Evolution of the Foreign Exchange Market and the Foreign Exchange Balance

October 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.

Executive Order 492/2023, published on October 2,[1] reinstated the "Export Increase Program", which was effective until October 25. Similarly to the previous edition, exporters were allowed to settle 75% of their foreign currency at the official exchange rate, while the remaining 25% had to be channeled through purchase and sale transactions of securities purchased in foreign currency and sold in local currency. Moreover, Executive Order 549/2023,[2] laid down on October 23, launched a new "Export Increase Program", including the whole exporting sector. This program covered both goods and services and allowed exporters to settle 70% of their foreign currency at the official exchange rate, and channel the remaining 30% through purchase and sale transactions of securities purchased in foreign currency and sold in local currency. This program was effective until November 17.

In this context, financial institution's clients purchased USD549 million in the forex market during October. On the seller's side, the BCRA sold USD492 million and financial institutions, USD19 million. The BCRA also made net payments through the Local Currency Payment System for USD39 million.

The "Non-Financial Private Sector" was a net purchaser of foreign currency for USD346 million. Within this group, the "Oilseeds and Grains" sector was the main net seller with net inflows of USD465 million, down 46% against October 2022. October's net inflows from exports of goods were lower on two grounds: the drought that has been affecting exportable goods; and the fact that a portion of exports was not settled in the forex market, but through the stock market under the aforementioned "Export Increase Program" (see Section II).

The "Real Sector excluding Oilseeds and Grains" was a net purchaser of foreign currency, with a total of USD11 million, down USD1,100 million y.o.y. in terms of net purchases, mainly explained by the reduction in the payment of imports of goods.

"Natural Persons" made net purchases totaling USD791 million mainly for traveling expenses and other payments on cards to non-resident suppliers (USD564 million), and for saving purposes (USD198 million).

"Institutional Investors and Others"—both residents and non-residents—made net purchases of USD10 million in October.

[1] To see Executive order 492/2023, click here. To see Resolution 827/2023 that supplements the Executive Order, click here.
[2] To see Executive Order 549/2023, click here.

The foreign exchange current account recorded a deficit of USD313 million in October. This result was explained by a deficit in “Services” (USD753 million), “Primary Income” (USD373 million), and “Secondary Income” (USD42 million), which was partially offset by the surplus recorded in “Goods” (USD854 million).

The financial account of the “Non-Financial Private Sector” had a deficit of USD835 million in October, resulting from payments of balances in foreign currency to local institutions originated from purchases made with cards to non-resident suppliers for USD356 million (which do not involve a net demand of foreign currency in the financial account); self-to-self net international transfers for USD328 million (largely explained by their counterpart of Travel and Passenger Transport inflows that are not required to be settled in the forex market, for more information, see Section III.1.2.); net outflows from local financial loans for USD126 million; the build-up of foreign assets for USD112 million; and net outflows from other financial debt held abroad and debt securities for USD56 million. This deficit was partially offset by inflows from foreign direct investments for USD91 million; and net inflows from loans from international organizations for USD52 million.

The transactions carried out under the foreign exchange financial account of the “Financial Sector” recorded a deficit of USD19 million. This result was mainly explained by net outflows from financial loans for USD49 million, net purchases of securities for USD31 million, and net payments of loans to international organizations for USD15 million, which were partially offset by a decrease of USD75 million in liquid foreign assets of financial institutions’ General Exchange Position.

In October, the transactions carried out under the foreign exchange financial account of the “General Government and the BCRA” recorded a deficit of USD3,177 million (see Chart III.3.3.1), mainly explained by repayments of principal owed to the IMF totaling USD1,793 million (SDR1,367 million), and by net payments of financial debt for USD1,244 million.

During October, BCRA’s international reserves fell USD4,366 million, totaling USD22,559 million by the end of the month. This decrease was mainly explained by repayments of principal owed to the IMF totaling about USD1,793 million (SDR1,367 million), net payments of principal and interest owed to international organizations (IMF excluded) and other financial debt incurred by the National Treasury for USD1,399 million, a fall in financial institution’s holdings of foreign currency, net sales of the BCRA in the forex market, and net payments settled by the BCRA through the Local Currency Payment System, which were partially offset by the increase in the US dollar exchange rate of foreign exchange reserves by USD207 million.

I. Introduction

This report analyzes information on foreign exchange transactions made in October 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.[3]

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 October; data are broken down by sector and by heading.[4]

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

[4] 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).[5]

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 this context, Executive Order 492/2023, issued on October 2,[6] reinstated the "Export Increase Program", which was effective until October 25. Similarly to the previous edition, exporters were allowed to settle 75% of their foreign currency at the official exchange rate, while the remaining 25% had to be channeled through purchase and sale transactions of securities purchased in foreign currency and sold in local currency. Moreover, under Executive Order 549/2023[7] of Monday, October 23, a new "Export Increase Program" was introduced, including the whole exporting sector. This program covered both goods and services and, in addition, it allowed exporters to settle 70% of their foreign currency at the official exchange rate, and channel the remaining 30% through purchase and sale transactions of securities purchased in foreign currency and sold in local currency. This program was effective until November 17.

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[5] 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.
[6] To see Executive order 492/2023, click here. To see Resolution 827/2023 that supplements the Executive Order, click here.
[7] To see Executive Order 549/2023, click here.

Financial institution's clients purchased USD549 million in the forex market during October. On the seller's side, the BCRA sold USD492 million and financial institutions, USD19 million. The BCRA also made net payments through the Local Currency Payment System for USD39 million (see Table II.1).[8] [9] [10]

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

Result by Sector of the Foreign Exchange Market with Institutions	Oct-22	Oct-23	2022 up to Oct	2023 up to Oct
BCRA - Market	**700**	**492**	**-4,362**	**2,482**
BCRA - SML	**53**	**39**	**663**	**810**
National Treasury	**-**	**-**	**2**	**-**
Institutions	**-37**	**19**	**-630**	**16**
Institutions' Clients (1 + 2 + 3)	**-716**	**-549**	**4,328**	**-3,308**
1. Non-Financial Private Sector	**-769**	**-346**	**4,931**	**-2,735**
Oilseeds and Grains	866	465	34,570	14,013
Real Sector Excluding Oilseeds and Grains	-1,141	-11	-23,195	-10,858
Natural Persons	-498	-791	-6,013	-5,450
Institutional Investors and Others	4	-10	-432	-440
2. General Government (National Treasury Excluded)	**68**	**76**	**-432**	**407**
3. Institutions (Own Transactions)	**-15**	**-280**	**-171**	**-979**
National Treasury Directly with the BCRA	**-1,442**	**-**	**-5,896**	**-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).[11]

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).

[8] 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

[9] Transactions in the forex market are reported according to their transaction date, except for the purchase and sale of securities payable in foreign currency.

[10] The result by sector excludes purchases of foreign currency to pay card bills for expenses incurred abroad for an amount of USD357 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.

[11] 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. October 2023.
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	996	-870	5	-126	13	-328	-37	-346
Oilseeds and Grains	531	0	2	-1	1	-6	-62	465
Real Sector Excluding Oilseeds and Grains	528	-308	-148	45	46	-196	22	-11
Natural Persons	-15	-564	3	-198	-41	26	-2	-791
Institutional Investors and Others	-48	2	148	28	8	-152	4	-10
General Government (National Treasury Excluded)	-18	0	-65	171	-19	22	-14	76
Institutions (Own Transactions)	-124	0	-61	0	0	0	-95	-280
Institutions' Result with Clients	854	-870	-121	45	-6	-307	-145	-549
Result for Forex Transactions	832	-989	-163	45	15	0	-290	-549
Result for Self-to-Self International Transfers	22	119	42	0	-21	-307	144	0

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

The "Oilseeds and Grains" sector was the main net seller of foreign currency in the market over October, recording net sales for USD465 million mainly for the headings included in "Goods" (collections on exports net of payments for imports). This is reasonable enough as it proves to be the main exporting sector in the economy. It recorded a net result of USD531 million, down 38% against October 2022.

The "Real Sector excluding Oilseeds and Grains" was a net purchaser of foreign currency, with a total of USD11 million, down USD1,100 million y.o.y. in terms of net purchases, mainly explained by the drastic reduction in the payment of imports of goods (see Section III.1.1).

In this sense, the two economic sectors generating more deficit with their purchases were "Commerce" (USD231 million) and "Tourism and Accommodation Services" (USD221 million), while the two sectors recording the highest surplus were "Food, Beverages and Tobacco" (USD343 million) and "Mining" (USD235 million), (see Table II.3).

Table II.3 Foreign Exchange Market
Result of the Real Sector excluding Oilseeds and Grains disaggregated by main headings. October 2023.
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	387	0	-15	0	6	-27	-8	343
Mining	224	0	0	0	11	-33	33	235
Automobile Industry	162	0	-2	0	0	18	2	180
Energy*	263	0	-167	0	18	-54	55	116
Agriculture and Other Primary Activities	125	0	-3	0	0	-11	-12	100
Information Technology	-5	0	91	0	0	-18	15	84
Communications	-6	0	9	40	1	-7	-2	35
Chemical, Rubber and Plastic Industries	23	0	4	0	1	-3	-15	11
Gastronomy	0	0	0	0	0	0	0	-1
Construction	-4	0	-3	0	0	-2	0	-7
Entertainment	-1	0	-3	0	1	-1	-11	-15
Non-Metallic Mineral Products (Cement, Ceramics and Others)	-12	0	-1	0	0	0	-4	-17
Paper, Publishing and Printing Industry	-29	0	0	0	0	0	2	-27
Water	0	0	-12	0	0	0	-15	-28
Common Metals and their Manufacture	-35	0	-2	0	0	-4	-2	-43
Textile and Leather Industries	-58	0	-1	0	0	-1	0	-59
Other Manufacturing Industries	-87	0	3	0	5	-2	-1	-82
Transport	-11	-102	-45	3	0	-33	0	-188
Machinery and Equipment	-195	0	-2	0	0	1	1	-195
Tourism and Accommodation Services	0	-206	-3	0	0	-13	0	-221
Commerce	-213	0	2	0	1	-6	-15	-231
Total	**528**	**-308**	**-148**	**45**	**46**	**-196**	**22**	**-11**

*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 USD280 million.

In turn, the "General Government" (excluding the National Treasury) made net sales in the forex market for USD76 million.

"Natural Persons" made net purchases totaling USD791 million mainly for traveling expenses and other payments on cards to non-resident suppliers (USD564 million), and for saving purposes (USD198 million).

"Institutional Investors and Others"—both residents and non-residents—made net purchases of USD10 million in October.

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 USD313 million in October. This result was mainly explained by a deficit in "Services" (USD753 million), "Primary Income"

(USD373 million), and "Secondary Income" (USD42 million), which was partially offset by the surplus recorded in "Goods" (USD854 million), (see Table III.1.1).[12]

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

Date	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23
Foreign Exchange Current Account	-664	-1,201	2,220	-1,651	-1,237	-2,020	71	776	-1,712	-645	-372	511	-313
Goods	363	359	3,158	414	572	-747	903	2,363	-921	985	1,292	1,406	854
Services	-799	-641	-473	-725	-653	-866	-506	-430	-363	-330	-412	-461	-753
Primary Income	-217	-917	-467	-1,352	-1,142	-432	-310	-1,169	-426	-1,312	-1,251	-425	-373
Secondary Income	-12	-3	1	12	-14	25	-15	12	-1	12	-1	-10	-42

On Monday, October 2, under Executive Order 492/2023[13], the "Export Increase Program" was reinstated, effective until October 25. Similarly to the previous edition, exporters were allowed to settle 75% of their foreign currency at the official exchange rate, while the remaining 25% had to be channeled through purchase and sale transactions of securities purchased in foreign currency and sold in local currency. Moreover, under Executive Order 549/2023[14] of Monday, October 23, a new "Export Increase Program" was introduced, including the whole exporting sector. This program covered both goods and services and, in addition, it allowed exporters to settle 70% of their foreign currency at the official exchange rate, and channel the remaining 30% through purchase and sale transactions of securities purchased in foreign currency and sold in local currency. This program was effective until November 17.

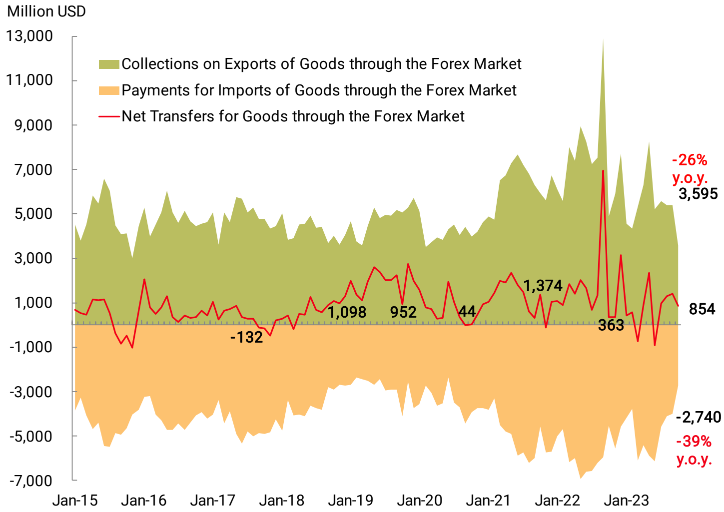
In this sense, foreign currency inflows from exports of goods and services settled through the stock market under these regulations are not recorded as collections of exports of goods and services in the foreign exchange market and foreign exchange balance statistics; except for those collections that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

III.1.1 Goods

In October, transfers for "Goods" on the foreign exchange balance exhibited net inflows for USD854 million, resulting from collections on exports for USD3,595 million, which were partially offset by payments of imports for USD2,740 million (see Chart III.1.1.1).

[12] 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.
[13] To see Executive order 492/2023, click here. To see Resolution 827/2023 that supplements the Executive Order, click here.
[14] To see Executive Order 549/2023, click here.

Chart III.1.1.1 Foreign Exchange Balance Transfers for Goods



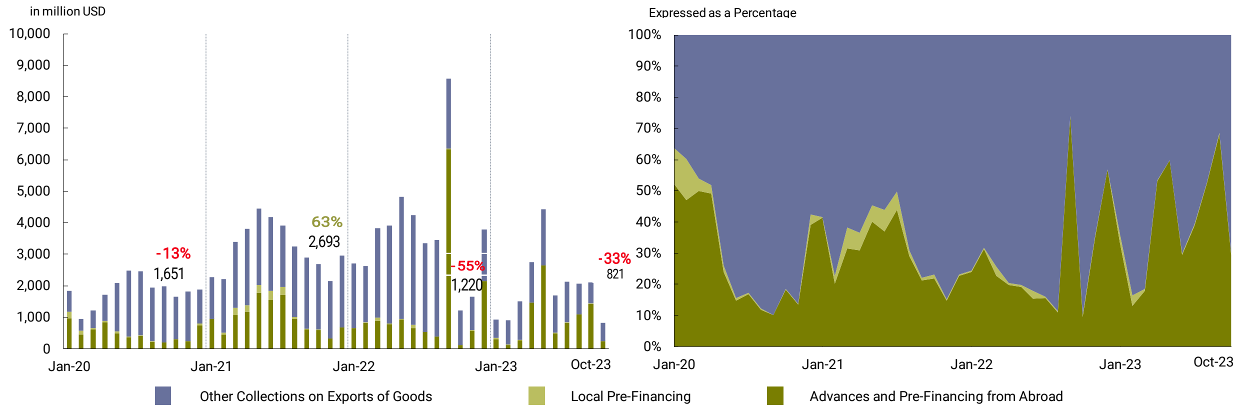
In addition, it is estimated that more than USD380 million were collections on exports under the "Export Increase Program" through the stock market during the month. When adding up collections on exports settled through the foreign market and those settled through the stock market, the result amounts to USD3,975 million.

In this context, in October, the "Oilseeds and Grains" sector recorded foreign currency sales for collections on exports of goods through the forex market for USD821 million (-33% y.o.y.). Taking into account the estimated USD80 million that the sector transferred through the stock market,[15] total inflows from collections on exports totaled about USD901 million. The sector's FOB exports totaled USD1,722 million in October, which would imply that the sector decreased its stock of commercial debt during October.

In line with this behavior, only 29% of the sector's inflows were collected ahead of time in October, either through advances or pre-financing (local and foreign); this share was below the historical average of the series, 46% for the 2016-2022 period (see Chart III.1.1.2).

[15] It is worth noting that inflows from the collections of exports through the stock market 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).

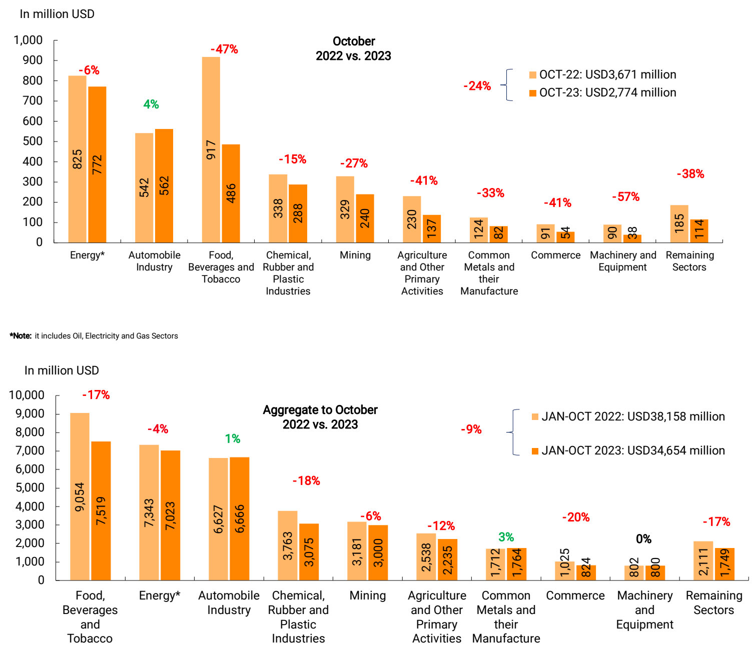
Chart III.1.1.2 Foreign Exchange Balance
Collection on Exports of Goods from the "Oilseeds and Grains" Sector



Source: BCRA

Inflows from the collections on exports of goods from the remaining sectors through the forex market totaled USD2,774 million in October, decreasing 24% y.o.y., and 9% on a year-to-date comparison. In turn, proceeds from the collection of exports through the stock market were estimated at about USD300 million. In October, performance was marked by setbacks in the collections on exports in y.o.y. terms for all sectors, except for the "Automobile Industry" that recorded a 4% increase (see Chart III.1.1.4).

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

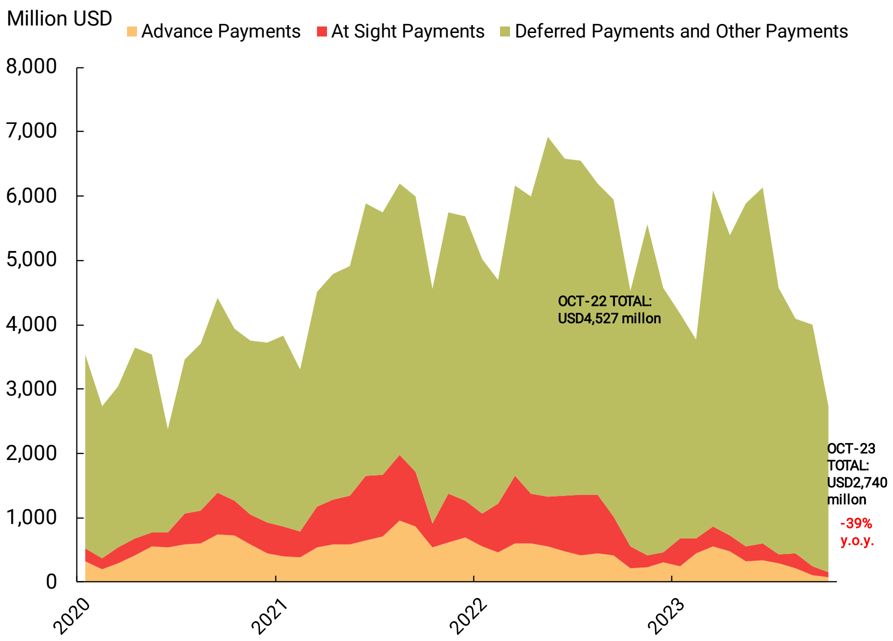


Source: BCRA

In October, payments of imports of goods totaled USD2,740 million, down 39% against October 2022, and standing below October's FOB imports (USD5,545 million). This would imply either an increase in the sector's commercial indebtedness level or a decrease in its foreign assets due to advances.

As regards imports of goods, 94% of payments were deferred, 3% were sight payments, and the other 3% were advance payments in October (see Chart III.1.1.5).

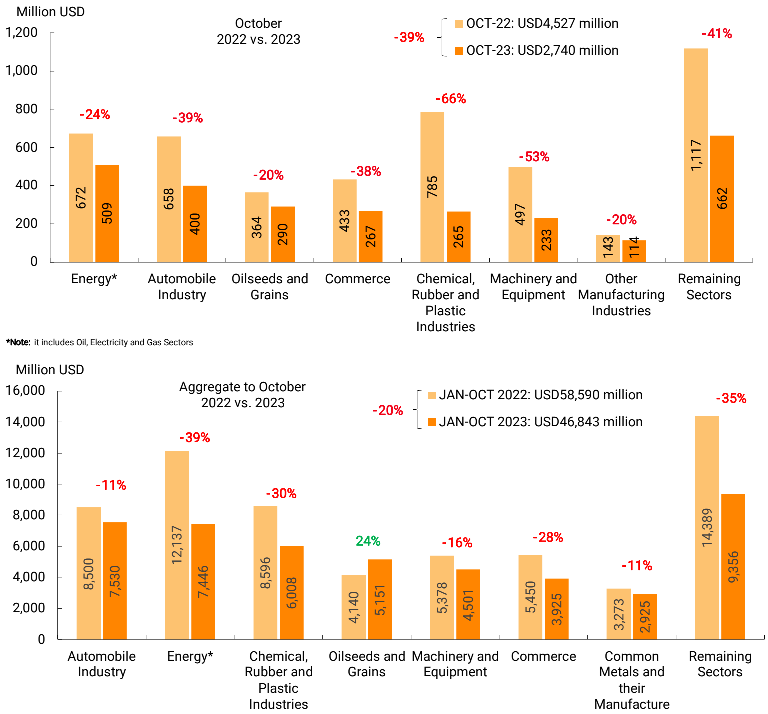
Chart III.1.1.5 Foreign Exchange Balance
Evolution of Payments for Imports of Goods by Type of Payment



Source: BCRA

A 19% of total payments for imports of goods made in October corresponded to the "Energy" sector, followed by the "Automobile Industry" (15%) and the "Oilseeds and Grains" (11%) sectors. In y.o.y. terms, there was a sharp fall in payments for imports from all sectors during October (see Chart III.1.1.6).

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

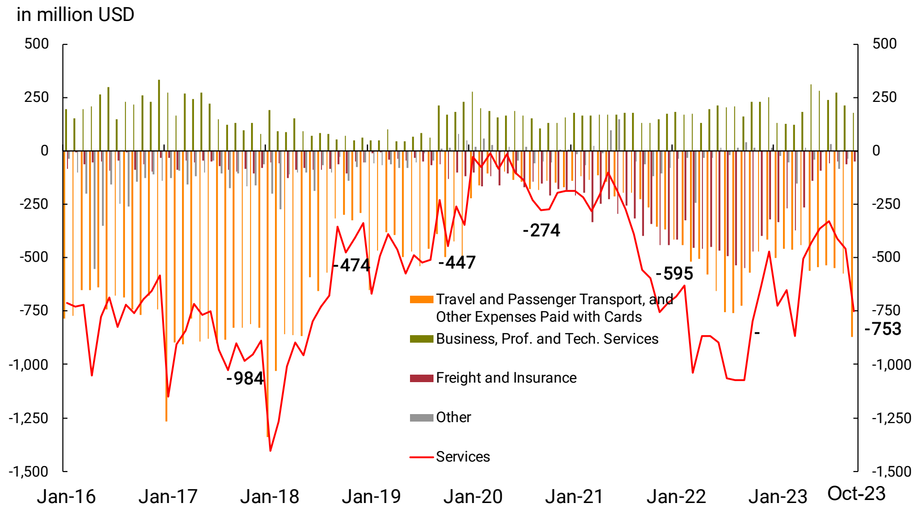


Source: BCRA

III.1.2 Services, Primary and Secondary Income

The “Services” account recorded a deficit of USD753 million in October, down 6% against the net outflows of October 2022. This improvement correlated with a fall in gross outflows for “Freight and Insurance” (USD449 million; down 87% y.o.y.), (see Chart III.1.2.1).

Chart III.1.2.1 Foreign Exchange Balance
Net Inflows from Services



Source: BCRA

In October, gross inflows from Travel and Passenger Transport amounted to USD137 million (up 177% against October 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.[16] [17]

Thus, this month's result was explained by net outflows of "Travel and Passenger Transport, and Other Expenses Paid with Cards" (USD870 million), "Freight and Insurance" (USD52 million) and "Other Services" (USD8 million), partially offset by net inflows from "Business, Professional and Technical Services" (USD177 million).

Over the accumulated period from January up to October 2023, net outflows from the payment of services totaled USD5,498 million, down 28% against the same period in 2022 (see Chart III.1.2.2).

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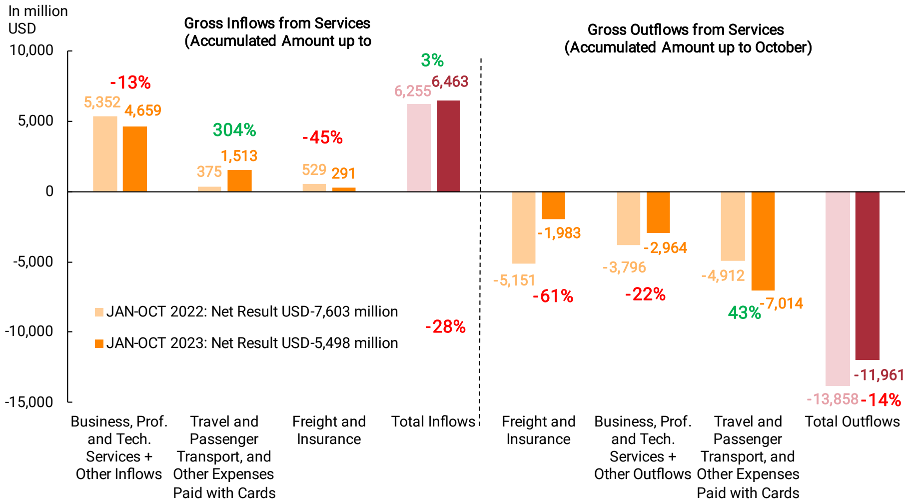
[16] Self-to-self international transfers have no net effect on the forex market, since inflows are not settled in the forex market but deposited in local accounts in foreign currency.
[17] In terms of the "Travel and Passenger Transport, and Other Expenses Paid with Cards" account, it is worth pointing 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.

Chart III.1.2.2 Foreign Exchange Balance
Net Inflows from Services



Source: BCRA

Primary income transactions recorded net outflows amounting to USD373 million in October, mainly due to net payments of "Interest" for USD356 million.

The "General Government and the BCRA" paid USD210 million of gross interest (including payments of interest to international organizations—IMF excluded—amounting to USD188 million). In turn, the private sector repaid USD160 million for the same heading. In addition, gross outflows of profits, dividends and other income transferred to accounts abroad amounted to USD20 million.[18]

Finally, secondary income transactions had a deficit of USD42 million.

III.2 Capital Account

In October, the capital account of the foreign exchange balance had a deficit of USD6 million.

III.3 Foreign Exchange Financial Account

In October, transactions carried out under the foreign exchange financial account recorded a deficit of USD4,254 million. This result was explained by the deficit recorded in the "National Government and the

[18] 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.

BCRA” (USD3,177 million), in the “Non-Financial Private Sector” (USD835 million), in “Other Net Transfers” (USD223 million), and in the “Financial Sector” (USD19 million), (see Table III.3.1).[19]

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

Date	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23
Foreign Exchange Financial Account	2,241	-303	3,669	-2,219	-734	1,855	-4,091	-2,191	-2,915	-3,676	4,409	-1,132	-4,254
Non-Financial Private Sector	-617	-660	-409	-412	-713	-675	-852	-677	-155	-948	-346	-632	-835
Financial Sector	192	14	-1,078	878	62	198	76	-696	179	-800	403	406	-19
General Government and the BCRA	2,081	80	3,944	-3,139	-218	2,815	-2,823	-787	-2,482	-1,678	4,807	-923	-3,177
Other Net Transfers	585	263	1,212	454	135	-484	-493	-31	-456	-249	-455	17	-223

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 USD835 million in October, resulting from payments of balances in foreign currency to local institutions originated from purchases made with cards to non-resident suppliers for USD356 million (which do not involve a net demand of foreign currency in the financial account);[20] self-to-self net international transfers for USD328 million (largely explained by their counterpart of Travel and Passenger Transport inflows that are not required to be settled in the forex market, for more information, see Section III.1.2.); net outflows from local financial loans for USD126 million; the build-up of foreign assets for USD112 million; and net outflows from other financial debt held abroad and debt securities for USD56 million. This deficit was partially offset by inflows from foreign direct investments for USD91 million; and net inflows from loans from international organizations for USD52 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	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23
Foreign Exchange Financial Account	-617	-660	-409	-412	-713	-675	-852	-677	-155	-948	-346	-632	-835
Non-Residents’ Direct Investments	40	33	66	52	54	38	58	54	223	45	69	85	91
Non-Residents’ Portfolio Investments	-1	-3	1	-1	3	-1	0	-1	-4	0	-1	12	1
Financial Loans and Credit Lines	-476	-515	-130	-149	-582	-278	-456	-420	-188	-281	-525	-389	-538
Local Financial Loans	52	-17	-12	-28	-97	56	76	-101	-83	-88	49	-5	-126
Other Foreign Loans and Debt Securities	-169	-235	126	107	-248	-45	-317	-81	182	76	-326	-103	-56
Payment of Card Balance	-358	-262	-244	-228	-237	-290	-215	-237	-287	-270	-248	-282	-356
Loans from Other International Organizations and Other	-5	-79	-58	8	-52	-41	1	-83	-56	-84	150	-15	52
Buildup of Foreign Assets by the Non-Financial Private Sector	14	56	95	-81	-11	-4	-397	-83	0	-196	-91	-84	-112
Self-to-Self International Transfers	-189	-152	-381	-240	-123	-386	-56	-150	-130	-430	54	-250	-328
Purchase and Sale of Securities	-1	-1	-1	-2	-2	-2	-2	5	0	-3	-2	9	-1

Source: BCRA

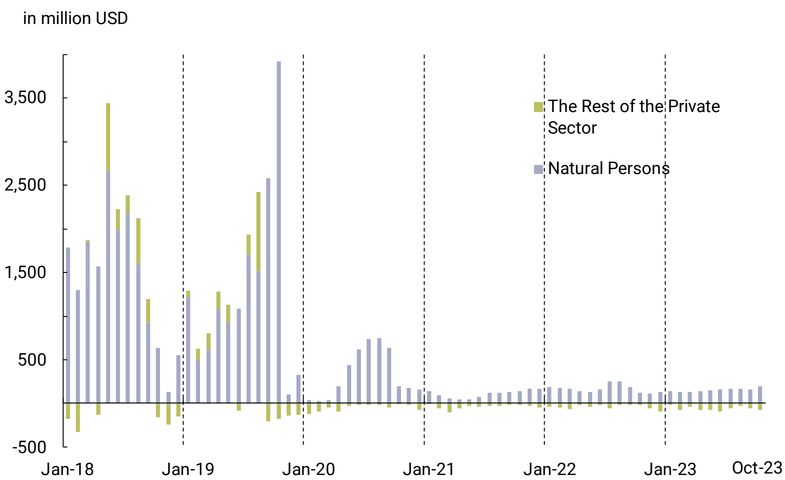
[19] For more information on the “Other Net Transfers” account of the foreign exchange balance, see Section C.4.11. of the Methodology Used for Compiling Foreign Exchange Market and Foreign Exchange Balance Statistics
[20] The demand of foreign currency due to purchases made with cards from foreign suppliers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

Under BCRA's Communication "A" 7852[21] published on September 28, companies are authorized to make capital contributions or transfer financial debt into Argentina through the capital market when the repayment of such foreign currency settlements is also made through the capital market. This measure applies to the settlement of bonds, corporate bonds, repatriation of principal and income attributed to direct investments transferred as from October. In these cases, they will be authorized to access the forex market to carry out foreign trade transactions.

Non-financial private sector residents' foreign assets recorded a deficit of USD112 million—i.e., net purchases of banknotes (USD126 million), which were partially offset by net inflows of foreign currency (USD13 million).

This outcome reflects net purchases for USD198 million made by "Natural Persons", partially offset by net sales for USD73 million made by legal persons (see Chart III.3.1.1).

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



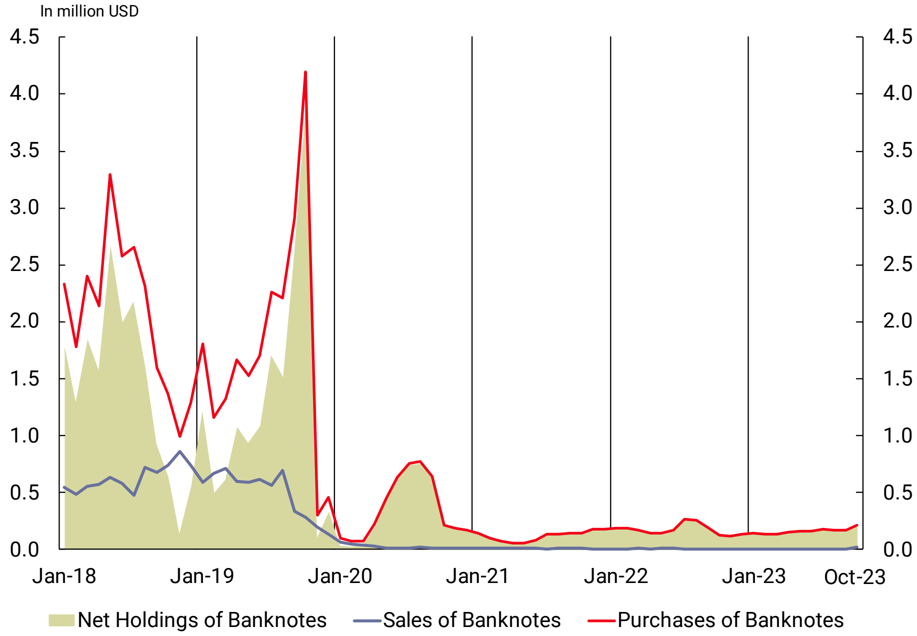
Source: BCRA

In October, "Natural Persons" purchased banknotes for USD215 million–up 32% against September, and up 77% y.o.y.–and sold USD17 million (see Chart III.3.1.2).[22]

[21] See Communication "A" 7852 here.

[22] 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).

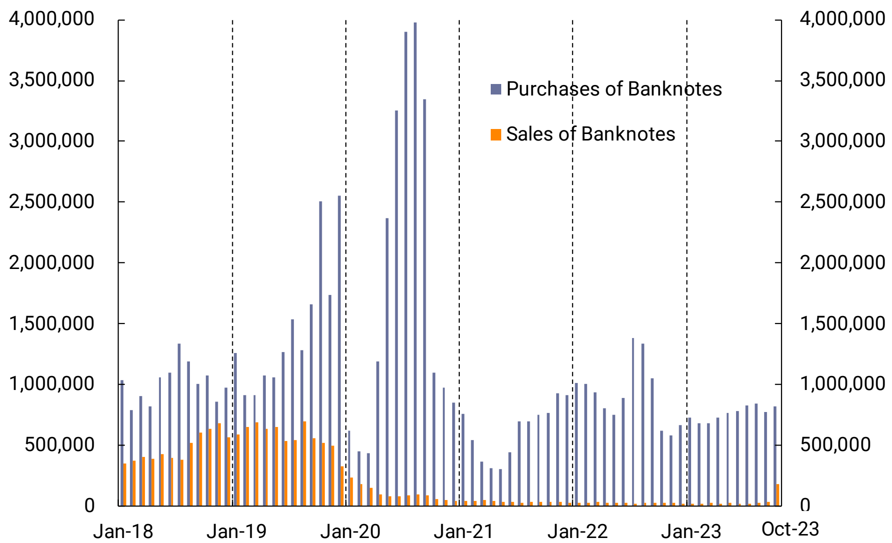
Chart III.3.1.2 Foreign Exchange Balance
Natural Persons. Banknotes



Source: BCRA

In terms of traders, 816,000 individuals purchased banknotes, while sellers amounted to about 177,000 (see Chart III. 3.1.3).

Chart III.3.1.3 Foreign Exchange Balance
Natural Persons. Number of People



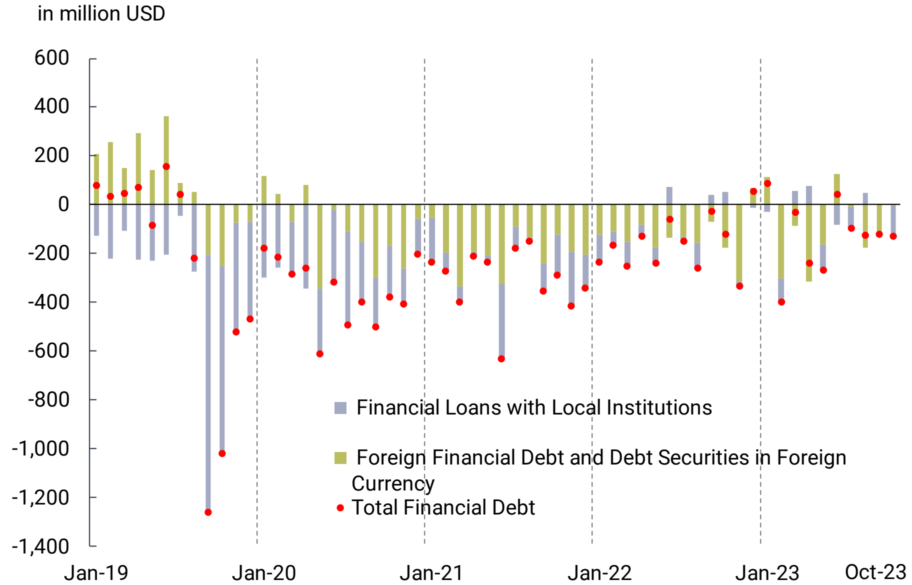
Source: BCRA

In turn, in October, this sector recorded net inflows from their own accounts abroad (USD13 million). This result is mainly explained by the net transfers received by the "Real Sector excluding Oilseeds and Grains"

(USD46 million), "Institutional Investors and Others" (USD8 million) and "Oilseeds and Grains" (USD1 million), which were partially offset by the net transfers made by "Natural Persons" (USD41 million).

Net outflows of financial debt from the non-financial private sector, including loans from international organizations and local financial loans, reached USD130 million in October—net outflows from "Oilseeds and Grains" (USD62 million) standing out. This amount involves net outflows arising from loans granted by local institutions (USD126 million), and net outflows on account of financial debt held abroad, securities in foreign currency, and loans owed to international organizations (USD3 million). The total amount excludes purchases of foreign currency to pay card bills for expenses incurred abroad (USD357 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).[23]

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



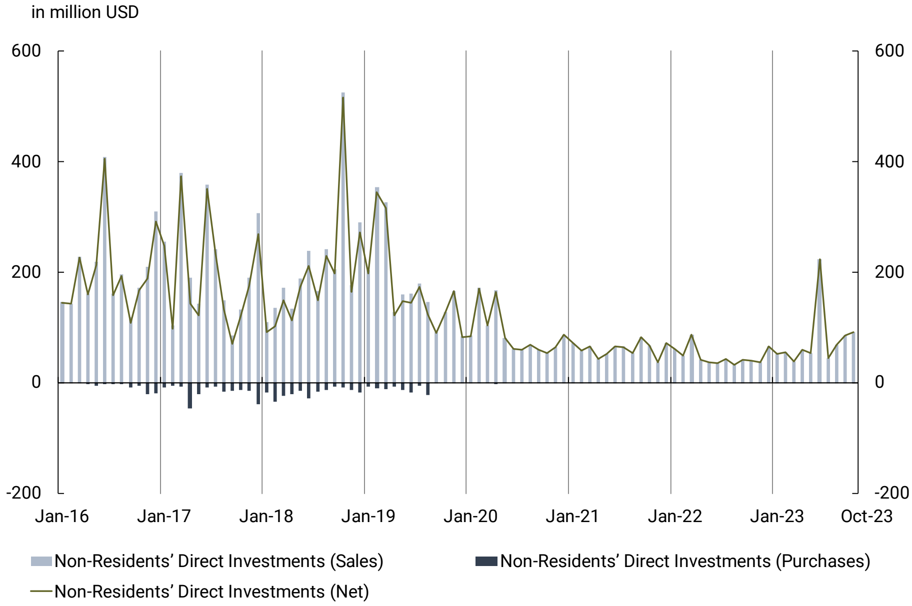
Note: Local financial debt excludes the purchases of foreign currency to pay card bills for expenses incurred abroad, which do not imply a net demand within the forex market

Source: BCRA

[23] 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.

Direct investments made by non-residents in the private sector through the forex market reached USD91 million (net inflows) in October (see Chart III.3.1.5).

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



Source: BCRA

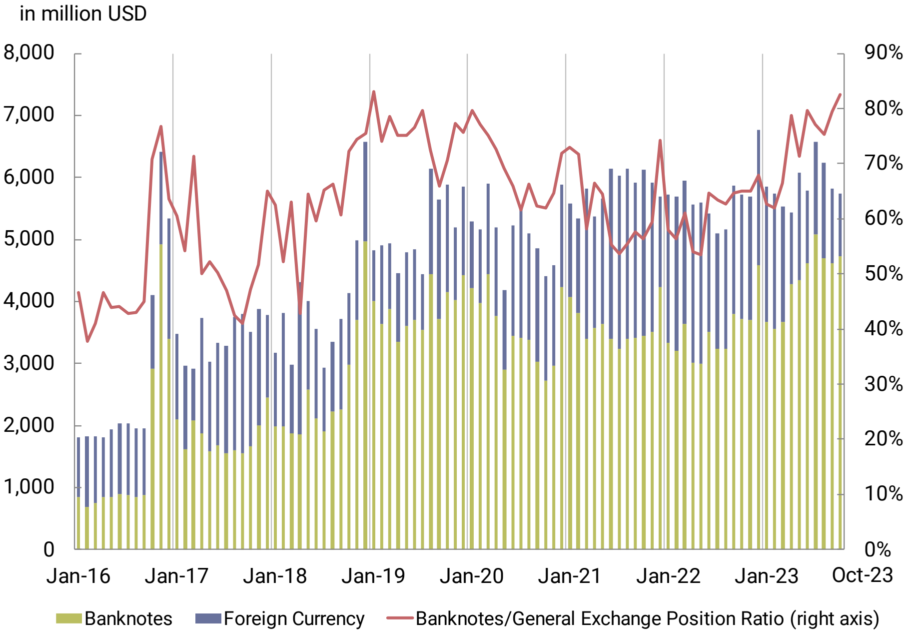
III.3.2. Foreign Exchange Financial Account of the Financial Sector

In October, the transactions carried out under the foreign exchange financial account of the "Financial Sector" recorded a deficit of USD19 million. This result was mainly explained by net outflows from financial loans for USD49 million, net purchases of securities for USD31 million, and net payments of loans to international organizations for USD15 million, which were partially offset by the decrease of USD75 million in liquid foreign assets of financial institutions' General Exchange Position.[24]

Financial institutions' General Exchange Position amounted to USD5,736 million at the end of October, down 1% against the end of September. This result was explained by a drop in holdings of foreign currency (USD188 million), which was partially offset by an increase in the holdings of banknotes (USD112 million). Holdings of foreign currency banknotes totaled USD4,731 million by the end of the month. This stock accounted for 82% 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).

[24] 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 October with a forward short position in foreign currency of USD302 million, recording an increase of USD10 million against the end of September. Institutions sold USD186 million directly to clients (Forwards) and purchased USD176 million in regulated markets over October (see Chart III.3.2.2).

Foreign capital institutions ended October with a net short position of USD106 million, decreasing their short position by USD39 million compared to September. In turn, national capital institutions sold USD49 million, increasing their net short position of September to USD196 million (see Chart III.3.2.3).

Chart III.3.2.2 Forward Market EOM Institutions' Forward Position

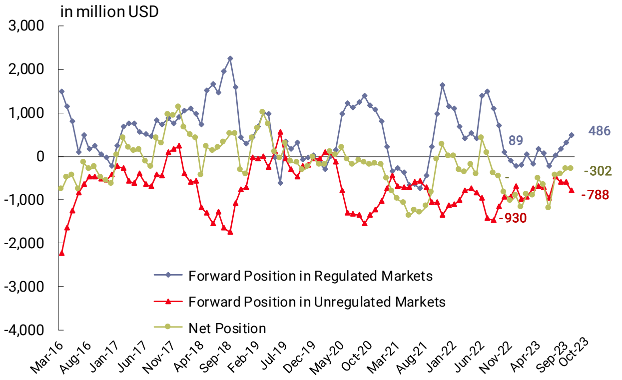
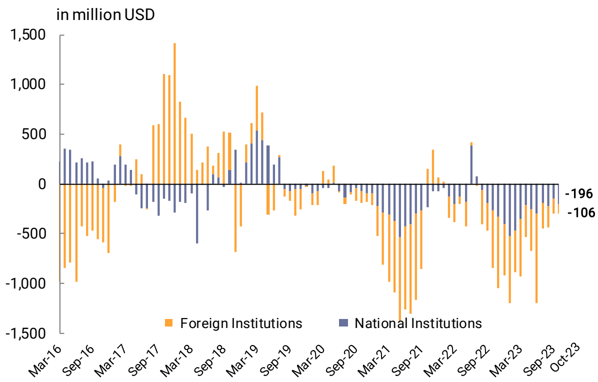


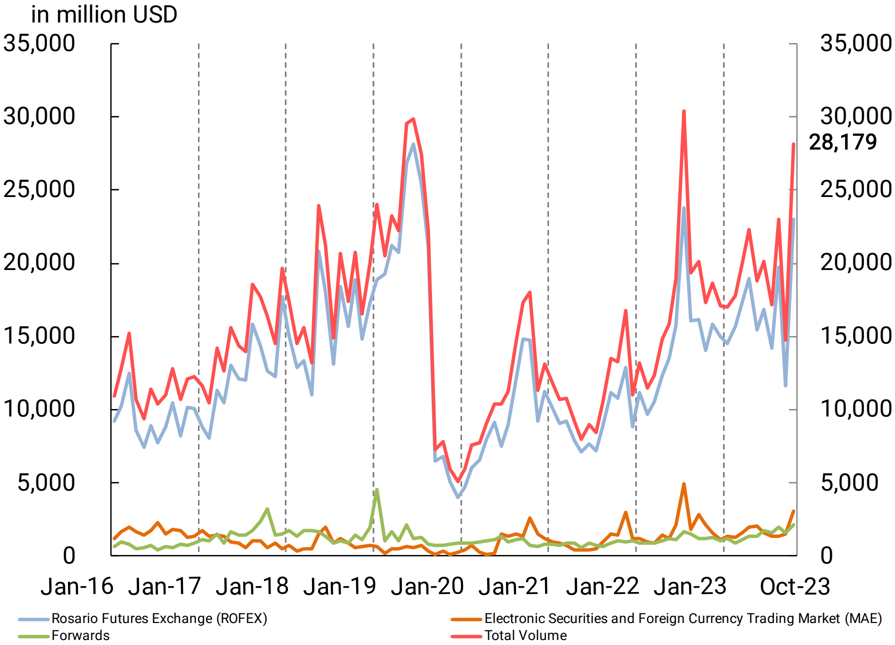
Chart III.3.2.3 Forward Market EOM Institutions' Forward Position



Source: BCRA

The volume traded in forward markets totaled USD28,179 million in October, i.e.: USD1,409 million daily on average. Transactions carried out in the Rosario Futures Exchange (ROFEX) continued to stand out, with an 82% share in the total volume traded in the forward market (see Chart III.3.2.4).[25]

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



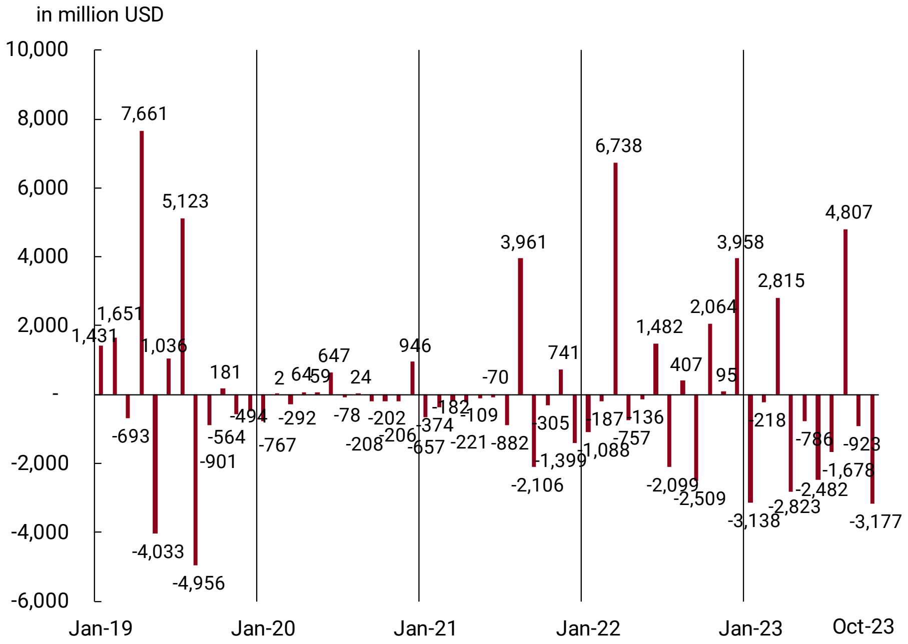
Source: BCRA

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

In October, the transactions carried out under the foreign exchange financial account of the "General Government and the BCRA" recorded a deficit of USD3,177 million (see Chart III.3.3.1), mainly explained by repayments of principal owed to the IMF totaling USD1,793 million (SDR1,367 million), and by net payments of financial debt for USD1,244 million.

[25] 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

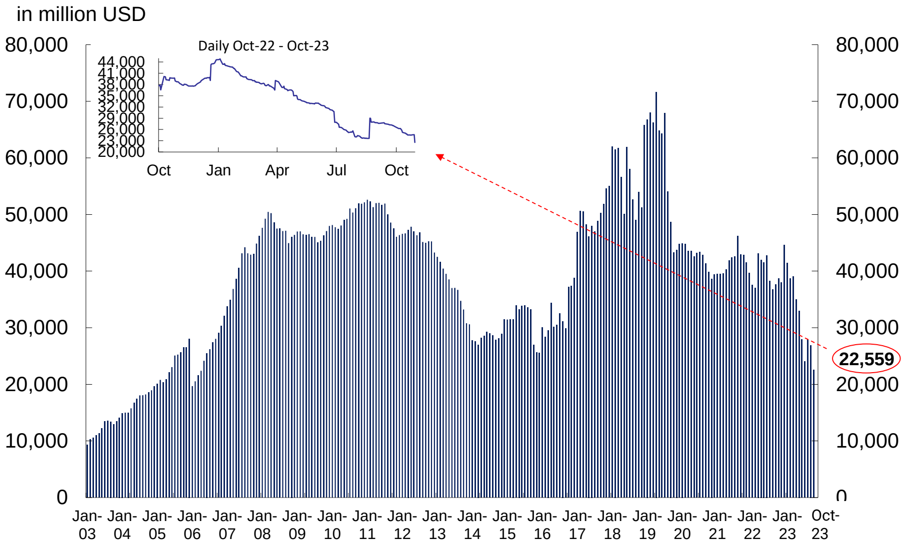


Source: BCRA

IV. BCRA's International Reserves

During October, BCRA's international reserves fell USD4,366 million, totaling USD22,559 million by the end of the month. This decrease was mainly explained by repayments of principal owed to the IMF totaling about USD1,793 million (SDR1,367 million), net payments of principal and interest owed to international organizations (IMF excluded) and other financial debt incurred by the National Treasury for USD1,399 million, the fall in financial institution's holdings of foreign currency, net sales of the BCRA in the forex market, and net payments settled by the BCRA through the Local Currency Payment System, which were partially offset by the increase in the US dollar exchange rate of foreign exchange reserves by USD207 million (see Chart IV.1).

Chart IV.1 BCRA's International Reserves



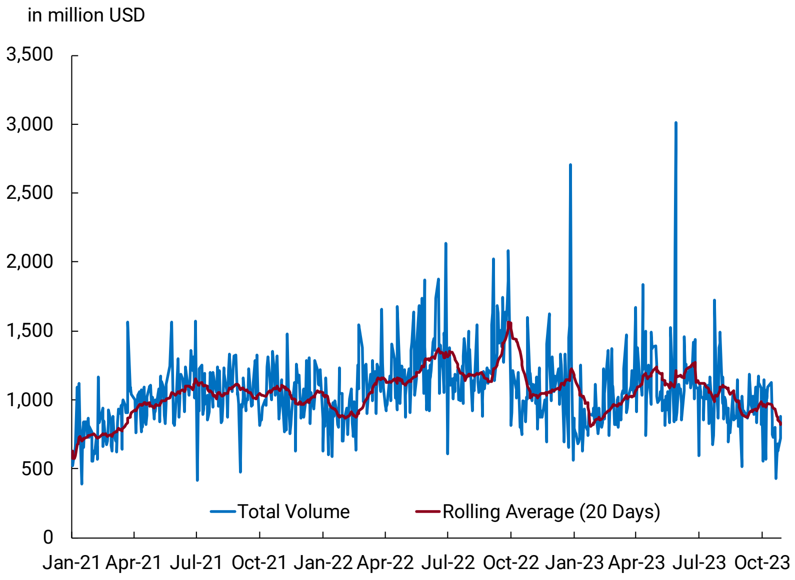
Source: BCRA

V. Volumes Traded in the Foreign Exchange Market

In October, the volume traded in the forex market totaled USD16,392 million, down 14% against October 2022 (see Chart V.1). The average daily volume traded was USD820 million. The y.o.y. drop in volume was explained by a 28% reduction in transactions between the institutions and their clients (down USD3,779 million), partially offset by a 26% increase in transactions between the institutions and the BCRA (up USD392 million), and a 16% increase in transactions between the institutions (up USD658 million).[26]

[26] 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

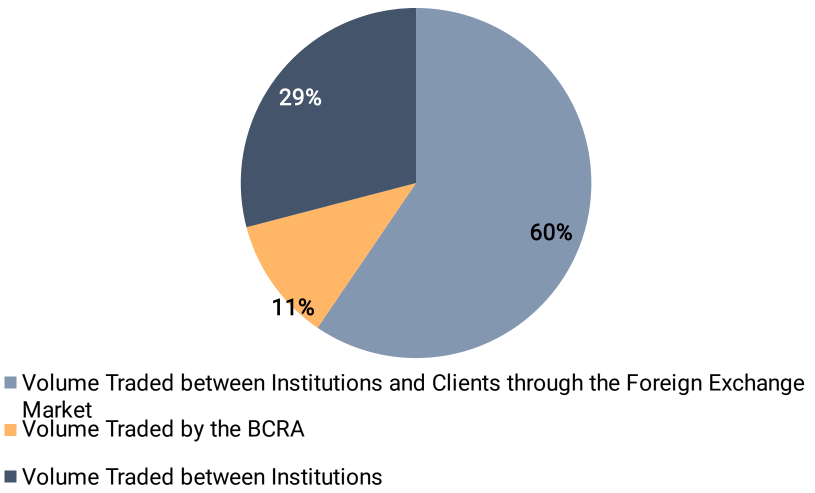


Source: BCRA

Foreign exchange transactions between institutions and their clients accounted for 60% of the total volume traded, while transactions between institutions—through the Electronic Trading System (SIOPEL)—represented 29%; in turn, transactions between institutions and the BCRA stood for the remaining 11% (see Chart V.2).[27]

[27] The volume traded between licensed institutions and their clients excludes the following items: the underwriting of LEBAC bills, self-to-self international transfers (around USD1,573 million), the record of deposits in foreign currency allocated for the payment of financial debt service for about USD273 million, and purchases of foreign currency to pay card bills for expenses incurred abroad (around USD357 million for the month under study).

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

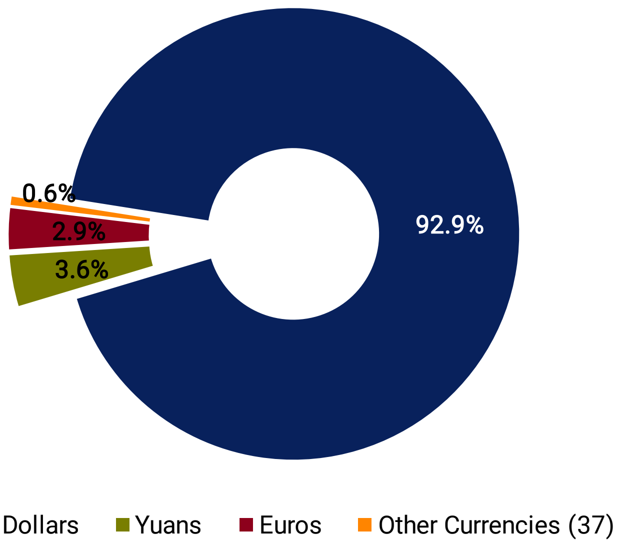


Source: BCRA

In October, 141 institutions traded in the market involving 40 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 87% of such volume) and in terms of the currency used, USD-denominated transactions having a 93% share in the total traded with clients. The yuan ranked second (4% of the total traded with clients) after surpassing the euro (3% of the total). The remaining currencies concentrated less than 1% of the total volume traded (see Chart V.3).

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



Source: BCRA

Finally, 89% of foreign exchange transactions between financial and foreign exchange institutions and their clients were channeled through private financial institutions, 11% through public banks, and 0.2% through foreign exchange houses and agencies.