Evolution of the Foreign Exchange Market and the Foreign Exchange Balance

August 2023

BANCO CENTRAL
DE LA REPÚBLICA ARGENTINA

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About inclusive language in the Spanish version of this report

The Central Bank of Argentina is committed to encouraging the use of a non-discriminatory language that promotes the acceptance of all gender identities. It should be noted that all those who have contributed to this report acknowledge that language influences ideas, feelings, ways of thinking, as well as principles and core values.

Therefore, efforts have been made to avoid sexist and binary language in this report.

Contents

Executive Summary

Global economy has followed a downward trend in recent months, with a persistent core inflation in many advanced economies and a decreasing prevalence in many emerging and developing economies. The central banks of advanced economies either maintained or raised the interest rates, while those of emerging or developing economies have begun to lower them. A scenario of "higher rates for longer periods" has consolidated in the markets, impacting on bonds, stocks, and foreign currencies. The US dollar, which has been depreciating along the year, has appreciated on the margin; also impacting commodity prices. Agricultural commodities have somewhat decreased, while oil has shown to improve in the face of supply constraints.

In this context, during August financial institution's clients sold USD1,185 million in the forex market. At the same time, financial institutions made sales for USD38 million and the BCRA made net payments through the Local Currency Payment System for USD34 million. In turn, the BCRA bought USD1,257 million in the forex market (purchases for USD1,127 million through the Export Increase Program). The National Treasury made purchases directly from the BCRA for USD231 million.

The "Non-Financial Private Sector" was a net seller of foreign currency for USD831 million. Within this group, the "Oilseeds and Grains" sector was the main net seller with net inflows of USD1,235 million, down 57% against August 2022. August's net inflows from goods were lower as a result of the drought that has been affecting exportable goods.

For the first time since June 2019, the "Real Sector excluding Oilseeds and Grains" was a net seller of foreign currency for a total of USD119 million, mainly explained by the reduction in the payment of imports, which resulted in a surplus of the "Goods" account, and by the inflow of foreign assets, partially offset by traveling expenses and other payments on cards to non-resident suppliers.

"Natural Persons" made net purchases totaling USD550 million mainly for traveling expenses and other payments on cards to non-resident suppliers (USD366 million), and for saving purposes (USD168 million).

"Institutional Investors and Others"—both residents and non-residents—made net sales for USD27 million in August.

The foreign exchange current account recorded a deficit of USD372 million. This result was explained by a deficit in "Primary Income" (USD1,251 million), "Services" (USD412 million), and "Secondary Income" (USD1 million), which were partially offset by a surplus in "Goods" for USD1,292 million.

The financial account of the "Non-Financial Private Sector" had a deficit of USD346 million in August. This result was explained by the payment of other foreign financial debts and debt securities for USD326 million, payments of balances in foreign currency to local institutions originated from purchases made with cards to non-resident suppliers for USD248 million (which do not involve a net demand of foreign currency in the financial account), and the build-up of foreign assets for USD91 million, partially offset by net inflows from loans from international organizations for USD150 million, inflows from foreign direct investments for USD69 million, self-to-self international transfers for USD54 million, and net inflows from local financial loans for USD49 million.

The transactions carried out under the foreign exchange financial account of the “Financial Sector” resulted in a surplus of USD408 million. This outcome was mainly explained by a decrease of USD344 million in liquid foreign assets of financial institutions’ General Exchange Position, and by net inflows from financial loans of USD63 million.

The transactions carried out under the foreign exchange financial account of the “General Government and the BCRA” resulted in a surplus of USD4,807 million, mainly explained by gross disbursements from the IMF for USD7,321 million (SDR5,500 million), partially offset by gross repayments of principal owed to the IMF totaling USD915 million (SDR688 million), net outflows on account of loans from other international organizations for USD904 million, and other net payments of financial debt for USD867 million.

During August, BCRA’s international reserves increased USD3,727 million, totaling USD27,818 million by the end of the month. This increase was mainly explained by gross disbursements from the IMF for USD7,321 million (SDR5,500 million), and by the purchases made by the BCRA in the forex market, partially offset by gross repayments of principal, interest and charges to the IMF totaling USD1,761 million (SDR1,321 million), net payments of principal and interest to international organizations and other financial debt incurred by the National Treasury of USD1,750 million, the fall in financial institution’s holdings of foreign currency, a decrease in the US dollar exchange rate of foreign exchange reserves by USD313 million, and net payments settled by the BCRA through the Local Currency Payment System.

I. Introduction

This report analyzes information on foreign exchange transactions made in August 2023 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), amounts traded, currency denomination, and the reason for the foreign exchange transaction (heading)—such as inflows or outflows from exports or imports 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).

For further information on methodological aspects of this report, please read the methodology used for compiling foreign exchange market and foreign exchange balance statistics, which is available here on BCRA's website.

Should you need detailed information about the exchange rate regulations in force and the changes that have been implemented since November 2017, please see the Consolidated Text on Foreign Trade and Exchange Regulations available on BCRA's website.

Section II of this report analyzes the result of foreign exchange transactions for August; data are broken down by sector and by heading.[2]

Section III deals with the Foreign Exchange Balance which comprises transactions carried out by the institutions with their 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 readers to follow-up data (which has taken again the form of an affidavit) by type of transaction. However, **the evolution of the historical series**

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[1] Communication "A" 3840, as amended.

[2] 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 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"** includes all natural persons within the sector "Other Non-Financial Private Sectors"; and **"Institutional Investors and Others"** includes "Insurance" as well as the rest of the "Other Non-Financial Private Sectors".

shown here should be analyzed in light of the different forex regulations in force by period (see Section B.5. of the Methodology Used for Compiling Foreign Exchange Market and Foreign Exchange Balance Statistics).[3]

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

Global economy has followed a downward trend in recent months, with a persistent core inflation in many advanced economies and a decreasing prevalence in many emerging and developing economies. The central banks of advanced economies either maintained or raised the interest rates, while those of emerging or developing economies have begun to lower them. A scenario of "higher rates for longer periods" has consolidated in the markets, impacting on bonds, stocks, and foreign currencies. The US dollar, which has been depreciating along the year, has appreciated on the margin; also impacting commodity prices. Agricultural commodities have somewhat decreased, while oil has shown to improve in the face of supply constraints. The drought that has been affecting Argentina adds up to this international scenario, slashing both the quantity and quality of the goods expected to be exported over the year.

In August financial institution's clients sold USD1,185 million in the forex market. At the same time, financial institutions made sales for USD38 million and the BCRA made net payments through the Local Currency Payment System for USD34 million. In turn, the BCRA bought USD1,257 million in the forex market (purchases for USD1,127 million through the Export Increase Program). The National Treasury made purchases directly from the BCRA for USD231 million (see Table II.1).[4] [5] [6]

[3] 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.
[4] Information on the Local Currency Payment System of this report has been drawn from the Exchange Transaction Reporting System (RIOC) and reported by transaction date. For more information, see the Methodology Used for Compiling Foreign Exchange Market and Foreign Exchange Balance Statistics
[5] Transactions in the forex market are reported according to their transaction date, except for the purchase and sale of securities payable in foreign currency.
[6] The result by sector excludes purchases of foreign currency to pay card bills for expenses incurred abroad for an amount of USD248 million. These payments of local debts in foreign currency do not imply a net demand in the whole system, made up by the institutions and the BCRA.

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

Result by Sector of the Foreign Exchange Market with Institutions	Aug-22	Aug-23	2022 up to Aug	2023 up to Aug
BCRA - Market	**310**	**-1,257**	**-0**	**2,423**
BCRA - SML	**108**	**34**	**536**	**673**
National Treasury	**-**	**-**	**2**	**-**
Institutions	**-24**	**38**	**-70**	**15**
Institutions' Clients (1 + 2 + 3)	**-394**	**1,185**	**-467**	**-3,112**
1. Non-Financial Private Sector	**-338**	**831**	**254**	**-3,063**
Oilseeds and Grains	2,863	1,235	25,571	11,946
Real Sector Excluding Oilseeds and Grains	-2,453	119	-20,125	-10,419
Natural Persons	-772	-550	-4,845	-4,081
Institutional Investors and Others	25	27	-346	-509
2. General Government (National Treasury Excluded)	**-98**	**356**	**-506**	**489**
3. Institutions (Own Transactions)	**41**	**-2**	**-216**	**-537**
National Treasury Directly with the BCRA	**-228**	**-231**	**-3,490**	**-6,685**

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

Source: BCRA

The following table is intended to analyze the purchases and sales carried out through institutions in the forex market, reflecting each sector's net foreign exchange result. 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 self-to-self international transfers (see Table II.2).[7]

Based on this information, the following sectors' performance can be highlighted (for more information on the sector-based categorization used, see Section B.4. of the Methodology Used for Compiling Foreign Exchange Market and Foreign Exchange Balance Statistics).

[7] 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 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. For more information, see Section C.4.6. of the Methodology Used for Compiling Foreign Exchange Market and Foreign Exchange Balance Statistics

Table II.2 Foreign Exchange Market
Result of Institutions' Transactions with Clients. August 2023
Equivalent in million dollars

Sector/Main Headings	Goods	Travel and Passenger Transport, and Other Expenses Paid 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	**1,355**	**-548**	**134**	**-141**	**50**	**54**	**-74**	**831**
Oilseeds and Grains	1,223	0	2	-14	4	-4	24	1,235
Real Sector Excluding Oilseeds and Grains	215	-189	-52	9	95	98	-58	119
Natural Persons	-13	-366	8	-168	-60	45	5	-550
Institutional Investors and Others	-70	7	177	31	11	-84	-46	27
General Government (National Treasury Excluded)	**-19**	**0**	**-299**	**487**	**11**	**195**	**-19**	**356**
Institutions (Own Transactions)	**-44**	**0**	**-25**	**0**	**0**	**0**	**67**	**-2**
Institutions' Result with Clients	**1,292**	**-548**	**-190**	**346**	**62**	**249**	**-26**	**1,185**
Result for Forex Transactions	**1,316**	**-696**	**-27**	**346**	**86**	**0**	**161**	**1,185**
Result for Self-to-Self International Transfers	**-24**	**148**	**-162**	**0**	**-24**	**249**	**-187**	**0**

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

"Oilseeds and Grains" was the main net seller of foreign currency in the market over August. This sector recorded net sales for USD1,235 million mainly for the headings 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. It recorded a net result of USD1,223 million, down 58% against August 2022.

For the first time since June 2019, the "Real Sector excluding Oilseeds and Grains" was a net seller of foreign currency for a total of USD119 million, mainly explained by the reduction in the payment of imports (see Section III.1.1), which resulted in a surplus of the "Goods" account, and by the inflow of foreign assets, partially offset by traveling expenses and other payments on cards to non-resident suppliers. In this sense, the two economic sectors generating more deficit with their purchases were "Machinery and Equipment" (USD245 million) and "Commerce" (USD197 million), while the two sectors recording the highest surplus were "Food, Beverages and Tobacco" (USD666 million) and "Mining" (USD334 million), (see Table II.3).

Table II.3 Foreign Exchange Market
Result of the Real Sector excluding Oilseeds and Grains disaggregated by main headings. August 2023
Equivalent in million dollars

Sector/Main Headings	Goods	Travel and Passenger Transport, and Other Expenses Paid 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
Food, Beverages and Tobacco	682	0	1	0	1	-8	-10	666
Mining	295	0	0	0	9	-15	46	334
Automobile Industry	151	0	-2	0	0	43	12	204
Agriculture and Other Primary Activities	197	0	0	0	0	-13	2	186
Information Technology	-15	1	110	0	0	-11	10	95
Entertainment	2	0	10	0	4	1	2	19
Gastronomy	0	0	0	0	0	0	0	0
Water	0	0	0	0	0	0	0	0
Non-Metallic Mineral Products (Cement, Ceramics and Others)	-4	0	-1	0	0	0	-9	-15
Construction	-15	0	-1	0	0	-1	-8	-25
Paper, Publishing and Printing Industry	-41	0	0	0	0	0	-5	-46
Energy*	-140	0	-124	7	76	47	75	-60
Chemical, Rubber and Plastic Industries	-114	0	40	0	1	-1	9	-65
Textile and Leather Industries	-81	0	-1	0	0	0	-5	-87
Communications	-17	0	-13	0	0	106	-163	-88
Other Manufacturing Industries	-103	0	3	0	3	0	-3	-99
Common Metals and their Manufacture	-117	0	-6	0	1	0	1	-120
Tourism and Accommodation Services	0	-158	-1	0	0	-5	0	-163
Transport	-16	-32	-79	3	0	-52	2	-174
Commerce	-173	0	6	0	-1	2	-32	-197
Machinery and Equipment	-275	0	6	0	0	5	18	-245
Total	**215**	**-189**	**-52**	**9**	**95**	**98**	**-58**	**119**

*It includes: Electricity (Generation, Transport, Distribution), Oil, and Gas (Extraction, Transport, Distribution) Sectors

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

Source: BCRA

Financial institutions made net purchases with their own funds for USD2 million.

In turn, the "General Government" (excluding the National Treasury) made net sales in the forex market for USD356 million.

"Natural Persons" made net purchases totaling USD550 million mainly for traveling expenses and other payments on cards to non-resident suppliers (USD366 million), and for saving purposes (USD168 million).

"Institutional Investors and Others"—both residents and non-residents—made net sales for USD27 million in August.

III. Foreign Exchange Balance

The Foreign Exchange Balance comprises transactions carried out by institutions with their 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 USD372 million in August. This result was mainly explained by a deficit in "Primary Income" (USD1,251 million), "Services"

(USD412 million), and “Secondary Income” (USD1 million), which was partially offset by the surplus recorded in “Goods” (USD1,292 million), (see Table III.1.1).[8]

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

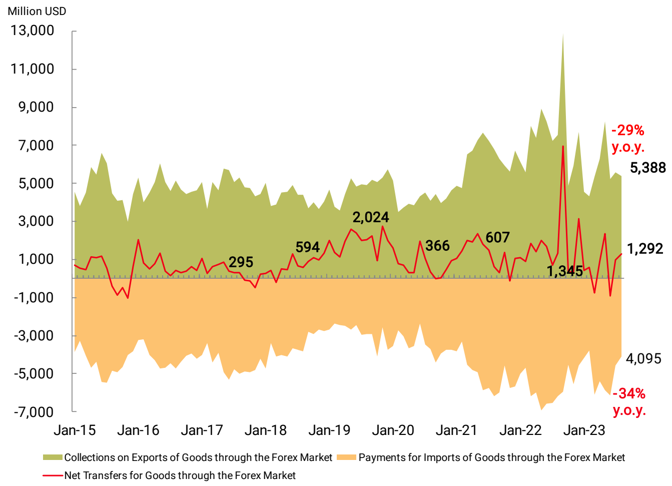
Date	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23
Foreign Exchange Current Account	-572	5,478	-664	-1,201	2,220	-1,651	-1,237	-2,020	71	776	-1,712	-645	-372
Goods	1,345	6,948	363	359	3,158	414	572	-747	903	2,363	-921	985	1,292
Services	-1,072	-1,075	-799	-641	-473	-725	-653	-866	-506	-430	-363	-330	-412
Primary Income	-844	-387	-217	-917	-467	-1,352	-1,142	-432	-310	-1,169	-426	-1,312	-1,251
Secondary Income	-2	-9	-12	-3	1	12	-14	25	-15	12	-1	12	-1

Source: BCRA

III.1.1 Goods

In August, transfers for “Goods” on the foreign exchange balance exhibited net inflows for USD1,292 million, resulting from collections on exports for USD5,388 million, which were partially offset by payments of imports for USD4,095 million (see Chart III.1.1.1).

Chart III.1.1.1 Foreign Exchange Balance
Transfers for Goods



Source: BCRA

In August, the “Oilseeds and Grains” sector recorded foreign currency sales for collections on exports of goods through the forex market for USD2,062 million (-40% y.o.y.). The year-on-year drop in sales is mainly explained by losses in production due to the drought. The sector’s FOB exports totaled about USD2,250 million in August, which would imply that the sector slightly reduced its stock of commercial debt during August.

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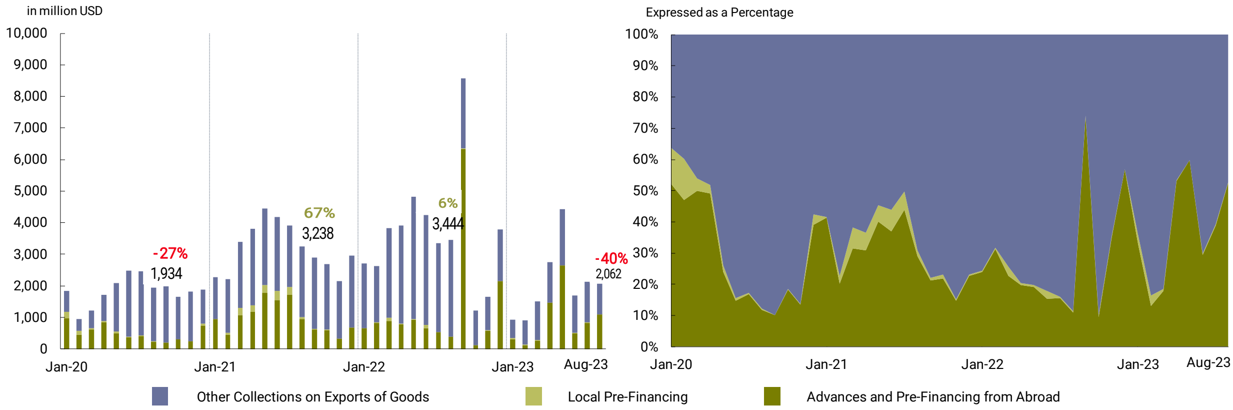
[8] For more information on the changes in the regulations that have an impact on the comparison of flows under “Goods”, among other headings, see Section B.5. Important Regulatory Provisions that Have an Impact on Foreign Exchange Statistics of the Methodology Used for Compiling Foreign Exchange Market and Foreign Exchange Balance Statistics available at BCRA’s website.

On July 24, and effective until August 31, the National Government increased the exchange rate for transactions settled under the "Export Increase Program" to ARS340/USD1,[9] and new eligible products were added, including corn.[10] In this context, in August, the Oilseeds and Grains sector settled collections on exports through this program for about USD1,958 million.

Fifty two percent of the sector's inflows were collected ahead of time in August, either through advances or pre-financing (local and foreign); this share was above the historical average of the series, 46% for the 2016-2022 period (see Chart III.1.1.2).

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

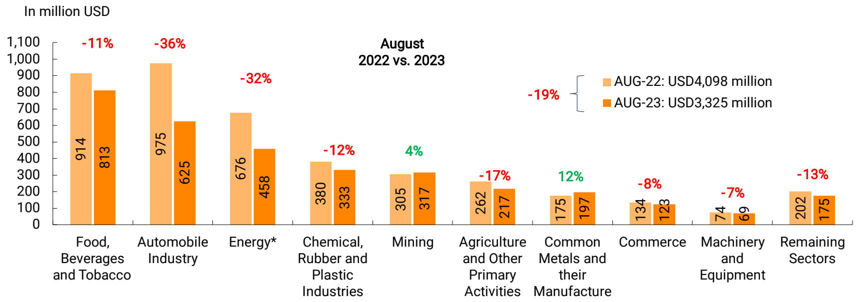


Source: BCRA

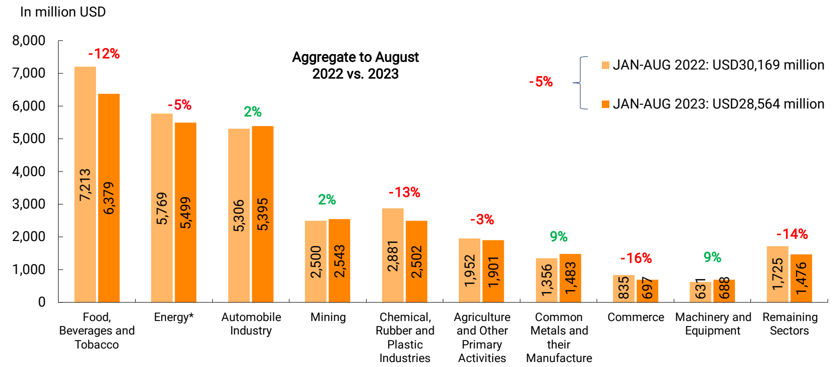
Inflows from the collections on exports of goods from the remaining sectors totaled USD3,325 million in August, decreasing 19% y.o.y., and 5% on a year-to-date comparison. Broken down by sector, in August, the dynamism of the collection of exports in y.o.y. terms showed a downward trend, except for "Common Metals and their Manufacture" and "Mining", with y.o.y. increases of 12% and 4%, respectively (see Chart III.1.1.4).

[9] To see Executive Order 378/2023 click here.
[10] To see Resolution 295/2023 click here.

Chart III.1.1.4 Foreign Exchange Balance
Collection on Exports of Goods ("Oilseeds and Grains" Sector Excluded)



*Note: it includes Oil, Electricity and Gas Sectors



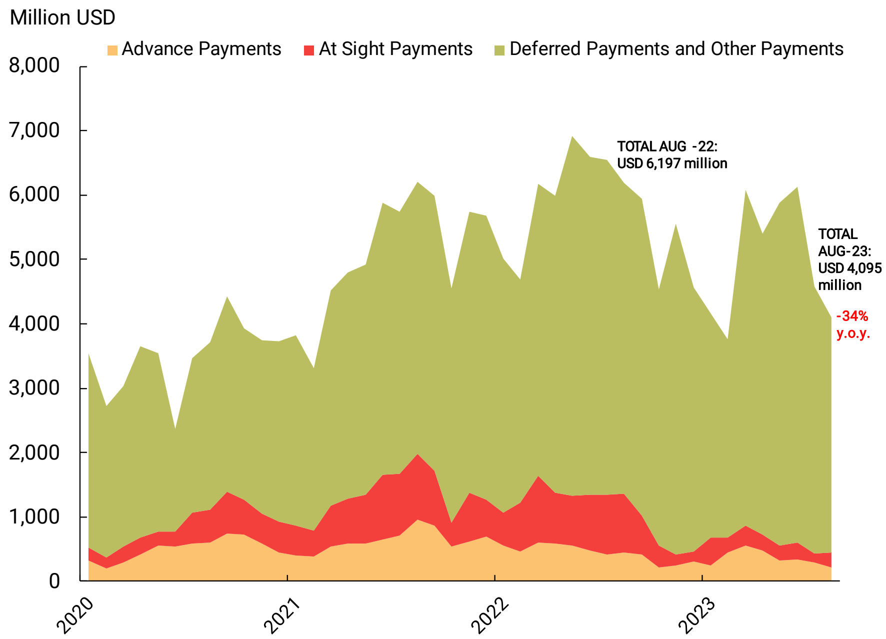
Source: BCRA

In August, payments of imports of goods totaled USD4,095 million, down 34% against August 2022, and standing below August's FOB imports (about USD6,461 million). This would imply either an increase in the sector's commercial indebtedness level or a decrease in its foreign assets due to advances. It is worth noting that at the end of July, the "PAIS tax" was established for a large number of imports of goods with rates of 7.5% (exemptions apply to fuel, medicines, and inputs linked to the basic food basket, among others).[11]

As regards imports of goods, 89% of payments were deferred, 6% were sight payments, and the other 5% were advance payments in August (see Chart III.1.1.5).

[11] To see Executive Order 377/2023 click here.

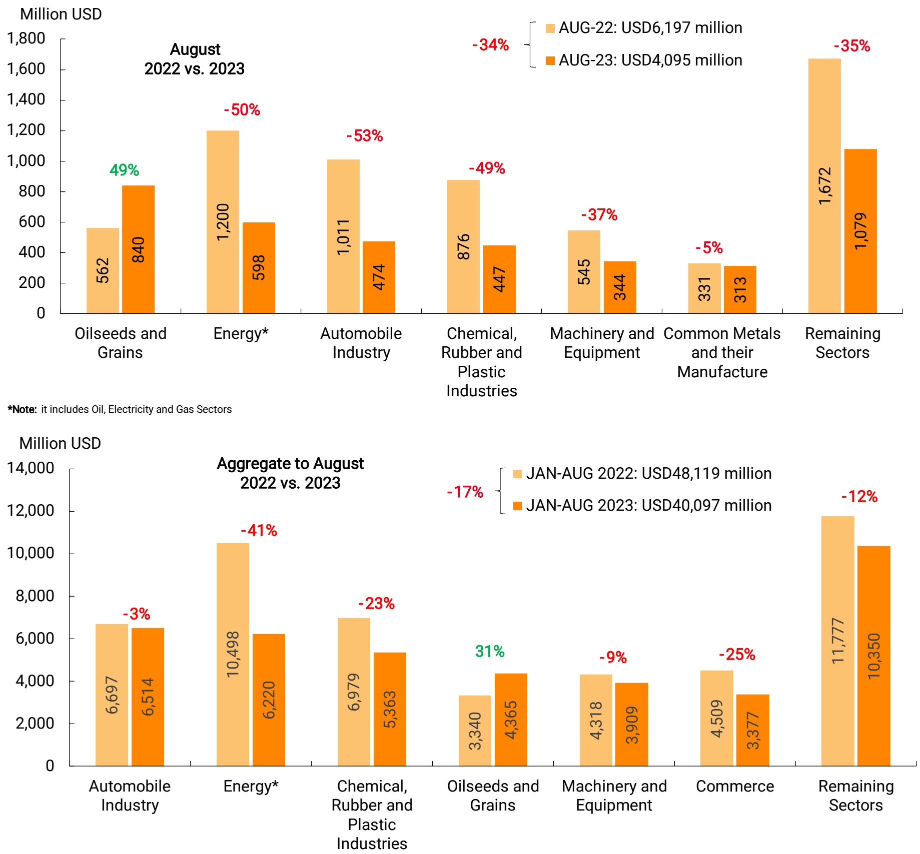
Chart III.1.1.5 Foreign Exchange Balance
Evolution of Payments for Imports of Goods by Type of Payment



Source: BCRA

A 20% of total payments for imports of goods made in August corresponded to the "Oilseeds and Grains" sector, followed by the "Energy" (15%) and "Automobile Industry" (12%) sectors. The "Oilseeds and Grains" sector showed greater dynamism in August with a 49% y.o.y. increase, mainly due to the drought that hindered the supply of soybean needed for the processing industry to maintain its minimum operating level and to meet their commercial commitments. Moreover, this season's record harvest of Brazil made the import, processing and export of soybean by-products more economically convenient. These types of transactions involve temporary imports, i.e. beans that will be locally industrialized and re-exported (see Chart III.1.1.6).

Chart III.1.1.6 Foreign Exchange Balance
Payments for Imports of Goods by Sector



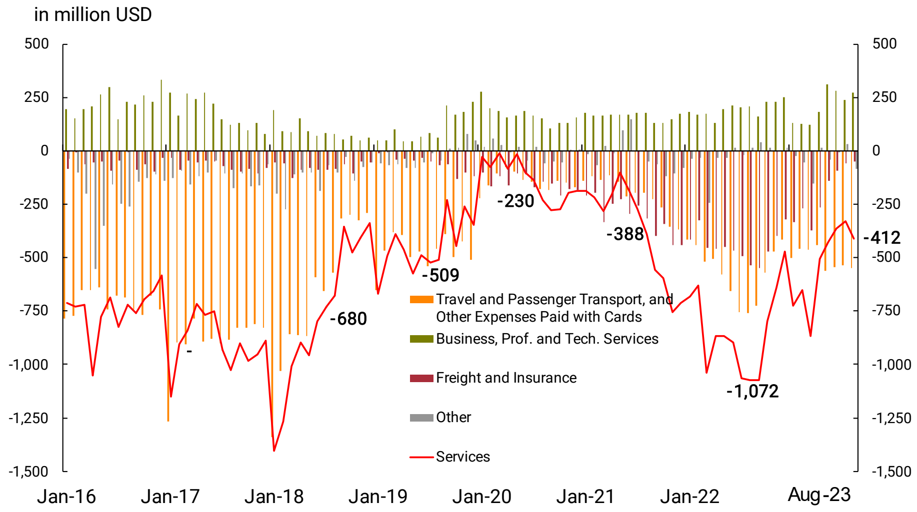
Source: BCRA

III.1.2 Services, Primary and Secondary Income

The "Services" account recorded a deficit of USD412 million in August, down 62% against the net outflows of August 2022. This improvement correlated with a fall in gross outflows for "Freight and Insurance" (USD210 million; down 87% y.o.y.), "Business, Professional and Technical Services" (USD87 million, down 64% y.o.y.), and "Travel and Passenger Transport" (USD67 million; down 8% y.o.y.), (see Chart III.1.2.1). Moreover, at the end of August, the "PAIS tax" was established for a large number of imports of services with a rate of 25% (a 7.5% rate is applied on freight, and health and education services remain exempt).[12]

[12] To see Executive Order 377/2023 click here.

Chart III.1.2.1 Foreign Exchange Balance
Net Inflows from Services



Source: BCRA

In August, gross inflows from Travel and Passenger Transport amounted to USD180 million (up 378% against August 2022). This increase was observed after the implementation of Communication "A" 7630, dated November 3, 2022, which set forth that any inflows arising from non-resident cards, charges of tourist services hired by non-residents and charges of non-resident passenger transport services are exempted from the requirement to settle currency in the forex market. This measure seeks to boost foreign currency inflows from inbound tourism. In addition, a higher exchange rate is charged on card consumptions of non-resident visitors.[13] In turn, gross outflows from Travel and Passenger Transport totaled USD728 million, up 4% against July, and down 8% against August 2022.[14]

Thus, this month's result was explained by net outflows of "Travel and Passenger Transport, and Other Expenses Paid with Cards" (USD548 million), "Other Services" (USD86 million) and "Freight and Insurance" (USD50 million), partially offset by net inflows from "Business, Professional and Technical Services" (USD272 million). The AFIP, through General Resolution RG 5403/2023, dated August 14, modified the personal property tax collection regime that applies to transactions subject to the "PAIS" tax. In terms of purchases of services abroad, and outbound tourism (included in the "Travel and Passenger Transport, and Other Expenses Paid with Cards" account of the foreign exchange balance), a 5% collection was determined for consumptions exceeding the equivalent of USD300 (previously it was 25%).[15]

Over the accumulated period from January up to August 2023, net outflows from the payment of services totaled USD4,285 million, down 40% against the same period in 2022 (see Chart III.1.2.2).

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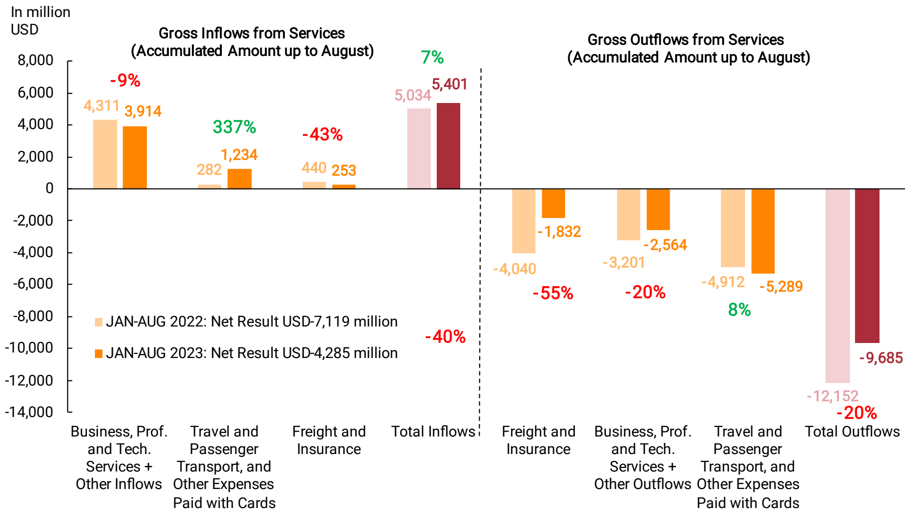
[13] Self-to-self international transfers have no net effect on the forex market, since inflows are not settled in the forex market but deposited in local accounts in foreign currency.
[14] In terms of the "Travel and Passenger Transport, and Other Expenses Paid with Cards" account, it is worth pointing out that the transfers made to international credit card issuers involve both purchases made during travels abroad and those made on a remote basis. In turn, inflows also include non-resident remote purchases made with cards to Argentine suppliers. For more information on the changes implemented to the regulations that have an impact on the comparison of the flows reported in the headings included under "Services", among others, see Section B.5. Important Regulatory Provisions that Have an Impact on Foreign Exchange Statistics of the Methodology Used for Compiling Foreign Exchange Market and Foreign Exchange Balance Statistics available at BCRA's website.
[15] To access General Resolution No. 5403/2023, click here.

Chart III.1.2.2 Foreign Exchange Balance
Net Inflows from Services



Source: BCRA

Primary income transactions recorded net outflows amounting to USD1,251 million in August, mainly due to net payments of "Interest" (USD1,239 million). The "General Government and the BCRA" paid USD1,110 million of gross interest, (including payments of USD777 (SDR582 million) to the IMF, payments of USD239 million on account of "Other Interest Payments", and payments of USD93 million to other international organizations—IMF excluded). In turn, the private sector repaid USD146 million for the same heading. In addition, gross outflows of profits, dividends and other income transferred to accounts abroad amounted to USD15 million.[16]

Finally, secondary income transactions had a deficit of USD1 million.

III.2 Capital Account

In August, the capital account of the foreign exchange balance recorded a surplus of USD2 million.

[16] The regulations on the access to the forex market for the payment of profits and dividends set out that the companies that have exchanged foreign currency from new direct investment contributions in the forex market since January 2020 can make payments of up to 30% of the accumulated amount so exchanged since that date. In turn, non-resident shareholders will be able to access the forex market for the payment of profits and dividends on foreign direct investment contributions entered and exchanged in the forex market since November 16, 2020, and allocated to finance projects under the "Plan for the Promotion of the Argentine Natural Gas Production". As of June 2021, exporters of goods that registered an increase in their external sales over the previous year, will be able to access the forex market for the payment of profits and dividends from closed and audited balance sheets, for a percentage of that increase. See Communications "A" 6869, "A" 7168 and "A" 7301.

III.3 Foreign Exchange Financial Account

In August, transactions carried out under the foreign exchange financial account resulted in a surplus of USD4,409 million. This result was explained by the surplus recorded in the "National Government and the BCRA" (USD4,807 million) and in the "Financial Sector" (USD408 million), which were partly offset by the deficit in "Other Net Transfers" (USD460 million), and in the "Non-Financial Private Sector" (USD346 million), (see Table III.3.1).[17]

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

Date	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23
Foreign Exchange Financial Account	-342	-3,793	2,241	-303	3,669	-2,219	-734	1,855	-4,091	-2,191	-2,915	-3,676	4,409
Non-Financial Private Sector	-919	-639	-617	-660	-409	-412	-713	-675	-852	-677	-155	-948	-346
Financial Sector	25	-616	192	14	-1,078	878	62	198	76	-696	179	-800	408
General Government and the BCRA	257	-2,519	2,081	80	3,945	-3,138	-218	2,815	-2,823	-786	-2,482	-1,678	4,807
Other Net Transfers	295	-19	585	262	1,211	453	135	-484	-493	-32	-457	-249	-460

Source: BCRA

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 USD346 million in August, This result was explained by the outflows from other foreign financial debts and debt securities for USD326 million, payments of balances in foreign currency to local institutions originated from purchases made with cards to non-resident suppliers for USD248 million (which do not involve a net demand of foreign currency in the financial account),[18] and the build-up of foreign assets for USD91 million, partially offset by net inflows from loans from international organizations for USD150 million, inflows from foreign direct investments for USD69 million, self-to-self international transfers for USD54 million, and net inflows from local financial loans for USD49 million (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	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23
Foreign Exchange Financial Account	-919	-639	-617	-660	-409	-412	-713	-675	-852	-677	-155	-948	-346
Non-Residents' Direct Investments	32	41	40	33	66	52	54	38	58	54	223	45	69
Non-Residents' Portfolio Investments	6	0	-1	-3	1	-1	3	-1	0	-1	-4	0	-1
Financial Loans and Credit Lines	-629	-437	-476	-515	-130	-149	-582	-278	-456	-420	-188	-281	-525
Local Financial Loans	-105	42	52	-17	-12	-28	-97	56	76	-101	-83	-88	49
Other Foreign Loans and Debt Securities	-181	-100	-169	-235	126	107	-248	-45	-317	-81	182	76	-326
Payment of Card Balance	-343	-379	-358	-262	-244	-228	-237	-290	-215	-237	-287	-270	-248
Loans from Other International Organizations and Other	26	31	-5	-79	-58	8	-52	-41	1	-83	-56	-84	150
Buildup of Foreign Assets by the Non-Financial Private Sector	-186	-107	14	56	95	-81	-11	-4	-397	-83	0	-196	-91
Self-to-Self International Transfers	-170	-167	-189	-152	-381	-240	-123	-386	-56	-150	-130	-430	54
Purchase and Sale of Securities	2	0	-1	-1	-1	-2	-2	-2	-2	5	0	-3	-2

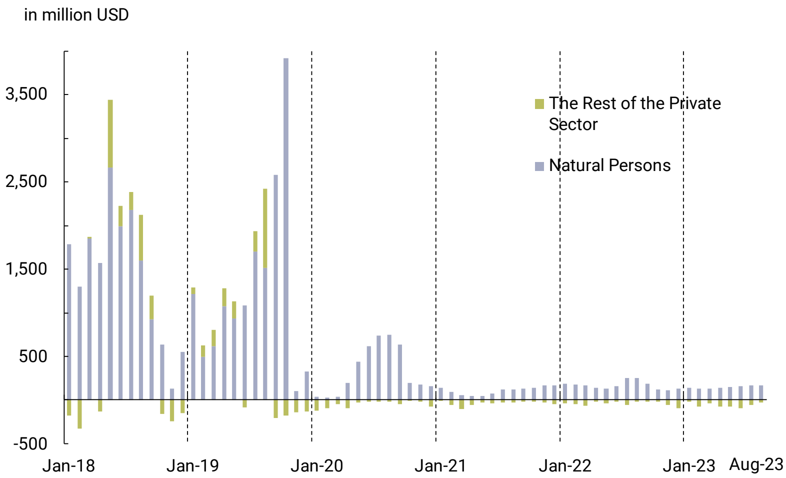
Source: BCRA

[17] For more information on the "Other Net Transfers" account of the foreign exchange balance, see Section C.4.11. of the Methodology Used for Compiling Foreign Exchange Market and Foreign Exchange Balance Statistics
[18] The demand of foreign currency due to purchases made with cards from foreign suppliers is recorded in a services account of the foreign exchange balance, under "Travel and Passenger Transport, and Other Expenses Paid with Cards".

Non-financial private sector residents' foreign assets recorded a deficit of USD91 million—i.e., net purchases of banknotes (USD141 million), which were partially offset by net inflows of foreign currency (USD50 million).

This outcome reflects net purchases for USD168 million made by "Natural Persons", partially offset by net sales for USD27 million made by legal persons (see Chart III.3.1.1). On July 25, the AFIP increased by 10 p.p. the contribution in advance of income tax for the purchase of foreign currency for saving purposes, bringing it to 45%.[19]

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



Source: BCRA

In August, "Natural Persons" purchased banknotes for USD171 million–down 2% against July, and down 33% y.o.y.–and sold USD3 million (see Chart III.3.1.2).[20]

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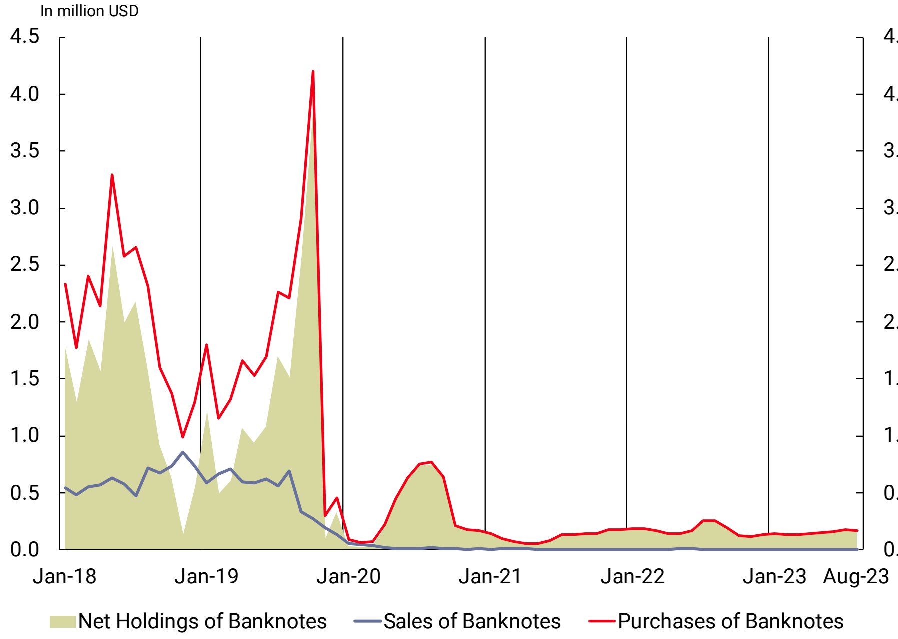
[19] To see General Resolution 5393/2023 click here.

[20] These transactions were made in the context of the regulatory changes introduced in mid-September 2020, as under Communication "A" 7105 (introducing controls and monitoring mechanisms for ensuring that clients' financial and income capacity make them eligible to open savings accounts in foreign currency; as well as limits to co-owners' access to purchase foreign currency for building up foreign assets), and Communication "A" 7106 (establishing that any payments made in foreign currency on credit or debit cards will count as part of the USD200 monthly quota per person, and that beneficiaries under paragraph 4 of Communication "A" 6949, as supplemented, and/or Section 2 of Executive Order 319/20 may not access the forex market until benefits are over). As from September 16, 2020, the AFIP will collect a 35% contribution in advance of income and personal property taxes from natural persons applying for foreign currency to build up foreign assets, or pay their debit and/or credit card bills (General Resolution 4815/2020). As of July 25, 2023, the AFIP increased by 10 p.p. the contribution in advance of income tax for the purchase of foreign currency for saving purposes, bringing it to 45% (General Resolution 5393/2023).

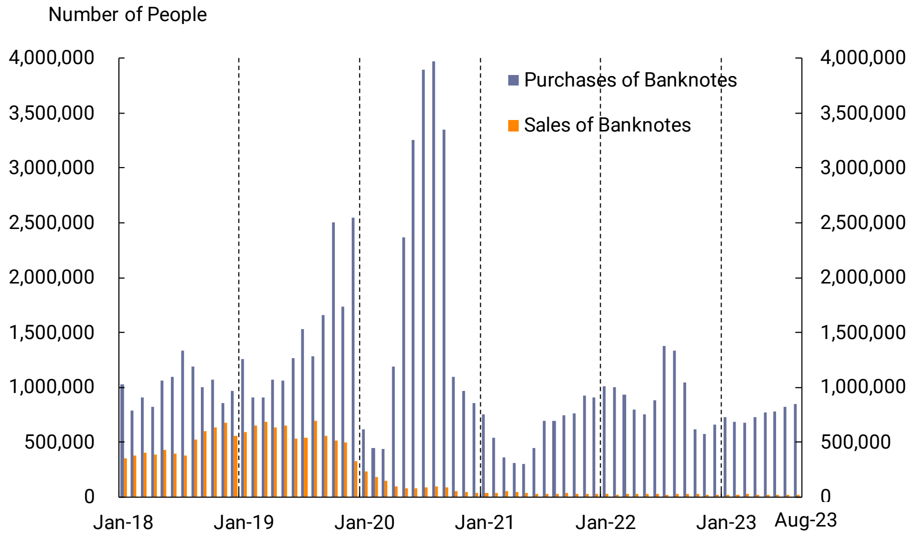
Chart III.3.1.2 Foreign Exchange Balance
Natural Persons. Banknotes



Source: BCRA

In terms of traders, 843,000 individuals purchased banknotes, while sellers amounted to about 20,000 (see Chart III. 3.1.3).

Chart III.3.1.3 Foreign Exchange Balance
Natural Persons. Banknotes

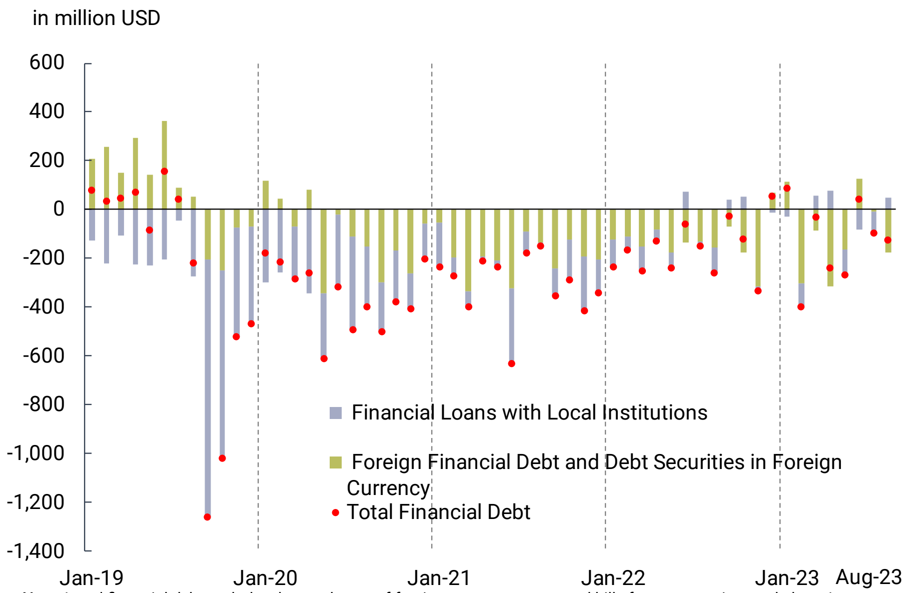


Source: BCRA

In turn, in August, this sector recorded net inflows from their own accounts abroad (USD50 million). This result is mainly explained by the net transfers received by the "Real Sector excluding Oilseeds and Grains" (USD95 million), "Institutional Investors and Others" (USD11 million) and "Oilseeds and Grains" (USD4 million), which were partially offset by the net transfers made by "Natural Persons" (USD60 million).

Net outflows of financial debt from the non-financial private sector, including loans from international organizations and local financial loans, reached USD127 million in August—outflows from "Communications" (USD165 million) standing out. This amount involves net outflows on account of financial debt held abroad, securities in foreign currency, and loans owed to international organizations (USD176 million), partially offset by net inflows of local loans (USD49 million). The total amount excludes purchases of foreign currency to pay card bills for expenses incurred abroad (USD248 million), which do not imply a net demand within the whole system, i.e., the ensemble of financial 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 (see Chart III.3.1.4).[21]

Chart III.3.1.4 Foreign Exchange Balance
Non-Financial Private Sector. Financial Debt



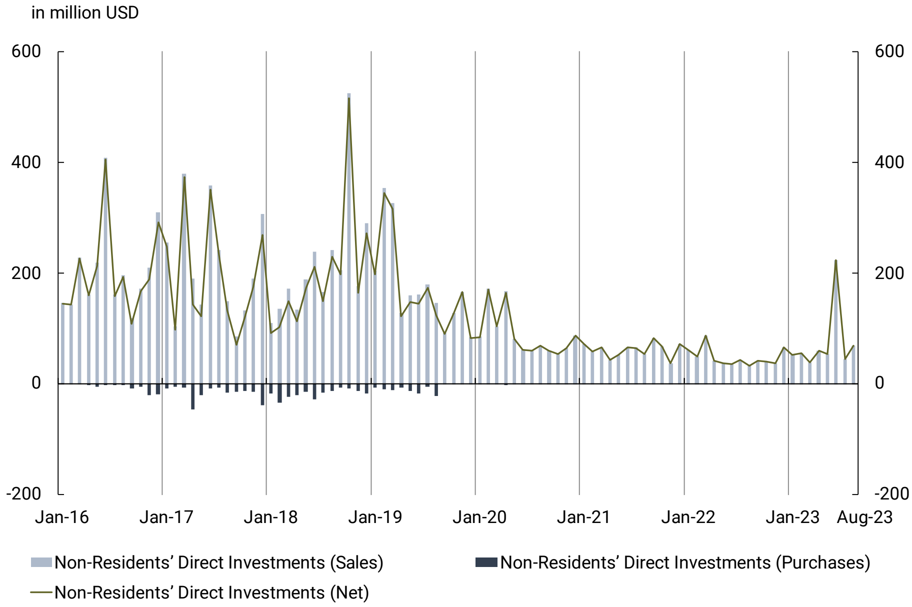
Note: Local financial debt excludes the purchases of foreign currency to pay card bills for expenses incurred abroad, which do not imply a net demand within the forex market

Source: BCRA

Direct investments made by non-residents in the private sector through the forex market reached USD69 million (net inflows) in August (see Chart III.3.1.5).

[21]As from September 16, 2020, through Communication "A" 7106, the BCRA set out guidelines for private sector companies to refinance their foreign financial debt or local debt securities in foreign currency, so that they may be aligned to the new requirements, thus ensuring the smooth functioning of the forex market.

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



Source: BCRA

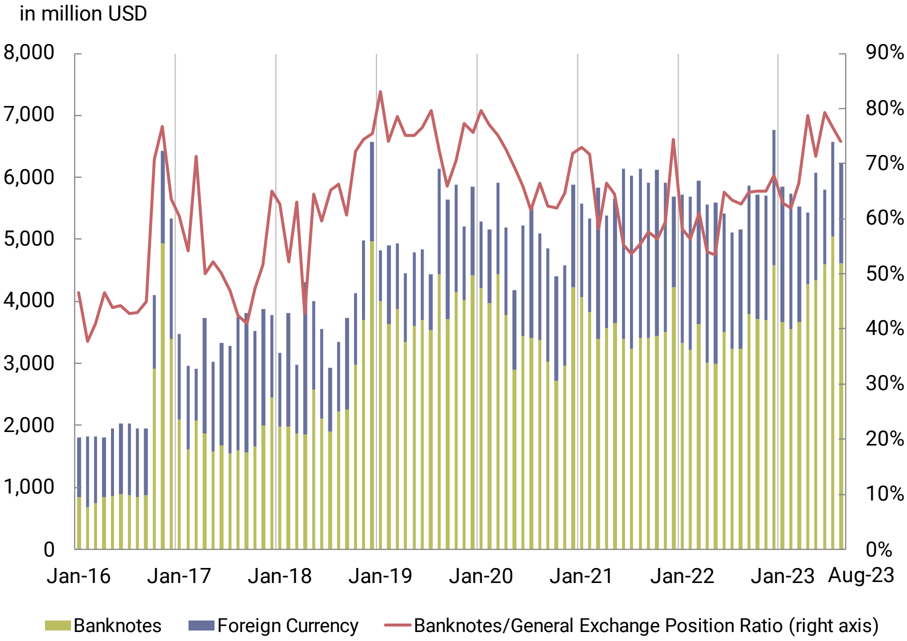
III.3.2. Foreign Exchange Financial Account of the Financial Sector

In August, the transactions carried out under the foreign exchange financial account of the "Financial Sector" resulted in a surplus of USD408 million. This outcome was mainly explained by a decrease of USD344 million in liquid foreign assets of financial institutions' General Exchange Position,[22] and by net inflows from financial loans of USD63 million.

Financial institutions' General Exchange Position amounted to USD6,232 million at the end of August, down 4% against the end of July. This result was explained by a drop in holdings of banknotes (USD422 million), which was partially offset by an increase in holdings of foreign currency (USD153 million). Holdings of foreign currency banknotes totaled USD4,618 million by the end of the month. This stock accounted for 77% of the total General Exchange Position, and it is allocated by institutions to cover local foreign currency deposit transactions and foreign exchange market needs (see Chart III.3.2.1).

[22] The General Exchange Position is defined in Section C.4.7. of the Methodology Used for Compiling Foreign Exchange Market and Foreign Exchange Balance Statistics.

Chart III.3.2.1 Foreign Exchange Balance Institutions' General Exchange Position



Source: BCRA

On another note, the ensemble of financial institutions ended August with a forward short position in foreign currency of USD436 million, recording a drop of USD8 million against the end of July. They purchased USD128 million in regulated markets and sold USD121 million to their clients directly (Forwards) over the month (see Chart III.3.2.2).

Foreign capital institutions ended August with a net short position of USD215 million, decreasing their short position by USD43 million compared to July. In turn, national capital institutions sold USD35 million, increasing their net short position of July to USD221 million (see Chart III.3.2.3).

Chart III.3.2.2 Forward Market EOM Institutions' Forward Position

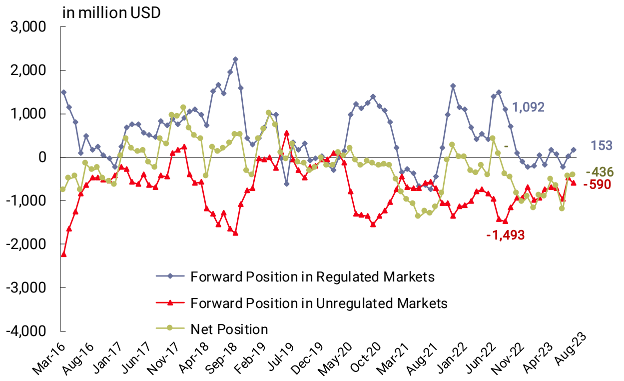
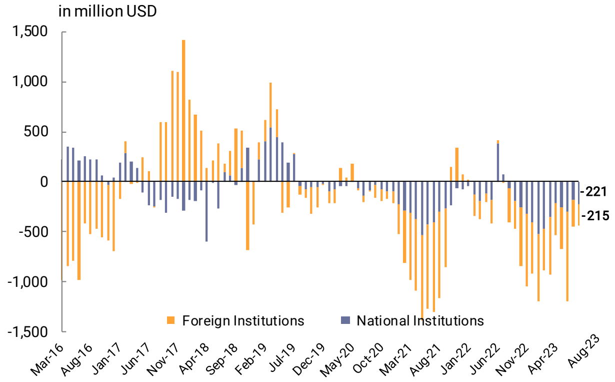


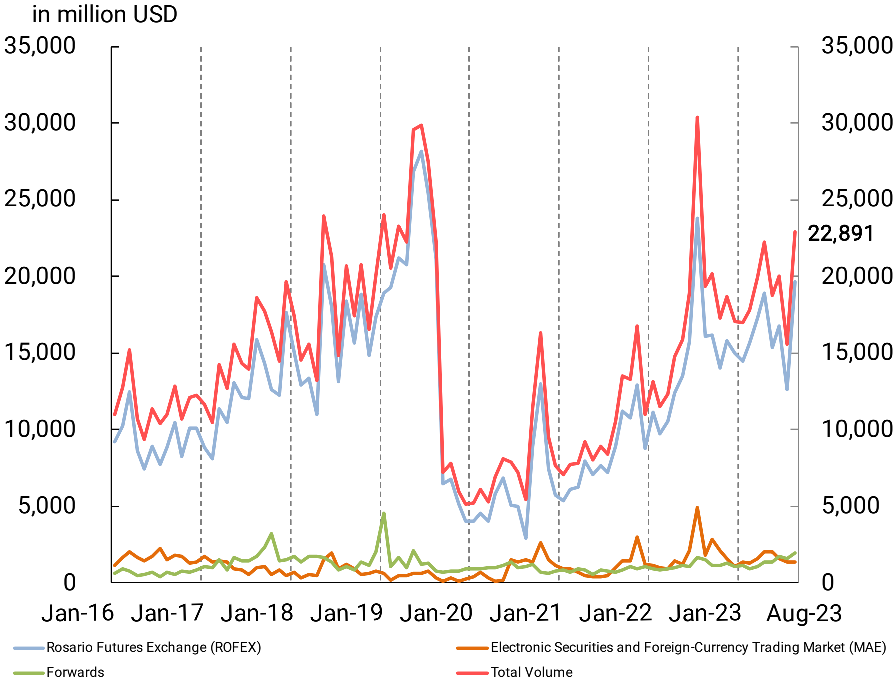
Chart III.3.2.3 Forward Market EOM Institutions' Forward Position



Source: BCRA

The volume traded in forward markets totaled USD22,891 million in August, i.e.: USD1,041 million daily on average. Transactions carried out in the Rosario Futures Exchange (ROFEX) continued to stand out, with an 86% share in the total volume traded in the forward market (see Chart III.3.2.4).[23]

Chart III.3.2.4 Forward Market
Total Volume Traded in the Forward Market



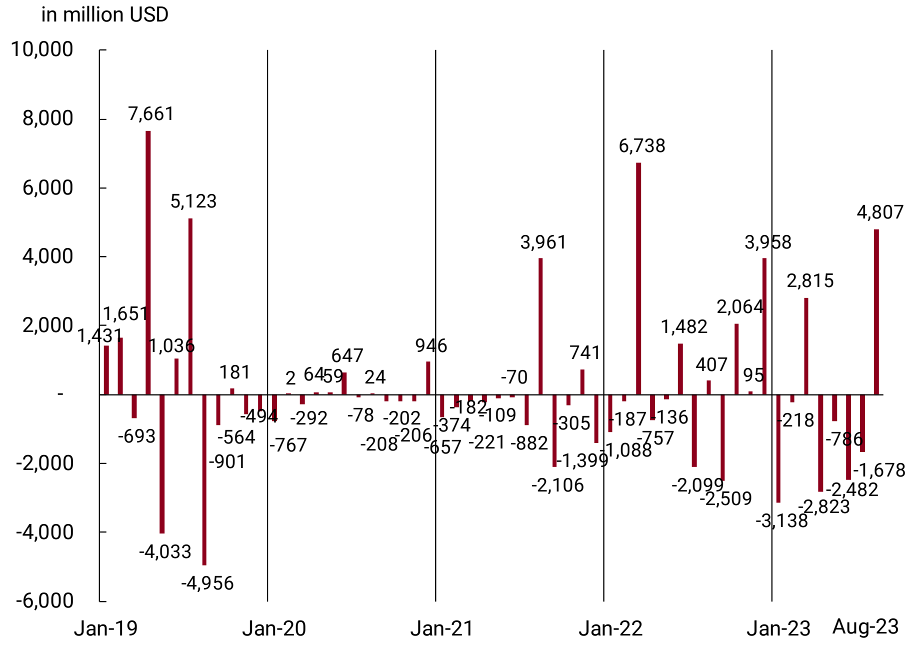
Source: BCRA

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

In August, the transactions carried out under the foreign exchange financial account of the "General Government and the BCRA" resulted in a surplus of USD4,807 million (see Chart III.3.3.1), mainly explained by gross disbursements from the IMF for USD7,321 million (SDR5,500 million), partially offset by gross repayments of principal owed to the IMF totaling USD915 million (SDR688 million), net outflows on account of loans from other international organizations for USD904 million, and net payments of financial debt for USD867 million.

[23] 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.3.3.1 Foreign Exchange Balance
Foreign Exchange Financial Account of the General Government and the BCRA

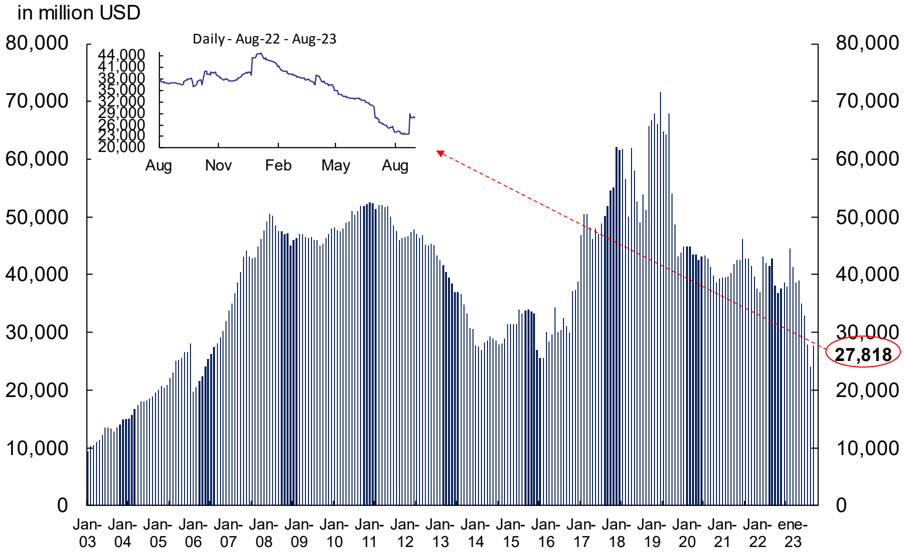


Source: BCRA

IV. BCRA's International Reserves

During August, BCRA's international reserves increased USD3,727 million, totaling USD27,818 million by the end of the month. This increase was mainly explained by gross disbursements from the IMF for USD7,321 million (SDR5,500 million), and by the purchases made by the BCRA in the forex market, partially offset by gross repayments of principal, interest and charges to the IMF totaling USD1,761 million (SDR1,321 million), net payments of principal and interest to other international organizations and other financial debt incurred by the National Treasury of USD1,750 million, the fall in financial institution's holdings of foreign currency, a decrease in the US dollar exchange rate of foreign exchange reserves by USD313 million, and net payments settled by the BCRA through the Local Currency Payment System (see Chart IV.1).

Chart IV.1 BCRA's International Reserves



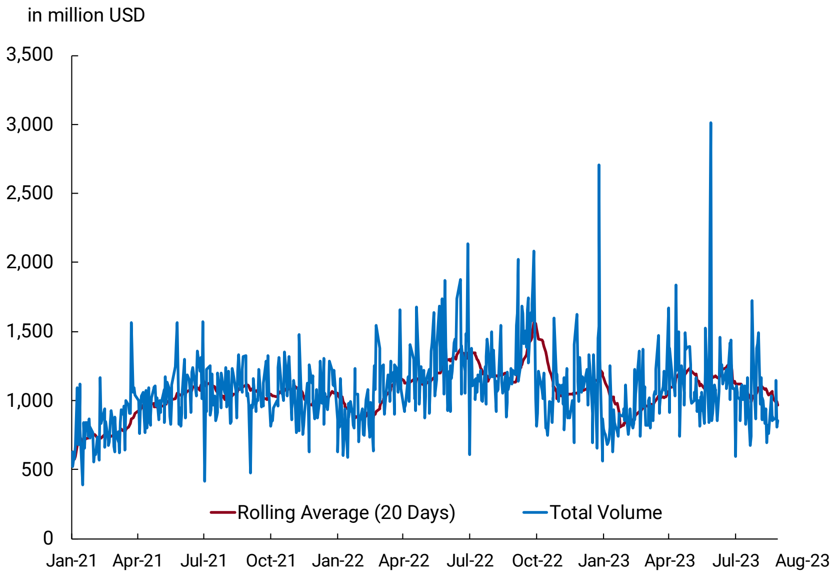
Source: BCRA

V. Volumes Traded in the Foreign Exchange Market

In August, the volume traded in the forex market totaled USD21,537 million, down 15% against August 2022 (see Chart V.1). The average daily volume traded was USD979 million, falling in y.o.y. terms as a result of a 22% drop in transactions between the institutions and their clients (down USD4,017 million), and an 18% drop in transactions between the institutions (down USD1,009 million), partially offset by a 79% increase in transactions between the institutions and the BCRA (up USD1,193 million).[24]

[24] In 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

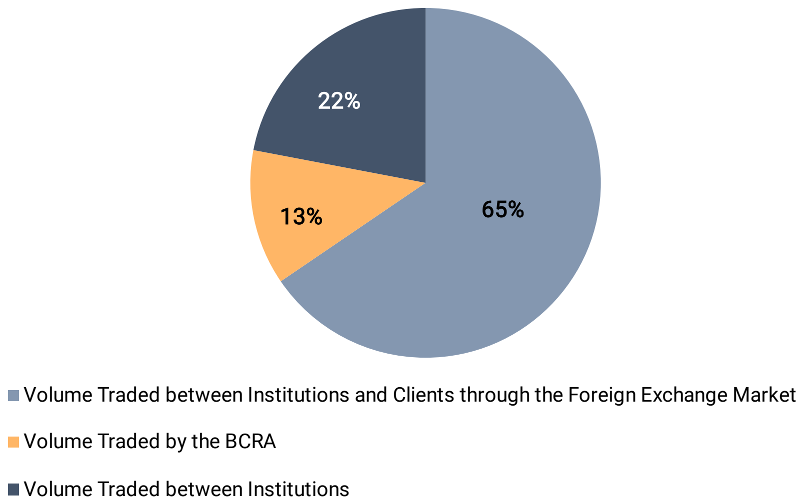


Source: BCRA

Foreign exchange transactions between institutions and their clients accounted for 65% of the total volume traded, while transactions between institutions—mainly through the Electronic Trading System (SIOPEL)—represented 22%; in turn, transactions between institutions and the BCRA stood for the remaining 13% (see Chart V.2).[25]

[25] The volume traded between licensed institutions and their clients excludes the following items: the underwriting of LEBAC bills, self-to-self international transfers (around USD1,747 million), the record of deposits in foreign currency allocated for the payment of financial debt service for about USD624 million, and purchases of foreign currency to pay card bills for expenses incurred abroad (around USD248 million for the month under study).

Chart V.2 Foreign Exchange Market
Total Volume and Share - August 2023

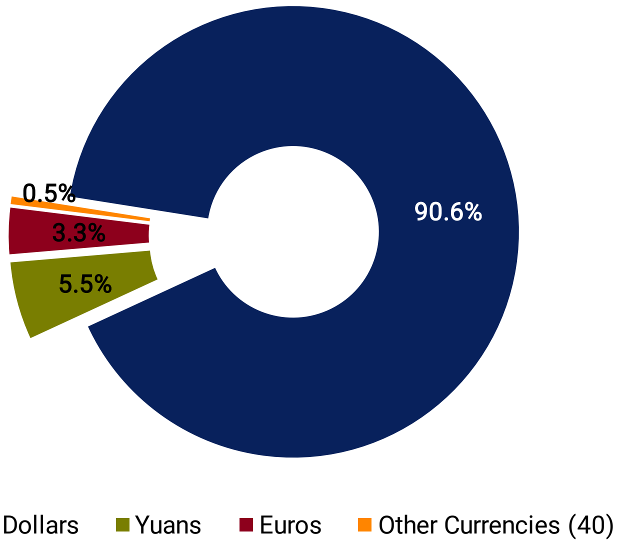


Source: BCRA

In August, 145 institutions traded in the market involving 43 foreign currencies.

Thus, most of the volume traded between licensed institutions and their clients was highly concentrated both at the institution level (the first ten accounted for 90% of such volume) and in terms of the currency used, USD-denominated transactions having a 91% share in the total traded with clients. The yuan ranked second (6% of the total traded with clients) after surpassing the euro (3% of the total). The remaining currencies concentrated 1% of the total volume traded (see Chart V.3).

Chart V.3 Foreign Exchange Market
Volume with Clients by Currency - August 2023



Source: BCRA

Finally, 85% of foreign exchange transactions between financial and foreign exchange institutions and their clients were channeled through private financial institutions, 15% through public banks, and 0.1% through foreign exchange houses and agencies.