Evolution of the Foreign Exchange Market and the Foreign Exchange Balance

September 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.

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Executive Summary

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

In this context, during September, on the buyer's side, the BCRA purchased USD433 million, and financial institutions USD18 million in the forex market. At the same time, financial institution's clients sold USD353 million and the BCRA made net payments through the Local Currency Payment System for USD98 million.

The "Non-Financial Private Sector" was a net seller of foreign currency for USD675 million. Within this group, the "Oilseeds and Grains" sector was the main net seller with net inflows of USD1,602 million, down 80% against September 2022. September's net inflows from goods were lower as a result of the drought that has been affecting exportable goods.

The "Real Sector excluding Oilseeds and Grains" was a net purchaser of foreign currency, with a total of USD428 million, down 78% y.o.y., mainly explained by the lower net purchases recorded in the accounts of Goods, Services, and Primary and Secondary Inflows.

"Natural Persons" made net purchases totaling USD578 million mainly for traveling expenses and other payments on cards to non-resident suppliers (USD397 million), and for saving purposes (USD159 million).

"Institutional Investors and Others"—both residents and non-residents—made net sales for USD78 million in September.

The foreign exchange current account had a surplus of USD511 million in September, as a result of the surplus recorded in the Goods (USD1,406 million) account, which was partially offset by the deficits recorded in the Services (USD461 million), Primary Income (USD425 million), and Secondary Income (USD10 million) accounts.

The financial account of the "Non-Financial Private Sector" had a deficit of USD632 million in September, resulting from payments of balances in foreign currency to local institutions originated from purchases made with cards to non-resident suppliers for USD282 million (which do not involve a net demand of foreign currency in the financial account); self-to-self net international transfers for USD250 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.); outflows from other financial debt held abroad and debt securities for USD103 million; the build-up of foreign assets for USD84 million; and net outflows on account of loans from international organizations for USD15 million. This deficit was partially offset by inflows from foreign direct investments of USD85 million; and inflows from the purchase of securities of USD9 million.

The transactions carried out under the foreign exchange financial account of the “Financial Sector” resulted in a surplus of USD409 million. This result is mainly explained by the decrease of USD429 million in liquid foreign assets of financial institutions’ General Exchange Position, and by net inflows from financial loans for USD16 million, which were partially offset by net sales of securities for USD33 million, and net payments of loans to international organizations for USD3 million.

The transactions carried out under the foreign exchange financial account of the “General Government and the BCRA” recorded a deficit of USD923 million, mainly explained by net payments of financial debt for USD702 million, and payments of loans to international organizations (IMF excluded) for USD124 million.

During September, BCRA’s international reserves fell USD894 million, totaling USD26,925 million by the end of the month. This drop was mainly explained on the following grounds: net payments of principal and interest to international organizations (IMF excluded) and other financial debt incurred by the National Treasury for USD1,004 million; a decrease in the US dollar exchange rate of foreign exchange reserves by USD281 million; and net payments settled by the BCRA through the Local Currency Payment System, partially offset by the purchases made by the BCRA in the forex market.

I. Introduction

This report analyzes information on foreign exchange transactions made in September 2023 as gathered by the Exchange Transaction Reporting System administered by the BCRA. Additionally, it relies on information on changes in BCRA's International Reserves due to transactions carried out by the BCRA on its own account or on behalf of the National Government, and on changes in the balance of institutions' foreign currency accounts at the BCRA.[1]

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

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

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

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

Section III deals with the Foreign Exchange Balance which comprises transactions carried out by the institutions with their clients in the foreign exchange market and those carried out by the BCRA—either on its own account or on behalf of the National Government. It is worth noting that the Foreign Exchange Balance is presented in an analytical format based on the Balance of Payments broken down by component and by institutional sector. This information is published anew in 2020, allowing readers to follow-up data (which has taken again the form of an affidavit) by type of transaction. However, the evolution of the historical series

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

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

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

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

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

II. Result by Sector in the Foreign Exchange Market

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

During September, on the buyer's side, the BCRA purchased USD433 million, and financial institutions USD18 million in the forex market. At the same time, financial institution's clients sold USD353 million and the BCRA made net payments through the Local Currency Payment System for USD98 million (See Table II.1).[4] [5] [6]

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

[4] Information on the Local Currency Payment System of this report has been drawn from the Exchange Transaction Reporting System (RIOC) and reported by transaction date. For more information, see the Methodology Used for Compiling Foreign Exchange Market and Foreign Exchange Balance Statistics

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

[6] The result by sector excludes purchases of foreign currency to pay card bills for expenses incurred abroad for an amount of USD282 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	Sep-22	Sep-23	2022 up to Sep	2023 up to Sep
BCRA - Market	**-5,062**	**-433**	**-5,062**	**1,990**
BCRA - SML	**74**	**98**	**610**	**771**
National Treasury	**0**	**-**	**2**	**-**
Institutions	**-523**	**-18**	**-593**	**-3**
Institutions' Clients (1 + 2 + 3)	**5,511**	**353**	**5,044**	**-2,758**
1. Non-Financial Private Sector	**5,445**	**675**	**5,699**	**-2,389**
Oilseeds and Grains	8,133	1,602	33,704	13,548
Real Sector Excluding Oilseeds and Grains	-1,929	-428	-22,054	-10,847
Natural Persons	-669	-578	-5,515	-4,660
Institutional Investors and Others	-91	78	-436	-431
2. General Government (National Treasury Excluded)	**6**	**-158**	**-499**	**330**
3. Institutions (Own Transactions)	**60**	**-163**	**-156**	**-700**
National Treasury Directly with the BCRA	**-964**	**-**	**-4,454**	**-6,685**

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

The following table is intended to analyze the purchases and sales carried out through institutions in the forex market, reflecting each sector's net foreign exchange result. Each heading's net result—as informed by the institutions to the BCRA—is displayed vertically. The result of forex transactions in pesos and in foreign currency may be set apart from the result of self-to-self international transfers (see Table II.2).[7]

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

[7] Although self-to-self international transfers are not precisely forex transactions, they are recorded in forex statistics. They involve a transfer of foreign currency from abroad to a local account opened in foreign currency and/or a debit of funds deposited locally for their transfer abroad. Inflows are recorded under the transfer heading (positive sign). In addition, there is a second record where the same amount is entered under a negative sign for the crediting of funds. Contrariwise, a payment abroad from a local account in foreign currency is recorded under the payment heading with a negative sign, and the debit from the account, under a positive sign. Consequently, the total result of self-to-self international transfers in the forex market is neutral. For more information, see Section C.4.6. of the Methodology Used for Compiling Foreign Exchange Market and Foreign Exchange Balance Statistics

Table II.2 Foreign Exchange Market
Result of Institutions' Transactions with Clients. September 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	1,533	-575	87	-105	21	-250	-36	675
Oilseeds and Grains	1,601	0	0	0	0	-1	2	1,602
Real Sector Excluding Oilseeds and Grains	-1	-190	-88	5	42	-105	-90	-428
Natural Persons	-13	-397	4	-159	-33	20	0	-578
Institutional Investors and Others	-54	11	171	49	11	-164	53	78
General Government (National Treasury Excluded)	-22	0	-105	62	9	-26	-76	-158
Institutions (Own Transactions)	-104	0	-37	0	0	0	-22	-163
Institutions' Result with Clients	1,406	-575	-55	-43	30	-276	-133	353
Result for Forex Transactions	1,429	-695	-67	-43	26	0	-296	353
Result for Self-to-Self International Transfers	-23	119	12	0	4	-276	163	0

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

"Oilseeds and Grains" was the main net seller of foreign currency in the market over September. This sector recorded net sales for USD1,602 million mainly for the headings included in "Goods" (collections on exports net of payments for imports), which is reasonable enough as it proves to be the main exporting sector in the economy. It recorded a net result of USD1,601 million, down 80% against September 2022.

The "Real Sector excluding Oilseeds and Grains" was a net purchaser of foreign currency, with a total of USD428 million, down 78% y.o.y., mainly explained by the lower net purchases recorded in the accounts of Goods, Services, and Primary and Secondary Inflows. In this sense, the two economic sectors generating more deficit with their purchases were "Machinery and Equipment" (USD287 million) and "Energy" (USD217 million), while the two sectors recording the highest surplus were "Food, Beverages and Tobacco" (USD506 million) and "Mining" (USD225 million), (see Table II.3).

Table II.3 Foreign Exchange Market

Result of the Real Sector excluding Oilseeds and Grains disaggregated by main headings. September 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	522	0	-7	0	1	-7	-2	506
Mining	198	0	0	1	11	-19	35	225
Agriculture and Other Primary Activities	177	0	-2	0	0	-4	-11	160
Automobile Industry	92	0	-1	1	0	41	-3	130
Information Technology	-11	1	98	0	1	-4	2	87
Entertainment	0	0	5	0	1	-1	8	13
Water	0	0	0	0	0	-1	1	0
Gastronomy	-1	0	-2	0	0	0	0	-3
Non-Metallic Mineral Products (Cement, Ceramics and Others)	-6	0	0	0	0	0	-2	-8
Construction	-9	0	0	0	0	-11	10	-10
Paper, Publishing and Printing Industry	-37	0	0	0	0	0	-3	-41
Communications	-35	0	-8	0	0	-1	-13	-57
Textile and Leather Industries	-75	0	-1	0	0	0	-2	-78
Common Metals and their Manufacture	-91	0	-6	0	0	0	5	-92
Chemical, Rubber and Plastic Industries	-96	0	16	0	1	0	-9	-88
Other Manufacturing Industries	-140	0	6	0	5	0	-3	-132
Tourism and Accommodation Services	0	-133	-2	0	0	-7	0	-143
Commerce	-209	0	6	2	0	-6	13	-195
Transport	-25	-58	-89	1	0	-33	5	-199
Energy*	34	0	-108	1	20	-52	-112	-217
Machinery and Equipment	-287	0	6	0	0	1	-8	-287
Total	-1	-190	-88	5	42	-105	-90	-428

*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 USD163 million.

In turn, the "General Government" (excluding the National Treasury) made net purchases in the forex market for USD158 million.

"Natural Persons" made net purchases totaling USD578 million mainly for traveling expenses and other payments on cards to non-resident suppliers (USD397 million), and for saving purposes (USD159 million).

"Institutional Investors and Others"—both residents and non-residents—made net sales for USD78 million in September.

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 surplus of USD511 million in September. This result was mainly explained by a surplus in "Goods" (USD1,406 million), which was partially offset by the deficit in "Services" (USD461 million), "Primary Income" (USD425 million) and "Secondary Income" (USD10 million), (see Table III.1.1).[8]

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

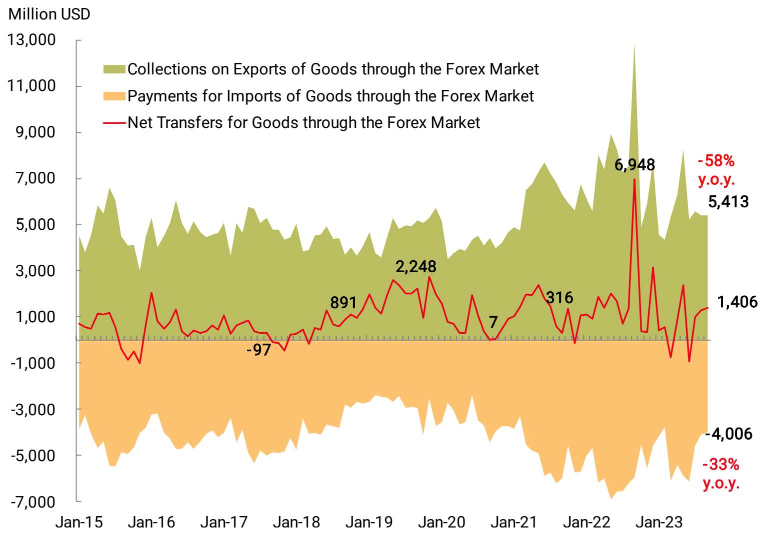
Date	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23
Foreign Exchange Current Account	5,478	-664	-1,201	2,220	-1,651	-1,237	-2,020	71	776	-1,712	-645	-372	511
Goods	6,948	363	359	3,158	414	572	-747	903	2,363	-921	985	1,292	1,406
Services	-1,075	-799	-641	-473	-725	-653	-866	-506	-430	-363	-330	-412	-461
Primary Income	-387	-217	-917	-467	-1,352	-1,142	-432	-310	-1,169	-426	-1,312	-1,251	-425
Secondary Income	-9	-12	-3	1	12	-14	25	-15	12	-1	12	-1	-10

Source: BCRA

III.1.1 Goods

In September, transfers for "Goods" on the foreign exchange balance exhibited net inflows for USD1,406 million, resulting from collections on exports for USD5,413 million, which were partially offset by payments of imports for USD4,006 million (see Chart III.1.1.1).

Chart III.1.1.1 Foreign Exchange Balance
Transfers for Goods



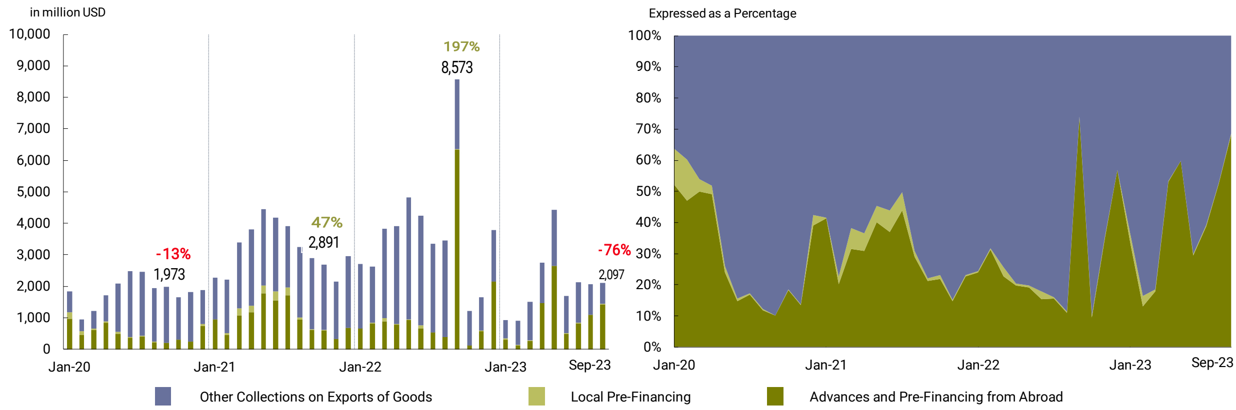
[8] For more information on the changes in the regulations that have an impact on the comparison of flows under "Goods", among other headings, see Section B.5. Important Regulatory Provisions that Have an Impact on Foreign Exchange Statistics of the Methodology Used for Compiling Foreign Exchange Market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

On Tuesday, September 5, and effective until the end of the month, the National Government established the 5th edition of the "Export Increase Program" through Executive Order 443/2023[9]. In this new edition, exporters will be allowed to settle 75% of the foreign currency from exports of soybean and its by-products at the official exchange rate and the remaining 25% will be freely available. Thus, in September, the Oilseeds and Grains sector settled collections on exports through this program in the forex market for about USD1,000 million.

In this context, in September, the "Oilseeds and Grains" sector recorded foreign currency sales for collections on exports of goods through the forex market for USD2,097 million (-76% y.o.y.). Moreover, the sector's inflows from the collections on exports of goods through the stock market under the Export Increase Program[10] were estimated at about USD310 million, which would result in total inflows from collections on exports for about USD2,410 million. The sector's FOB exports totaled USD1,992 million in September, which would imply that the sector increased its stock of commercial debt during September.

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

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



Source: BCRA

Inflows from the collections on exports of goods from the remaining sectors totaled USD3,315 million in September, decreasing 23% y.o.y., and 8% on a year-to-date comparison. In September, performance was marked by setbacks in the collections on exports in y.o.y. terms for all sectors, except for "Energy" that remained stable (see Chart III.1.1.4).

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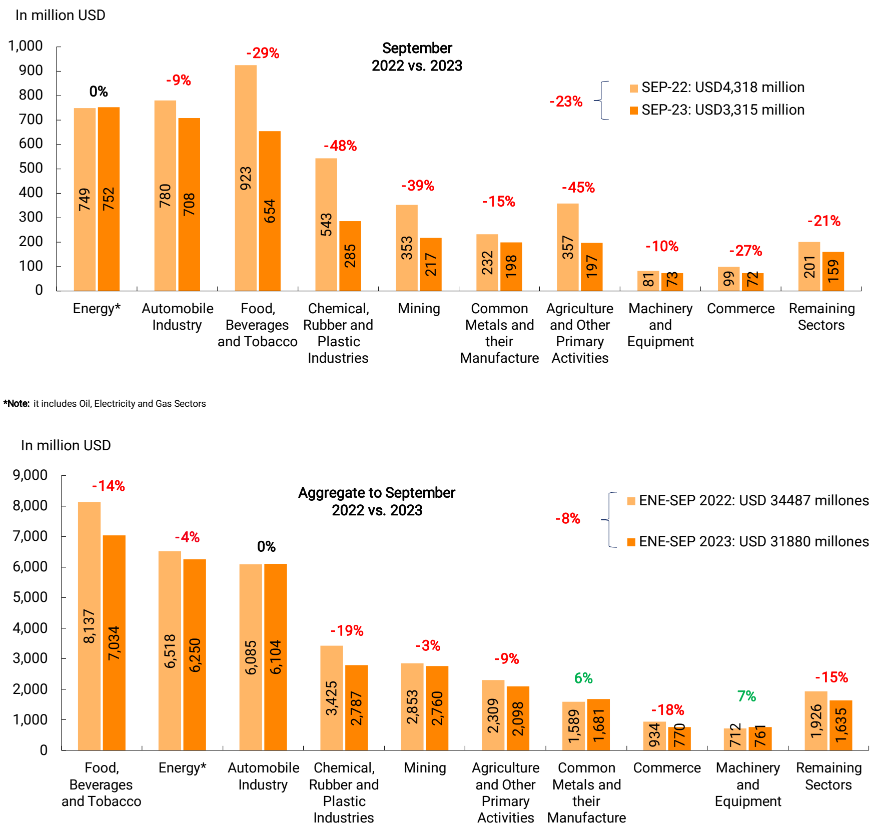
[9] To see Executive Order 443/2023 click here.
[10] It is worth noting that inflows from the collections of exports through the stock market are not included in the statistics published by the foreign exchange market and the foreign exchange balance, because they are not recorded in the Exchange Transaction Reporting System (RIOC).

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

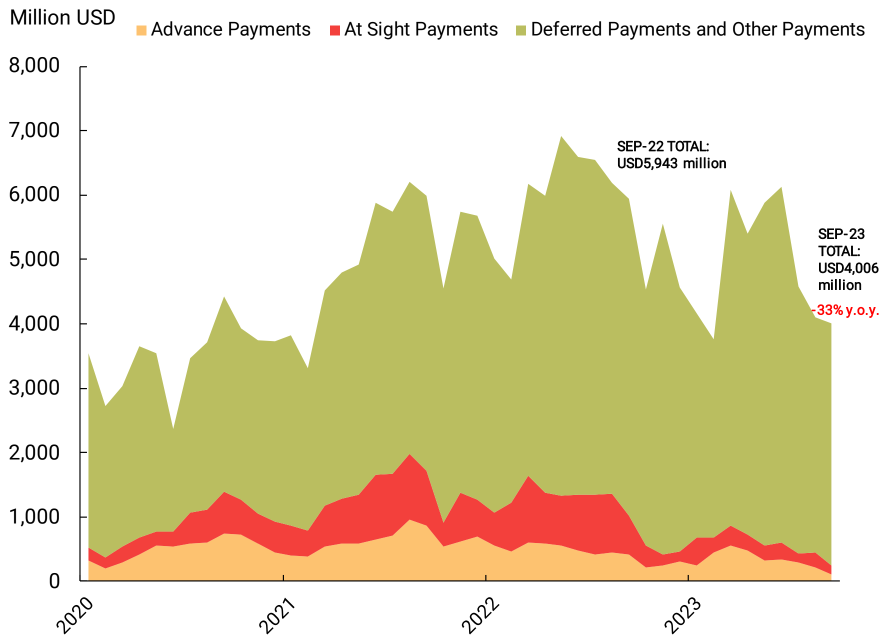


Source: BCRA

In September, payments of imports of goods totaled USD4,006 million, down 33% against September 2022, and standing below September's FOB imports (USD6,212 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 September (see Chart III.1.1.5).

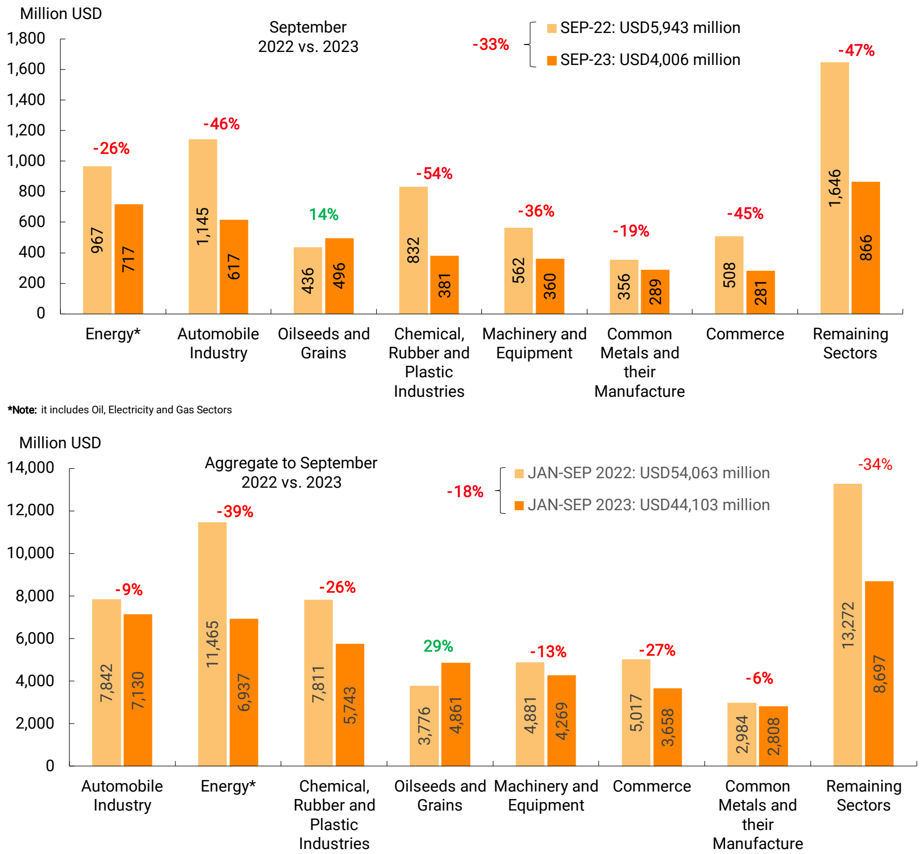
Chart III.1.1.5 Foreign Exchange Balance
Evolution of Payments for Imports of Goods by Type of Payment



Source: BCRA

An 18% of total payments for imports of goods made in September corresponded to the "Energy" sector, followed by the "Automobile Industry" (15%) and "Oilseeds and Grains" (12%) sectors. The "Oilseeds and Grains" sector showed greater dynamism in September with a 29% y.o.y. increase, mainly due to the drought that hindered the supply of soybean needed for the processing industry to maintain its minimum operating level and to meet their commercial commitments. Moreover, this season's record harvest of Brazil made the import, processing and export of soybean by-products more economically convenient. These types of transactions involve temporary imports, i.e. beans that will be locally industrialized and re-exported (see Chart III.1.1.6).

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

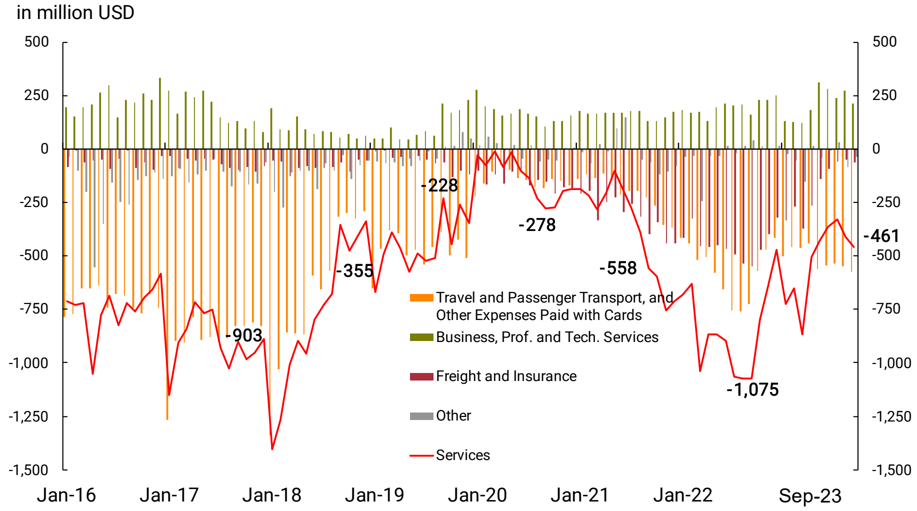


Source: BCRA

III.1.2 Services, Primary and Secondary Income

The “Services” account recorded a deficit of USD461 million in September, down 57% against the net outflows of September 2022. This improvement correlated with a fall in gross outflows for “Freight and Insurance” (USD510 million; down 86% y.o.y.), “Business, Professional and Technical Services” (USD82 million, down 57% y.o.y.), and “Travel and Passenger Transport, and Other Expenses Paid with Cards” (USD51 million; down 7% y.o.y.), (see Chart III.1.2.1).

Chart III.1.2.1 Foreign Exchange Balance
Net Inflows from Services



Source: BCRA

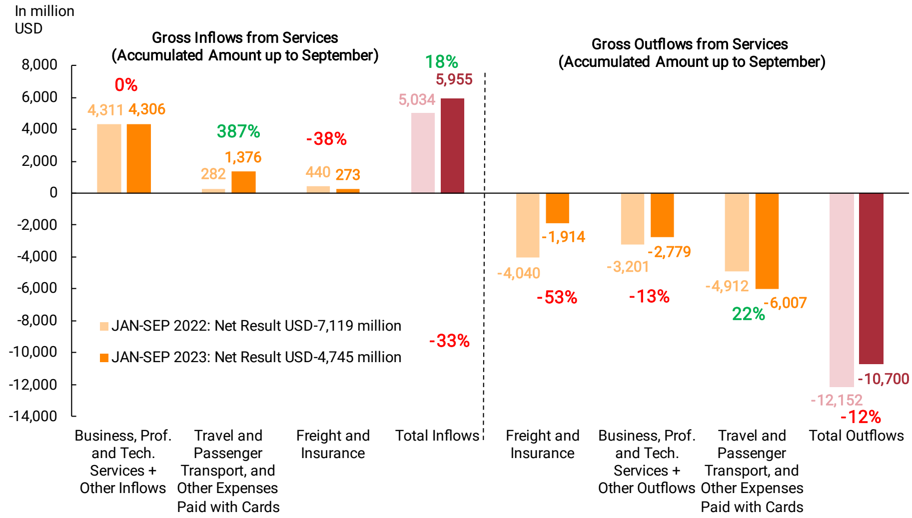
In September, gross inflows from Travel and Passenger Transport amounted to USD142 million (up 232% against September 2022). This increase was observed after the implementation of Communication "A" 7630, dated November 3, 2022, which set forth that any inflows arising from non-resident cards, charges 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.[11] [12]

Thus, this month's result was explained by net outflows of "Travel and Passenger Transport, and Other Expenses Paid with Cards" (USD575 million), "Freight and Insurance" (USD62 million) and "Other Services" (USD35 million), partially offset by net inflows from "Business, Professional and Technical Services" (USD212 million).

Over the accumulated period from January up to September 2023, net outflows from the payment of services totaled USD4,745 million, down 33% against the same period in 2022 (see Chart III.1.2.2).

[11] 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.
[12] 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 USD425 million in September, mainly due to net payments of "Interest" for USD412 million.

The "General Government and the BCRA" paid USD326 million of gross interest (including payments of interest to international organizations—IMF excluded—amounting to USD272 million). In turn, the private sector repaid USD107 million for the same heading. In addition, gross outflows of profits, dividends and other income transferred to accounts abroad amounted to USD16 million.[13]

Finally, secondary income transactions had a deficit of USD10 million.

III.2 Capital Account

In September, the capital account of the foreign exchange balance recorded a surplus of USD9 million.

III.3 Foreign Exchange Financial Account

In September, transactions carried out under the foreign exchange financial account recorded a deficit of USD1,132 million. This result was explained by the deficit recorded in the "National Government and the

[13] 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" (USD923 million) and in the "Non-Financial Private Sector" (USD632 million), which was partially offset by the surplus recorded in the "Financial Sector" (USD409 million), and in "Other Net Transfers" (USD14 million), (see Table III.3.1).[14]

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

Date	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23
Foreign Exchange Financial Account	**-3,793**	**2,241**	**-303**	**3,669**	**-2,219**	**-734**	**1,855**	**-4,091**	**-2,191**	**-2,915**	**-3,676**	**4,409**	**-1,132**
Non-Financial Private Sector	-639	-617	-660	-409	-412	-713	-675	-852	-677	-155	-948	-346	-632
Financial Sector	-616	192	14	-1,078	878	62	198	76	-696	179	-800	403	409
General Government and the BCRA	-2,519	2,081	80	3,944	-3,139	-218	2,815	-2,823	-787	-2,482	-1,678	4,807	-923
Other Net Transfers	-18	585	263	1,212	454	135	-484	-493	-31	-456	-249	-455	14

Source: BCRA

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

The financial account of the "Non-Financial Private Sector" had a deficit of USD632 million in September, resulting from payments of balances in foreign currency to local institutions originated from purchases made with cards to non-resident suppliers for USD282 million (which do not involve a net demand of foreign currency in the financial account)[15]; self-to-self net international transfers for USD250 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.); outflows from other financial debt held abroad and debt securities for USD103 million; the build-up of foreign assets for USD84 million; and net outflows on account of loans from international organizations for USD15 million. This deficit was partially offset by inflows from foreign direct investments of USD85 million; and inflows from the purchase of securities of USD9 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	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23
Foreign Exchange Financial Account	**-639**	**-617**	**-660**	**-409**	**-412**	**-713**	**-675**	**-852**	**-677**	**-155**	**-948**	**-346**	**-632**
Non-Residents' Direct Investments	41	40	33	66	52	54	38	58	54	223	45	69	85
Non-Residents' Portfolio Investments	0	-1	-3	1	-1	3	-1	0	-1	-4	0	-1	12
Financial Loans and Credit Lines	-437	-476	-515	-130	-149	-582	-278	-456	-420	-188	-281	-525	-389
Local Financial Loans	42	52	-17	-12	-28	-97	56	76	-101	-83	-88	49	-5
Other Foreign Loans and Debt Securities	-100	-169	-235	126	107	-248	-45	-317	-81	182	76	-326	-103
Payment of Card Balance	-379	-358	-262	-244	-228	-237	-290	-215	-237	-287	-270	-248	-282
Loans from Other International Organizations and Other	31	-5	-79	-58	8	-52	-41	1	-83	-56	-84	150	-15
Buildup of Foreign Assets by the Non-Financial Private Sector	-107	14	56	95	-81	-11	-4	-397	-83	0	-196	-91	-84
Self-to-Self International Transfers	-167	-189	-152	-381	-240	-123	-386	-56	-150	-130	-430	54	-250
Purchase and Sale of Securities	0	-1	-1	-1	-2	-2	-2	-2	5	0	-3	-2	9

Source: BCRA

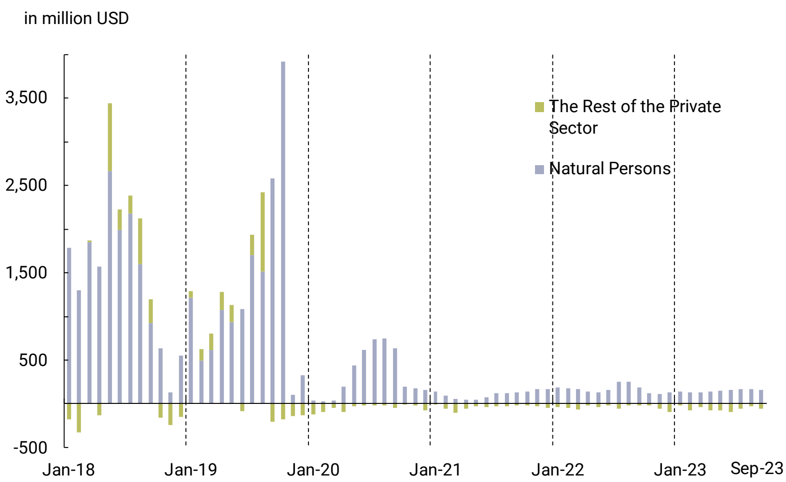
[14] For more information on the "Other Net Transfers" account of the foreign exchange balance, see Section C.4.11. of the Methodology Used for Compiling Foreign Exchange Market and Foreign Exchange Balance Statistics
[15] The demand of foreign currency due to purchases made with cards from foreign suppliers 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[16] 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 USD84 million—i.e., net purchases of banknotes (USD105 million), which were partially offset by net inflows of foreign currency (USD21 million).

This outcome reflects net purchases for USD159 million made by "Natural Persons", partially offset by net sales for USD54 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

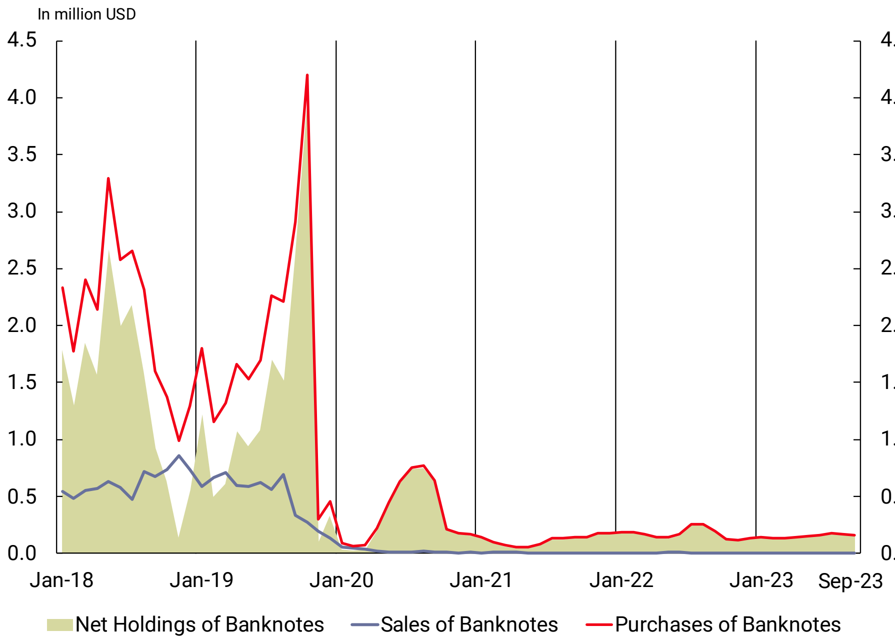


Source: BCRA

In September, "Natural Persons" purchased banknotes for USD163 million–down 5% against August, and down 16% y.o.y.–and sold USD4 million (see Chart III.3.1.2).[17]

[16] See Communication "A" 7852 here.
[17] 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).

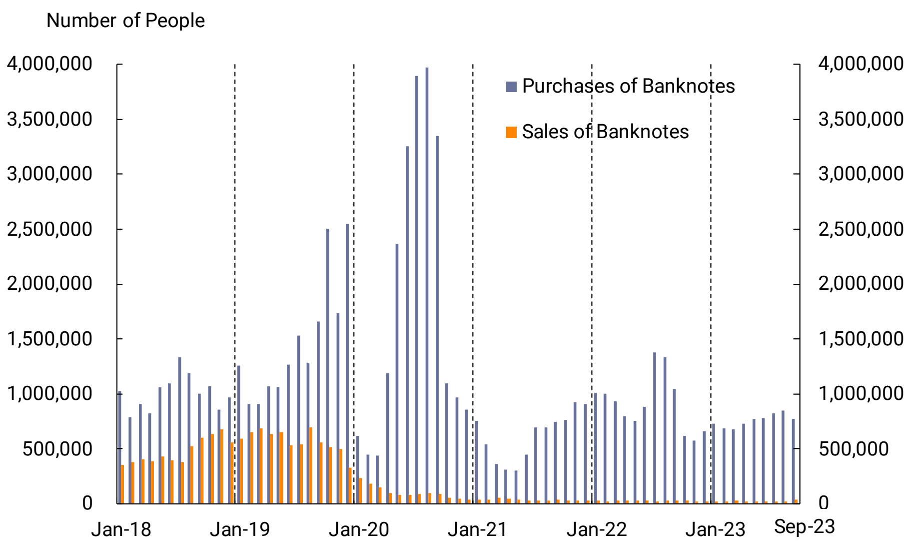
Chart III.3.1.2 Foreign Exchange Balance
Natural Persons. Banknotes



Source: BCRA

In terms of traders, 774,000 individuals purchased banknotes, while sellers amounted to about 31,000 (see Chart III. 3.1.3).

Chart III.3.1.3 Foreign Exchange Balance
Natural Persons. Banknotes

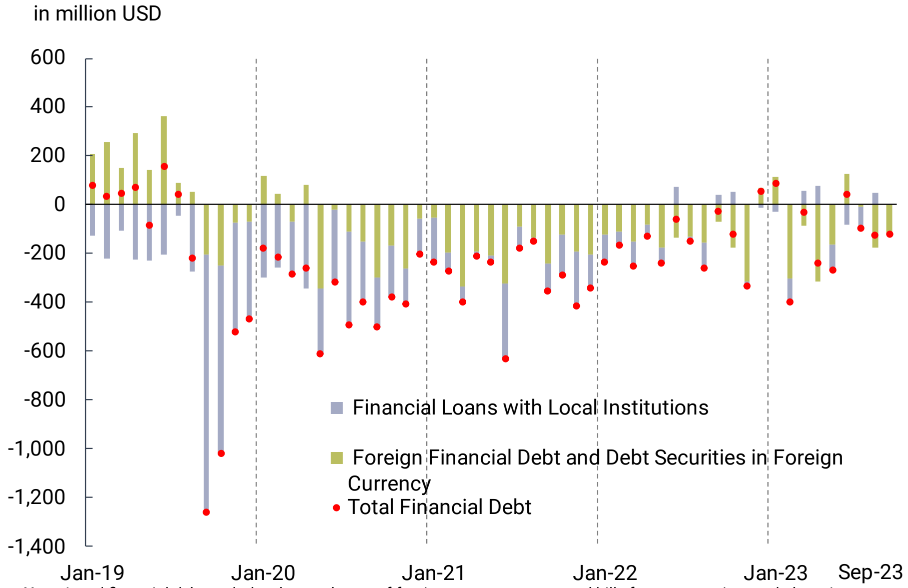


Source: BCRA

In turn, in September, this sector recorded net inflows from their own accounts abroad (USD21 million). This result is mainly explained by the net transfers received by the "Real Sector excluding Oilseeds and Grains" (USD42 million) and by "Institutional Investors and others" (USD11 million), which were partially offset by the net transfers made by "Natural Persons" for USD33 million.

Net outflows of financial debt from the non-financial private sector, including loans from international organizations and local financial loans, reached USD122 million in September—net outflows from "Energy" (USD113 million) standing out. This amount involves net outflows on account of financial debt held abroad, securities in foreign currency, and loans owed to international organizations (USD117 million), and net outflows from local loans (USD5 million). The total amount excludes purchases of foreign currency to pay card bills for expenses incurred abroad (USD282 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).[18]

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



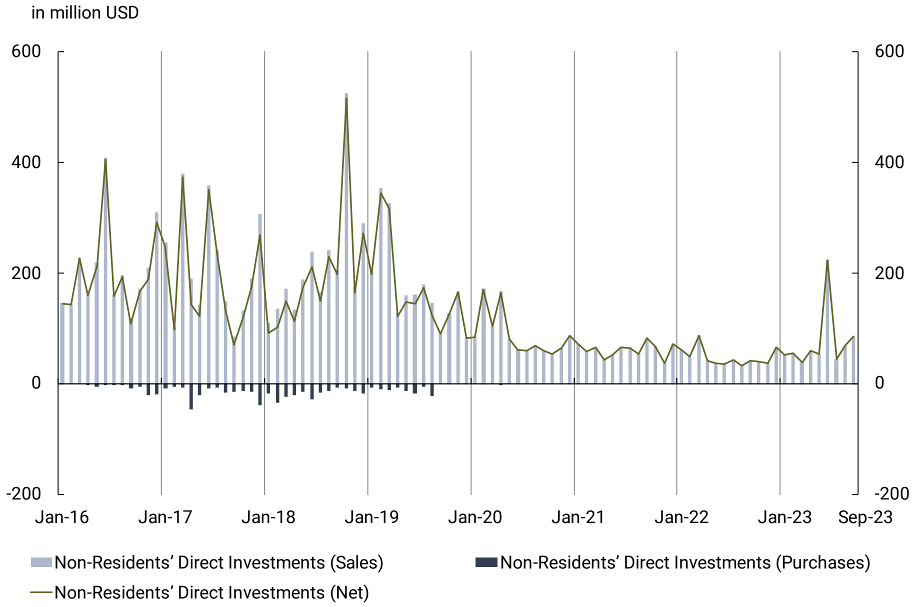
Note: Local financial debt excludes the purchases of foreign currency to pay card bills for expenses incurred abroad, which do not imply a net demand within the forex market

Source: BCRA

Direct investments made by non-residents in the private sector through the forex market reached USD85 million (net inflows) in September (see Chart III.3.1.5).

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

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



Source: BCRA

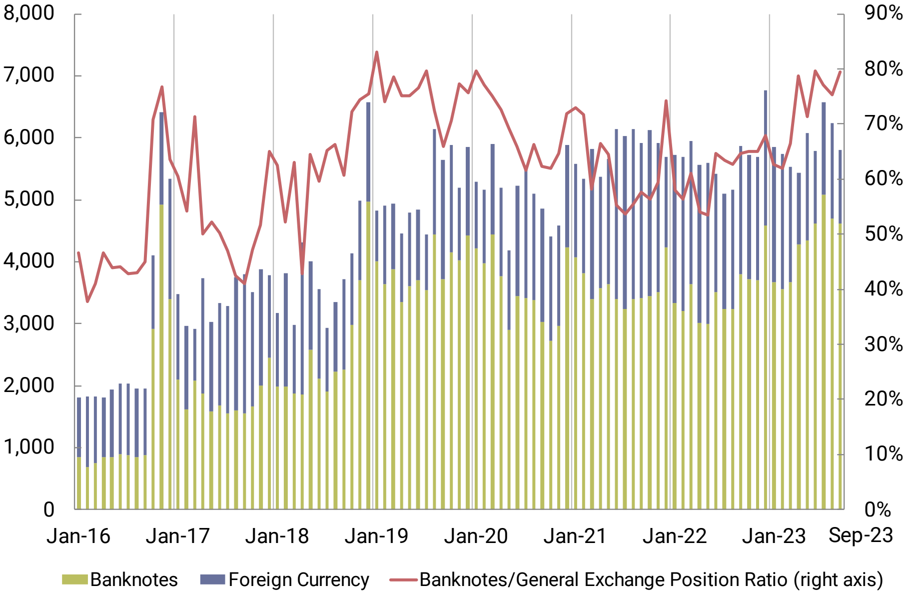
III.3.2. Foreign Exchange Financial Account of the Financial Sector

In September, the transactions carried out under the foreign exchange financial account of the "Financial Sector" resulted in a surplus of USD409 million. This result is mainly explained by the decrease of USD429 million in liquid foreign assets of financial institutions' General Exchange Position[19], and by net inflows from financial loans for USD16 million, which were partially offset by net sales of securities for USD33 million, and net payments of loans to international organizations for USD3 million.

Financial institutions' General Exchange Position amounted to USD5,808 million at the end of September, down 7% against the end of August. The result was explained by a drop in holdings of foreign currency (USD348 million) and in the stock of banknotes (USD81 million). Holdings of foreign currency banknotes totaled USD4,618 million by the end of the month. This stock accounted for 80% 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).

[19] 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 September with a forward short position in foreign currency of USD292 million, recording a drop of USD144 million against the end of August. They purchased USD156 million in regulated markets and sold USD12 million to their clients directly (Forwards) over the month (see Chart III.3.2.2).

Foreign capital institutions ended September with a net short position of USD145 million, decreasing their short position by USD70 million compared to August. In turn, national capital institutions purchased USD74 million, reducing their net short position of August to USD147 million (see Chart III.3.2.3).

Chart III.3.2.2 Forward Market
EOM Institutions’ Forward Position

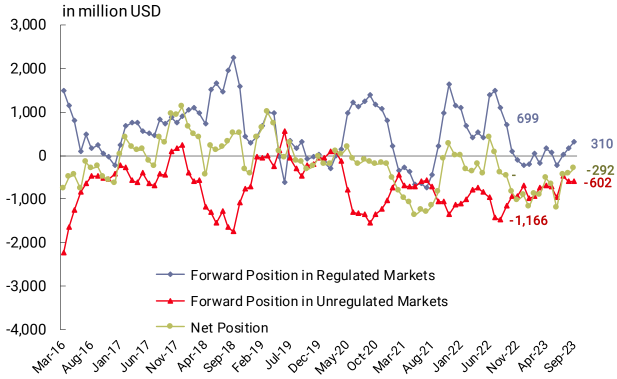
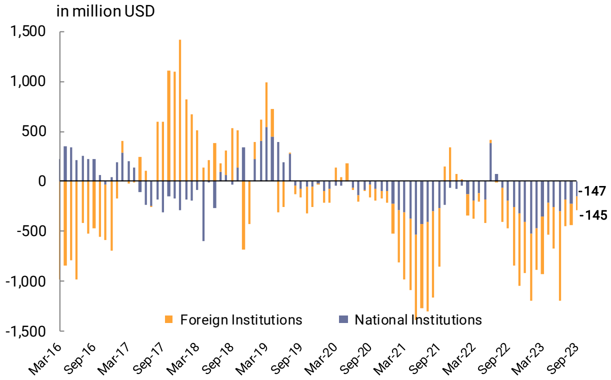


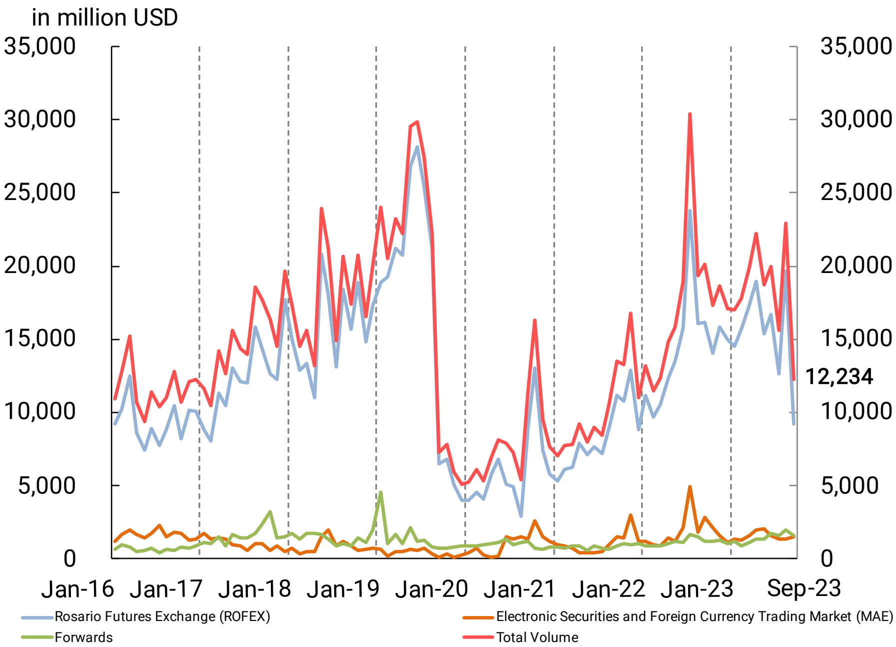
Chart III.3.2.3 Forward Market
EOM Institutions’ Forward Position



Source: BCRA

The volume traded in forward markets totaled USD12,234 million in September, i.e.: USD583 million daily on average. Transactions carried out in the Rosario Futures Exchange (ROFEX) continued to stand out, with a 75% share in the total volume traded in the forward market (see Chart III.3.2.4).[20]

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



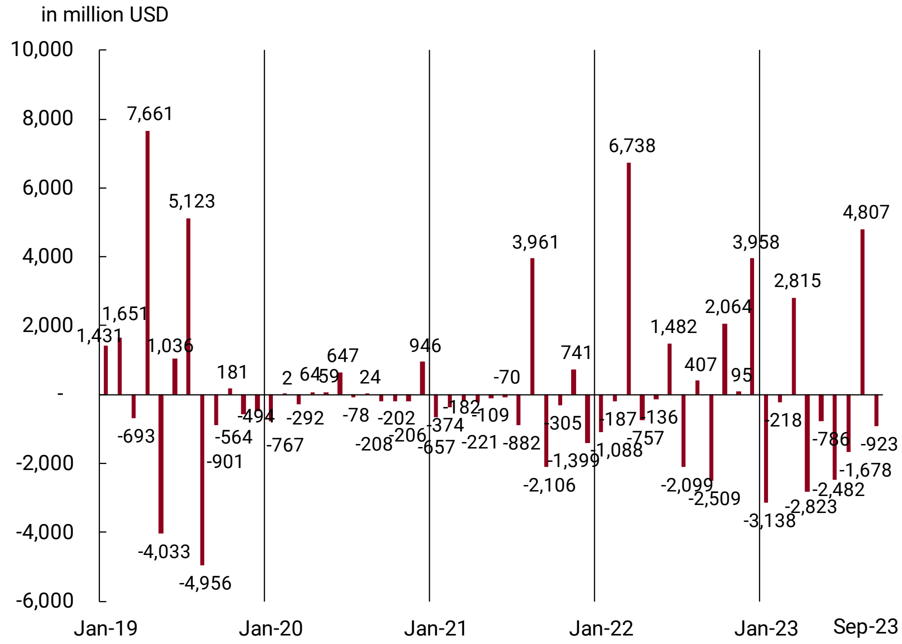
Source: BCRA

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

In September, the transactions carried out under the foreign exchange financial account of the "General Government and the BCRA" recorded a deficit of USD923 million (see Chart III.3.3.1), mainly explained by net payments of financial debt for USD702 million, and payments of loans to international organizations (IMF excluded) for USD124 million.

[20] 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

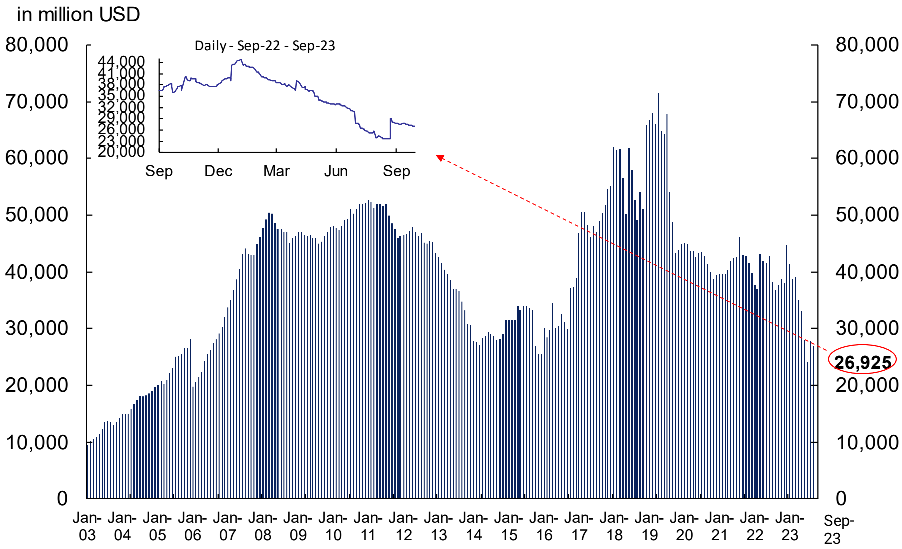


Source: BCRA

IV. BCRA’s International Reserves

During September, BCRA’s international reserves fell USD894 million, totaling USD26,925 million by the end of the month. This drop was mainly explained on the following grounds: net payments of principal and interest to international organizations (IMF excluded) and other financial debt incurred by the National Treasury for USD1,004 million; a decrease in the US dollar exchange rate of foreign exchange reserves by USD281 million; and net payments settled by the BCRA through the Local Currency Payment System, partially offset by the purchases made by the BCRA in the forex market (see Chart IV.1).

Chart IV.1 BCRA's International Reserves



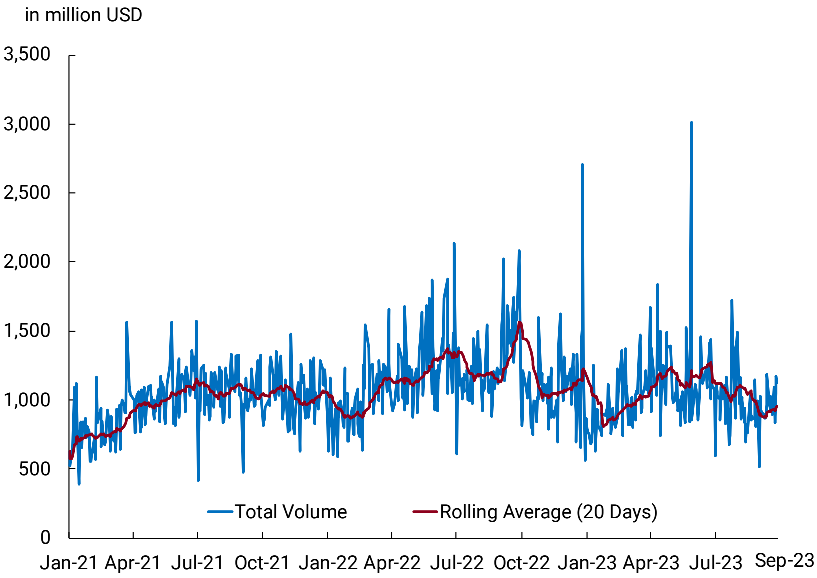
Source: BCRA

V. Volumes Traded in the Foreign Exchange Market

In September, the volume traded in the forex market totaled USD20,103 million, down 38% against September 2022 (see Chart V.1). The average daily volume traded was USD957 million, falling in y.o.y. terms as a result of an 82% drop in transactions between the institutions and the BCRA (down USD4,234 million), and a 44% drop in transactions between the institutions and their clients (down USD10,090 million), partially offset by a 43% increase in transactions between the institutions (up USD1,926 million).[21]

[21] 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

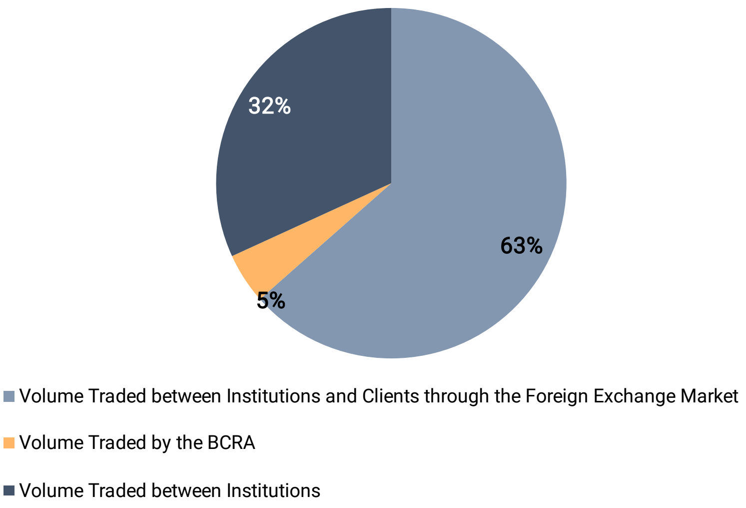


Source: BCRA

Foreign exchange transactions between institutions and their clients accounted for 63% of the total volume traded, while transactions between institutions—mainly through the Electronic Trading System (SIOPEL)—represented 32%; in turn, transactions between institutions and the BCRA stood for the remaining 5% (see Chart V.2).[22]

[22] The volume traded between licensed institutions and their clients excludes the following items: the underwriting of LEBAC bills, self-to-self international transfers (around USD1,131 million), the record of deposits in foreign currency allocated for the payment of financial debt service for about USD158 million, and purchases of foreign currency to pay card bills for expenses incurred abroad (around USD282 million for the month under study).

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

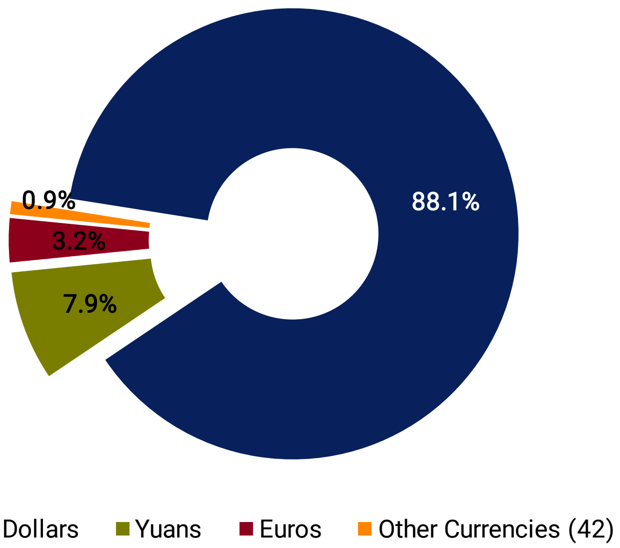


Source: BCRA

In September, 147 institutions traded in the market involving 45 foreign currencies.

Thus, most of the volume traded between licensed institutions and their clients was highly concentrated both at the institution level (the first ten accounted for 90% of such volume) and in terms of the currency used, USD-denominated transactions having an 88% share in the total traded with clients. The yuan ranked second (8% of the total traded with clients) after surpassing the euro (3% of the total). The remaining currencies concentrated 1% of the total volume traded (see Chart V.3).

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



Source: BCRA

Finally, 87% of foreign exchange transactions between financial and foreign exchange institutions and their clients were channeled through private financial institutions, 13% through public banks, and 0.1% through foreign exchange houses and agencies.