

Evolution of the Foreign Exchange Market and Exchange Balance

August 2019



BANCO CENTRAL
DE LA REPÚBLICA ARGENTINA

Transactions in the Foreign Exchange Market and the Foreign Exchange Balance

Overview

Foreign Exchange Transactions and Foreign Exchange Balance in August 2019

- ✓ *In August, the performance of different sectors in the forex market proved to be heterogeneous. The National Treasury channeled USD60 million through daily auctions as of September 9 to fund net purchases by financial institutions licensed to trade in forex exchange and their clients. Following the primary elections (PASO), private net demand more than doubled and the BCRA intervened by selling foreign currency in the spot market for the first time since the foreign exchange scheme was launched in October 2018.*
- ✓ *Private deposits in foreign currency also exhibited a heterogeneous performance in August. The initial rise amounting to around USD300 million as of August 9 was reversed by a USD5,900 million drop seen over the rest of the month. This decline resulted from transfers abroad ("swap transactions" totaling USD3,400 million over the month) and cash withdrawals.*
- ✓ *Thus, financial institutions' clients purchased USD2,525 million in the forex market while the ensemble of institutions licensed to trade in foreign exchange purchased USD620 million in August. These transactions were funded by National Treasury's net sales for USD1,706 million, and by the BCRA for USD2,069 million.*
- ✓ *Companies in the real sector were net sellers of foreign currency for USD477 million.*
- ✓ *Within this group, the main sector to make net sales in historical terms ("Oilseeds and Grains") recorded net sales for USD2,185 million, up 22% y.o.y.*
- ✓ *Companies in the "Real Sector Non-Oilseeds and Grains" recorded net purchases totaling USD1,708 million, particularly for payments for imports of goods and services and to make deposits locally and abroad.*
- ✓ *"Natural Persons", who mainly demand foreign currency for saving and travelling abroad, made net purchases for USD1,873 million (USD1,516 million for banknotes and USD356 million for the remaining transactions), down 9% against purchases for USD2,053 million recorded in August 2018.*
- ✓ *The number of natural persons purchasing banknotes through the forex market stood at 1,300,000, down 16% against July. Each person purchased less than USD10,000 with a share of 97% in the total amount, while 32,000 individuals purchased over USD10,000 each.*
- ✓ *"Institutional Investors and Others"—both residents and non-residents—recorded net purchases for USD900 million in August, down USD720 million y.o.y.*
- ✓ *In addition to purchases on the spot market, financial institutions licensed to trade in the forex market made forward net sales of foreign currency for USD317 million.*
- ✓ *The National Treasury made payments on account of two major reasons. On the one hand, reimbursement of principal and interest for USD5,374 million—principally disbursements to settle a repo carried out with a group of financial institutions for USD3,500 million and LETES bills for USD1,350 million—and on the other hand, repayments to international organizations for USD155 million. On another note, it raised USD170 million from debt issues, out of which USD95 million corresponded to issues of LETES bills and USD75 million were granted by international organizations.*

- ✓ *As a result of the transactions described above, the BCRA's gross international reserves stood at USD54,100 million by the end of the month.*

I. Introduction

This report analyses information on foreign exchange transactions made in August 2019 as gathered by the Exchange Transaction Reporting System administered by the BCRA. Additionally, it relies on information on changes in BCRA's International Reserves due to transactions carried out by BCRA on its own account or on behalf of the National Government, and on changes in the balance of institutions' accounts.¹

Data collected from institutions include information on every transaction conducted in the forex market by natural or legal persons (including the sector to which they belong, which agrees with the main business activity reported to AFIP (Federal Administration of Public Revenue)), amounts traded, currency denomination, and the reason for the foreign exchange transaction (heading)—such as export or import of goods or services, saving, and financial liabilities, as defined in the Sixth Edition of the IMF's Balance of Payments and International Investment Position Manual (BPM6).

This report discusses the forex market performance by aggregated transactions in terms of the sector of the trader involved. The analysis of historical statistics is then simplified and information is broken down by sector given that, since July 2017, traders are no longer required to report the reasons (headings) for their transactions through an affidavit; on the contrary, they are only requested to provide such information for statistical purposes, which is undoubtedly a hindrance to the historical comparison of series. This methodology does not change the total net result broken down by sector.²

It should be noted that the BCRA made new adjustments to the operation of the forex market with considerable impact on the information analyzed in this report (Communication "A" 6770, September 1). As a result, financial and exchange institutions are required to "[i]ssue an exchange ticket for every transaction, either purchase or sale, as the case may be. The ticket shall take the form of affidavit by the ordering parties, who swear that the data informed, including the type of transaction, is true and that the amount purchased or sold is under the ceiling" set forth in the regulation.

Section II deals with the changes in BCRA's international reserves and analyses the result of foreign exchange transactions for August; data are broken down by sector and by heading.

Additionally, it is worth noting that the Foreign Exchange Balance will still be presented in an analytical format based on data on the Balance of Payments broken down by component and by institutional sector; the remaining information will also be available in online Annexes and in the statistical series related to the Foreign Exchange Market and the Foreign Exchange Balance.³

¹ Communication "A" 3840, as amended.

² Communication "A" 6244. Sectors were grouped into: "Central Bank", "Institutions", "General Government", "Oilseeds and Grains", "Other Real Sectors", "Natural Persons", "Institutional Investors and Others".

For identification purposes, each sector is defined as follows: "**General Government**" stands for the so-called "Public Sector" and embraces transactions made by the National Treasury directly through its account in foreign currency held with the BCRA; "**Oilseeds and Grains**"; "**Real Sector Non-Oilseeds and Grains**" includes the following sectors: "Oil", "Food, Beverages and Tobacco", "Textile and Leather Industries", "Paper, Publishing and Printing Industry", "Chemical, Rubber and Plastic Industries", "Non-Metallic Mineral Products (Cement, Ceramics and Others)", "Manufacture of Common Metals", "Machinery and Equipment", "Automobile Industry", "Other Manufacturing Industries", "Electricity (Generation, Transport, Distribution)", "Gas (Extraction, Transport, Distribution)", "Water", "Commerce", "Transport", "Communications", "Mining", "Agriculture, Livestock and Other Primary Activities", "Construction", "Information Technology", "Gastronomy", "Entertainment" and "Tourism and Accommodation Services"; "**Financial and Foreign Exchange Institutions**" includes the sector's transactions; "**Natural Persons**" is a subsector of "Other Non-Financial Private Sectors"; and "**Institutional Investors and Others**" includes "Insurance" as well as the rest of the "Other Non-Financial Private Sectors".

³The Central Bank's website (www.bcra.gob.ar) contains different statistical series of the Foreign Exchange Market (to access statistical series, [click here](#)), together with an annex broken down by sector and main headings (to access the statistical Annex of the foreign exchange balance [click here](#)). In addition, the "Main differences between the balance of payments and the foreign exchange balance" are available [here](#). The results in this section are broken down by the main sectors trading in the forex market in order to set net purchasers apart from net sellers.

Section III through Section VIII are divided in sectors, each of which comes with a Foreign Exchange Balance which comprises transactions carried out by institutions with clients in the foreign exchange market and those carried out by the BCRA—either on its own account or on behalf of the National Government.

Finally, Section IX deals with information on the amount traded in the foreign exchange market. This amount stands for transactions made by institutions with their clients—both gross purchases and gross sales—transactions between institutions, and those carried out among institutions and the BCRA.

II. Result of the Foreign Exchange Market and Changes in BCRA International Reserves

August proved to be a heterogeneous month in terms of sectors' performance in the forex market. Sales effected through daily auctions totaling USD60 million by the National Treasury as of September 9 funded net purchases carried out by financial institutions licensed to trade in foreign exchange and by their clients. Following the primary elections (PASO), private net demand more than doubled (especially by financial institutions, institutional investors, and companies from the real sector) and it was additionally covered by sales conducted by the BCRA in the spot market (see Table II.1).

Thus, financial institutions' clients purchased USD2,525 million in the forex market while the ensemble of institutions licensed to trade in foreign exchange purchased USD620 million in August. These transactions were funded by National Treasury's net sales for USD1,706 million, and by the BCRA for USD2,069 million.

Furthermore, the BCRA carried out net sales directly to the National Treasury for USD2,250 million).

Private deposits in foreign currency also exhibited a heterogeneous performance in August. The initial rise amounting to around USD300 million as of August 9 was reversed by the USD5,900 million drop seen over the course of the month. This decline resulted from transfers abroad ("swap transactions" totaling USD3,400 million over the month) and cash withdrawals.

**TABLE II.1 Foreign Exchange Market
Result of the sector**
Equivalent in million dollars

Sector	August 2019	August 1 -11		August 12 -31	
		Total (7 business days)	Daily average	Total (14 business days)	Daily average
BCRA	4.319	-	-	4.319	309
To the National Treasury (directly)	2.250	-	-	2.250	161
To Financial Institutions in the Foreign Exchange Market	2.069	-	-	2.069	148
National Treasury	-1.174	420	60	-1.594	-114
To the BCRA (directly)	-2.250	-	-	-2.250	-161
Auctions through the BCRA	1.076	420	60	656	47
Institutions	-620	-26	-4	-594	-42
Institutions' clients (1 +2 +3)	-2.525	-394	-56	-2.131	-152
1.Non-Financial Private Sector	-2.296	-509	-73	-1.787	-128
Oilseeds and Grains	2.185	735	105	1.450	104
Real Sector Non-Oilseeds and Grains	-1.708	-455	-65	-1.253	-89
Natural Persons	-1.873	-736	-105	-1.137	-81
Institutional Investors and Others	-900	-53	-8	-847	-60
2.General Government	92	183	26	-92	-7
3.Institutions (Own Transactions)	-321	-69	-10	-252	-18
Memorandum Items					
Change in private sector deposits	-5.555	336	48	-5.891	-421
Change in deposits for Swaps	-3.416	-6	-1	-3.410	-244

Note: (+) Net sales; (-) Net purchases

The BCRA's international reserves fell USD13,799 million over August. This change is mainly explained by net payments of debt made in foreign currency to the National Treasury for USD5,374 million, a fall in foreign currency deposited by institutions with the BCRA for around USD4,800 million (as a result of a fall of private sector deposits),

and the sales by the BCRA and the National Treasury in the forex market already mentioned (for further information, see Sections VII and VIII).

The following table is intended to analyze clients' purchases and sales through institutions in the forex market; such transactions implied a net demand amounting to USD2,525 million. For readers' convenience, each sector's net foreign exchange result analyzed in this report is arranged in horizontal reading direction, and each heading's net result—as informed by the institutions to the BCRA—is displayed vertically. The result of forex transactions in pesos and in foreign currency may be set apart from the result of swap transactions (transfers of US dollars abroad in August).⁴

TABLE II.2 Foreign Exchange Market
Result of Institutions' Transactions with Clients August 2019
Equivalent in billion dollars

Sector /Main headings	Goods	Travel and Passenger Transport, and Others with Cards	Remaining Services and Other Current Transfers	Foreign Assets - Banknotes	Foreign Assets - Foreign Currency	Net Swaps	Debt, FDI, Portfolio, and Other Transactions	Total
Non-Financial Private Sector	2,0	-0,5	-0,2	-2,4	-3,5	3,4	-1,2	-2,3
Oilseeds and Grains	2,5	0,0	0,0	-0,1	-0,2	0,0	0,0	2,2
Real Sector Non-Oilseeds and Grains	-0,4	-0,1	-0,2	-0,4	-1,9	1,1	0,2	-1,7
Natural Persons	0,0	-0,4	0,0	-1,5	-0,9	0,8	0,1	-1,9
Institutional Investors and Others	-0,1	0,1	0,0	-0,4	-0,5	1,4	-1,4	-0,9
General Government	0,0	0,0	-0,1	0,2	0,0	0,0	0,0	0,1
Institutions (Own Transactions)	0,0	0,0	0,0	0,0	0,0	0,0	-0,3	-0,3
Institutions' Result with Clients	2,0	-0,5	-0,3	-2,2	-3,5	3,4	-1,5	-2,5
Results for forex transactions	2,3	-0,5	-0,1	-2,2	-1,3	0,0	-0,8	-2,5
Results for swap transactions	-0,3	0,0	-0,2	0,0	-2,2	3,4	-0,7	-

Note: (+) Net sales; (-) Net purchases

This type of presentation allows underscoring different behaviors.

As shown in Chart III.1 of the following section, "Oilseeds and Grains" was the main net supplier of foreign currency in the forex market over August. This sector reported net inflows for USD2,185 million for virtually all concepts included in "Goods" (collections on exports net of payments for imports), which is reasonable enough as it proves to be the main exporting sector in the economy.

Companies in the "Real Sector Non-Oilseeds and Grains" recorded net purchases totaling around USD1,708 million particularly for payments for imports of goods and services and to make deposits locally and abroad.

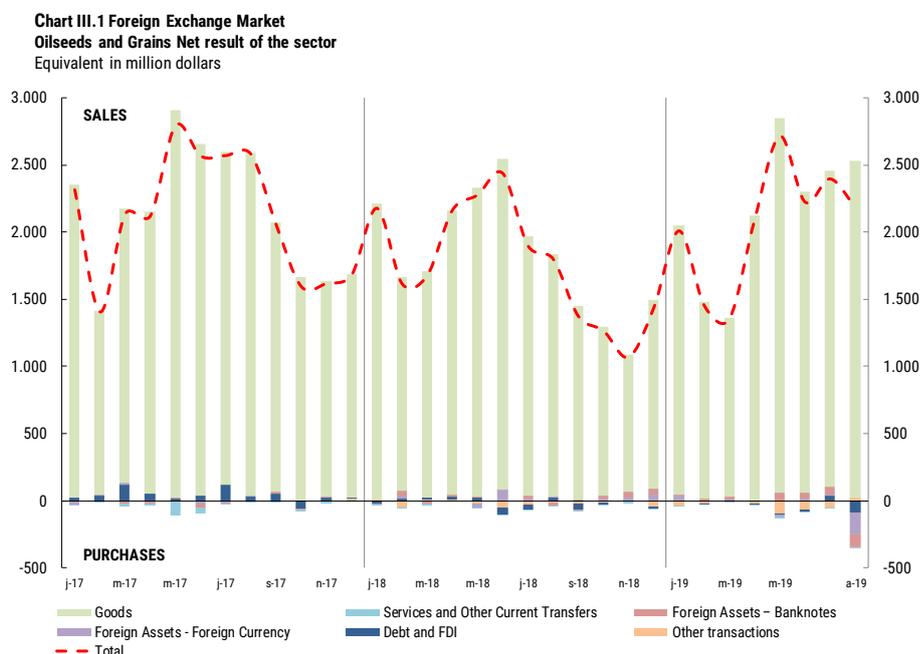
"Natural Persons" (residents) basically demanded foreign currency for saving purposes (USD1,516 million in August) and for expenses paid on cards for consumption abroad (USD380 million). Furthermore, they transferred USD943 million to their own accounts abroad, especially from domestic accounts in foreign currency; this produced a neutral result in the forex market.

"Institutional Investors and Others" comprises investment funds, pensions funds, hedge funds, insurance companies, and other legal persons not included in the previous classifications—both residents and non-residents—whose most significant transactions involve changes in portfolio (net outflow of USD900 million in August). These records exclude inflows or outflows from subscribing securities in the primary market and outflows from the payment of principal or interest through accounts of the National Treasury, given that these transactions are not carried out through institutions in the forex market.

⁴ Although swaps are not precisely forex transactions, they are recorded in forex statistics. They involve a transfer of foreign currency from abroad to a domestic account opened by a client in foreign currency and/or a debit of funds deposited locally for their transfer abroad. Inflows are recorded under the transfer heading (positive sign). In addition, there is a second record where the same amount is entered under a negative sign for the crediting of funds. Contrariwise, a payment abroad from a domestic account in foreign currency is entered under the payment heading with a negative sign, and the debit from the account, under a positive sign. Consequently, the total result of swap transactions in the forex market is neutral.

III. Oilseeds and Grains

The “Oilseeds and Grains” sector recorded a USD2,185 million surplus in August (see Chart III.1), up 22% y.o.y.



With respect to the “Goods” heading, the sector reported collections on exports of goods for USD2,641 million (up 39% y.o.y.) and payments for imports of goods for USD129 million, up 29% y.o.y. In addition, the sector purchased foreign assets for USD240 million and settled debts for USD80 million. The sector's trade balance is estimated to be around USD2,100 million (exports for USD2,300 million and imports for USD200 million). Furthermore, the sector recorded net purchases of foreign assets for about USD300 million.

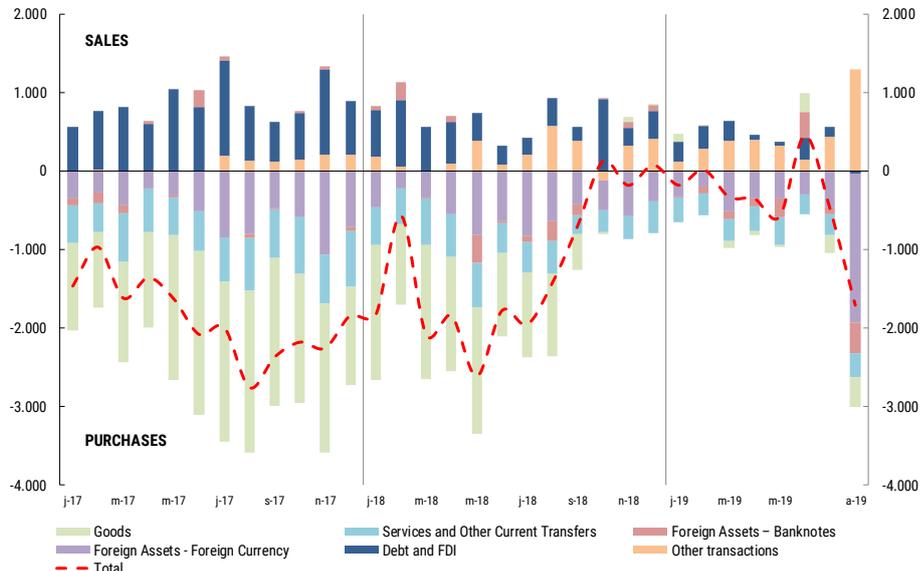
Regarding the domestic trade of products, total purchases of soybean were similar to the average of the last five harvest seasons; furthermore, it should be underscored that the pricing of purchase contracts was delayed in the current harvest season (2.9 million tons less compared to previous harvest seasons). In contrast, corn trade increased by 12 million tons against the average of the five prior harvest seasons, in line with a rise in production. Furthermore, it should be noted that domestic purchases of corn at the end of August pertaining to the 2019/20 harvest season grew at a healthy clip and more than doubled purchases of the prior harvest season.

IV. Real Sector Non-Oilseeds and Grains

Companies in the “Real Sector Non-Oilseeds and Grains” made net purchases totaling USD1,708 million, particularly for payments for imports of goods and services and to make deposits locally and abroad (see Chart IV.1).

The sector result implied a USD285 million rise vis-à-vis net purchases for USD1,422 million y.o.y.

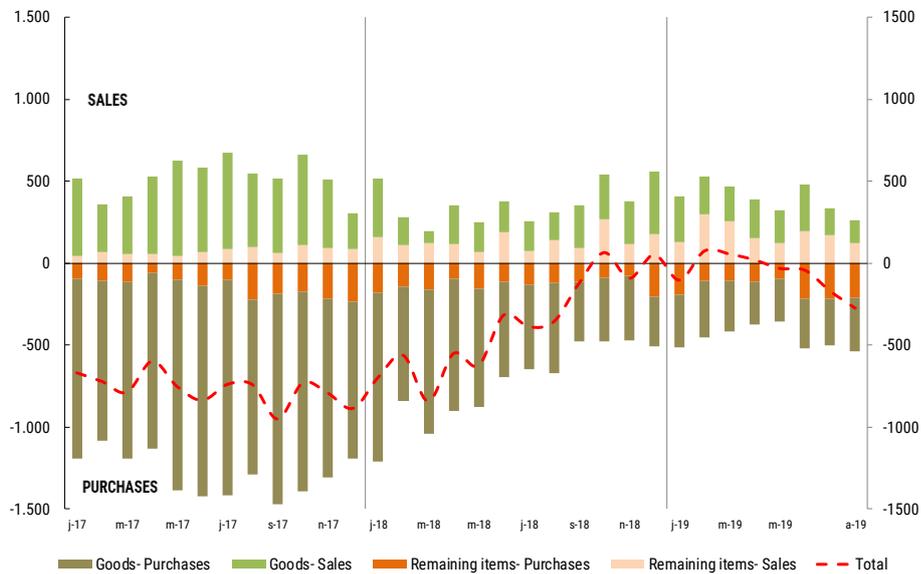
Chart IV.1 Foreign Exchange Market
Real Sector Non-Oilseeds and Grains. Net result of the sector
 Equivalent in million dollars



Companies within the “Automobile Industry” made net payments for USD275 million, down USD81 million y.o.y. (see Chart IV.2), mainly explained by a decrease in the payment for goods. Particularly, this sector reported collections on exports of goods for USD139 million and payments for imports of goods for USD327 million. Net outflows were around USD300 million below net imports of goods (exports for around USD400 million and imports for around USD900 million). This may be explained by the fact that since regulations were eased the companies belonging to this sector have started to (i) regionally offset their commercial liabilities and claims within the same group, only making foreign exchange transactions for their net amounts; and (ii) make payments for imports of goods through their accounts held abroad—which could have been funded with collections on exports or by raising debts abroad without settling the resulting foreign exchange in the local market.⁵

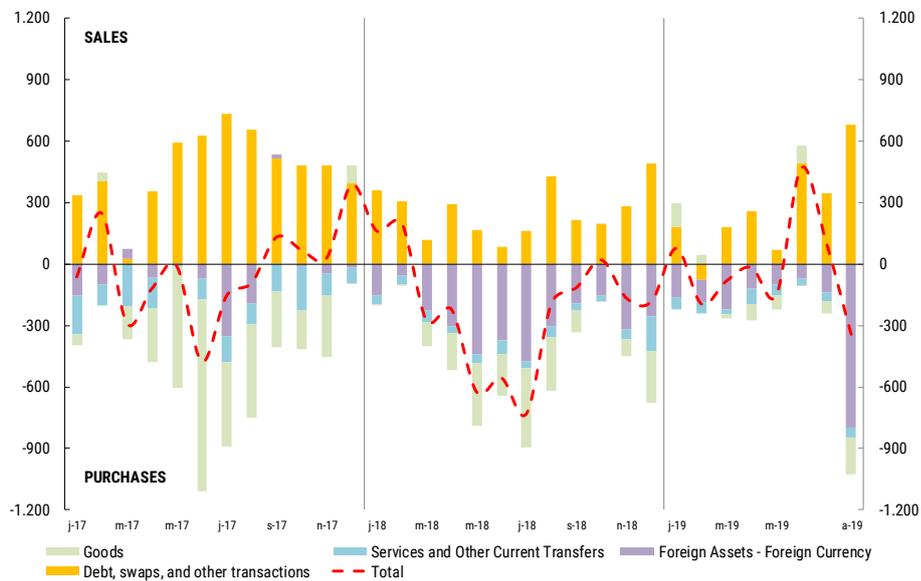
⁵ The report corresponding to March 2019 included Box 1, which explained—in depth—the reason why this variation takes place and how it affects statistics reading in the forex market. ([click here](#))

Chart IV.2 Foreign Exchange Market
Automobile Industry. Result of the sector
 Equivalent in million dollars



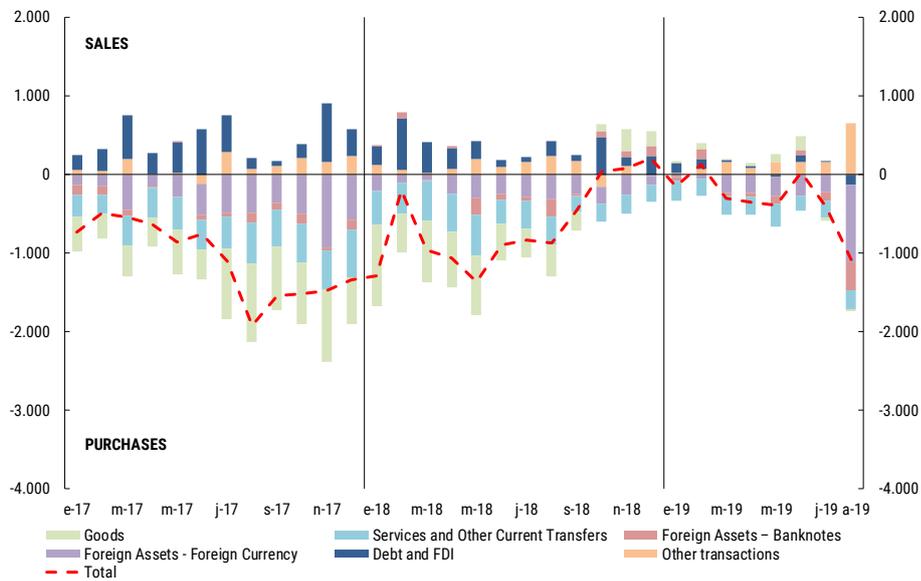
After two months of net sales, companies belonging to the “Energy” sector recorded net purchases for USD347 million, up USD154 million y.o.y. (see Chart IV.3). August's net outflow resulted mainly from deposits made abroad and net payments for “Goods”.

Chart IV.3 Foreign Exchange Market
Energy. Net result of the sector
 Equivalent in million dollars



Finally, the remaining companies within the “Real Sector Non-Oilseeds and Grains” made net purchases for USD1,086 million, up 24% y.o.y. (net payments for USD874 million) due to an increase in the purchase of foreign assets.

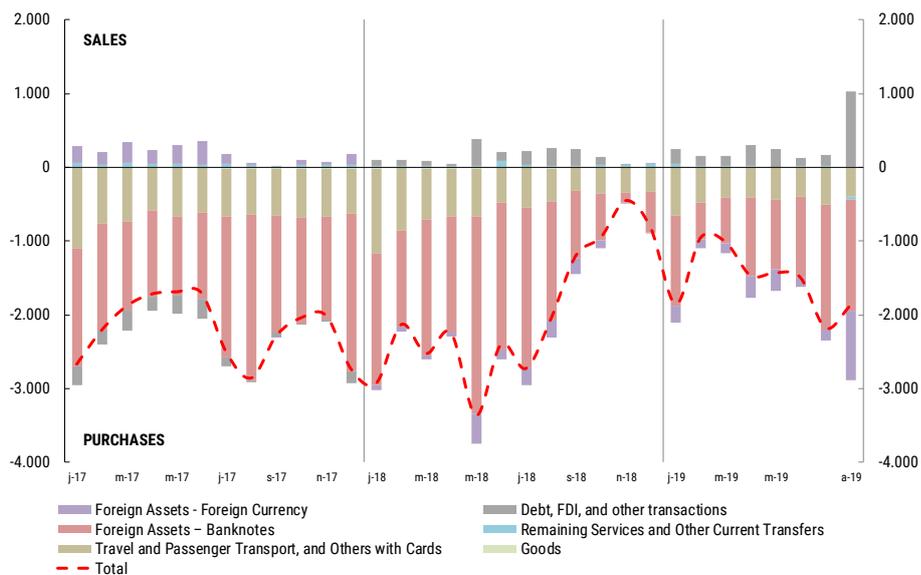
Chart IV.4 Foreign Exchange Market
Real Sector Non-Oilseeds and Grains. Rest of the sector
 Equivalent in million dollars



V. Natural Persons

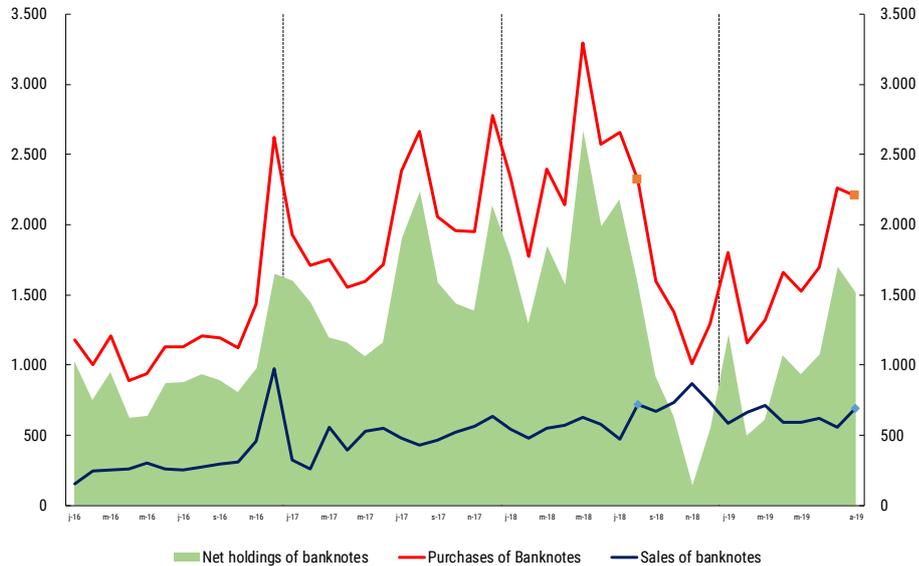
In August, the net demand for foreign currency by “Natural Persons” reached USD1,873 million, down 9% y.o.y. In turn, there was a 14% drop vis-à-vis July, mainly owing to fewer purchases of banknotes like in the previous case (see Chart V.1).

Chart V.1 Foreign Exchange Market
Natural Persons. Net result of the sector
 Equivalent in million dollars



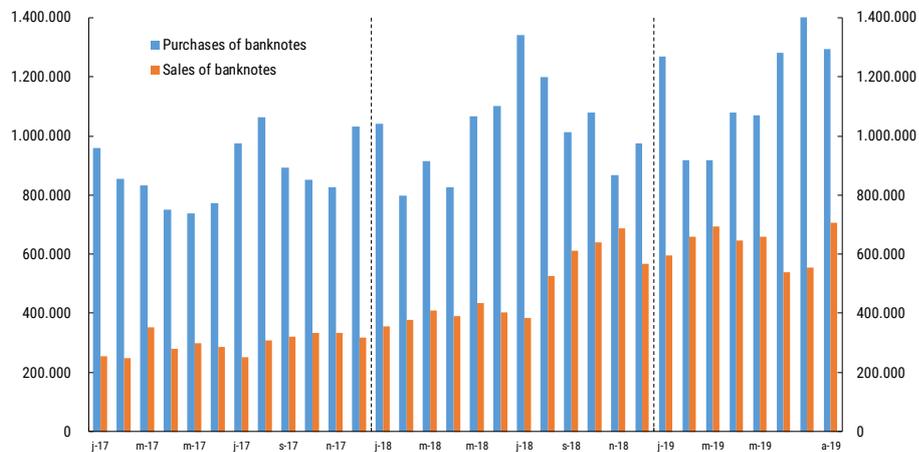
Net purchases of banknotes by natural persons totaled USD1,516 million in August, evidencing a drop in y.o.y. terms. This change may be explained by fewer gross purchases for almost USD150 million (total of USD2,206 million) offset by fewer gross sales for USD45 million (total of USD690 million).

Chart V.2 Foreign Exchange Market
Natural Persons' holdings of banknotes in foreign currency
 Equivalent in million dollars



The number of natural persons purchasing banknotes through the forex market stood at 1,300,000 in August, down 16% against July. In turn, the number of persons selling banknotes in the forex market reached 710,000—increasing against July—, and going up 35% y.o.y (see Chart V.3).

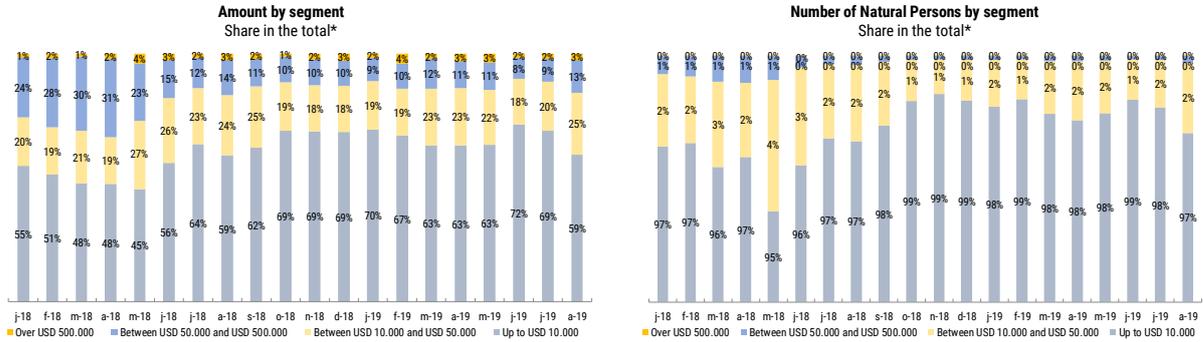
Chart V.3 Foreign Exchange Market
Natural Persons. Foreign Assets – Holdings of Banknotes
 Number of People



Natural persons' banknote purchases mostly remained within the lowest amounts by trader: purchases up to USD10,000 accounted for 59% of the total amount traded, down 10% against July (see Chart V.4). It should be noted that 97% of natural persons purchased banknotes below USD10,000 in August, while 32,000 natural persons purchased over USD10,000 over the month.

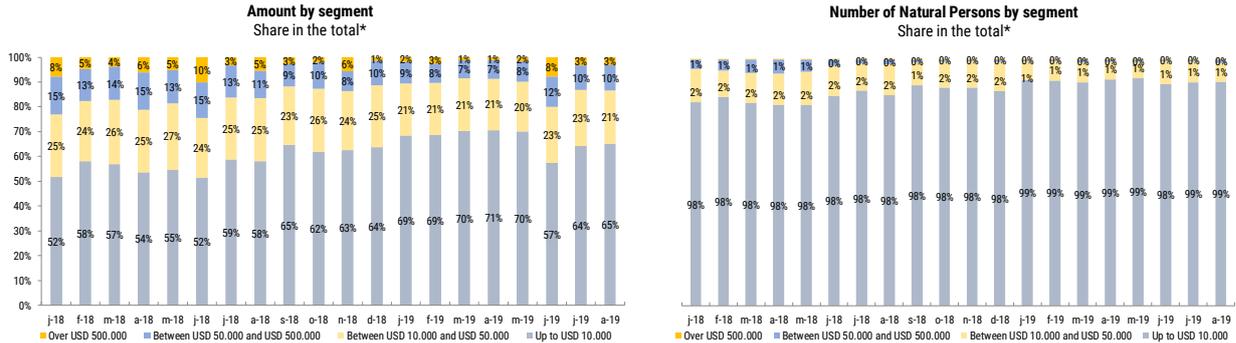
Per capita gross sales totaled USD1,738.

Chart V.4 Foreign Exchange Market
Natural persons Purchases of banknotes



Foreign currency sales of up to USD10,000 per client accounted for 65% of the total amount traded, remaining the same if compared to July (see Chart V.5). The number of foreign currency sellers also exhibited a similar share in July, where sales of up to USD10,000 accounted for 99% of the total in the month. Thus, per capita gross sales amounted to USD995.

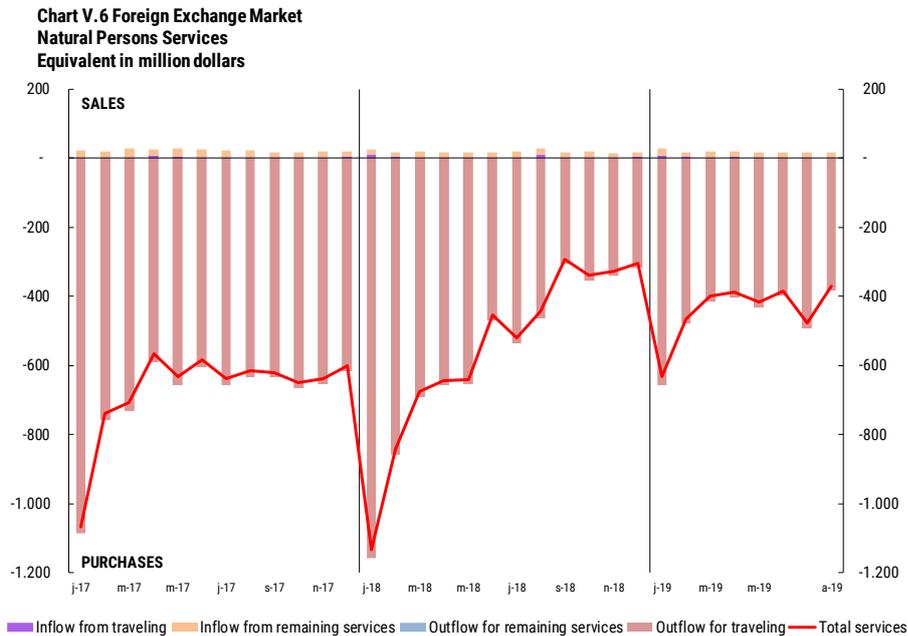
Chart V.5 Foreign Exchange Market
Natural persons. Sales of banknotes



In turn, natural persons' net outflows for payments of services totaled USD369 million, particularly of "Travel and Other Expenses Paid with Cards", which evidenced a net outflow of USD380 million and a 16% y.o.y. drop, in line with a survey on international tourism (see Chart V.6).^{6 7}

⁶ It is worth pointing out that the transfers made to international credit card issuers include purchases made by Argentine residents either during their stay abroad or on a remote basis. In turn, inflows of foreign exchange include non-resident remote purchases from Argentine suppliers. It is worth underscoring the information included in [Box 1 of the Foreign Exchange Market and Foreign Exchange Balance Report of January 2018](#) and in the entry in the Blog entitled "Ideas de Peso", *How much do Argentines spend when travelling abroad? How much do foreigners spend when visiting our country?*. The analysis of the result of "Travel and Passenger Transport" involves collections and payments made outside the forex market, especially because, as estimates suggest, non-residents—unlike Argentinians—tend to use alternative channels to make foreign exchange transactions. Likewise, it should also be noted that the foreign exchange account for paying services includes payments for non-travel related services (for example, remote e-commerce).

⁷ To access the latest technical report on International Tourism Statistics, [click here](#).



Finally, net outflows for primary and secondary income totaled USD50 million, basically related to personal transfers.

VI. Institutional Investors and Others

“Institutional Investors and Others”—both residents and non-residents—made net purchases for USD900 million in August, down around USD500 million against July and USD720 million y.o.y.⁸

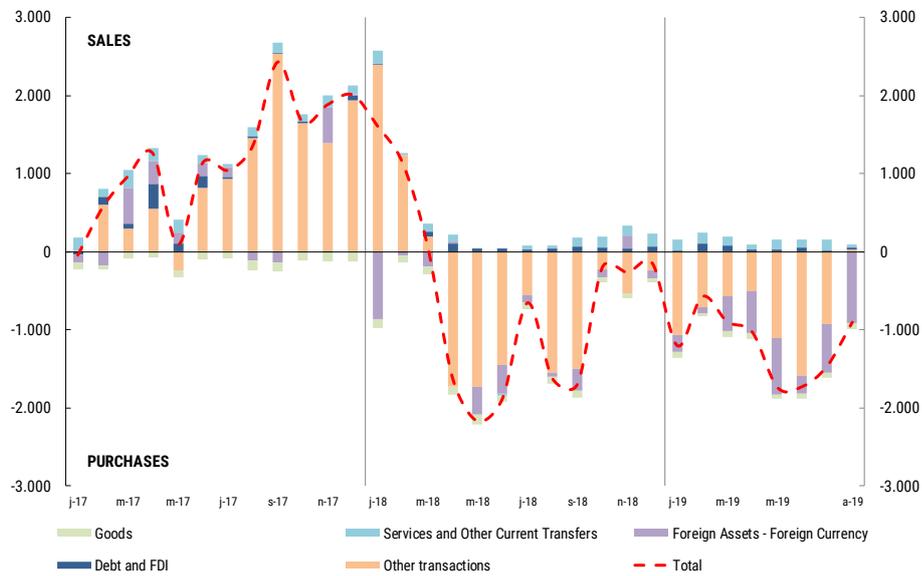
The results of transactions in this sector are mostly displayed under the headings “Foreign Assets”—for transactions carried out by residents—, and “Portfolio Investments”—for transactions carried out by non-residents.

The heading “Other Transactions” in Chart VI.1 includes securities purchase and sale transactions in the secondary market, which implied a net outflow of USD638 million thereby doubling outflows seen in July, and portfolio investments, which totaled net inflows for USD292 million, after 16 months recording outflows.

Finally, “Institutional Investors and Others” purchased foreign assets for USD907 million, up 45% vs. July.

⁸ As mentioned before, these records exclude inflows from subscribing securities in the primary market and outflows from the payment of principal or interest through accounts of the National Treasury, given that these transactions are not carried out through institutions in the forex market.

**Chart VI.1 Foreign Exchange Market
Institutional Investors and Others' Net Result**
Equivalent in million dollar

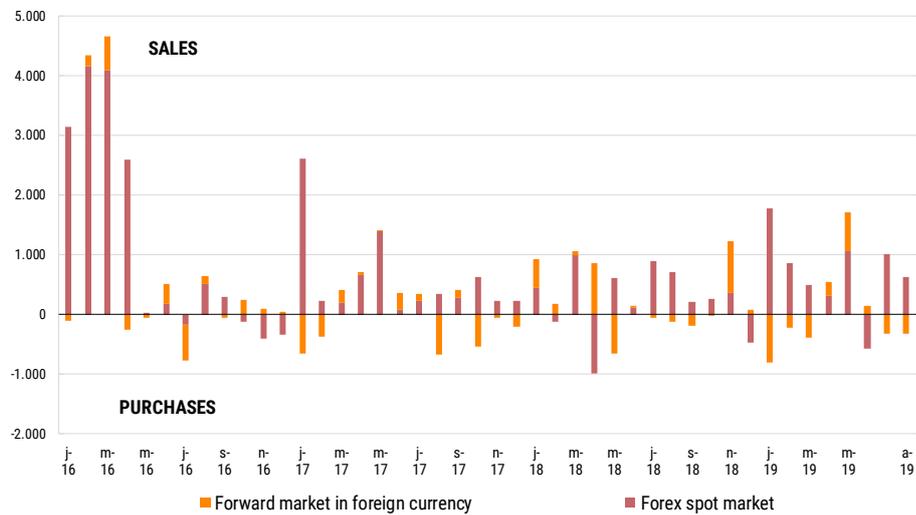


VII. Financial and Foreign Exchange Institutions

In August, licensed financial institutions purchased USD620 million in the spot forex market and sold USD317 million in the forward market (see Chart VII.1.).⁹

⁹ In this regard, the BCRA issued Communication "A" 6754 on August 15, 2019, amending the regulation on the Net Global Position in Foreign Currency and setting a ceiling to the Spot Position for licensed institutions (which includes the net global position in foreign currency, but excludes the net position in forward transactions, spot transactions to be settled, futures, options, and other derivatives).

**Chart VII.I Forex spot and forward market in foreign currency
Institutions**
Equivalent in million dollars

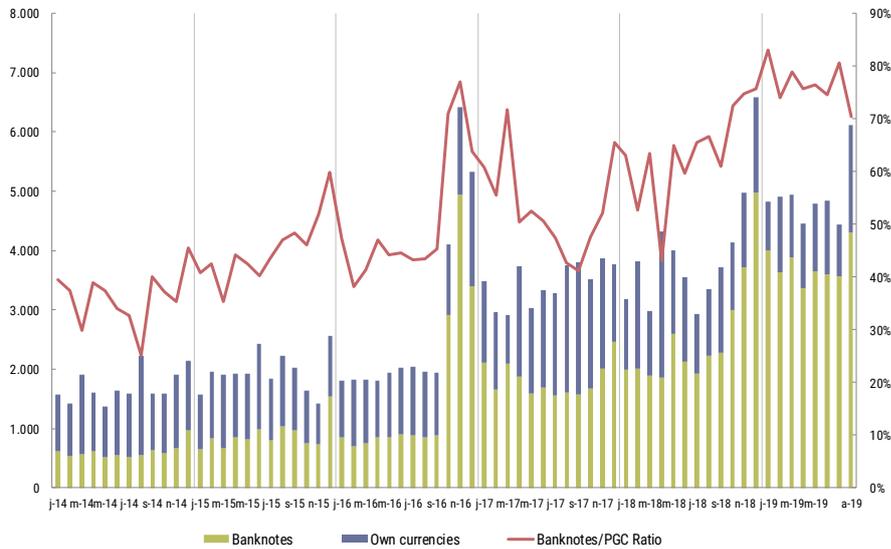


Moreover, financial institutions used funds for USD287 million for their own transactions, which were basically used to pay back loans (USD219 million) and for underwriting securities in the primary market (USD67 million).

On the other hand, institutions ended August evidencing a General Exchange Position for USD6,107 million, out of which 70% corresponded to holdings of foreign currency banknotes (USD4,302 million). The General Exchange Position increased USD1,670 million in August (see Chart VII.2).¹⁰

¹⁰The General Exchange Position is defined in the Annex to Communication "A" 6244, subparagraph 4.7. Communication "A" 6237—effective since May 4, 2017—provides that institutions with forex trading license may freely determine the amount and use of their liquid external assets in foreign currency (General Exchange Position). However, institutions are still subject to the limits established for the Net Global Position in Foreign Currency.

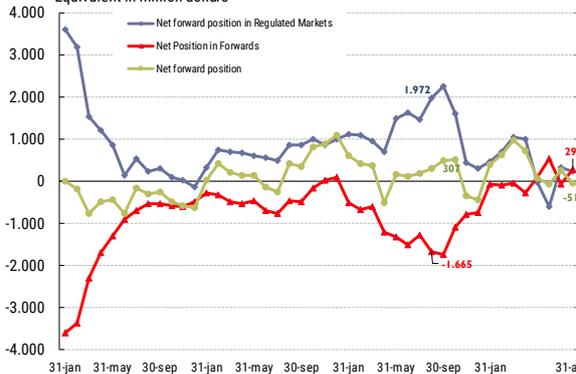
**Chart VII.2 Exchange Balance
Institutions' Exchange Position (PGC)**
Equivalent in million dollar



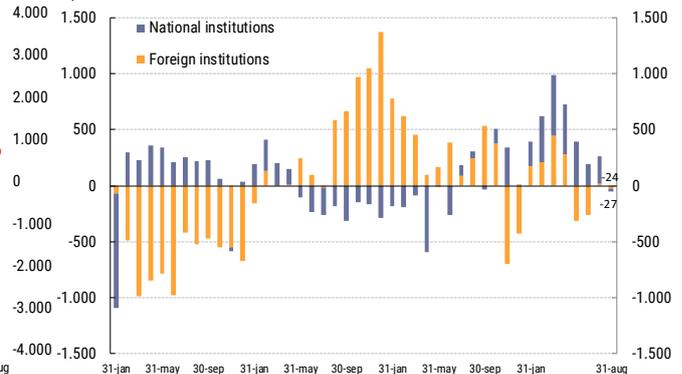
On another note, financial institutions ended August exhibiting a net forward short position in foreign currency of USD51 million. Institutions sold USD225 million directly to clients (Forwards) and USD92 million in regulated markets over August (see Chart VII.3).

In August, national institutions and foreign institutions made net sales for USD275 million and USD42 million, respectively (see Chart VII.4).

**Chart VII.3 Forward Market
Institutions' Forward Position**
Equivalent in million dollars



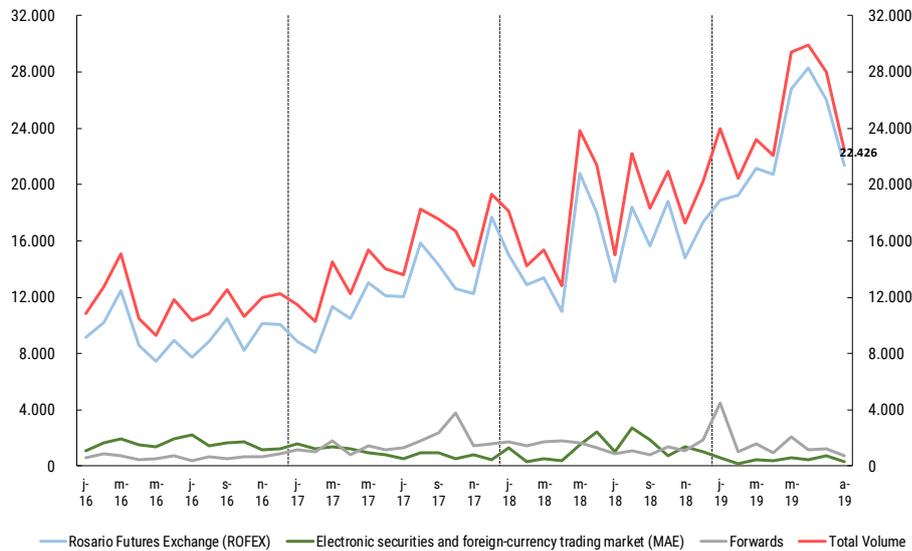
**Chart VII.4 Forward Market
Forward Position by Type of Institution**
Equivalent in million dollars



The volume traded in forward markets reached USD22,426 million in August, i.e.: USD1,067 million on a daily basis.¹¹ The total traded fell 20% against July and remained in line with the figures recorded in August 2018. Transactions carried out in the Mercado a Término de Rosario (ROFEX) accounted for 95% of the total volume (see Chart VII.5).

¹¹The chart includes the total volume traded in the ROFEX, the transactions arranged by institutions in the Electronic Securities and Foreign Currency Trading Market (MAE), and with Forwards. This information comes from the Forward Transactions Reporting Scheme (Communication "A" 4196, as amended) and postings on the websites of MAE and ROFEX.

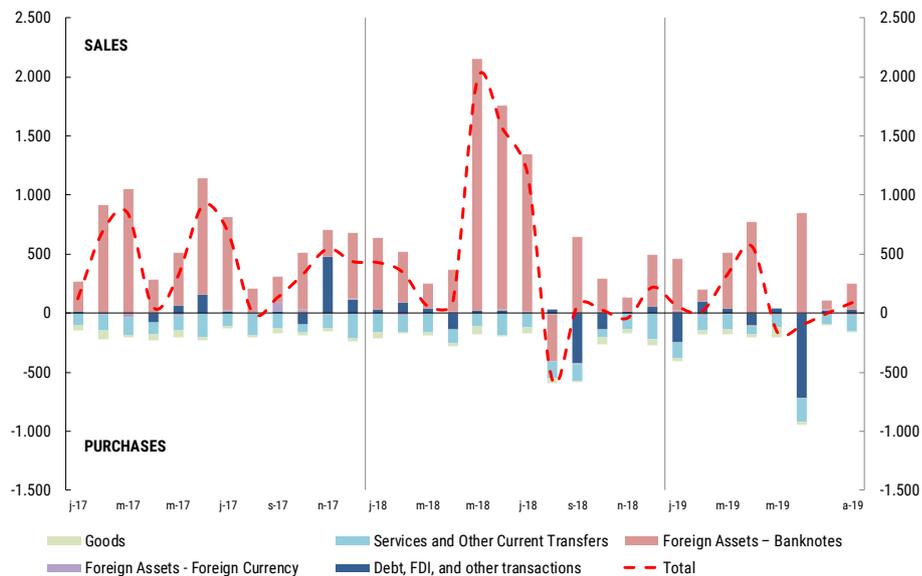
Chart VII.5 Forward Market
Total volume traded in the forwards market
 Equivalent in million dollars



VIII. General Government and Central Bank

In August, the General Government recorded net sales in the forex market through licensed financial institutions for USD92 million (see Chart VIII.1).

Chart VIII.1 Foreign Exchange Market
General Government's Net Result
 Equivalent in million dollars



The National Treasury sold USD1,076 million through daily auctions using foreign currency deposited in its account held with the BCRA (see Chart VIII.2).

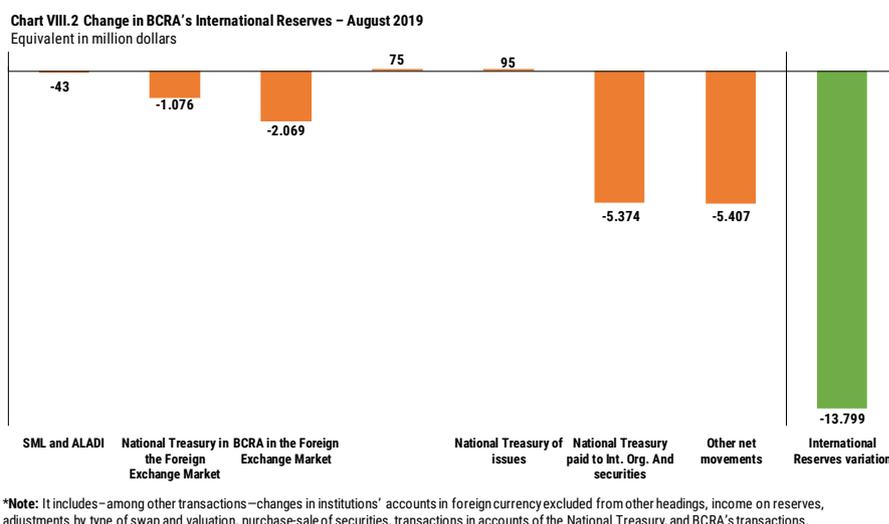
The BCRA made net sales to institutions in the spot forex market for USD2,069 million apart from carrying out net sales directly to the National Treasury for USD2,250 million.

The National Treasury made payments on account of two major reasons. On the one hand, the reimbursement of principal and interest of debt for USD5,374 million—principally disbursements to settle a repo carried out with a group of financial institutions for USD3,500 million and LETES bills for USD1,350 million—and on the other hand, payments to international organizations for USD155 million. On another note, it recorded inflows from debt totaling USD170 million, out of which USD95 million corresponded to the issue of LETES bills and USD75 million corresponded to international organizations.

The BCRA made payments for forex transactions arranged through the Domestic Currency Payment System (SML) in force with Brazil and Uruguay and through ALADI (Latin American Integration Association) for USD43 million.

Finally, the result of “Other Net Values” in Chart VIII.2 was the main consequence of the decrease in financial institutions’ foreign currency deposits with the BCRA for around USD4,800 million (basically related to the fall of private sector deposits for about USD5,500 million over the month).

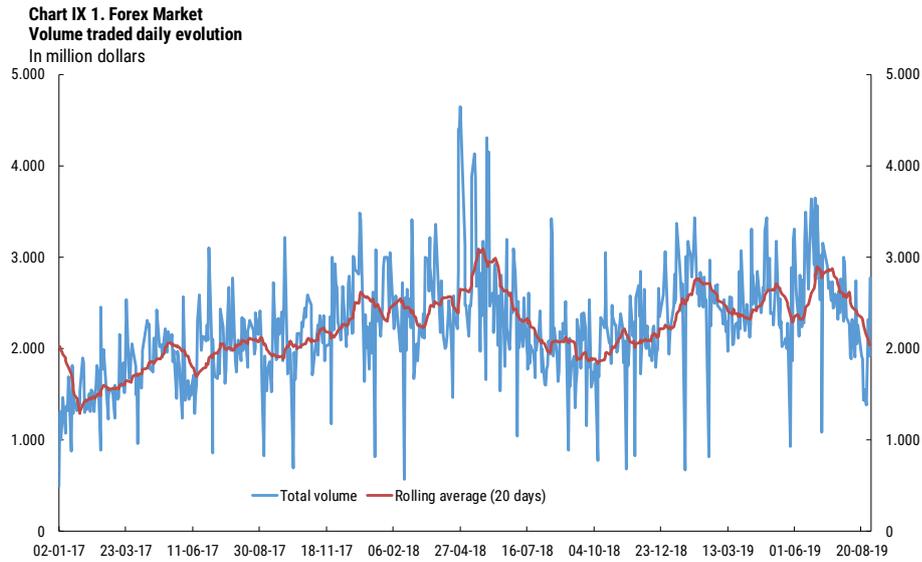
As a result of the transactions described above, gross international reserves stood at USD54,100 million by the end of the month.



IX. Volumes Traded in the Foreign Exchange Market

In August, the volume traded in the forex spot market went down 5% y.o.y., totaling USD43,726 million. This total involved a daily volume of around USD2,100 million (see Chart IX.1).¹² The y.o.y. decline in the volume was mainly accounted for transactions between licensed institutions and their clients (8% fall).

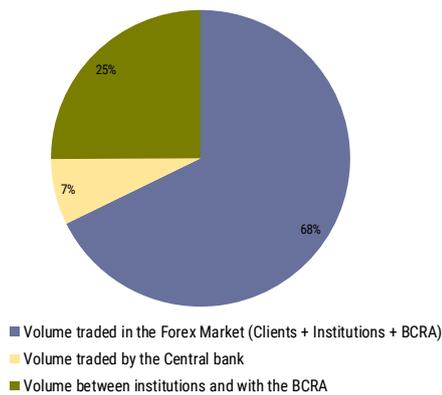
¹² In the BCRA's website there is a quarterly ranking of volumes traded with clients in the forex market broken down by institution (to access the Ranking, [click here](#)).



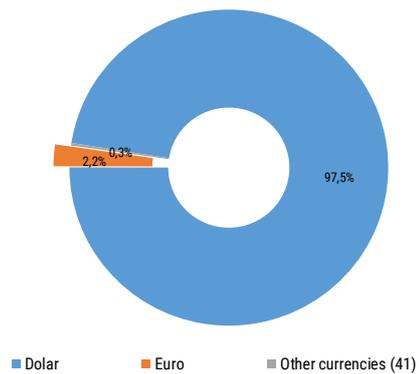
Transactions between institutions and their clients accounted for 68% of the total volume traded, while transactions between institutions—mainly through the Electronic Trading System (SIOPEL)—represented 25%; in turn, transactions between institutions and the BCRA (including transactions carried out on behalf of the National Treasury) accounted for the remaining 7% (see Chart IX.2).¹³

As usual, the volume traded between licensed institutions and their clients was concentrated in a few number of institutions (out of 234 institutions, the first ten accounted for around 80% of such volume) and in the foreign currency used; USD-denominated transactions had a 97.5% share in the total traded with clients (see Chart IX.3).

**Chart IX.2 Foreign Exchange Market
Total volume and share. August 2019**



**Chart IX.3 Foreign Exchange Market
Volume with clients by currency. August 2019**



¹³ The volume traded between licensed institutions and their clients excludes the following items: clients' subscription of LEBAC Bills, swap transactions with foreign parties (around USD7,060 million in August 2019), and purchases of foreign exchange to pay card bills for expenses incurred abroad (around USD215 million for the month under study).

Finally, 94,5% of foreign exchange transactions between financial institutions and foreign exchange institutions were made in the private sector. Public banks and foreign exchange institutions accounted for the remaining 5,5% (4.6% and 0.9%, respectively).