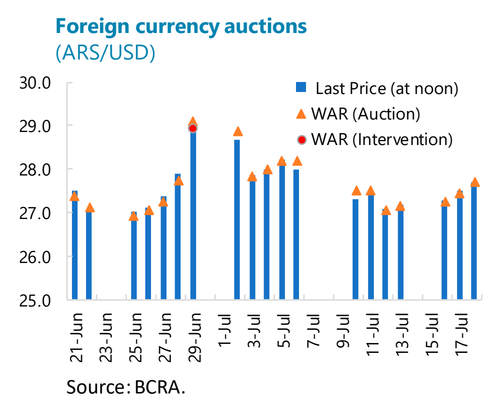


Table 1. Argentina: Selected Economic and Financial Indicators

	Average 2009–14	2015	2016	2017	Proj. 2018	2019	2020	2021	2022	2023
					(Annual percentage changes unless otherwise indicated)					
National income, prices, and labor markets										
GDP at constant prices	1.5	2.7	-1.8	2.9	0.4	1.5	2.5	3.1	3.1	3.2
Domestic demand	2.6	4.2	-1.3	6.3	-1.4	0.5	2.0	2.7	2.8	3.0
Consumption	2.8	4.2	-0.8	3.3	-0.9	1.6	1.9	1.9	1.6	1.7
Private	2.6	3.7	-1.0	3.6	-0.6	2.3	2.5	2.4	1.9	2.0
Public	4.5	6.9	0.3	2.0	-2.2	-2.0	-1.6	-0.9	-0.4	-0.3
Investment	1.6	3.5	-4.9	11.3	-1.2	-2.1	3.0	6.8	8.3	8.3
Private	1.0	4.4	-5.3	11.0	1.9	2.5	4.0	7.1	8.0	6.8
Public	5.0	3.9	-4.7	13.5	-12.0	-19.1	-1.6	5.3	9.8	15.9
Exports	-1.0	-2.8	5.3	0.4	5.6	6.8	5.4	5.6	5.8	5.5
Imports	4.4	4.7	5.7	14.7	-2.7	1.6	3.1	3.8	4.1	4.2
Change in inventories and stat. disc. (contribution to growth)	0.1	0.2	0.2	1.6	-0.5	-0.5	0.0	0.0	0.0	0.0
Nominal GDP (billions of Argentine pesos)	2,609	5,955	8,189	10,558	13,240	16,068	18,746	21,227	23,191	25,135
Output gap (percent)	...	1.1	-1.8	-1.5	-2.9	-3.7	-3.3	-2.5	-1.8	-1.3
CPI inflation (eop, y/y percent change)	...	...	...	24.8	27.0	17.0	13.0	9.0	5.0	5.0
GDP deflator (y/y percent change)	...	26.6	40.1	25.3	24.9	19.6	13.8	9.9	5.9	5.1
Unemployment rate (percent)	7.5	...	8.5	8.4	8.5	8.6	8.4	8.2	8.0	7.8
					(Percent of GDP unless otherwise indicated)					
External sector										
Exports f.o.b. (goods, billions of U.S. dollars)	71.9	56.8	57.9	58.4	66.4	71.6	75.3	80.1	84.9	89.6
Imports f.o.b. (goods, billions of U.S. dollars)	60.2	57.6	53.5	64.0	65.7	67.7	72.2	77.4	82.1	86.8
Trade balance (goods, billions of U.S. dollars)	11.7	-0.8	4.4	-5.5	0.7	4.0	3.1	2.7	2.8	2.8
Trade balance (goods)	2.6	-0.1	0.8	-0.9	0.1	0.7	0.5	0.4	0.4	0.4
Terms of trade (percent change)	1.7	-4.4	6.0	-2.7	4.0	-1.9	-3.0	-1.4	-0.3	-0.1
Total external debt	34.7	27.9	34.2	37.0	51.3	52.6	52.0	50.8	50.0	49.2
Savings-Investment balance										
Gross domestic investment	16.3	15.6	14.6	14.8	15.1	14.8	14.9	15.5	16.4	17.2
Private	12.7	11.9	11.2	11.3	12.1	12.2	12.4	12.9	13.6	14.1
Public	3.6	3.6	3.4	3.5	3.1	2.6	2.5	2.6	2.7	3.1
Gross national savings	15.7	12.8	12.0	10.0	11.6	11.6	12.2	13.3	14.3	15.1
Private	15.0	15.0	14.9	12.9	13.7	12.8	12.6	13.4	14.1	14.4
Public	0.7	-2.1	-2.9	-3.0	-2.1	-1.2	-0.4	-0.1	0.1	0.7
Current account balance	-0.6	-2.7	-2.7	-4.8	-3.6	-3.2	-2.7	-2.2	-2.1	-2.1
Public sector 1/										
Primary balance	-1.9	-4.4	-4.7	-4.2	-2.8	-1.3	0.2	0.8	1.2	1.3
of which : Federal government	-3.4	-3.8	-4.2	-3.8	-2.7	-1.3	0.0	0.5	0.9	1.2
memo : Structural federal primary balance 2/	-1.4	-4.2	-4.5	-3.7	-2.1	-0.6	0.6	0.9	1.2	1.4
Overall balance	-2.9	-5.8	-6.4	-6.5	-5.1	-3.8	-2.9	-2.7	-2.6	-2.4
of which : Federal government	-2.4	-5.1	-5.8	-6.0	-5.0	-3.7	-3.0	-2.9	-2.7	-2.3
Revenues	31.7	35.4	35.1	34.8	35.0	35.6	35.8	35.8	35.5	35.2
Primary expenditure 3/	35.0	39.8	39.8	39.0	37.8	36.9	35.6	34.9	34.3	34.0
Total public debt (federal)	40.4	55.1	53.3	57.1	64.5	60.9	57.4	55.8	54.1	53.0
Money and credit										
Monetary base (eop, y/y percent change)	27.5	34.9	31.7	21.8	25.9	21.3	18.0	14.5	14.2	13.8
M2 (percent change)	28.7	28.2	30.4	25.8	22.5	25.3	18.6	14.5	14.2	13.8
Credit to the private sector (eop, y/y percent change)	28.9	35.7	31.2	51.3	34.9	21.9	18.0	23.8	16.9	16.2
Credit to the private sector real (eop, y/y percent change)	...	...	...	21.2	6.2	4.2	4.4	13.6	11.3	10.6
Interest rate (eop) 4/	16.3	32.2	23.9	28.8	37.2	22.5	15.8	11.0	10.0	9.7
Real interest rate (eop), 12-m ahead y/y inflation 4/	...	...	...	9.7	17.2	8.4	6.2	5.7	4.8	4.5
Real interest rate (eop), 1-m ahead m/m inflation 4/	...	...	...	7.4	14.2	6.6	4.5	4.5	4.7	4.4
Memorandum items										
Gross international reserves (billions of U.S. dollars)	42.0	25.6	39.3	55.1	65.4	69.0	79.7	88.4	96.0	103.8
Net international reserves, (billions of U.S. dollars) 5/	...	-1.5	10.3	27.9	29.7	33.4	44.0	54.6	69.8	83.2
Change in REER (eop, percent change)	8.4	5.3	-3.4	5.4	-18.1	3.9	0.7	0.1	0.0	0.0

Sources: Ministerio de Hacienda y Finanzas Públicas, Banco Central de la República Argentina (BCRA), and Fund staff estimates.

1/ The primary balance excludes profit transfers from the central bank of Argentina. Interest expenditure is net of property income from the social security fund before 2016.

2/ Percent of potential GDP.

3/ Includes transfers to municipalities, but excludes municipal spending.

4/ Average of all LEBAC maturities before 2017 and midpoint of the repo corridor starting in 2017; ex ante real rates.

5/ Assumes that entire first tranche would remain deposited at the BCRA. Projections and program targets will be adjusted accordingly upon changes.