Evolution of the Foreign Exchange Market and the Foreign Exchange Balance

May 2024

BANCO CENTRAL
DE LA REPÚBLICA ARGENTINA

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Executive Summary

The world economy is growing at a modest pace, but with favorable prospects. Tight monetary conditions continue to have an impact, particularly on the credit and construction markets, while inflation is falling faster than expected, with private sector confidence thus improving. Economies are evolving in different ways—poor performance of the advanced economies of Europe and strong growth of the United States and some emerging economies.

Locally, a target of zero monetary financing to the National Treasury has been set for 2024, in line with the objectives and plans of monetary and foreign exchange policy announced for this year. In May, the BCRA continued holding auctions of BOPREALs, and awarded the total announced for the 3 Series for USD5 billion (NV), USD2 billion (NV), and USD3 billion (NV), respectively. It should be noted that, starting in May, legal persons wishing to transfer profits and/or dividends to non-resident shareholders were authorized to subscribe BOPREALs. Total subscriptions under this scheme reached about USD1,682 million.

In terms of forex market performance, in May, financial institution's clients sold USD2,302 million, and financial institutions' sales amounted to USD179 million. The BCRA purchased USD2,529 million, and made net payments through the Local Currency Payment System for USD48 million. The National Treasury purchased USD373 million directly from the BCRA.

The "Non-Financial Private Sector" was a net seller of foreign currency for USD2,581 million. Within that group, the "Oilseeds and Grains" sector was the main supplier of foreign currency, recording net inflows of USD2,290 million, mainly explained by the result in "Goods". In turn, the "Real Sector excluding Oilseeds and Grains" recorded net inflows of USD647 million. "Natural Persons" made net purchases totaling USD402 million mainly for traveling expenses and other payments on cards to non-resident suppliers (recording net purchases for an amount of USD449 million). "Institutional Investors and Others"—both residents and non-residents—made net sales of USD46 million.

In terms of the foreign exchange balance for May, the foreign exchange current account recorded a surplus of USD1,161 million. This result was explained by net inflows recorded in "Goods" (USD2,708 million) and "Secondary Income" (USD21 million), which were partially offset by the deficit recorded in "Primary Income" (USD1,180 million) and "Services" (USD388 million). In May, the transactions carried out under the foreign exchange financial account showed a deficit of USD155 million. This result was explained by the deficit recorded in the "Financial Sector" (USD298 million), partially offset by the surplus recorded in the "Non-Financial Private Sector" (USD59 million), in "Other Net Transfers" (USD55 million), and in the "National Government and the BCRA" (USD29 million).

During May, BCRA's international reserves increased USD1,085 million, totaling USD28,664 million by the end of the month. Broadly speaking, this increase is calculated by adding up net purchases made by the BCRA in the forex market and the increase in the US dollar exchange rate of foreign exchange reserves (USD69 million), and subtracting net repayments of principal and interest to the IMF (USD864 million; i.e. SDR653 million), the fall in financial institution's holdings of foreign currency at the BCRA (USD267 million), net repayments of principal and interest owed to international organizations (IMF excluded) (USD205 million); and net payments made by the BCRA through the Local Currency Payment System (USD50 million).

I. Introduction

This report analyzes information on foreign exchange transactions made in May 2024 as gathered by the Exchange Transaction Reporting System administered by the BCRA. Additionally, it relies on information on changes in the BCRA's International Reserves due to transactions carried out by the BCRA on its own account or on behalf of the National Government, and due to 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 the 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 the 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 the BCRA's website.

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

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).

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).

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[1] Communication A 3840, as amended.

[2] 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".

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 (included in Section II)—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 based on the reasons for the transactions (headings), which are again taken as an affidavit. However, **the evolution of the historical series 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)**. Foreign exchange market and foreign exchange balance statistics are available on BCRA's website.

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 May, financial institution's clients sold USD2,302 million in the forex market, and financial institutions' sales amounted to USD179 million.[3] The BCRA purchased USD2,529 million, and made net payments through the Local Currency Payment System for USD48 million. The National Treasury made purchases directly from the BCRA for USD373 million (see Table II.1). [4] [5] [6]

[3] These sales made by financial institutions would be associated with the currency received from their clients to pay for card consumptions in foreign currency.
[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 USD129 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	May-23	May-24	2023 up to May	2024 up to May
BCRA - Market	-1,362	-2,529	1,992	-14,388
BCRA - SML	110	48	443	136
National Treasury	-	-	-	-
Institutions	-113	179	211	848
Institutions' Clients (1 + 2 + 3)	1,365	2,302	-2,645	13,404
1. Non-Financial Private Sector	1,476	2,581	-2,343	14,599
Oilseeds and Grains	4,031	2,290	8,338	8,526
Real Sector excluding Oilseeds and Grains	-1,972	647	-7,640	7,291
Natural Persons	-537	-402	-2,477	-1,316
Institutional Investors and Others	-46	46	-564	98
2. General Government (National Treasury Excluded)	2	-70	13	-557
3. Institutions (Own Transactions)	-113	-209	-315	-638
National Treasury Directly with the BCRA	-758	-373	-2,319	-4,626

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

In May, the "Oilseeds and Grains" sector was the main supplier of foreign currency, with net sales of USD2,290 million in the forex market. This was mainly explained by collections on exports net of payments for imports (under "Goods"), recording a net amount of USD2,195 million (see Table II.2).

It is worth noting that, since December 2023, exporters can settle up to 20% of their exports through the stock market, thus making it impossible to conduct an accurate year-on-year comparison.

Table II.2 Foreign Exchange Market
Result of Institutions' Transactions with Clients. May 2024.
Equivalent in million dollars

Sector/Main Headings	Goods	Travel and Passenger Transport, and Other Expenses Paid with Cards	Other Services, and Primary and Secondary Inflows	Foreign Assets - Banknotes	Foreign Assets - Foreign Currency	Net Self-to-Self International Transfers	Debt, FDI, Portfolio, and Other Transactions	Total
Non-Financial Private Sector	2,724	-547	204	62	32	-503	609	2,581
Oilseeds and Grains	2,195	0	-2	0	1	-19	115	2,290
Real Sector excluding Oilseeds and Grains	582	-134	1	48	45	-213	318	647
Natural Persons	-8	-449	14	5	-25	2	60	-402
Institutional Investors and Others	-44	35	191	10	11	-272	116	46
General Government (National Treasury Excluded)	-4	0	-108	36	1	63	-58	-70
Institutions (Own Transactions)	-12	0	-40	0	0	0	-157	-209
Institutions' Result with Clients	2,708	-547	57	98	33	-440	394	2,302
Result for Forex Transactions	2,503	-606	34	98	8	0	264	2,302
Result for Self-to-Self International Transfers	205	59	22	0	25	-440	130	0

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

The "Real Sector excluding Oilseeds and Grains" recorded net sales amounting to USD647 million, mainly explained by the result in "Goods", with net inflows of USD582 million.

On a disaggregated basis, the economic sectors running larger surplus were “Food, Beverages and Tobacco” (USD527 million) and “Energy” (USD509 million), while the “Chemical, Rubber and Plastic Industries” sector recorded the highest deficit (USD379 million) (see Table II.3).

Table II.3 Foreign Exchange Market
Result of the Real Sector excluding Oilseeds and Grains disaggregated by main headings. May 2024.
Equivalent in million dollars

Sector/Main Headings	Goods	Travel and Passenger Transport, and Other Expenses Paid with Cards	Other Services, and Primary and Secondary Inflows	Foreign Assets - Banknotes	Foreign Assets - Foreign Currency	Net Self-to-Self International Transfers	Debt, FDI, Portfolio, and Other Transactions	Total
Food, Beverages and Tobacco	553	0	-5	0	0	-65	43	527
Energy*	476	0	-111	11	2	-37	168	509
Mining	355	0	-1	0	20	-32	46	389
Agriculture and Other Primary Activities	271	1	-2	0	0	-36	31	265
Information Technology	-10	2	140	1	0	-12	9	130
Construction	-11	0	1	0	14	-16	32	21
Entertainment	-2	0	13	0	1	-3	7	16
Automobile Industry	4	0	-14	0	0	15	-3	3
Gastronomy	0	0	0	0	0	0	0	0
Water	-1	0	0	0	0	0	0	-1
Non-Metallic Mineral Products (Cement, Ceramics and Others)	-8	0	-1	0	0	-3	0	-11
Transport	0	-50	-48	32	1	42	-1	-24
Paper, Publishing and Printing Industry	-52	0	0	0	0	-4	15	-41
Textile and Leather Industries	-45	0	-2	0	0	-6	3	-49
Communications	-44	0	9	0	1	-2	-13	-49
Common Metals and their Manufacture	-39	0	-8	0	0	-4	-2	-54
Tourism and Accommodation Services	0	-87	1	0	0	-3	4	-85
Other Manufacturing Industries	-100	0	4	0	2	-3	2	-95
Machinery and Equipment	-181	0	9	0	0	-7	-2	-180
Commerce	-251	0	3	1	1	-9	9	-246
Chemical, Rubber and Plastic Industries	-335	0	14	1	2	-29	-31	-379
Total	**582**	**-134**	**1**	**48**	**45**	**-213**	**318**	**647**

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

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

Source: BCRA

“Natural Persons” made net purchases totaling USD402 million mainly for traveling expenses and other payments on cards to non-resident suppliers (recording net purchases for an amount of USD449 million).

“Institutional Investors and Others”—both residents and non-residents—made net sales of USD46 million.

Financial institutions made net purchases with their own funds for USD209 million.

In turn, the “General Government” (excluding the National Treasury) made net purchases in the forex market for USD70 million.

III. Foreign Exchange Balance

III.1. Current Account

Current account transactions recorded in the foreign exchange balance had a surplus of USD1,161 million in May. This result was mainly explained by the net inflows recorded in “Goods” (USD2,708 million) and

“Secondary Income” (USD21 million), which was partially offset by a deficit recorded in “Primary Income” (USD1,180 million) and “Services” (USD388 million) (see Table III.1.1).[7]

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

Date	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24
Foreign Exchange Current Account	776	-1,712	-645	-372	511	-313	47	2,962	2,344	1,575	1,804	2,277	1,161
Goods	2,363	-921	985	1,292	1,406	854	1,982	3,381	3,879	3,059	2,424	2,737	2,708
Services	-430	-363	-330	-412	-461	-753	-678	-20	84	-232	-158	-183	-388
Primary Income	-1,169	-426	-1,312	-1,251	-425	-373	-1,256	-387	-1,625	-1,264	-462	-290	-1,180
Secondary Income	12	-1	12	-1	-10	-42	-2	-12	6	13	0	12	21

Source: BCRA

It is worth noting that Executive Order 28/2023 (dated December 13) set forth a new edition of the Export Increase Program. This program is intended for the entire exporting sector, both goods and services, and allows them to settle 20% of the foreign currency received from the collection of exports through the stock market, having to settle, at least, 80% through the forex market.

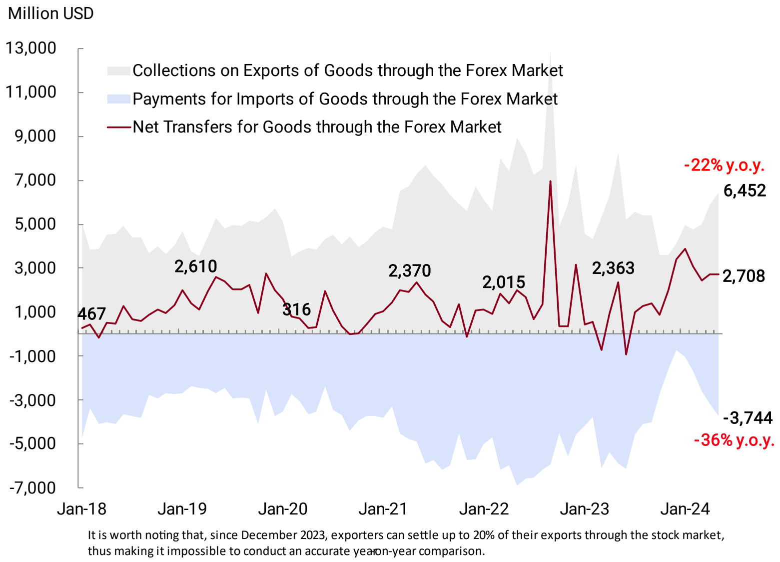
In this sense, foreign currency inflows from exports of goods and services settled through the stock market under these regulations are not recorded as collections of exports of goods and services in the foreign exchange market and foreign exchange balance statistics; except for those collections that were kept in local foreign currency accounts (that result in self-to-self international transfers).

III.1.1. Goods

In May, transfers for “Goods” on the foreign exchange balance exhibited net inflows for USD2,708 million, resulting from collections on exports for USD6,452 million, which were partially offset by payments of imports for USD3,744 million (see Chart III.1.1.1).

[7] 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 on the BCRA’s website.

Chart III.1.1.1 Foreign Exchange Balance
Transfers for Goods



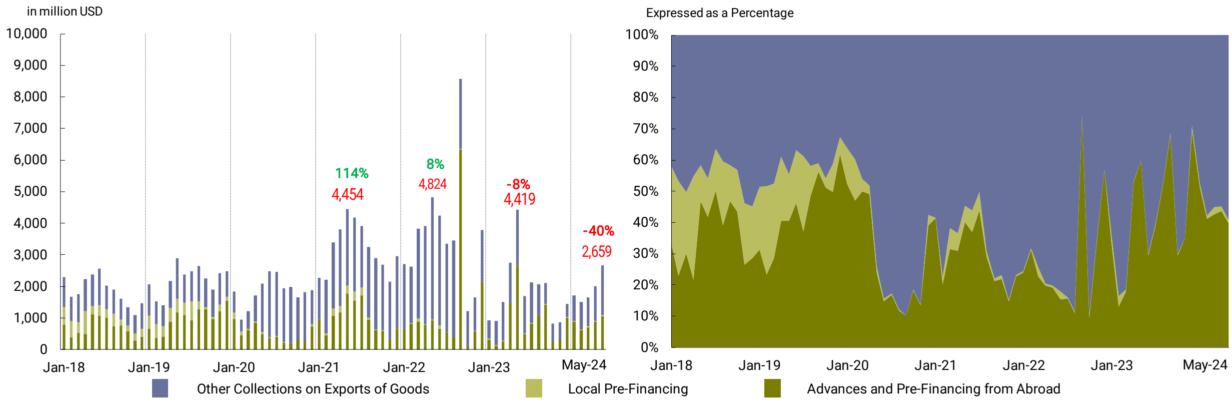
Source: BCRA

As already mentioned, the Export Increase Program covers inflows from the collection of exports through the stock market, which are not included in the statistics published by the foreign exchange market and the foreign exchange balance, because they are not recorded in the Exchange Transaction Reporting System (RIOC), with the exception of those collections that are transferred to and deposited in local accounts in foreign currency for subsequent settlement in the stock market and are recorded as self-to-self international transfers, having no net effect on the forex market.

Within this context, the "Oilseeds and Grains" sector recorded foreign currency sales for collections on exports of goods in the forex market for USD2,659 million. This means a 40% y.o.y. drop, explained, firstly, by the impact of the Export Increase Program and, secondly, by a delayed harvest due to excessive rainfall, and the subsequent delay in truck loading that affected their commercialization. It is estimated that the sector's FOB exports totaled USD3,450 million in May, which would imply, even considering the estimated inflows received by companies through the stock markets, a decrease in the sector's stock of commercial debt during the month.

Forty-one percent of the sector's inflows were collected ahead of time either through advances or pre-financing (local and foreign) (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

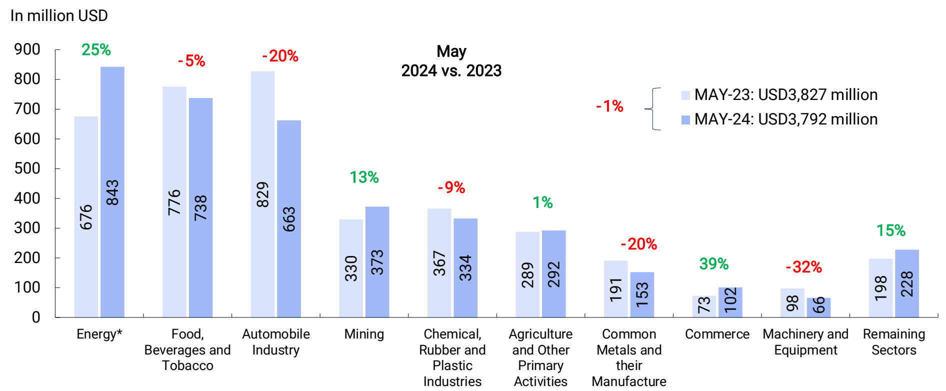


It is worth noting that, since December 2023, exporters can settle up to 20% of their exports through the stock market, thus making it impossible to conduct an accurate year-on-year comparison.

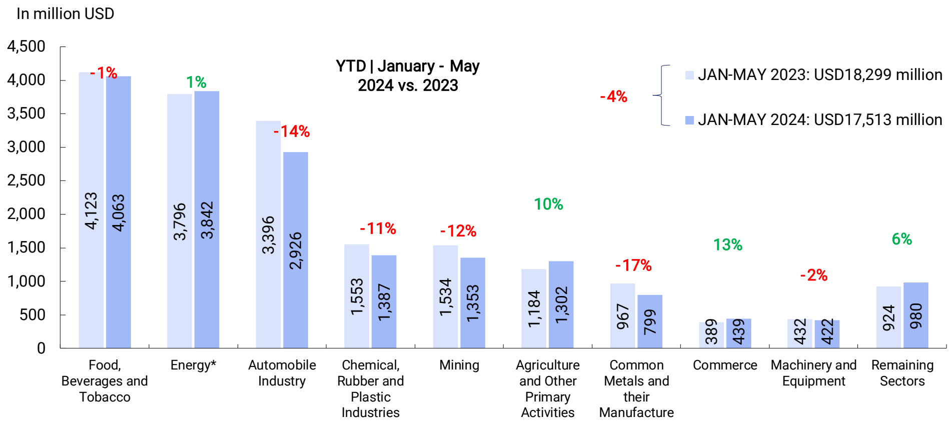
Source: BCRA

Inflows from the collections on exports of goods from the remaining sectors settled through the forex market totaled USD3,792 million in May. The sectoral behavior for the month was heterogeneous, with year-on-year increases in the "Commerce" (39%), "Energy" (25%), and "Mining" (13%) sectors, while year-on-year falls were recorded in the "Machinery and Equipment" (32%), "Automobile Industry" (20%), and "Common Metals and their Manufacture" (20%) sectors. It should be noted that, as previously mentioned, the impact of the Export Increase Program on foreign exchange market statistics makes it impossible to accurately compare year-on-year collections on exports of goods (see Chart III.1.1.4).

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



It is worth noting that, since December 2023, exporters can settle up to 20% of their exports through the stock market, thus making it impossible to conduct an accurate year-on-year comparison.

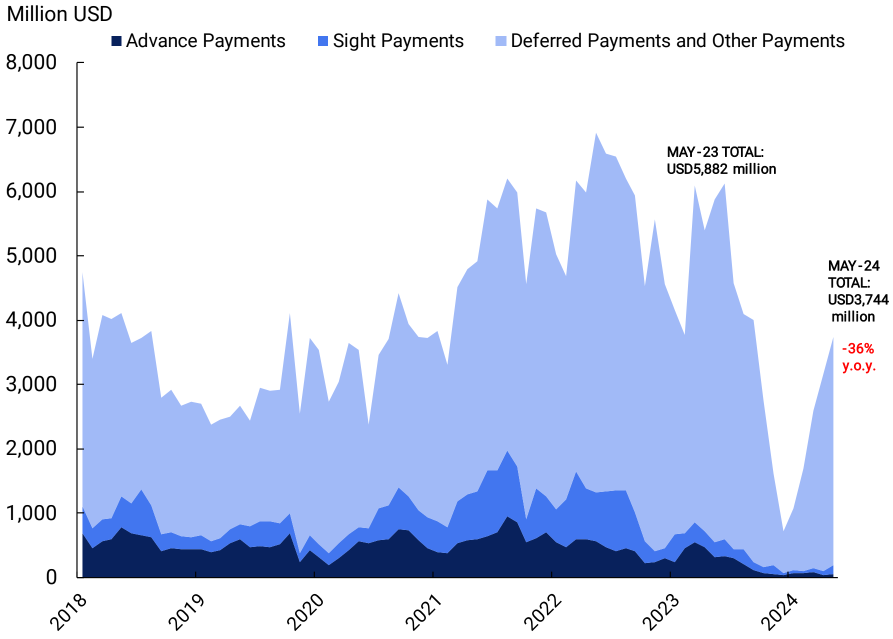
Source: BCRA

In May, payments of imports of goods through the forex market totaled USD3,744 million, down 36% y.o.y., standing below May's FOB estimated imports (USD4,702 million). This would imply either an increase in the sector's commercial indebtedness level, a decrease in its foreign assets or the use of other payment methods. It is worth noting that import indebtedness has been addressed through the foreign trade and exchange regulations set out in December 2023.[8] Moreover, the BCRA continued with the auctions of BOPREALs. The entire BOPREAL Series 1, 2 and 3 were awarded for USD5 billion (NV), USD2 billion (NV), and USD3 billion (NV), respectively. Also, the BCRA allowed MSMEs to access the forex market to pay off their registered commercial debts for up to USD500,000 in a staggered manner without subscribing BOPREALs. Since this option became effective, MSMEs have repaid debts from imports for more than USD700 million.

[8] For more information see the Report on the Evolution of the Foreign Exchange Market and the Foreign Exchange Balance, December 2023, the section on "December 2023 Regulations".

As regards imports of goods, 95% of payments were deferred, 4% were sight payments, and the other 1% were advance payments in May (see Chart III.1.1.5).

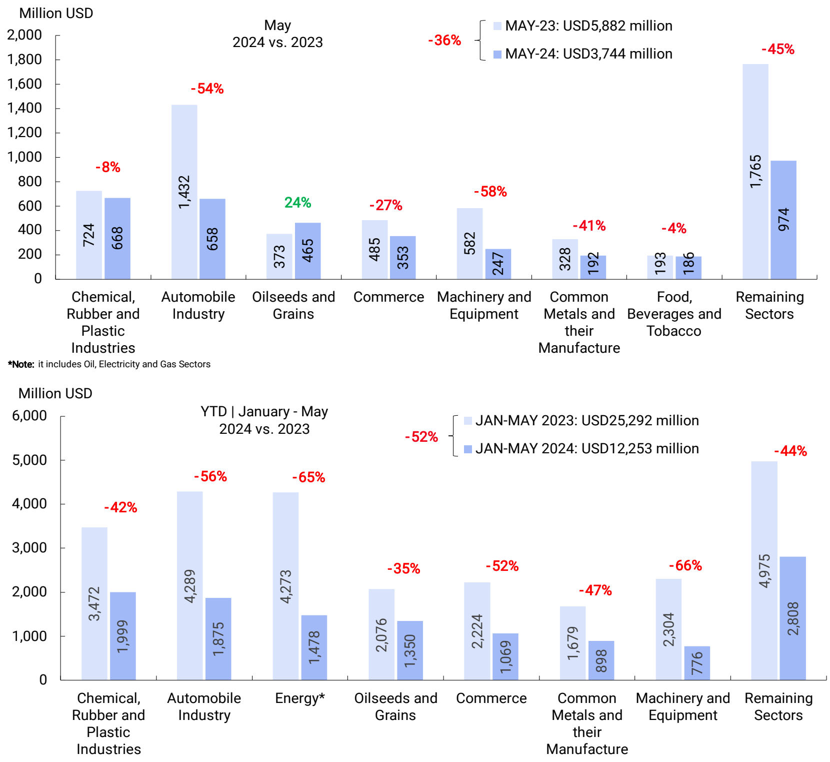
Chart III.1.1.5 Foreign Exchange Balance
Evolution of Payments for Imports of Goods by Type of Payment



Source: BCRA

The “Automobile Industry” and “Chemical, Rubber and Plastic Industries” sectors each accounted for 18% of total payments of imports of goods in May, followed by “Oilseeds and Grains” with 12% of the total payments of imports of the month. There was a fall in payments for imports from all sectors during May (year on year), except for “Oilseeds and Grains” that increased 24% against May 2023 (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

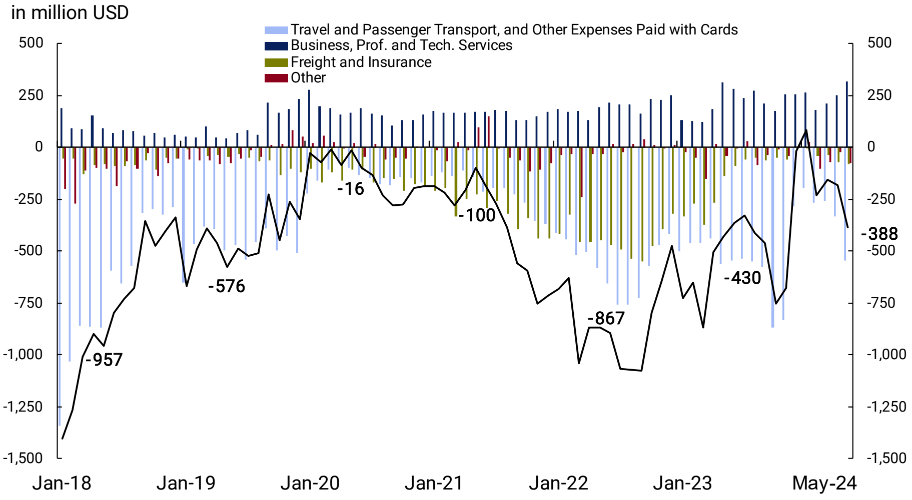
The "Services" account ran a deficit of USD388 million in May, down 10% against the net outflows of May 2023. This month's result was explained by the net outflows of "Travel and Passenger Transport, and Other Expenses Paid with Cards"[9] (USD547 million), "Freight and Insurance" (USD81 million) and "Other" (USD76 million), which were partially offset by net inflows from "Business, Professional and Technical Services" (USD316 million) (see Chart III.1.2.1).

It is worth noting that up to 20% of exports of services can be settled through the stock market under the aforementioned Export Increase Program. These inflows are not included in the statistics published by the foreign exchange market and the foreign exchange balance. This is so because they are not recorded in the Exchange Transaction Reporting System (RIOC), with the exception of those collections that are transferred

[9] 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 to foreign suppliers 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 on the BCRA's website.

to and deposited in local accounts in foreign currency to be subsequently settled in the stock market and are recorded as self-to-self international transfers, having no net effect on the forex market.

Chart III.1.2.1 Foreign Exchange Balance
Net Inflows from Services



Source: BCRA

In May, gross inflows from "Travel and Passenger Transport" amounted to USD181 million (up 21% against May 2023).[10]

Gross inflows and outflows from "Services" accrued along the year and their comparison with the same period of the previous year are shown below by heading. This comparison shows that the improvement in the "Services" account is caused by a fall in gross outflows, especially in "Freight and Insurance", partially offset by a drop in inflows (see Chart III.1.2.2).[11]

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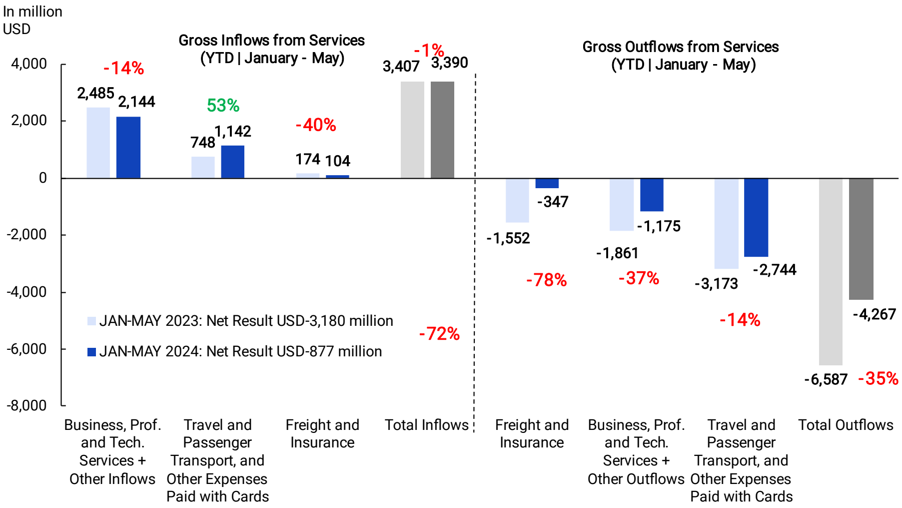
[10] These inflows were observed after the implementation of Communication A 7630, dated November 3, 2022, which set forth that any inflows arising from non-resident cards on account of charges for tourist services and passenger transport services are exempted from the requirement to settle currency 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. These 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.
[11] For more information on the private sector's external debt, click here to see the quarterly publication of the BCRA.

Chart III.1.2.2 Foreign Exchange Balance Services



Source: BCRA

Primary income transactions resulted in net outflows amounting to USD1,180 million in May, due to net payments of interest for USD1,170 million, and net outflows of profits, dividends and other income transferred abroad amounting to USD10 million.

The "General Government and the BCRA" paid USD1,072 million of gross interest (including USD796 million (SDR602 million) to the IMF, USD200 million to international organizations (IMF excluded), and USD75 million on account of other interest paid by the government). In turn, the private sector made gross payments amounting to USD129 million.

It should be noted that, starting in May, legal persons wishing to transfer profits and/or dividends to non-resident shareholders (prior approval is required for most transactions) were authorized to subscribe BOPREALs. Total subscriptions under this scheme reached USD1,682 million (NV).

Finally, secondary income transactions recorded net inflows for USD21 million.

III.2. Capital Account

In May, the capital account of the foreign exchange balance recorded a surplus of USD11 million.

III.3. Foreign Exchange Financial Account

In May, the transactions carried out under the foreign exchange financial account had a deficit of USD155 million. This result was explained by the deficit recorded in the "Financial Sector" (USD298 million), partially offset by the surplus recorded in the "Non-Financial Private Sector" (USD59 million), in "Other Net

Transfers" (USD55 million), and in the "National Government and the BCRA" (USD29 million) (see Table III.3.1).[12]

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

Date	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24
Foreign Exchange Financial Account	-2,191	-2,915	-3,676	4,409	-1,132	-4,254	-1,631	-1,525	2,370	-2,487	-1,565	-2,012	-155
Non-Financial Private Sector	-677	-155	-948	-346	-632	-835	-1,142	-1,005	-450	-471	384	418	59
Financial Sector	-696	179	-800	403	406	-21	-128	-1,555	386	-142	297	192	-298
General Government and the BCRA	-787	-2,482	-1,678	4,807	-923	-3,176	-516	-504	2,199	-1,714	-1,543	-2,403	29
Other Net Transfers	-31	-456	-249	-455	17	-222	155	1,539	235	-160	-703	-218	55

Source: BCRA

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

The financial account of the "Non-Financial Private Sector" recorded a surplus of USD59 million in May. This was the result of net loans granted by local financial institutions for USD406 million, inflows from foreign direct investments for USD152 million, the sale of foreign assets for USD94 million, the settlement of other financial loans held abroad and debt securities for USD42 million, the sale of securities in foreign currency for USD26 million, the settlement of non-residents' portfolio investments for USD3 million, which were partially offset by net self-to-self international transfers for USD503 million (mainly explained as the counterpart of the real sector's collections on exports from goods and services that had not been settled in the foreign exchange market and were deposited in local accounts, inflows from purchases made by non-resident tourists with cards, and inflows from residents' foreign assets deposited in local accounts), payments of balances in foreign currency to local institutions for purchases made with cards to non-resident suppliers for USD127 million (which do not involve a net demand for foreign currency in the financial account), and payments of loans owed to international organizations and other organizations for USD34 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	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24
Foreign Exchange Financial Account	-677	-155	-948	-346	-632	-835	-1,142	-1,005	-450	-471	384	418	59
Non-Residents' Direct Investments	54	223	45	69	85	91	100	87	45	58	60	56	152
Non-Residents' Portfolio Investments	-1	-4	0	-1	12	1	-3	0	4	1	2	8	3
Financial Loans and Credit Lines	-420	-188	-281	-525	-389	-538	-556	-396	175	-241	664	730	321
Local Financial Loans	-101	-83	-88	49	-5	-126	-149	-72	228	61	794	542	406
Other Foreign Loans and Debt Securities	-81	182	76	-326	-103	-56	-89	-32	90	-156	-5	307	42
Payment of Card Balance	-237	-287	-270	-248	-282	-356	-318	-292	-143	-146	-125	-118	-127
Loans from Other International Organizations and Other	-83	-56	-84	150	-15	52	-92	-121	10	-22	54	7	-34
Buildup of Foreign Assets by the Non-Financial Private Sector	-83	0	-196	-91	-84	-112	5	330	-20	94	139	133	94
Self-to-Self International Transfers	-150	-130	-430	54	-250	-328	-604	-909	-666	-384	-538	-534	-503
Purchase and Sale of Securities	5	0	-3	-2	9	-1	8	5	2	21	4	16	26

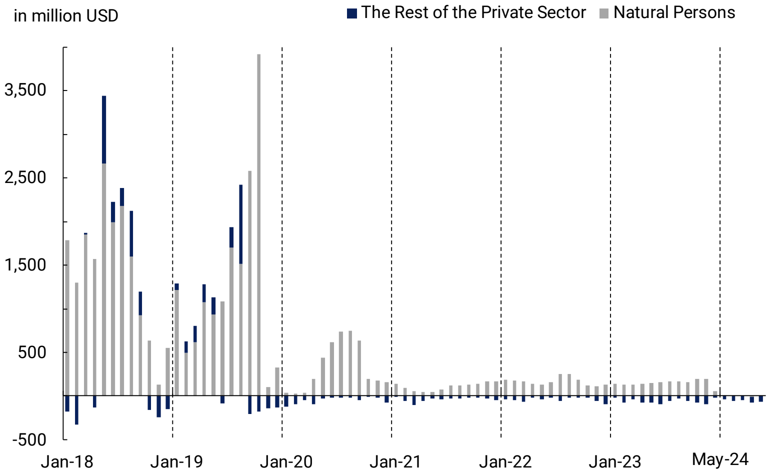
Source: BCRA

[12] 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.

Non-financial private sector residents' foreign assets recorded a surplus of USD94 million—i.e., net sales of banknotes (USD62 million) and net inflows of foreign currency (USD32 million).

This outcome comprises net sales for USD57 million made by legal persons and USD5 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

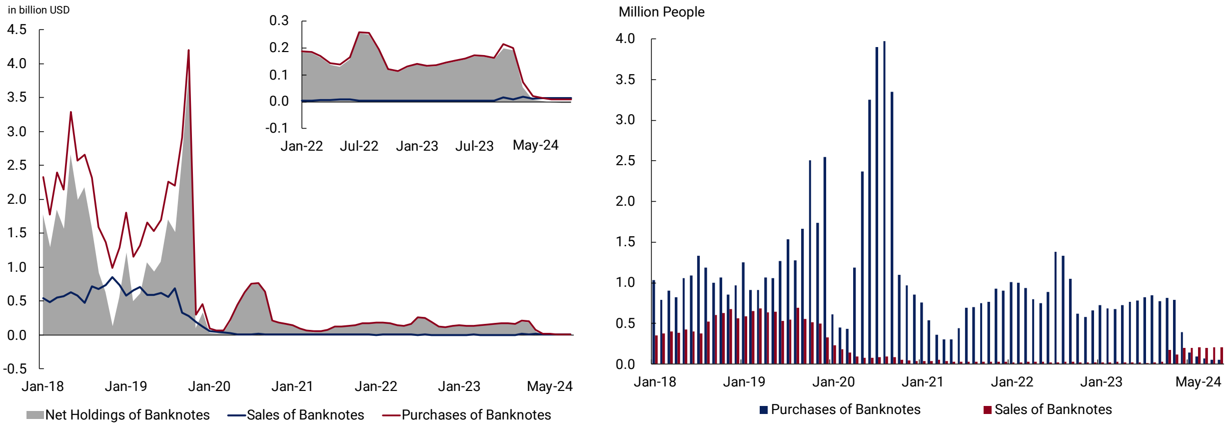


Source: BCRA

In May, "Natural Persons" sold banknotes for USD13 million and purchased USD8 million (down 3% against April and down 95% y.o.y.). In terms of traders, in May, 207,000 individuals sold banknotes, while buyers amounted to about 52,000 (see Chart III. 3.1.2).[13]

[13] It is worth noting that AFIP's General Resolution 5463/2023, effective December 13, changed the rates of income and personal property taxes levied on the purchase of foreign currency for saving purposes to 30%, and the rate of foreign currency expenses paid with cards, to 0%. Therefore, the total charge for these consumptions is currently 60%: 30% (PAIS tax) and 30% (income tax or personal property tax, as appropriate) (for more information see the section on December 2023 Regulations).

Chart III.3.1.2 Foreign Exchange Balance
Natural Persons. Banknotes (left) and Number of People (right)

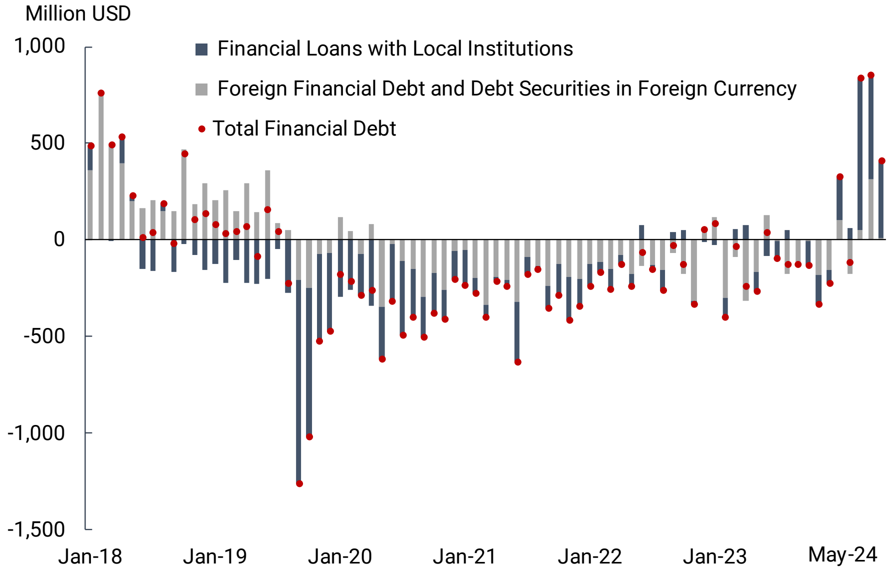


Source: BCRA

In turn, in May, this sector recorded net inflows to their own accounts from abroad (USD32 million). This result is mainly explained by net inflows from the “Real Sector” (USD46 million) and “Institutional Investors and Others” (USD11 million), which were partially offset by net outflows from “Natural Persons” (USD25 million).

Net inflows from the non-financial private sector's financial debt, including loans from international organizations and local financial loans, reached USD414 million in May—net inflows from “Energy” (about USD136 million), and “Oilseeds and Grains” (about USD115 million) standing out. This amount involves net inflows from loans granted by local institutions (USD406 million), and financial debt held abroad, securities in foreign currency, and loans owed to international organizations (USD8 million). The total amount excludes purchases of foreign currency to pay card bills for expenses incurred abroad (USD127 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.3.1.3).

Chart III.3.1.3 Foreign Exchange Balance
Non-Financial Private Sector. Financial Debt

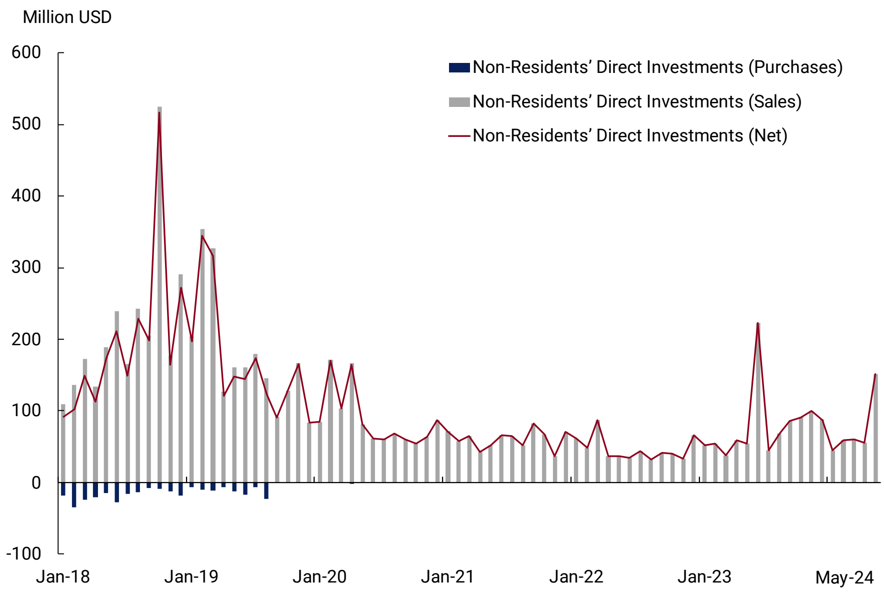


Note: Local financial debt excludes the purchases of foreign currency to pay card bills for expenses incurred abroad, which do not imply a net demand within the forex market

Source: BCRA

Direct investments made by non-residents in the non-financial private sector through the forex market reached USD152 million (net inflows) in May (see Chart III.3.1.4).

Chart III.3.1.4 Foreign Exchange Balance
Non-Residents' Direct Investments. Non-Financial Private Sector



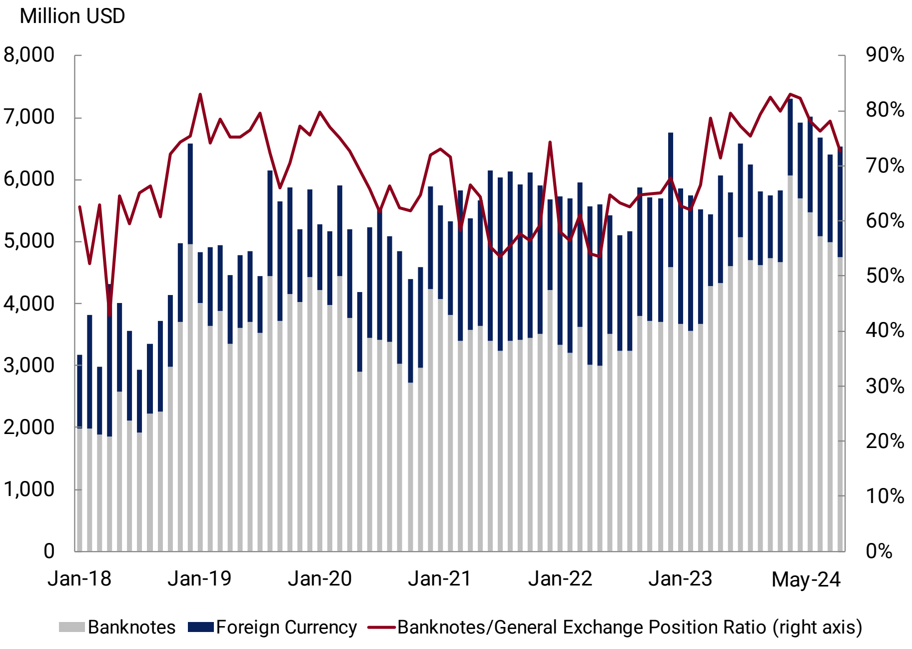
Source: BCRA

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

In May, the transactions carried out under the foreign exchange financial account of the “Financial Sector” recorded a deficit of USD298 million. This outcome was mainly explained by an increase of USD135 million in liquid foreign assets of financial institutions’ General Exchange Position; net outflows from financial loans and credit lines for USD82 million; net subscription of securities for USD73 million; net outflows from loans to international organizations for USD4 million; and foreign direct investments for USD4 million.[14]

Financial institutions’ General Exchange Position amounted to USD6,535 million at the end of May, up 2% against the end of April. This result was explained by an increase in holdings of foreign currency (USD380 million), which was partially offset by a drop in the holdings of banknotes (USD244 million). Holdings of foreign currency banknotes totaled USD4,751 million by the end of the month. This stock accounted for 73% 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).

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



Source: BCRA

On another note, the ensemble of financial institutions ended May with a forward short position in foreign currency of USD836 million, intensifying their short position by about USD122 million compared to the end of April. They sold USD170 million in regulated markets and purchased USD48 million forwards directly from their clients over the month (see Chart III.3.2.2).

[14] 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.

Foreign capital institutions ended May with a net short position of USD476 million, up USD116 million against April. In turn, national capital institutions sold USD6 million, increasing their net short position to USD360 million compared to April (see Chart III.3.2.3).

Chart III.3.2.2 Forward Market
EOM Institutions' Forward Position

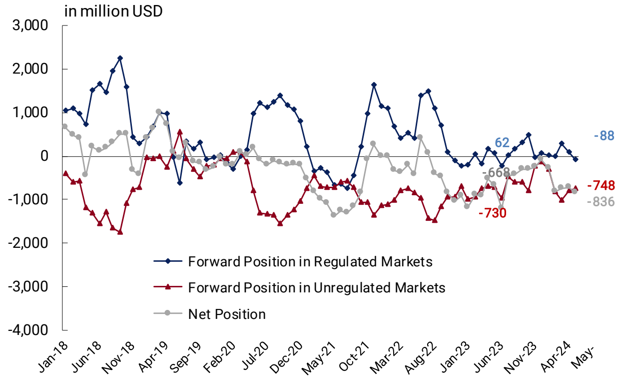
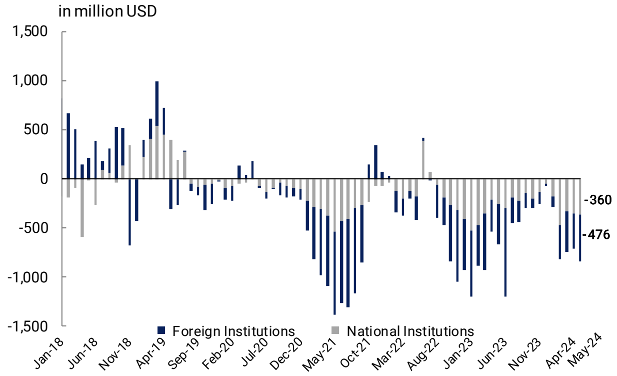


Chart III.3.2.3 Forward Market
EOM Institutions' Forward Position

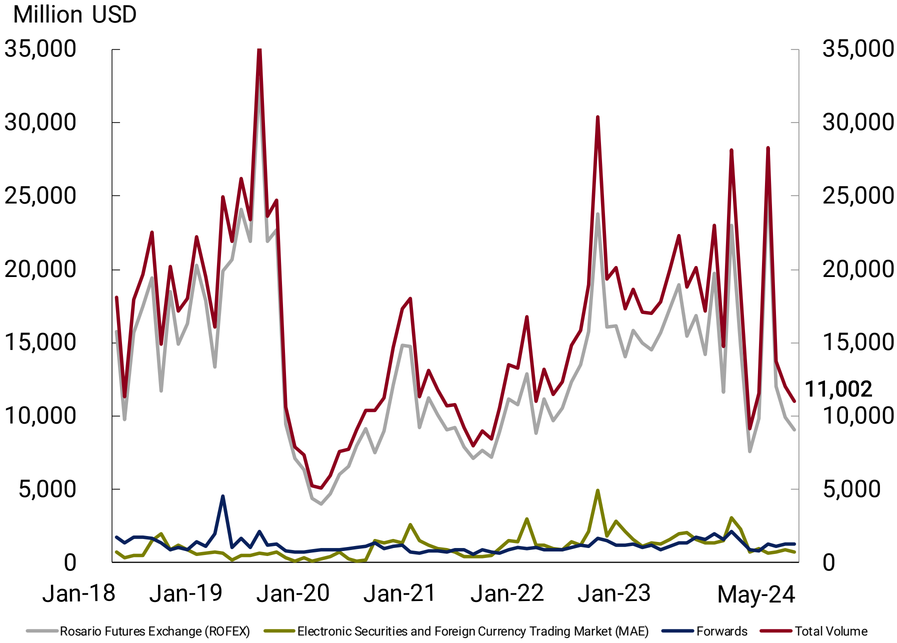


Source: BCRA

The volume traded in forward markets totaled USD11,002 million in May, i.e., USD500 million daily on average. Transactions carried out in the Rosario Futures Exchange (ROFEX) continued to stand out, with an 83% share in the total volume traded in the forward market (see Chart III.3.2.4).[15]

[15] 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

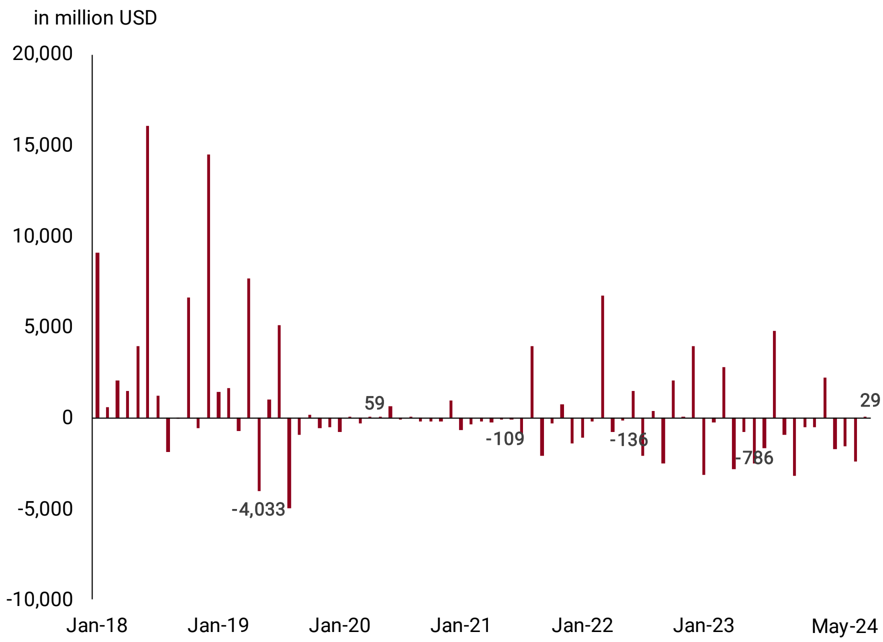


Source: BCRA

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

In May, the transactions carried out under the foreign exchange financial account of the "General Government and the BCRA" resulted in a surplus of USD29 million (see Chart III. 3.3.1), mainly explained by the counterpart of self-to-self international transfers for USD63 million and for net inflows from sales of foreign assets of USD14 million, partially offset by payments of other financial loans and debt securities of USD39 million and net outflows of loans from international organizations (excluding the IMF) of USD5 million.

Chart III.3.3.1 Foreign Exchange Balance
Foreign Exchange Financial Account of the General Government and the BCRA

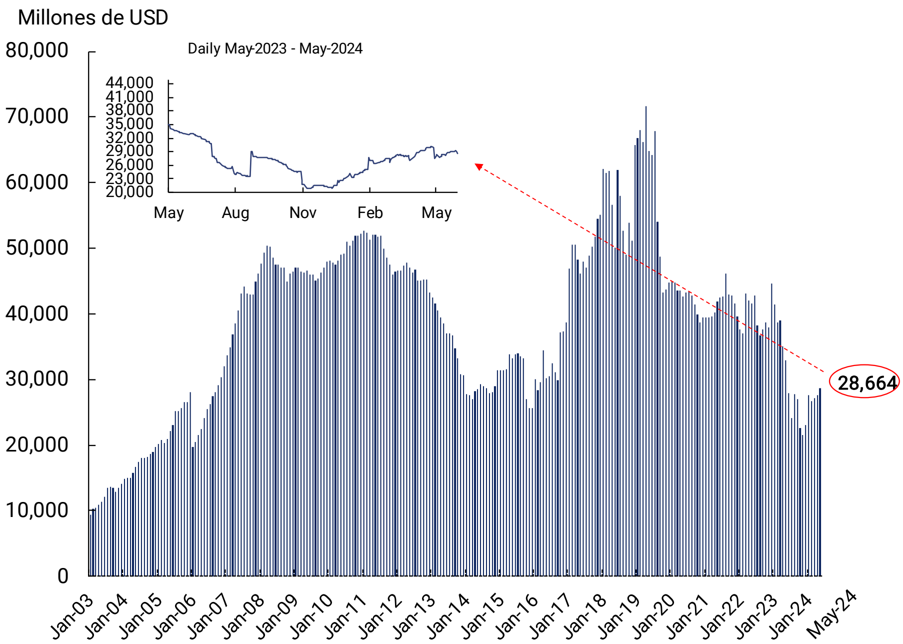


Source: BCRA

IV. BCRA's International Reserves

During May, BCRA's international reserves increased USD1,085 million, totaling USD28,664 million by the end of the month. This increase is mainly calculated by adding up net purchases made by the BCRA in the forex market and the increase in the US dollar exchange rate of foreign exchange reserves (USD69 million), and subtracting net repayments of principal and interest to the IMF (USD864 million; i.e. SDR653 million), the fall in financial institution's holdings of foreign currency at the BCRA (USD267 million), net repayments of principal and interest owed to international organizations (IMF excluded) (USD205 million); and net payments made by the BCRA through the Local Currency Payment System (USD50 million) (see Chart IV.1).

Chart IV.1 BCRA's International Reserves



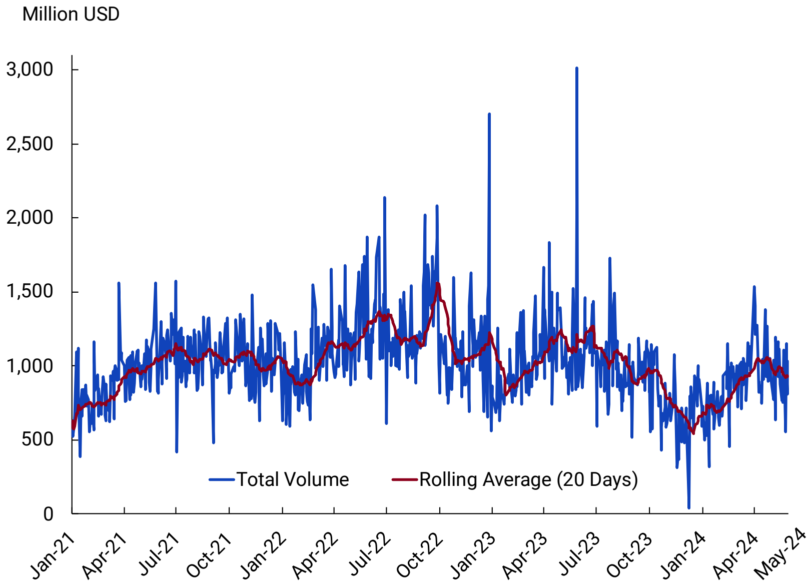
Source: BCRA

V. Volumes Traded in the Foreign Exchange Market

In May, the volume traded in the forex market totaled USD20,491 million, down 15% against May 2023 (see Chart V.1). The average daily volume traded was USD931 million, falling in y.o.y. terms as a result of a 22% drop in transactions between institutions and their clients (down USD3,880 million), and a 7% drop in transactions between institutions[16] (down USD288 million), partially offset by a 21% increase in transactions between institutions and the BCRA (up USD458 million).

[16] On 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



Source: BCRA

Foreign exchange transactions between institutions and their clients accounted for 68% of the total volume traded; transactions between institutions, and transactions between institutions and the BCRA—through the Electronic Trading System (SIOPEL)—represented 19% and 13%, respectively (see Chart V.2).[17]

In May, 125 institutions traded in the market involving 39 foreign currencies. Most of the volume traded between licensed institutions and their clients was highly concentrated both at institution level (the first ten accounted for 87% of such volume) and in terms of the currency used, USD-denominated transactions having a 95% share in the total traded with clients, followed by euros, which accounted for nearly 3% of the total, the yuan accounting for 1% and the remaining currencies concentrated the rest of the total volume traded (see Chart V.3).

[17] The volume traded between licensed institutions and their clients excludes the following items: the subscription of LEBAC bills, self-to-self international transfers (around USD2,169 million), the record of deposits in foreign currency allocated for the payment of financial debt service for about USD204 million, and purchases of foreign currency to pay card bills (around USD129 million for the month under study).

Chart V.2 Foreign Exchange Market
Total Volume and Share - May 2024

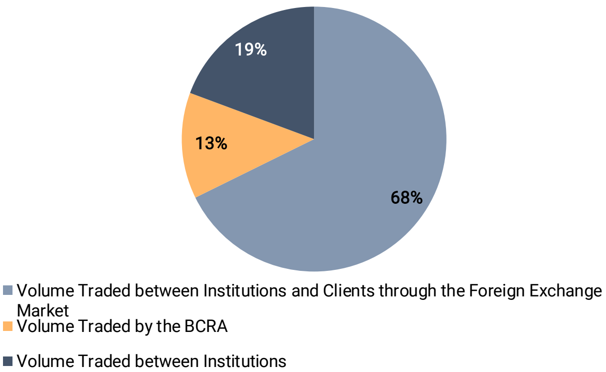
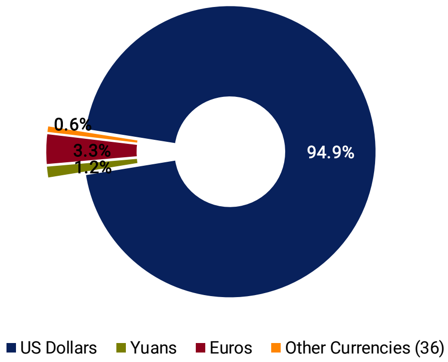


Chart V.3 Foreign Exchange Market
Volume with Clients by Currency - May 2024



Source: BCRA

Finally, 92% of foreign exchange transactions between financial and foreign exchange institutions and their clients were channeled through private financial institutions, and the remaining 8% through public banks.