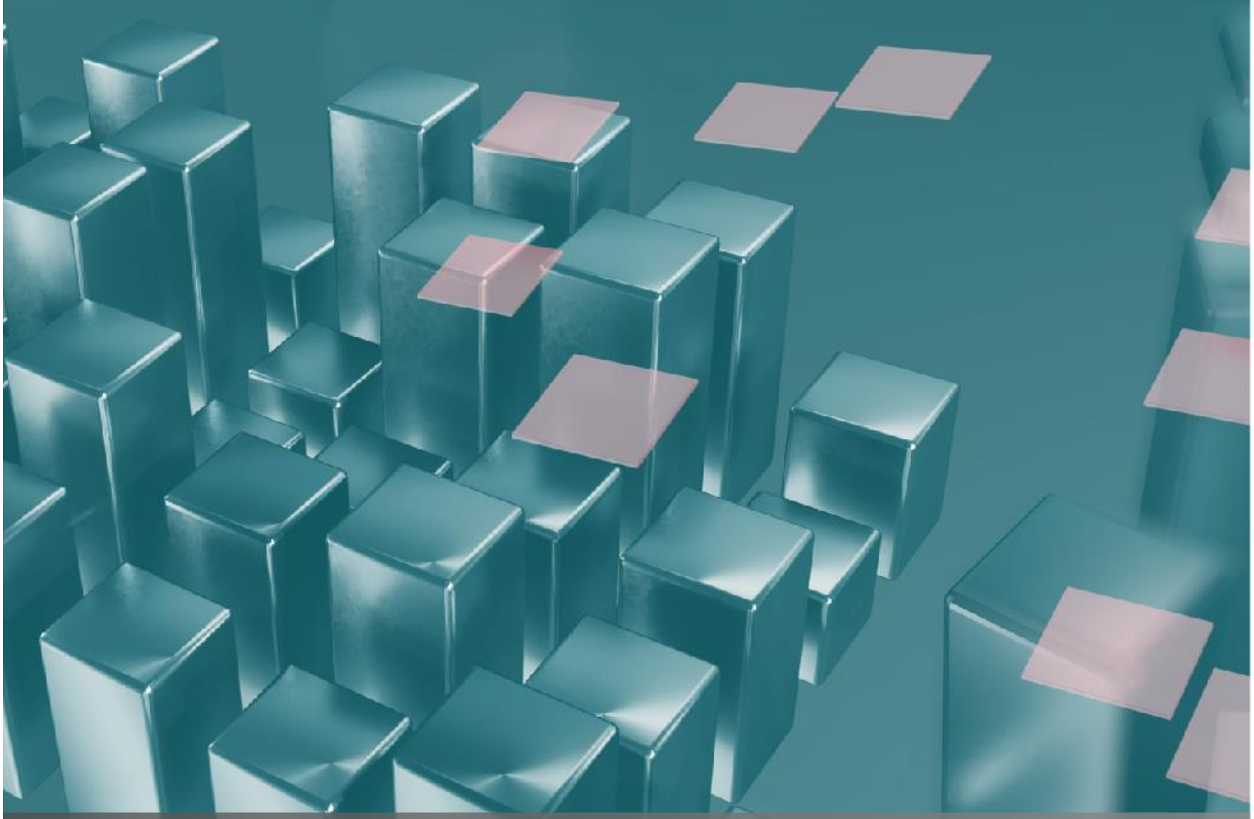
Evolution of the Foreign Exchange Market and Exchange Balance

April 2020



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 April 2020

- ✓ *During April, international reserves increased by USD7 million, totaling USD43,568 million by the end of the month.*

- ✓ *In April, amid the COVID-19 pandemic—with an impact on trade and capital flows at global and local levels—and within the context of the ongoing negotiations on foreign public debt restructuring, financial institutions and their clients purchased in the forex market USD8 million and USD582 million, respectively, the BCRA being a net seller for USD590 million.*

- ✓ *Companies in the real sector were net purchasers of foreign currency for USD95 million.*

- ✓ *Within this group, the "Oilseeds and Grains" sector was the main net seller in historical terms, recording net sales for USD1,221 million, down 42% y.o.y., in line with a decline in Affidavits of Sales Abroad (which determine the date export duties are paid). It is worth pointing out that the sector's net sales totaled USD4,600 million in November and December 2019, up 84% y.o.y. This is mainly explained by an increase in inflows from advances and pre-financing from abroad, which are being paid throughout 2020, and by the fact that sales abroad in 2019 exceeded the whole year's exports by about USD8,500 million.*

- ✓ *Companies in the "Real Sector excluding Oilseeds and Grains" recorded net purchases totaling USD1,316 million, particularly for payments for imports of goods and services.*

- ✓ *"Natural persons" who mainly demand foreign currency for saving, travelling and making purchases abroad, made net purchases for USD248 million (USD194 million just in exchange for banknotes, and about USD50 million under the heading Travel and Other Expenses Paid with Cards, which dropped by 87% y.o.y. given the current border closure).*

- ✓ *"Institutional Investors and Others"—both residents and non-residents—made net purchases for USD163 million in April.*

- ✓ *The foreign exchange current account, which includes the net result of foreign exchange transactions recorded as net exports of goods and services, and the primary and secondary income in line with the definitions of the Balance of Payments, recorded a deficit of USD155 million.*

- ✓ *The financial account of the "Non-Financial Private Sector" had a deficit of USD348 million in April, resulting from net settlements of financial debt and from the buildup of foreign assets, partially offset by inflows of direct investments.*

- ✓ *The transactions carried out under the foreign exchange financial account of the "Financial Sector" resulted in a surplus of USD573 million, explained by a decrease in liquid foreign assets of financial institutions' General Exchange Position that was partially offset by payments of financial loans and credit lines.*

- ✓ *The transactions carried out under the foreign exchange financial account of the General Government and the BCRA evidenced a net inflow of USD64 million, which was mainly explained by net inflows from loans of international organizations.*

I. Introduction

This report analyses information on foreign exchange transactions made in April 2020 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 the BCRA on its own account or on behalf of the National Government, and on changes in the balance of institutions' foreign currency accounts at the BCRA.[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).

It should be noted that, effective on September 1, 2019, the BCRA made new adjustments to the operation of the forex market with considerable impact on the information analyzed in this report.

One of the most significant provisions sets out that the foreign exchange ticket shall take the form of an affidavit and shall be signed by the ordering party, who swears that the data informed is true. The new regulations also provide that any proceeds from the export of goods and services shall be exchanged in the local market within given deadlines; any new financial debts held abroad shall also be subject to a time frame. Furthermore, a ceiling was set on purchases of foreign currency made by natural persons intended to buildup foreign assets and for personal transfers (currently up to USD200/month). As to legal persons, they shall be previously authorized to purchase foreign currency for saving purposes.

On the other hand, financial institutions shall require the BCRA's prior authorization to: i) purchase securities denominated in foreign currency in the secondary market, ii) pay debts to related institutions arising from the import of goods due as of August 31, 2019 (where monthly payments exceed USD2 million), iii) pay services to related institutions, iv) early pay financial debts; and v) transfer profits and dividends abroad.

The new Social Solidarity and Productive Reactivation Act (*Ley de Solidaridad Social y Reactivación Productiva*), published on the Official Gazette on December 23, 2019, established a tax (called Tax for an Inclusive and Solidary Argentina,—*Impuesto Para una Argentina Inclusiva y Solidaria*, "PAIS"). The tax levies on certain foreign currency exchange transactions, including saving in foreign currency or purchases of foreign currency for traveling abroad, and amounts to 30%.[2]

Section II analyses the result of foreign exchange transactions for April; data are broken down by sector and by heading.[3]

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[1] Communication "A" 3840, as amended.
[2] To access the Social Solidarity and Productive Reactivation Act, click here.
[3] Sectors were grouped into: "Central Bank", "Institutions", "General Government", "Oilseeds and Grains", "Real Sector excluding Oilseeds and Grains", "Natural Persons", and "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 excluding 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)", "Common Metals and their Manufacture", "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

Section III deals with the 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. It is worth noting that the Foreign Exchange Balance is presented in an analytical format based on the Balance of Payments broken down by component and by institutional sector. This information is published anew in 2020, allowing the reader to follow-up data (which has taken again the form of an affidavit) by type of transaction. However, **the evolution of the historical series shown here should be analyzed in light of the different forex regulations in force by period**.[4]

Section IV deals with the stock of international reserves by the end of the period and their evolution.

Finally, Section V 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 by Sector in the Foreign Exchange Market

In April, amid the COVID-19 pandemic—with an impact on trade and capital flows at global and local levels—and within the context of the ongoing negotiations on foreign public debt restructuring, financial institutions and their clients purchased in the forex market USD8 million and USD582 million, respectively, the BCRA being a net seller for USD590 million (see Table II.1).

TABLE II.1 Foreign Exchange Market
Result by Sector
- Equivalent in million dollars -

Sector	January 2020	February 2020	March 2020	April 2020
BCRA	**-783**	**260**	**-178**	**590**
National Treasury	-	-	-	-
Institutions	**-184**	**-185**	**20**	**-8**
Institutions' Clients (1 + 2 + 3)	**967**	**-75**	**158**	**-582**
1. Non-Financial Private Sector	**1.279**	**619**	**323**	**-505**
Oilseeds and Grains	1.639	812	939	1.221
Real Sector Non-Oilseeds and Grains	-460	-172	-524	-1.316
Natural Persons	-232	-215	-174	-248
Institutional Investors and Others	333	194	82	-163
2. General Government	**-149**	**-468**	**-93**	**48**
3. Institutions (Own Transactions)	**-162**	**-225**	**-71**	**-124**

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

Memorandum Items

Change in Private Sector Deposits	**-729**	**-153**	**-428**	**-371**
Change in Deposits Due to Self-to-Self Internationa	**-199**	**-352**	**-133**	**27**

The following table is intended to analyze clients' purchases and sales through institutions in the forex market. 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

"Other Non-Financial Private Sectors"; and **"Institutional Investors and Others"** includes "Insurance" as well as the rest of the "Other Non-Financial Private Sectors".

[4] The 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.

vertically. The result of forex transactions in pesos and in foreign currency may be set apart from the result of self-to-self international transfers (transfers of US dollars from abroad in April).[5]

TABLE II.2 Foreign Exchange Market
Result of Institutions' Transactions with Clients April 2020
- Equivalent in billion dollars -

SSector/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 Self-to-Self International Transfers	Debt, FDI, Portfolio, and Other Transactions	Total
Non-Financial Private Sector	**338**	-76	-236	**-103**	-81	-69	-279	-505
Oilseeds and Grains	1339	0	-8	-2	0	-14	-93	**1221**
Real Sector Non-Oilseeds and Grains	-897	-21	-338	49	53	-60	-101	**-1316**
Natural Persons	-8	-51	25	-194	-143	21	102	**-248**
Institutional Investors and Others	-96	-5	85	46	10	-16	-187	**-163**
General Government	**-42**	**0**	**-56**	**151**	**8**	**154**	**-166**	**48**
Institutions (Own Transactions)	**-4**	**0**	**-20**	**0**	**0**	**0**	**-100**	**-124**
Institutions' Result with Clients	**292**	-76	**-313**	**48**	-73	**84**	**-545**	**-582**
Result for Forex Transactions	**313**	-76	**-328**	**48**	**32**	**111**	**-682**	-582
Result for Self-to-Self International Transfers	-21	**0**	**15**	**0**	-105	-27	**137**	**0**

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

This type of presentation allows underscoring different behaviors.

"Oilseeds and Grains" was the main net seller of foreign currency in the market over April. This sector recorded net inflows for USD1,221 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. Thus, the sector's sales dropped by 42% y.o.y. It should be noted that the sector's net sales totaled USD4,600 million in November and December 2019, up 84% y.o.y. This is mainly explained by an increase in inflows from advances and pre-financing from abroad, which are being paid throughout 2020 (for further information, see Section III.1.1).

Companies in the "Real Sector excluding Oilseeds and Grains" were, by contrast, the main net purchasers in the market with a total of USD1,316 million. These purchases were mainly used to make net payments for goods and services for USD897 million and USD128 million, respectively.

"Natural persons" made foreign currency net purchases totaling USD248 million, basically for saving purposes (USD194 million), and for expenses paid on cards for consumption abroad (about USD50 million, recording a drop of 87% y.o.y., given the current border closure). Furthermore, they transferred USD143 million to their own accounts abroad from local accounts in foreign currency ("Self-to-Self International Transfers"); having a neutral impact on 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—who recorded net outflows for USD163 million.

The "General Government" made net sales in the forex market through licensed financial institutions for USD48 million, mainly explained by the sale of funds from local deposits.[6]

Finally, financial institutions used their own funds (USD124 million) to pay financial debt (principal and interest).

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[5] Although self-to-self international transfers are not precisely forex transactions, they are recorded in forex statistics. They involve a transfer of foreign currency from abroad to a local 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 local account in foreign currency is recorded under the payment heading with a negative sign, and the debit from the account, under a positive sign. Consequently, the total result of self-to-self international transfers in the forex market is neutral.

[6] These records exclude inflows from subscribing securities in the primary market or outflows from the payment of principal or interest through accounts of the National Treasury at the BCRA, given that these transactions are not carried out through institutions in the forex market. These transactions are analyzed in Section III below.

III. Foreign Exchange Balance

The Foreign Exchange Balance comprises transactions carried out by institutions with clients in the foreign exchange market (included in Section II) and those carried out by the BCRA—either on its own account or on behalf of the National Government. It is worth noting that the Foreign Exchange Balance is presented in an analytical format based on the Balance of Payments broken down by component and by institutional sector.

III.1 Current Account

Current account transactions recorded in the foreign exchange balance showed a deficit of USD155 million in April, resulting from net purchases from "Primary Income", and "Services", which were partially offset by net inflows in "Goods" and "Secondary Income" (see Table III.1.1).

Chart III.1.1 Foreign Exchange Balance
Foreign Exchange Current Account
Equivalent in million dollars

Date	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20
Foreign Exchange Current Account	219	236	933	498	820	1.422	-515	1.350	576	50	42	83	-155
Goods	1.945	2.610	2.381	2.021	2.024	2.248	952	2.759	1.995	1.590	779	709	292
Services	-487	-581	-498	-529	-513	-224	-438	-259	-346	-26	-72	-11	-85
Primary Income	-1.253	-1.792	-967	-1.017	-644	-627	-1.051	-1.171	-1.096	-1.526	-689	-609	-372
Secondary Income	15	-1	17	24	-46	25	21	21	23	12	24	-5	9

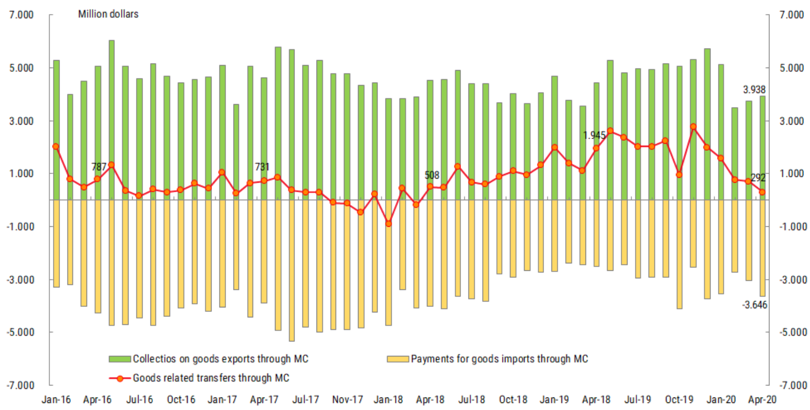
III.1.1 Goods

Broadly, the "Goods" section of the foreign exchange balance includes the sales and purchases of foreign currency through the foreign exchange market arising from "collections on exports of goods" and "payments for imports of goods" as clients informed their financial institutions.[7]

In April, transfers for "Goods" on the foreign exchange balance exhibited net inflows for USD292 million, resulting from collections on exports for USD3,938 million and payments of imports for USD3,646 million (see Chart III.1.1.1).

[7] Since the obligation to enter the proceeds from the export of goods into the country and to exchange them in the forex market was removed, and prior to September 2019's regulatory changes, companies in the real sector carrying out transactions abroad opted for not entering all their collections on exports into the local market and keeping a part of such amount in accounts held abroad to pay their foreign liabilities, including imports (thereby reducing transaction costs). On the other hand, once it was possible to transfer, once again, funds to own accounts held abroad, and up to September 2019, importers started to make their payments under the headings included in "Goods" and to fund their accounts abroad for future payments of imports (this led to less administrative burden when compared to reporting if they were paying imports). These two factors affected the gross flows for "Goods" until the changes introduced in September 2019, which reinstated the obligation to exchange the proceeds from the export of goods and services, and to render foreign exchange tickets as affidavits, as well as the limits on the purchase of foreign assets made by residents.

Chart III.1.1.1 Foreign Exchange Balance
Transfers for Goods

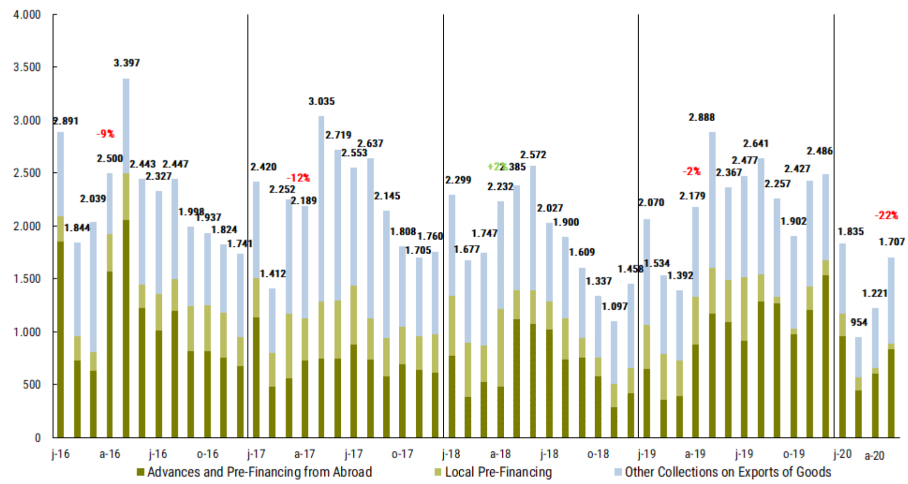


The “Oilseeds and Grains” sector recorded foreign currency sales for collections on exports for USD1,707 million, down 22% y.o.y. (see Chart III.1.1.2).

In this sector, proceeds from exports sold in the forex market fell by nearly USD500 million below the estimated amount of exports (USD2,200 million, with a 5% y.o.y. drop), which would imply that exporters continued reimbursing previously contracted advances and pre-financing.

In turn, Affidavits of Sales Abroad (Declaraciones Juradas de Ventas al Exterior) as reported by the Ministry of Agriculture, Livestock and Fisheries (which determine the date export duties are paid) showed that foreign exchange collections in this sector dropped by 73% y.o.y. It is worth noting, however, that the exports recorded in 2019 exceeded by about USD8,500 million the exports actually made during the same year (around USD27,800 million).

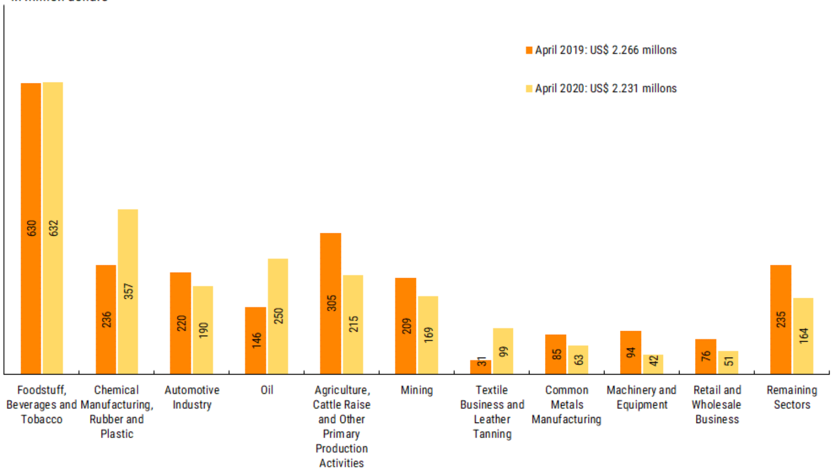
Chart III.1.1.2 Foreign Exchange Balance
Collection on Exports of Goods from the "Oilseeds and Grains"
Million dollars



Although this harvest season is expected to yield similar results—soybean recording a better growth pace, and corn being slightly lower than the previous season,—local trade of soybean and corn in April was down by 50% in y.o.y. terms. It should also be noted that the sector had already made early sales of these commodities in November and December 2019.

In turn, the collections on exports of goods from the remaining sectors amounted to USD2,231 million, out of which 65% was concentrated in the “Food, Beverages and Tobacco”, “Automobile Industry”, “Oil” and “Chemical, Rubber and Plastic Industries” sectors (see Chart III.1.1.3).

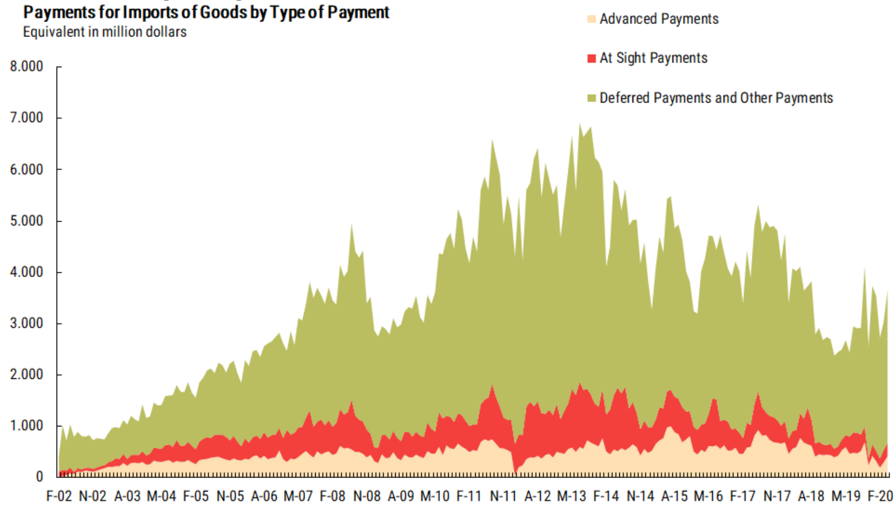
Chart III.1.1.3 Foreign Exchange Balance
Collection on Exports of Goods (“Oilseeds and Grains” Sector Excluded)
In million dollars



In April, payments for imports of goods through the forex market totaled USD3,646 million, up about USD600 million against March.

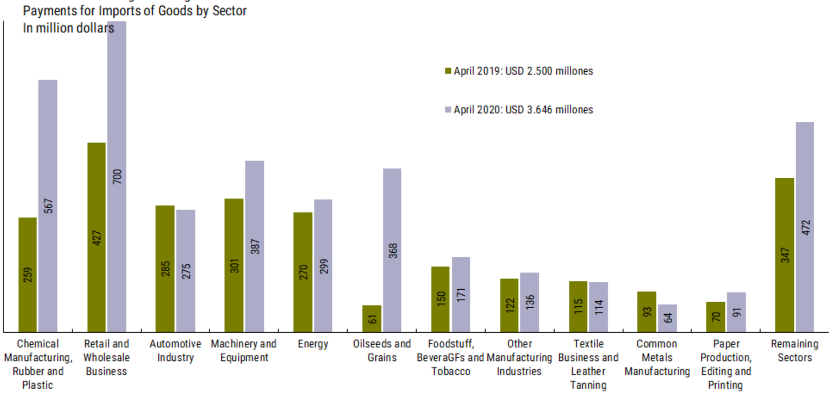
Increased payments for imports of goods through the forex market compared to March differ from an estimated fall in the value of customs flows for April as a result of the impact of COVID-19 pandemic on international trade. The reason behind this is that about 80% of payments are deferred (an average of about 150 days after the goods are shipped so far in 2020). This difference became more noticeable in April because importers continued making payments for goods that had already been released by customs (see Chart III.1.1.4).

Chart III.1.1.4 Foreign Exchange Balance
Payments for Imports of Goods by Type of Payment
Equivalent in million dollars



Out of the total payments for imports of goods made in April, 45% corresponded to the “Chemical, Rubber and Plastic Industries”, “Automobile Industry” and “Commerce” sectors (see Chart III.1.1.5).[8]

Chart III.1.1.4 Foreign Exchange Balance
Payments for Imports of Goods by Sector
In million dollars



***Note**: it includes Oil, Electricity and Gas Sectors

III.1.2 Services, Primary and Secondary Income

The “Services” account recorded a deficit of USD85 million in April, mainly explained by net outflows from “Freight and Insurance” and “Travel and Passenger Transport, and other Expenses Paid with Cards” which amounted to USD160 million and USD76 million, respectively. These transactions were partially offset by net inflows from “Business, Professional and Technical Services” for USD158 million (see Chart III.1.2.1).[9]

Given the current border closure and global travel restrictions under the COVID-19 pandemic, the net deficit of the “Travel and Passenger Transport, and Others with Cards” account continued falling in April, explained by a greater drop in outflows than in inflows. This behavior is in line with the statistics published in the last international tourism survey.[10]

It should be noted that the regulatory changes introduced last September have a direct impact on the figures shown in the “Services” account, mainly due to exporters’ obligation to enter the proceeds from their collections into the country, and to exchange them in the forex market; and institutions’ obligation to record those sales and keep the client’s affidavit with a description of the type of transaction made. Prior to September, a large part of this type of inflow was reported as repatriation of funds from clients’ accounts held abroad (included in the Foreign Exchange Financial Account) and clients could even choose not to include a description of the type of transaction made.

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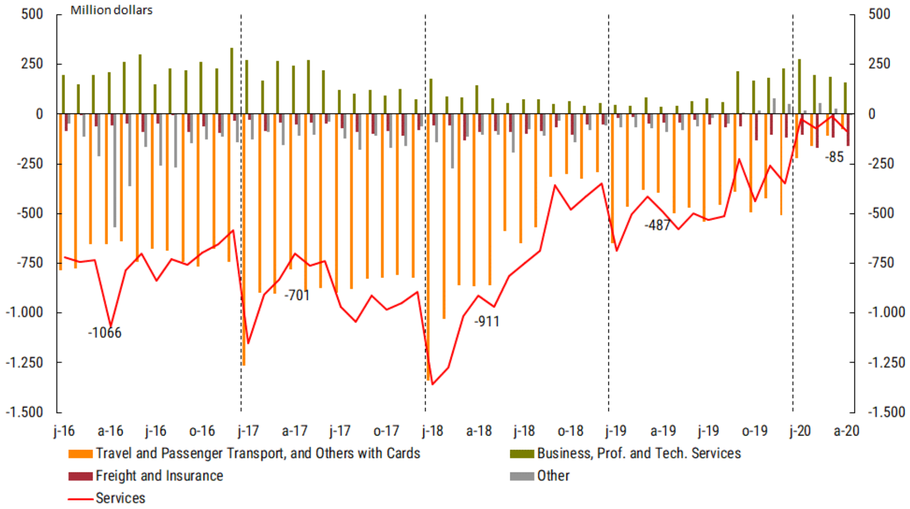
[8] The “Energy” sector includes companies belonging to the “Oil”, “Electricity” and “Gas” sectors.
[9] It is worth pointing out that the transfers made to international credit card issuers include purchases made by Argentine residents either during their stay abroad or on a remote basis. In turn, inflows of foreign exchange include non-resident remote purchases from Argentine suppliers.
[10] To access the latest technical report on International Tourism Statistics, **click here**.

Chart III.1.2.1 Foreign Exchange Balance
Net Inflows from Services



Primary income transactions recorded net outflows amounting to USD372 million in April, basically due to net payments of “Interest”, whereas no transfers of “Profits and Dividends” were made (as a result of the requirement to obtain prior authorization from the BCRA for these transactions since September 2019). In terms of gross payments of interest, over two thirds were made by the “Energy” sector (USD164 million) and the “General Government and the BCRA” (about USD100 million).

Finally, secondary income transactions recorded net inflows for USD9 million.

III.2 Capital Account

In April, the capital account of the foreign exchange balance evidenced a surplus of USD8 million, resulting from net inflows from the “Non-Financial Private Sector”.

III.3 Foreign Exchange Financial Account

In April, net outflows for the foreign exchange financial account totaled USD74 million. This result was explained by a deficit in the “Non-Financial Private Sector” (USD348 million) and by a net outflow in “Other Net Transfers” for USD363 million, mainly caused by a decrease in private deposits with an impact on financial institutions’ accounts held with the BCRA. These outflows were partially offset by the net inflows from the “General Government and the BCRA” and the “Financial Sector” for USD573 million and USD64 million, respectively.[11]

[11] The “Other Net Transfers” account of the foreign exchange balance is made up of transfers with a potential impact on the level of the BCRA's international reserves—although they are not foreign exchange transactions or direct inflows/outflows of the BCRA or the National Government.

Table III.3.1 Foreign Exchange Balance
Foreign Exchange Financial Account
Equivalent in million dollars

Date	apr-19	may-19	jun-19	jul-19	aug-19	sep-19	oct-19	nov-19	dec-20	jun-20	feb-20	mar-20	apr-20
Foreign Exchange Financial Account	**4.831**	**-7.150**	**-2.521**	**2.385**	**-14.568**	**-6.659**	**-5.402**	**-944**	**151**	**-258**	**46**	**-1.092**	**-74**
Financial sector	-313	-1.132	-994	-84	-1.982	477	-311	532	-728	455	-77	-794	573
Non-Financial Private Sector	-2.688	-3.749	-3.219	-4.031	-4.431	-3.339	-4.520	-529	-626	-181	-154	-318	-348
Public Sector and BCRA	7.661	-4.033	1.036	5.123	-4.956	-901	181	-564	-494	-767	2	-292	64
Other Net Movements	172	1.764	656	1.377	-3.199	-2.896	-751	-383	2.000	235	275	312	-363

III.3.1. Foreign Exchange Financial Account of the Non-Financial Private Sector

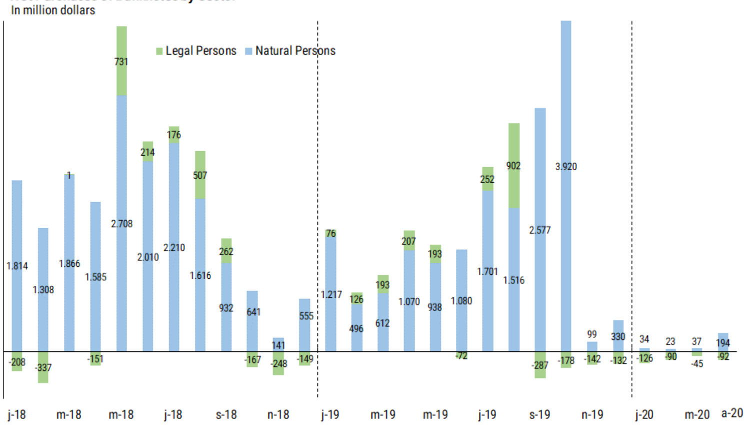
The financial account of the "Non-Financial Private Sector" had a deficit of USD348 million in April, resulting basically from net settlements of financial debt and from the buildup of foreign assets, partially offset by inflows of direct investments (see Table III.3.1.1).

Table III.3.1.1 Foreign Exchange Balance
Foreign Exchange Financial Account of the Non-Financial Private Sector
Equivalent in million dollars

Date	apr-19	may-19	jun-19	jul-19	aug-19	sep-19	oct-19	nov-19	dec-20	jun-20	feb-20	mar-20	apr-20
Foreign Exchange Financial Account	**-2.688**	**-3.749**	**-3.219**	**-4.031**	**-4.431**	**-3.339**	**-4.520**	**-529**	**-626**	**-181**	**-154**	**-318**	**-348**
Non-Residents' Direct Investments	121	148	144	174	123	91	128	166	83	84	170	103	165
Non-Residents' Portfolio Investments	-138	-858	-1.410	-850	-974	3	3	0	6	2	2	5	2
Financial Loans and Credit Lines	-137	-309	-41	-162	-454	-1.379	-1.102	-695	-646	-452	-503	-316	-519
Loans from Other International Organizations and Other	12	-7	-2	-2	19	-59	-67	-38	-41	64	155	-79	188
Buildup of Foreign Assets by the Non-Financial Private Sector	-2.341	-2.496	-1.349	-2.951	-5.909	-3.013	-4.125	-144	153	-60	-114	-110	-183
Self-to-Self International Transfers	428	714	-451	95	3.403	1.039	624	187	-182	185	136	77	0
Purchase and Sale of Securities	-634	-941	-111	-335	-638	-20	19	-4	1	-5	0	0	0
Heading Not Informed by the Client (Net	491	502	646	745	533	1	0	0	0	0	0	0	0

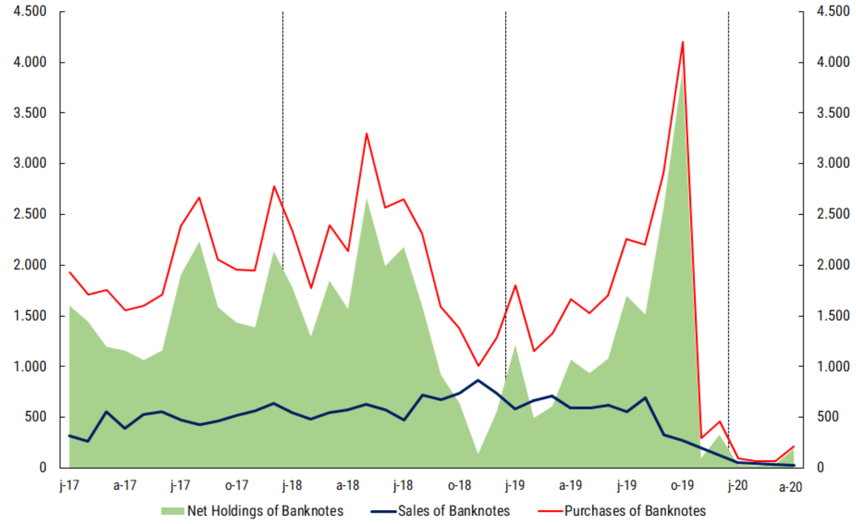
Residents made net purchases of foreign currency to buildup foreign assets for USD183 million (net purchases of banknotes for USD103 million, and net transfers abroad for about USD80 million—mainly debited from local accounts in foreign currency, "self-to-self international transfers"). Likewise, this outcome was explained by net sales for USD92 million ("Real Sector" for USD46 million and "Institutional Investors and Others" for USD46 million), and net purchases for USD194 million made by "Natural Persons" (see Chart III.3.1.1).

Chart III.3.1.1 Foreign Exchange Balance
Net Purchases of Banknotes by Sector
In million dollars



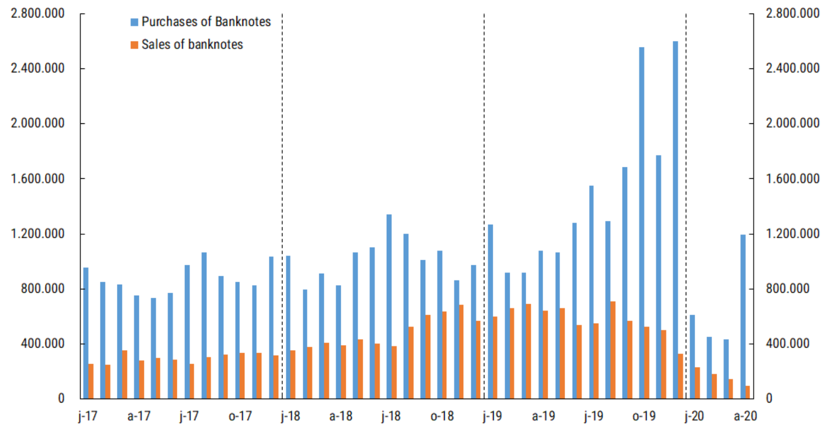
Gross purchases of banknotes by “Natural Persons” totaled USD219 million in April (see Chart III.3.1.2). About 1,200,000 individuals purchased banknotes for saving purposes, with an average per capita of USD185 (see Chart III.3.1.3).

Chart III.3.1.2 Foreign Exchange Balance
Natural Persons. Banknotes
Equivalent in million dollars



Sales of banknotes by “Natural Persons” decreased, compared to March, by USD11 million, reaching USD25 million. The number of clients also fell by 50,000 individuals, reaching 95,000.

Chart III.3.1.3 Foreign Exchange Balanceo
Natural Persons. Banknotes
Number of People



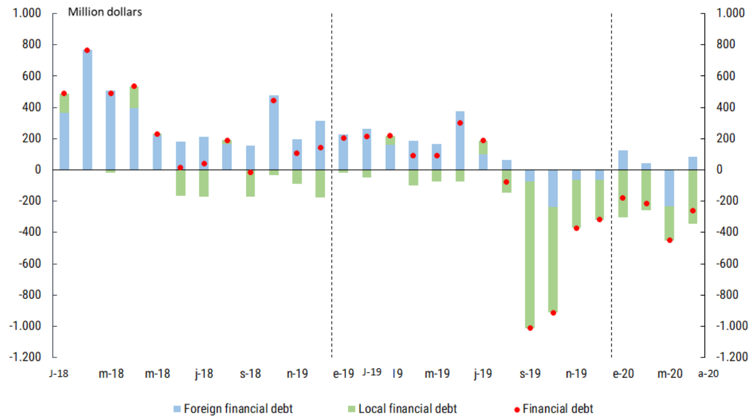
In turn, as it has already been mentioned, net transfers to their own accounts abroad totaled USD80 million. The transfers made by “Natural Persons”, were mostly self-to-self international transfers, which amounted to USD143 million. On another note, legal persons included in the “Real Sector” and “Institutional Investors and Others” repatriated funds for USD52 million and USD10 million, respectively.[12]

[12] For further clarifications on the definition of “self-to-self international transfers”, see note 5.

Prior to September 2019, a large part of the funds transferred by the companies of the "Real Sector" was used to pay their foreign liabilities from accounts abroad, whether commercial or financial, such as payments for imports of goods and services, primary income, debt securities or loans. Based on the regulatory changes introduced by Communication "A" 6770, purchases by legal persons to make transfers to their own accounts abroad now require the prior authorization of the BCRA.

Net payments of financial debts totaled USD259 million in April, out of which USD344 million stood for reimbursements of local debts, which were partially offset by net inflows for USD85 million from foreign loans of international organizations. The "Energy" sector was the main recipient of inflows (USD134 million) from debt held abroad (see Chart III.3.1.4).[13]

Chart III.3.1.4 Foreign Exchange Balance
Non-Financial Private Sector. Financial Debt and Debt Securities (Local and Foreign)
Equivalent in million dollars



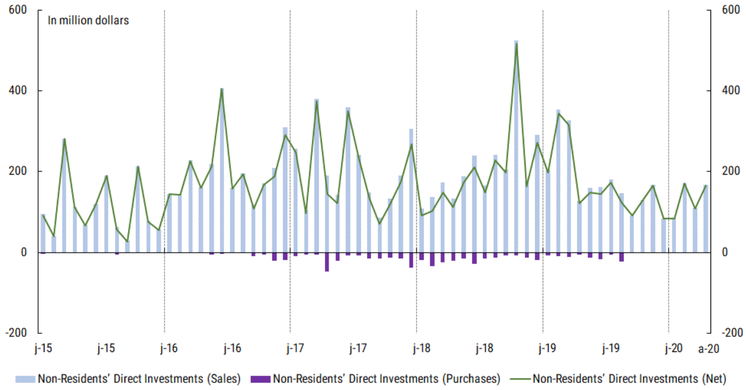
Note: Local financial debt excludes the purchases of foreign currency to pay card bills for expenses incurred abroad

Investments made by non-residents recorded net inflows for USD166 million (see Chart III.3.1.5), basically accounted for by direct investments (USD165 million).[14]

These direct investments were mainly made in the sectors related to "Energy" production and distribution (about USD130 million), all of which share 80% in total inflows.

[13] Net payments exclude purchases of foreign currency to pay card bills for expenses incurred abroad for an amount of USD72 million; they do not imply a net demand in the whole system, made up by the institutions and the BCRA. Instead, they were calculated under the heading "Travel, and Other Expenses Paid with Cards" at the time of the transfer abroad.
[14] Communication "A" 6770, as amended, sets out, among other provisions, that non-residents are allowed to buy foreign exchange up to USD100 per month.

Chart III.3.1.5 Foreign Exchange Balance
Non-Residents' Direct Investments



Finally, due to the regulatory changes implemented that limited the transactions carried out by institutions with their own funds, foreign currency flows from transactions carried out with securities in the secondary market posted no movements.[15]

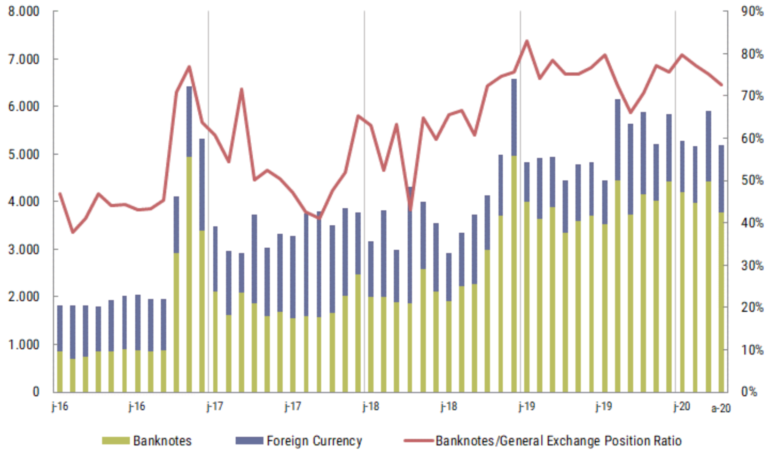
III.3.2. Foreign Exchange Financial Account of the Financial Sector

In April, the transactions carried out under the foreign exchange financial account of the "Financial Sector" resulted in a surplus of USD573 million, explained by a decrease in liquid foreign assets of financial institutions' General Exchange Position of USD671 million, partially offset by payments of financial loans and credit lines for USD98 million.[16]

Institutions' General Exchange Position amounted to USD5,252 million at the end of April—down USD671 million against March,—mainly due to a decrease in their stock of banknotes (see Chart III.3.2.1). Thus, holdings of foreign currency banknotes reached USD3,772 million, accounting for 72% of their total General Exchange Position. Institutions basically keep this stock for liquidity to cope with local deposits in foreign currency and to meet the needs of the foreign exchange market.

[15] In the forex market, transactions are entered on behalf of financial institutions. The net effect of these transactions has, as counterpart, non-financial private sector residents or non-residents. Therefore, they are included in the foreign exchange financial account of the non-financial private sector.
[16] The General Exchange Position is defined in the Annex to Communication "A" 6244, subparagraph 4.7.

Chart III.3.2.1 Foreign Exchange Balance
Institutions' General Exchange Position
Equivalent in million dollars



On another note, the ensemble of financial institutions ended April with a forward long position in foreign currency of USD7 million, recording a decline in the net position by USD84 million. They sold USD218 million to their clients directly (Forwards), and made net purchases for USD134 million in regulated markets along April (see Chart III.3.2.2).

In April, foreign institutions made sales for USD91 million and national institutions made purchases for USD7 million (see Chart III.3.2.3).

Chart III.3.2.2 Forward Market
Institutions' Forward Position
Equivalent in million dollars

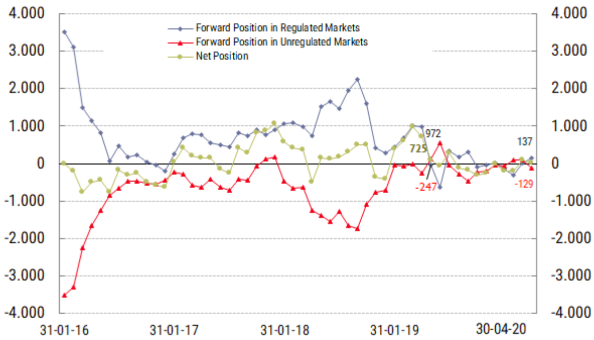
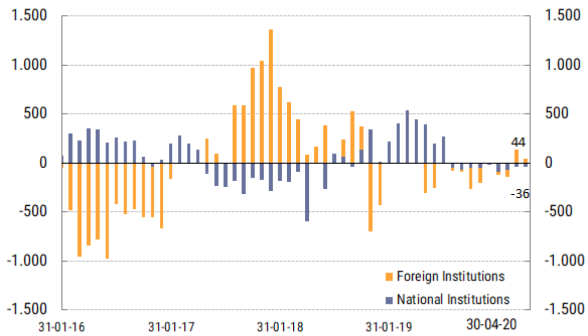


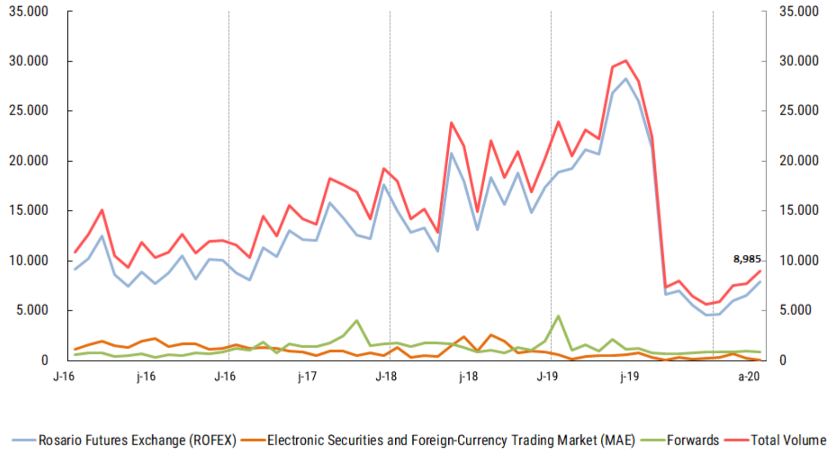
Chart III.3.2.3 Forward Market
Institutions' Forward Position
Equivalent in million dollars



The volume traded in forward markets totaled USD8,985 million in April (see Chart III.3.2.4); in other words, around USD450 million on a daily basis. The total traded increased 16% against March. Transactions carried out in the Mercado a Término de Rosario (ROFEX) continued to stand out, with an 88% share in the total volume traded in the forward market.[17]

[17] The 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 III.3.2.4 Forward Market
Total Volume Traded in the Forward Market
Equivalent in million dollars

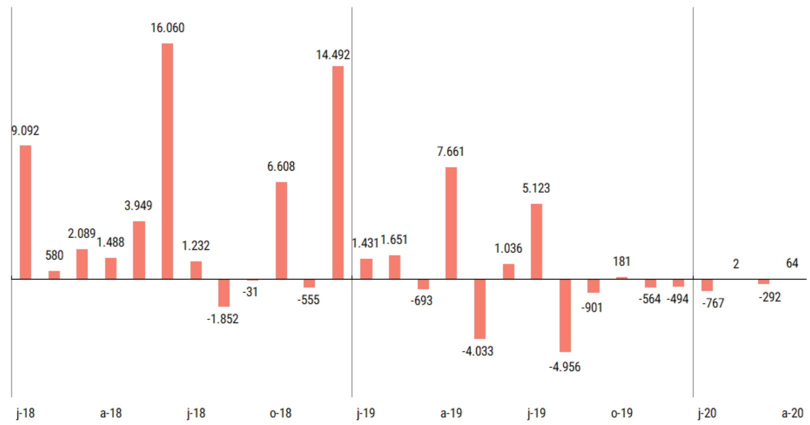


III.3.3. The Foreign Exchange Financial Account of the General Government and the BCRA

In April, the foreign exchange financial account of the General Government and the BCRA resulted in a surplus of USD64 million (see Chart III.3.3.1). This was mainly explained by net inflows from loans granted by international organizations for USD65 million (a part of these inflows were self-to-self transactions, and remained deposited in local accounts in foreign currency) and by the sale of funds locally deposited for USD52 million.

In addition, net outflows for paying other financial debts amounted to USD42 million, out of which USD17 million were assigned to pay LETES bills.

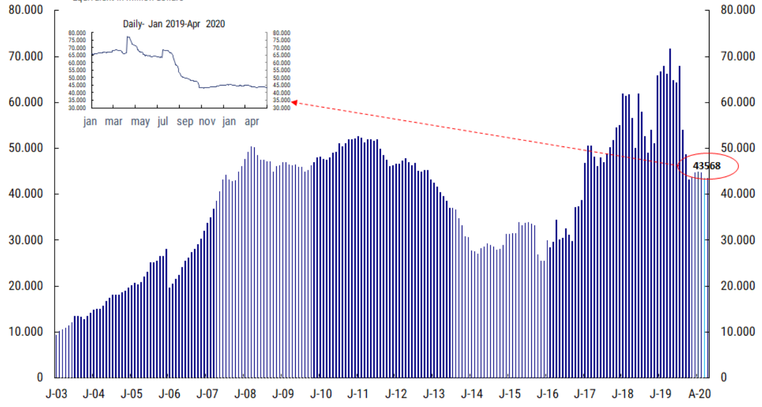
Chart III.3.3.1 Foreign Exchange Balance
Foreign Exchange Financial Account of the General Government and the BCRA
Equivalent in million dollars



IV. BCRA's International Reserves

In April, BCRA's international reserves increased by USD7 million, totaling USD43,568 million by the end of April as a result of the transactions described above and a higher exchange rate and book valuation of USD229 million (see Chart IV.1).

Chart IV.1 BCRA's International Reserves
Equivalent in million dollars



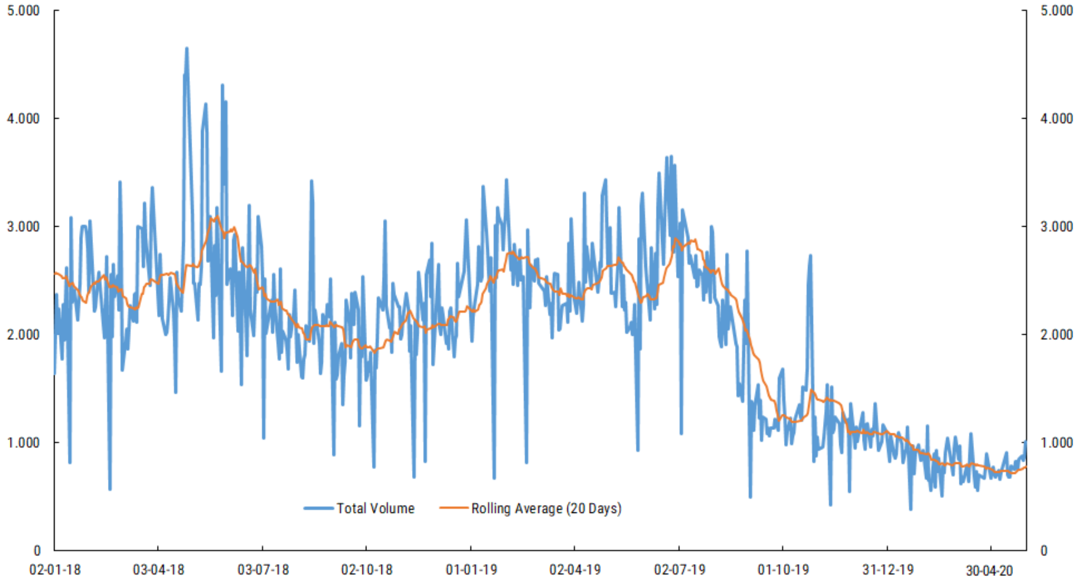
Stock by the End of the Period

V. Volumes Traded in the Foreign Exchange Market

Under the current foreign exchange regulations, the volume traded in April amounted to USD15,640 million—falling by 69% in y.o.y. terms, in spite of a slight increase compared to the previous two months. The average daily volume traded was about USD780 million (see Chart V.1). The y.o.y. decline in the volume was mainly explained by a fall of 68% in transactions between licensed institutions and their clients, and of 77% in transactions carried out between financial and foreign exchange institutions.[18]

[18] 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).

Chart V.1 Foreign Exchange Market
Volume Traded Daily Evolution
-In million dollars-



Transactions between institutions and their clients accounted for 74% of the total volume traded, while transactions between institutions—mainly through the Electronic Trading System (SIOPEL)—represented 20%; in turn, transactions between institutions and the BCRA stood for the remaining 6% (see Chart V.2).[19]

Given the extension of the "social, preventive and compulsory lockdown" period and the closure of borders (ordered by the National Government to mitigate the spread of COVID-19), and the fact that foreign exchange market transactions were mostly made online, there was a drop in both the number of trading institutions (85 against 220 as is usually the case), as well as the currencies used (18 against 40 as is usually the case).

Thus, most of the volume traded between licensed institutions and their clients was concentrated in a few number of institutions (out of the already mentioned 85 institutions, the first ten accounted for 88% of such volume) and in the foreign currency used; USD-denominated transactions had a 95.9% share in the total traded with clients (see Chart V.3), followed by Euros, which accounted for 3.6% of the total.

[19] The volume traded between licensed institutions and their clients excludes the following items: clients' underwriting of LEBAC bills, self-to-self international transfers (around USD700 million in April 2020), and purchases of foreign currency to pay card bills for expenses incurred abroad (around USD70 million for the month under study).

Chart V.2 Foreign Exchange Market
Total Volume and Share. April 2020

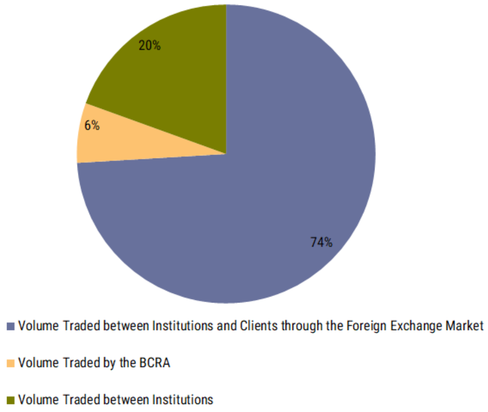
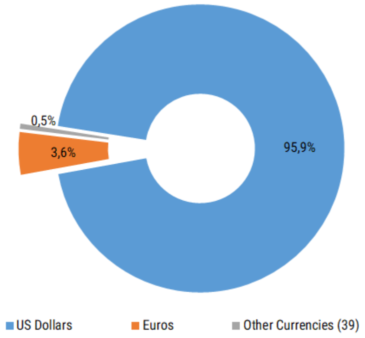


Chart V.3 Foreign Exchange Market
Volume with Clients by Currency April 2020



Finally, 95.6% of foreign exchange transactions between financial and foreign exchange institutions were channeled through private financial institutions. Public banks and foreign exchange institutions accounted for the remaining 4.4% (4.3% and 0.1%, respectively).