Evolution of the Foreign Exchange Market and the Foreign Exchange Balance

September 2024

BANCO CENTRAL
DE LA REPÚBLICA ARGENTINA

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Executive Summary

The world economy is growing at a modest pace, but with favorable prospects. Economies are evolving in different ways—poor performance of the advanced economies of Europe and strong growth of the United States and some emerging economies. Post-COVID restrictive monetary conditions have had an impact on inflation levels. Particularly in the United States and the European Union, the decline in inflation has enabled the Federal Reserve (FED) and the European Central Bank (ECB) to reduce interest rates for the first time since 2020. The ECB has already dropped interest rates twice this year, while the FED did it only once in September by half a percentage point.

At the local level, under the "Asset Regularization Regime" established by Law 27,743 and regulated by Executive Order 608/2024 and Communication A 8062, the regularization of holdings in domestic and foreign currency in Argentina and/or abroad has begun. In this context, financial institutions received, during September, deposits in foreign currency amounting to around USD13.1 billion. Effective September 2, the National Government's Executive Order 777/2024 and the AFIP's General Resolution 5559/24 established the reduction of the "PAIS tax" rate applied to the import of goods and freight from 17.5% to 7.5%. The aim of this measure is to scale down the cost associated with imported goods and services, thereby mitigating their impact on domestic prices.

In terms of the forex market performance for September, financial institution's clients purchased USD89 million, and financial institutions' sales amounted to USD405 million. The BCRA made net purchases of USD372 million, net payments through the Local Currency Payment System for USD56 million, and sold directly to the National Treasury USD1,529 million.

The "Non-Financial Private Sector" was a net seller of foreign currency for USD31 million. Within that group, the "Oilseeds and Grains" sector was the main supplier of foreign currency, recording net inflows of USD1,690 million, mainly explained by the result in "Goods". The "Real Sector excluding Oilseeds and Grains" recorded net outflows of USD1,178 million, while those of "Natural Persons" amounted to USD470 million, mainly for traveling expenses and other payments on cards to non-resident suppliers.

In terms of the foreign exchange balance for September, the foreign exchange current account experienced a deficit of USD700 million. This result was explained by net outflows recorded in "Services" (USD650 million) and "Primary Income" (USD588 million), which were partially offset by the surplus recorded in "Goods" (USD528 million) and "Secondary Income" (USD10 million). In September, the foreign exchange financial account recorded a surplus of USD661 million. This result was explained by the surplus recorded in "Other Net Transfers" (USD12,179 million), which was largely counterbalanced by a rise in holdings of foreign currency banknotes by institutions within the "Financial Sector", which was recorded as an increase in their foreign assets under the General Exchange Position. Consequently, this sector experienced net outflows of USD10.7 billion. The "Non-Financial Private Sector" recorded a surplus of USD67 million, whereas the "National Government and the BCRA" recorded a deficit of USD884 million.

During September, BCRA's international reserves increased USD454 million, totaling USD27,172 million by the end of the month. This rise was mainly explained as follows: the increase in financial institution's holdings of foreign currency in the BCRA (USD1,168 million), the increase in the US dollar exchange rate of foreign exchange reserves (USD496 million), and the settlement of net purchases made by the BCRA in the forex market (USD17 million), which were partially offset by net outflows of principal and interest to international organizations (IMF excluded), sovereign bonds and other financial debt of the National Treasury and the BCRA (USD1,125 million), and net payments made by the BCRA through the Local Currency Payment System (USD55 million).

I. Introduction

This report analyzes information on foreign exchange transactions made in September 2024 as gathered by the Exchange Transaction Reporting System administered by the BCRA. Additionally, it relies on information on changes in the BCRA's International Reserves due to transactions carried out by the BCRA on its own account or on behalf of the National Government, and due to changes in the balance of institutions' foreign currency accounts at the BCRA.[1]

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

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

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

Section II of this report analyzes the result of foreign exchange transactions; data are broken down by sector and by heading. Sectors were grouped into: "Central Bank", "Institutions", "General Government", "Oilseeds and Grains", "Real Sector excluding Oilseeds and Grains", "Natural Persons", and "Institutional Investors and Others" on the basis of the identification number entered and the main activity reported to the AFIP. For more information on the categorization used, see Section B.4. of the "Methodology Used for Compiling Foreign Exchange Market and Foreign Exchange Balance Statistics".[2] In addition, there is an annex of statistical series broken down by sector based on the National Classifier of Economic Activities (CLANAE) as reported by companies within the framework of the National Economic Census carried out by INDEC in 2021, supplemented, in some cases, with the Classification of Economic Activity reported to the AFIP (CLAE), since at the Letter and Group levels (3 digits) both classifiers match each other. Foreign exchange market and foreign exchange balance statistics are available on the BCRA's website.

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

[1] Communication A 3840, as amended.

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

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).

Section III deals with the Foreign Exchange Balance, which comprises transactions carried out by the institutions with their clients in the foreign exchange market and those carried out by the BCRA (included in Section II)—either on its own account or on behalf of the National Government. It is worth noting that the Foreign Exchange Balance is presented in an analytical format based on the Balance of Payments broken down by component and by institutional sector. This information is published anew in 2020, allowing readers to follow up data based on the reasons for the transactions (headings), which are again taken as an affidavit. However, the evolution of the historical series shown here should be analyzed in light of the different forex regulations in force by period (see Section B.5. of the Methodology Used for Compiling Foreign Exchange Market and Foreign Exchange Balance Statistics).

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

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

II. Result by Sector in the Foreign Exchange Market

In September, financial institutions' clients purchased USD89 million in the forex market, and financial institutions' sales amounted to USD405 million.[3] The BCRA made net purchases of USD372 million, net payments through the Local Currency Payment System for USD56 million, and sold directly to the National Treasury USD1,529 million (see Table II.1).[4] [5] [6]

[3] Like in recent months, financial institution's sales in September would be associated with foreign currency funds received from their clients to pay for card consumptions in foreign currency.
[4] Information on the Local Currency Payment System of this report has been drawn from the Exchange Transaction Reporting System (RIOC) and reported by transaction date. For more information, see the Methodology Used for Compiling Foreign Exchange Market and Foreign Exchange Balance Statistics
[5] Transactions in the forex market are reported according to their transaction date, except for the purchase and sale of securities payable in foreign currency.
[6] The result by sector excludes purchases of foreign currency to pay card bills for expenses incurred abroad for an amount of USD174 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-23	Sep-24	2023 up to Sep	2024 up to Sep
BCRA - Market	**-433**	**-372**	**1,990**	**-14,872**
BCRA - Local Currency Payment System	**98**	**56**	**771**	**371**
National Treasury	**-**	**-**	**-**	**-**
Institutions	**-18**	**405**	**-3**	**1,905**
Institutions' Clients (1 + 2 + 3)	**353**	**-89**	**-2,758**	**12,596**
1. Non-Financial Private Sector	**675**	**31**	**-2,389**	**14,720**
Oilseeds and Grains	1,602	1,690	13,548	15,376
Real Sector excluding Oilseeds and Grains	-428	-1,178	-10,847	2,267
Natural Persons	-578	-470	-4,660	-3,094
Institutional Investors and Others	78	-11	-431	170
2. General Government (National Treasury Excluded)	**-158**	**-99**	**330**	**-1,159**
3. Institutions (Own Transactions)	**-163**	**-21**	**-700**	**-965**
National Treasury Directly with the BCRA	**-**	**-1,529**	**-6,685**	**-10,190**

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

In September, the "Oilseeds and Grains" sector was the main supplier of foreign currency, with net sales of USD1,690 million in the forex market. This was mainly explained by collections on exports net of payments for imports (under "Goods"), recording a net amount of USD1,684 million (see Table II.2).

It is worth noting that, since December 2023, exporters can settle up to 20% of their exports through the stock market. This change complicates year-on-year comparisons, affecting consistency and reliability.

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

Sector/Main Headings	Goods	Travel and Passenger Transport, and Other Expenses Paid with Cards	Other Services, and Primary and Secondary Inflows	Foreign Assets - Banknotes	Foreign Assets - Foreign Currency	Net Self-to-Self International Transfers	Debt, FDI, Portfolio, and Other Transactions	Total
Non-Financial Private Sector	**566**	**-593**	**-152**	**50**	**534**	**-869**	**496**	**31**
Oilseeds and Grains	1,684	0	-4	0	2	-15	23	1,690
Real Sector excluding Oilseeds and Grains	-1,030	-155	-315	34	47	-158	399	-1,178
Natural Persons	-18	-480	16	4	470	-482	19	-470
Institutional Investors and Others	-70	41	151	11	15	-214	55	-11
General Government (National Treasury Excluded)	**-14**	**0**	**-100**	**153**	**0**	**1**	**-139**	**-99**
Institutions (Own Transactions)	**-24**	**0**	**-24**	**0**	**0**	**0**	**27**	**-21**
Institutions' Result with Clients	**528**	**-594**	**-277**	**203**	**534**	**-868**	**384**	**-89**
Result for Forex Transactions	**388**	**-710**	**-346**	**203**	**15**	**0**	**360**	**-89**
Result for Self-to-Self International Transfers	**140**	**116**	**69**	**0**	**519**	**-868**	**24**	**0**

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

The “Real Sector excluding Oilseeds and Grains” recorded net purchases amounting to USD1,178 million, mainly explained by the result in “Goods”, with net outflows of USD1,030 million.

On a disaggregated basis, the economic sectors running larger surplus were “Food, Beverages and Tobacco” (USD564 million) and “Mining” (USD329 million), while “Automobile Industry” (USD551 million) and “Chemical, Rubber and Plastic Industries” (USD426 million) had the highest deficit (see Table II.3).

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

Sector/Main Headings	Goods	Travel and Passenger Transport, and Other Expenses Paid with Cards	Other Services, and Primary and Secondary Inflows	Foreign Assets - Banknotes	Foreign Assets - Foreign Currency	Net Self-to-Self International Transfers	Debt, FDI, Portfolio, and Other Transactions	Total
Food, Beverages and Tobacco	610	0	-9	0	0	-53	16	564
Mining	289	0	-110	1	22	-53	179	329
Agriculture and Other Primary Activities	206	0	-3	0	0	-29	8	182
Information Technology	-10	3	76	0	0	-16	10	63
Entertainment	-2	0	9	0	10	-4	-4	9
Gastronomy	-1	0	0	0	1	-1	0	-1
Water	-2	0	0	0	0	0	0	-2
Non-Metallic Mineral Products (Cement, Ceramics and Others)	-17	0	-1	0	0	-1	3	-15
Energy*	8	0	-105	18	1	-14	77	-16
Construction	-20	0	0	0	1	-6	8	-17
Paper, Publishing and Printing Industry	-52	0	1	0	0	3	1	-47
Communications	-34	0	-23	0	1	-2	11	-48
Textile and Leather Industries	-76	0	-2	0	0	-5	2	-81
Transport	-7	-45	-101	14	1	30	5	-103
Other Manufacturing Industries	-111	0	-1	0	5	-6	-3	-116
Tourism and Accommodation Services	0	-113	1	0	1	-8	0	-120
Common Metals and their Manufacture	-93	0	-14	0	0	-2	-13	-122
Machinery and Equipment	-392	0	2	0	1	-3	63	-329
Commerce	-336	0	-2	1	2	2	3	-330
Chemical, Rubber and Plastic Industries	-437	0	-13	0	1	-11	34	-426
Automobile Industry	-552	0	-19	0	0	22	-2	-551
Total	**-1,030**	**-155**	**-315**	**34**	**47**	**-158**	**399**	**-1,178**

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

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

“Natural Persons” recorded net outflows of USD470 million mainly for traveling expenses and other payments on cards to non-resident suppliers.[7]

“Institutional Investors and Others”—both residents and non-residents—recorded net outflows of USD11 million.

Financial institutions made net purchases with their own funds for USD21 million.

In turn, the “General Government” (excluding the National Treasury) made net purchases in the forex market for USD99 million, mainly explained by net repayments of principal and interest of financial debt, which were partially offset by the sale of banknotes.

[7] It should be noted that part of these card consumptions (recorded as outflows under the “Travel” account) are paid by clients with their own funds in foreign currency, partially offsetting the impact on the forex market and, accordingly, on the changes in international reserves (see institution’s net sales in Table II.1).

III. Foreign Exchange Balance

III.1. Current Account

Current account transactions recorded in the foreign exchange balance showed a deficit of USD700 million in September. This result was mainly explained by the net outflows recorded in “Services” (USD650 million) and “Primary Income” (USD588 million), which was partially offset by the surplus recorded in “Goods” (USD528 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-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24
Foreign Exchange Current Account	511	-313	47	2,962	2,344	1,575	1,804	2,277	1,161	-223	-1,668	-1,269	-700
Goods	1,406	854	1,982	3,381	3,879	3,059	2,424	2,737	2,708	795	551	576	528
Services	-461	-753	-678	-20	84	-232	-158	-183	-388	-368	-566	-614	-650
Primary Income	-425	-373	-1,256	-387	-1,625	-1,264	-462	-290	-1,180	-533	-1,670	-1,243	-588
Secondary Income	-10	-42	-2	-12	6	13	0	12	21	-117	17	13	10

Source: BCRA

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

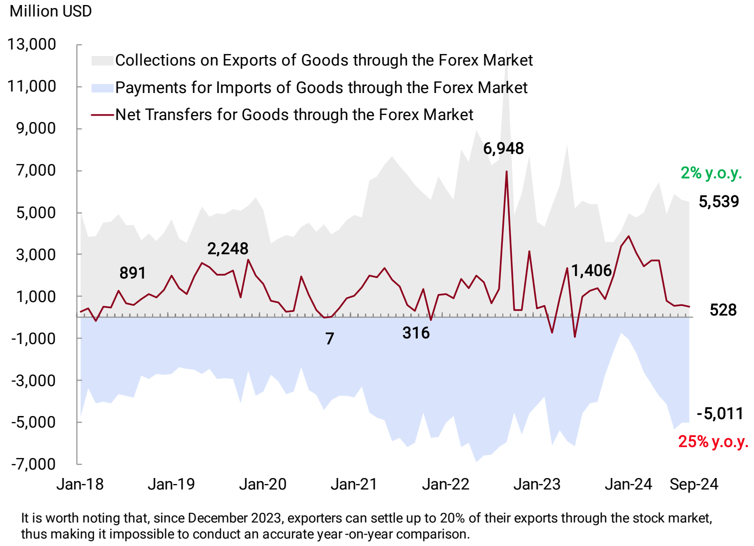
Under these regulations, foreign currency inflows from exports of goods and services settled through the stock market are not recorded as collections of exports of goods and services in the foreign exchange market and foreign exchange balance statistics; except for those collections that were kept in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

III.1.1. Goods

In September, transfers for “Goods” on the foreign exchange balance exhibited net inflows for USD528 million, resulting from collections on exports for USD5,539 million, which were partially offset by payments of imports for USD5,011 million (see Chart III.1.1.1).

[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 on the BCRA’s website.

Chart III.1.1.1 Foreign Exchange Balance
Transfers for Goods



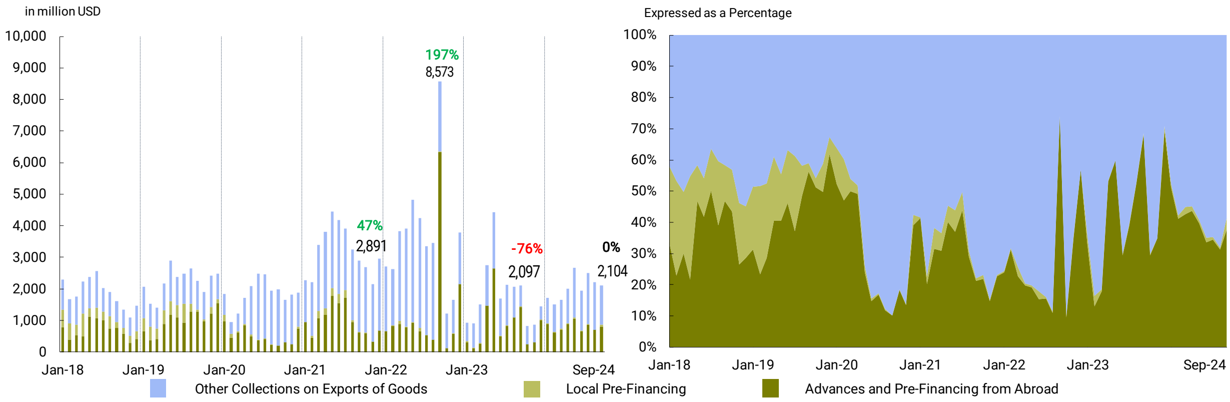
Source: BCRA

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

In this context, the "Oilseeds and Grains" sector recorded foreign currency sales for collections on exports of goods through the forex market for USD2,104 million in September (remaining virtually unchanged compared to September 2023). The sector's FOB exports totaled USD2,475 million in September. Considering the companies' estimated inflows channeled through the stock markets, the sector's stock of commercial debt slightly increased.

Forty-one percent of the sector's inflows were collected ahead of time either through advances or pre-financing of exports (local and foreign) (see Chart III.1.1.2).

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



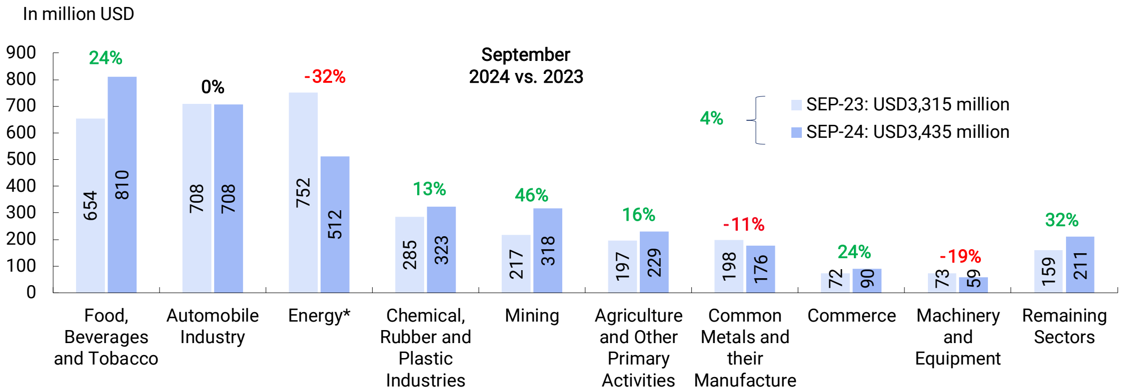
It is worth noting that, since December 2023, exporters can settle up to 20% of their exports through the stock market, thus making it impossible to conduct an accurate year-on-year comparison.

Source: BCRA

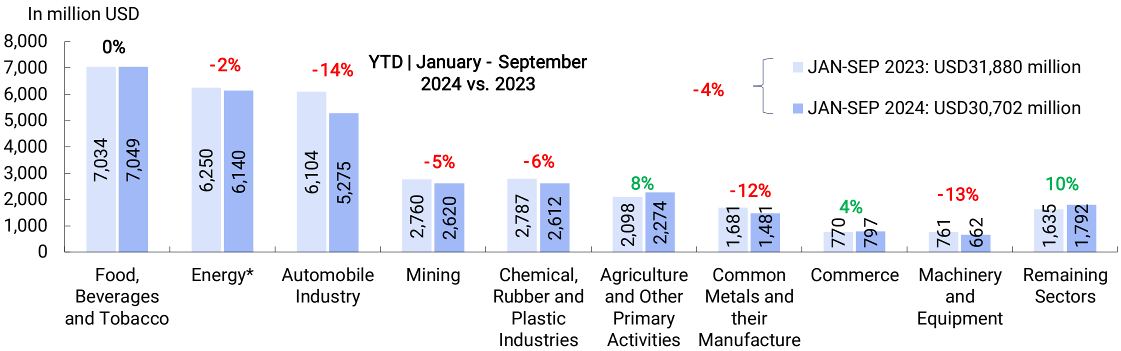
Inflows from the collections on exports of goods from the remaining sectors settled through the forex market totaled USD3,435 million in September. The sector's FOB exports totaled USD4,459 million in September, which would imply, even considering the estimated inflows received by companies through the stock markets, a decrease in the rest of the sectors' stock of commercial debt during the month.

Broken down by sector, "Energy", Machinery and Equipment", and "Common Metals and their Manufacture" showed a year-on-year decrease in their collections on exports (32%, 19% and 11%, respectively), whereas the rest of the sectors recorded year-on-year increases, with "Mining" (46%), Food, Beverages and Tobacco" (24%), and "Commerce" (24%) standing out. It should be noted that, as previously mentioned, the impact of the Export Increase Program on foreign exchange market statistics complicates an accurate year-on-year comparison of collections on exports of goods (see Chart III.1.1.4).

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



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



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

Source: BCRA

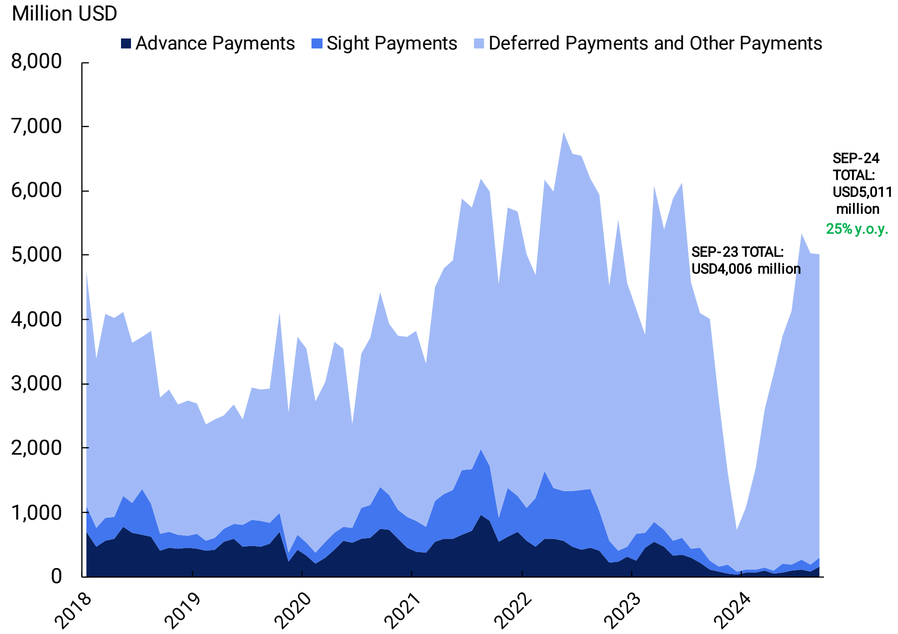
In September, payments of imports of goods through the forex market reached USD5,011 million, up 25% y.o.y. This figure was below September's FOB imports, which amounted to USD5,596 million. In addition, it is worth noting that indebtedness for imports has been addressed through the foreign trade and exchange regulations set out in December 2023.[9] In this context, MSMEs with debts recorded in the "Registry of Commercial Debt from Imports Owed to Foreign Suppliers" for up to USD500,000 were allowed to access the forex market and settle all their liabilities in a staggered manner without subscribing BOPREALs. Some

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

8,128 MSMEs have made debt payments for imports totaling about USD872 million since the regulation was implemented.

As regards total payments for imports of goods made in the forex market in September, 94% were deferred payments, 3% were sight payments, and the other 3% were advance payments (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



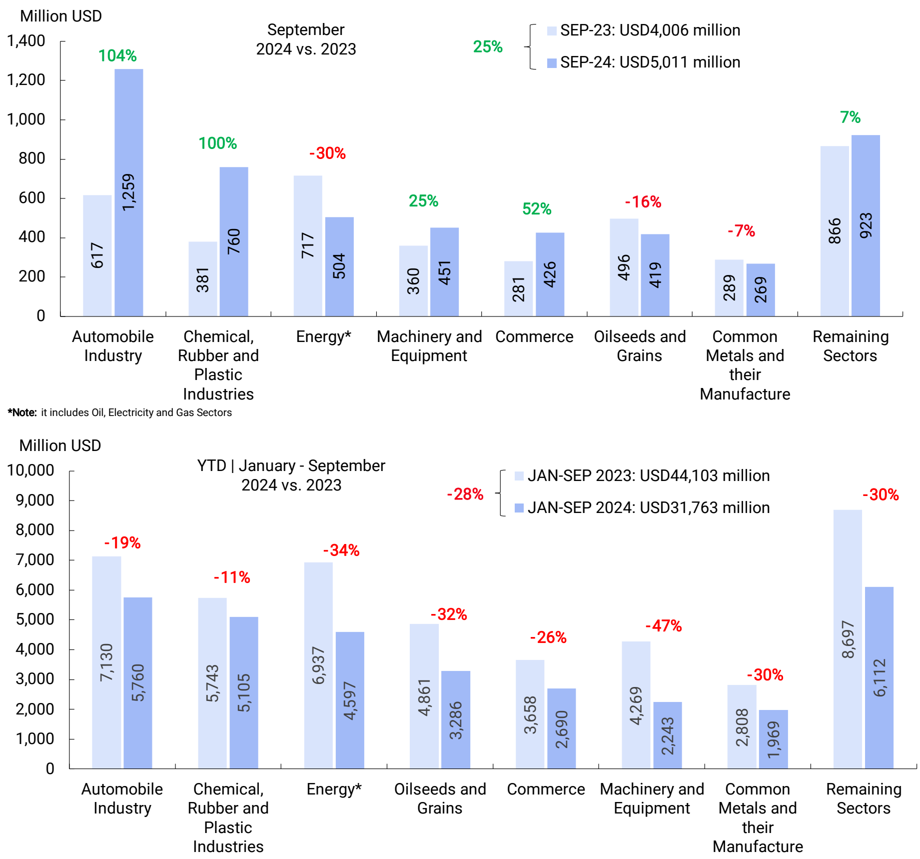
Source: BCRA

In September, the following sectors increased their imports payments on a year-on-year-basis: “Automobile Industry” (up 104%), “Chemical, Rubber and Plastic Industries” (up 100%), and “Commerce” (up 52%). Whereas “Energy”, “Oilseeds and Grains”, and “Common Metals and their Manufacture” recorded year-on-year reductions of 30%, 16%, and 7%, respectively (see Chart III.1.1.6).

Pursuant to Communication A 8108 dated September 19, the BCRA changed the payment terms for imports of luxury goods and finished vehicles: from 90 days to 60 days as from customs registration.

Effective September 2, the National Government’s Executive Order 777/2024 and the AFIP’s General Resolution 5559/24 established the reduction of the “PAIS tax” rate applied to the import of goods and freight from 17.5% to 7.5%. The aim of this measure is to scale down the cost associated with imported goods and services, thereby mitigating their impact on domestic prices.

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



Source: BCRA

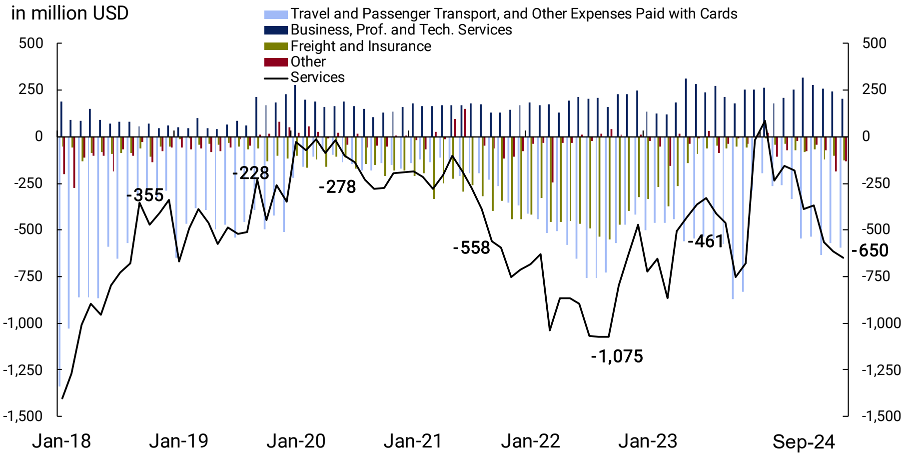
III.1.2. Services, Primary and Secondary Income

The "Services" account experienced a deficit of USD650 million in September, down 41% against the net outflows recorded in September 2023. This month's result was explained by the net outflows of "Travel and Passenger Transport, and Other Expenses Paid with Cards" (USD594 million),[10] [11] "Other Services" (USD131 million) and "Freight and Insurance" (USD128 million), which were partially offset by net inflows from "Business, Professional and Technical Services" (USD202 million), (see Chart III.1.2.1).

[10] It should be noted that part of these card consumptions (recorded as outflows under the "Travel" account) are paid by clients with their own funds in foreign currency, partially offsetting the impact on the forex market and, accordingly, on the changes in international reserves (see institution's net sales in Table II.1).
[11] In terms of the "Travel and Passenger Transport, and Other Expenses Paid with Cards" account, it is worth pointing out that the transfers made to international credit card issuers involve both purchases made during travels abroad and those made to foreign suppliers on a remote basis. In turn, inflows also include non-resident remote purchases made with cards to Argentine suppliers. For more information on the changes implemented to the regulations that have an impact on the comparison of the flows reported in the headings included under "Services", among others, see Section B.5. Important Regulatory Provisions that Have an Impact on Foreign Exchange Statistics of the Methodology Used for Compiling Foreign Exchange Market and Foreign Exchange Balance Statistics available on the BCRA's website.

It is worth noting that up to 20% of collections on exports of services, like the exports of goods, can be settled in the stock market under the Export Increase Program. These inflows are not included in the statistics published by the foreign exchange market and the foreign exchange balance. This is so because they are not recorded in the Exchange Transaction Reporting System (RIOC), with the exception of those collections that are transferred to and deposited in local accounts in foreign currency to be subsequently settled in the stock market and are recorded as self-to-self international transfers, having no net effect on the forex market.[12] Therefore, this scheme prevents accurate year-on-year comparisons.

Chart III.1.2.1 Foreign Exchange Balance
Net Inflows from Services



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

The following table displays the yearly accumulated gross inflows and outflows for services by heading and their comparison on a year-on-year basis. It shows that the improvement in the accumulated balance of the Services account is, mainly, the result of a decrease in gross outflows; in particular, freight and insurance (see Chart III.1.2.2).[13]

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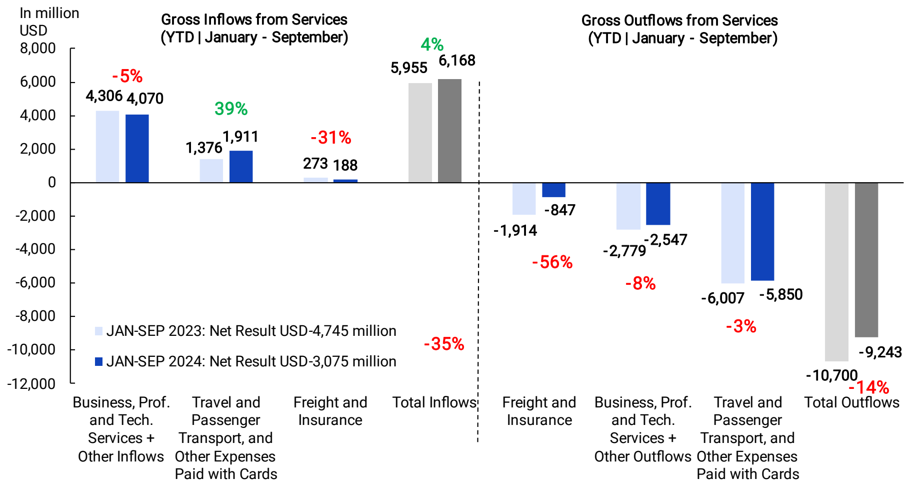
[12] These inflows were observed after the implementation of Communication A 7630, dated November 3, 2022, which set forth that any inflows arising from non-resident cards on account of charges for tourist services and passenger transport services are exempted from the requirement to settle currency in the forex market. This measure seeks to boost foreign currency inflows from inbound tourism. In addition, a higher exchange rate is charged on card consumptions of non-resident visitors. These self-to-self international transfers have no net effect on the forex market, since inflows are not settled in the forex market but deposited in local accounts in foreign currency.
[13] For more information on the private sector's external debt, click here to see the quarterly publication of the BCRA.

Chart III.1.2.2 Foreign Exchange Balance Services



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

Source: BCRA

Primary income transactions resulted in net outflows amounting to USD588 million in September, due to net payments of interest for USD577 million, and net outflows of profits, dividends and other income transferred abroad amounting to USD11 million.

The “General Government and the BCRA” paid USD402 million of gross interest (including payments of interest to international organizations—IMF excluded—amounting to USD310 million, USD55 million on account of other payments made by the government and the BCRA, and USD37 million on account of other interest). In turn, the private sector repaid USD195 million for the same heading.

Finally, secondary income transactions recorded net inflows for USD10 million.

III.2. Capital Account

In September, the capital account of the foreign exchange balance recorded a deficit of USD3 million.

III.3. Foreign Exchange Financial Account

In September, transactions carried out under the foreign exchange financial account resulted in a surplus of USD661 million. This was mainly explained by the surplus recorded in “Other Net Transfers” (USD12,179 million) due to an increase in private deposits under the Asset Regularization Regime, which was largely counterbalanced by the rise in holdings of foreign currency banknotes by institutions within the “Financial Sector”, which was recorded as an increase in their foreign assets under the General Exchange Position. Consequently, this sector experienced net outflows of USD10.7 billion. The “Non-Financial Private

Sector” recorded a surplus of USD67 million, whereas the “National Government and the BCRA” recorded a deficit of USD884 million (see Table III.3.1).[14]

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

Date	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24
Foreign Exchange Financial Account	-1,132	-4,254	-1,631	-1,525	2,370	-2,487	-1,565	-2,012	-155	634	-1,045	1,051	661
Non-Financial Private Sector	-632	-835	-1,142	-1,005	-450	-471	384	418	59	-172	-440	281	67
Financial Sector	406	-21	-128	-1,555	386	-142	297	192	-275	-302	237	-134	-10,700
General Government and the BCRA	-923	-3,176	-516	-504	2,199	-1,714	-1,543	-2,403	29	522	-2,070	349	-884
Other Net Transfers	17	-222	155	1,539	235	-160	-703	-218	32	586	1,228	555	12,179

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

The financial account of the “Non-Financial Private Sector” recorded a surplus of USD67 million in September. This was the result of inflows from foreign assets for USD584 million (mainly inflows from funds held abroad to local accounts in foreign currency, “self-to-self international transfers”), net inflows from financial debt held abroad and debt securities for USD361 million, net loans granted by local financial institutions for USD266 million, inflows from foreign direct investments for USD69 million, and the sale of securities in foreign currency for USD10 million, which were partially offset by net self-to-self international transfers for USD869 million,[15] outflows from net payments of loans from international organizations for USD191 million, payments of balances in foreign currency to local institutions from purchases made on cards to non-resident suppliers for USD150 million (which do not involve a net demand of foreign currency in the financial account), and outflows from non-residents’ portfolio investments for USD14 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-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24
Foreign Exchange Financial Account	-632	-835	-1,142	-1,005	-450	-471	384	418	59	-172	-440	281	67
Non-Residents’ Direct Investments	85	91	100	87	45	58	60	56	152	71	49	90	69
Non-Residents’ Portfolio Investments	12	1	-3	0	4	1	2	8	3	-3	-3	-22	-14
Financial Loans and Credit Lines	-389	-538	-556	-396	175	-241	664	730	321	-67	-45	471	477
Local Financial Loans	-5	-126	-149	-72	228	61	794	542	406	46	129	553	266
Other Foreign Loans and Debt Securities	-103	-56	-89	-32	90	-156	-5	307	42	5	-28	89	361
Payment of Card Balance	-282	-356	-318	-292	-143	-146	-125	-118	-127	-118	-146	-172	-150
Loans from Other International Organizations and Other	-15	52	-92	-121	10	-22	54	7	-34	82	12	-141	-191
Buildup of Foreign Assets by the Non-Financial Private Sector	-84	-112	5	330	-20	94	139	133	94	146	166	456	584
Self-to-Self International Transfers	-250	-328	-604	-909	-666	-384	-538	-534	-503	-406	-644	-575	-869
Purchase and Sale of Securities	9	-1	8	5	2	21	4	16	26	5	24	2	10

Source: BCRA

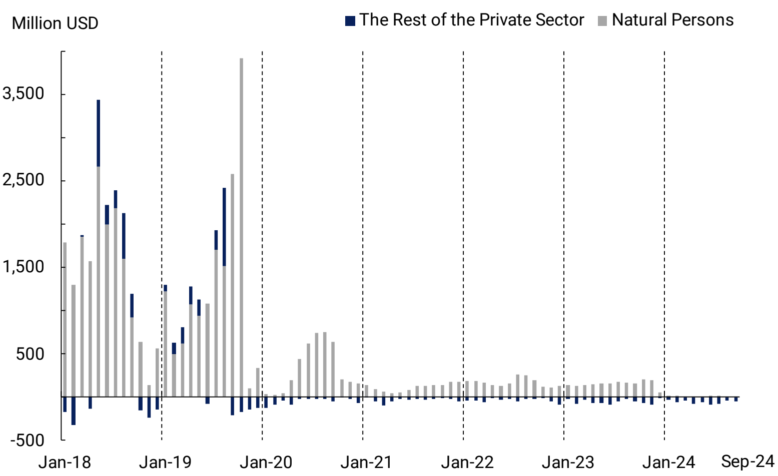
[14] For more information on the “Other Net Transfers” account of the foreign exchange balance, see Section C.4.11. of the Methodology Used for Compiling Foreign Exchange Market and Foreign Exchange Balance Statistics.
[15] In September, these transfers were mainly explained as the counterpart of the real sector’s collections on exports from goods and services that had not been settled in the foreign exchange market, but were deposited in local accounts, inflows from purchases made by non-resident tourists with cards, and inflows from residents’ foreign assets deposited in local accounts, together with inflows of freely available foreign assets from abroad deposited in local accounts.

Non-financial private sector residents' foreign assets recorded a surplus of USD584 million—i.e., net inflows of foreign currency (USD534 million)—mainly inflows of funds held abroad to local accounts in foreign currency, “self-to-self international transfers”—and net sales of banknotes (USD50 million).

The result from net inflows to own accounts from abroad amounted to USD534 million and was mainly explained by the net inflows from “Natural Persons” (USD470 million), the “Real Sector” (USD47 million), “Institutional Investors and Others” (USD15 million), and “Oilseeds and Grains” (USD2 million).

This outcome comprises net sales for USD46 million made by legal persons and USD4 million made by natural persons (see Chart III.3.1.1).

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

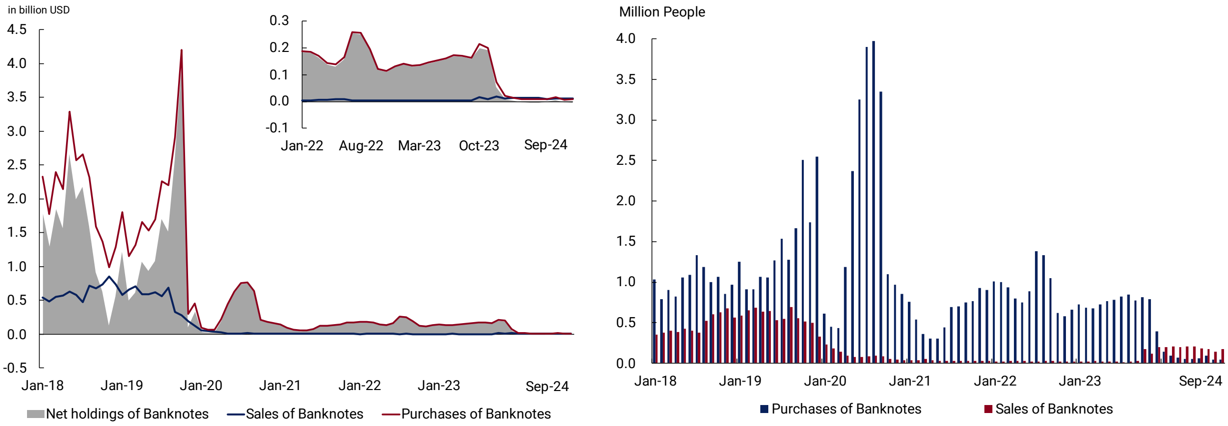


Source: BCRA

In September, “Natural Persons” sold banknotes for USD12 million and purchased USD8 million. In terms of traders, in September, 174,000 individuals sold banknotes, while buyers amounted to about 48,000 (see Chart III.3.1.2).[16]

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

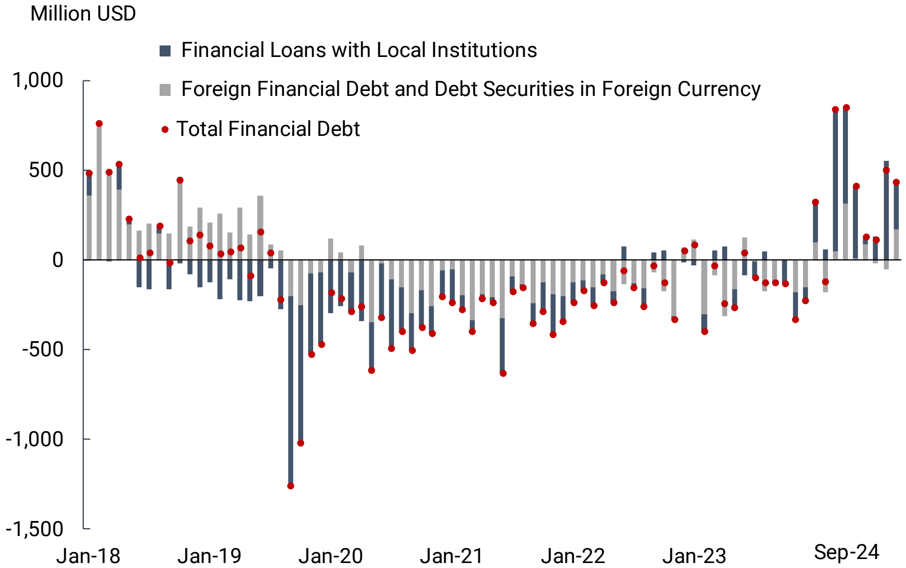
Chart III.3.1.2 Foreign Exchange Balance
Natural Persons. Banknotes. Amount (left) and Number of People (right)



Source: BCRA

Net inflows from the non-financial private sector's financial debt, including loans from international organizations and local financial loans, reached USD436 million in September—net inflows from “Mining” (USD147 million) standing out. This amount involves net inflows from loans granted by local institutions (USD266 million), and financial debt held abroad, securities in foreign currency, and loans owed to international organizations (USD170 million). The total amount excludes purchases of foreign currency to pay card bills for expenses incurred abroad (USD150 million), which do not imply a net demand within the whole system, i.e., the ensemble of financial institutions and the BCRA. Instead, they were calculated under the heading “Travel, and Other Expenses Paid with Cards” at the time of the transfer abroad (see Chart III.3.1.3).

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

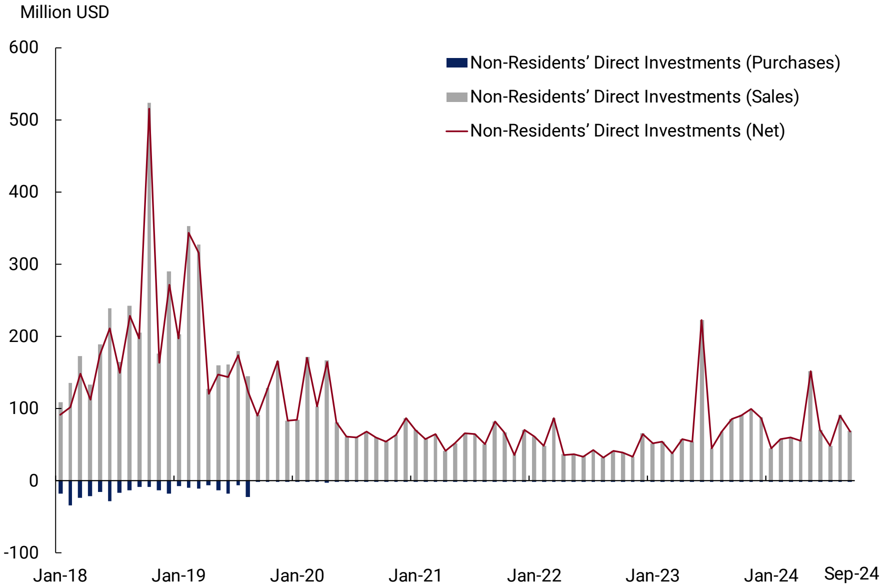


Note: Local financial debt excludes the purchases of foreign currency to pay card bills for expenses incurred abroad, which do not imply a net demand within the forex market

Source: BCRA

Direct investments made by non-residents in the non-financial private sector through the forex market reached USD69 million (net inflows) in September (see Chart III.3.1.4).

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



Source: BCRA

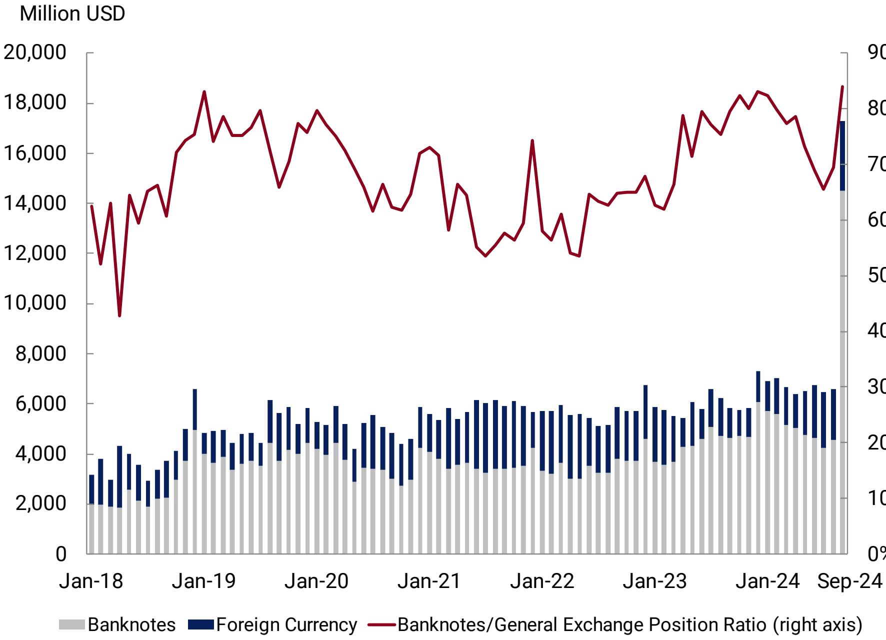
III.3.2. Foreign Exchange Financial Account of the Financial Sector

In September, the transactions carried out under the foreign exchange financial account of the "Financial Sector" recorded a deficit of USD10.7 billion. This outcome was mainly explained by an increase of USD10,719 million in liquid foreign assets of financial institutions' General Exchange Position, and the net subscription of securities in foreign currency for USD34 million, which were partially offset by net inflows from financial loans, credit lines and others for USD53 million.[17]

Financial institutions' General Exchange Position amounted to USD17,306 million at the end of September, up 163% against the end of August. This result was explained by an increase in holdings of banknotes (USD9,943 million), and of foreign currency (USD776 million). This increase in the stock of banknotes held by institutions is linked to an increase of deposits in foreign currency recorded in September under the Asset Regularization Regime for about USD13 billion. Holdings of foreign currency banknotes totaled USD14,519 million by the end of the month. This stock accounted for 84% 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).

[17] 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 USD615 million, recording a drop of about USD82 million compared to the end of August. They purchased USD66 million in regulated markets and USD17 million from their clients directly (Forwards) over the month (see Chart III.3.2.2).

Foreign capital institutions ended September with a net short position of USD310 million, up USD25 million against August. In turn, national capital institutions' short position went down by USD108 million against August, ending with USD305 million (see Chart III.3.2.3).

Chart III.3.2.2 Forward Market
EOM Institutions' Forward Position

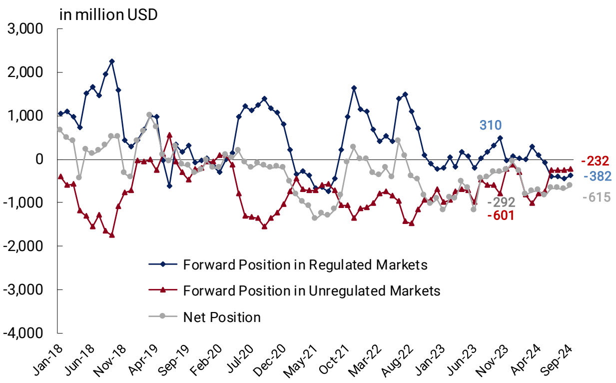
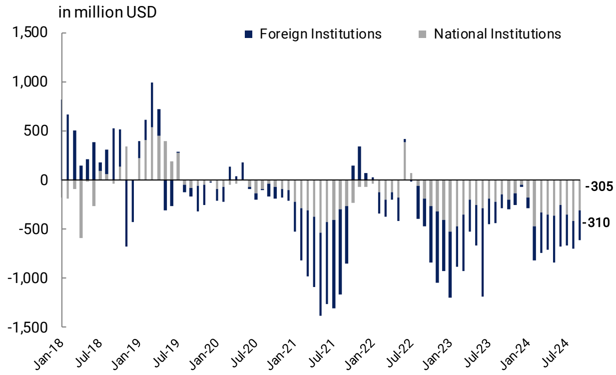


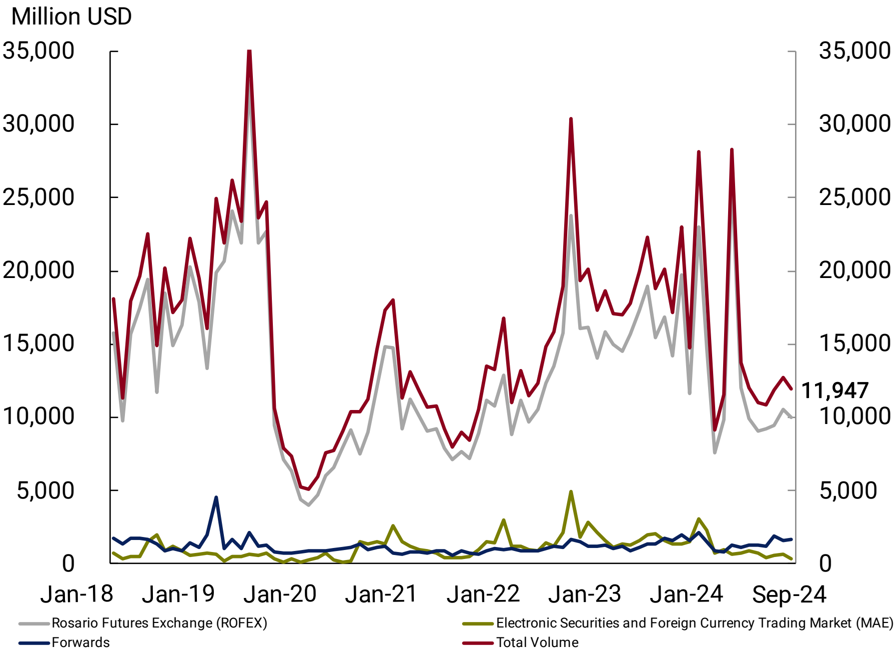
Chart III.3.2.3 Forward Market
EOM Institutions' Forward Position



Source: BCRA

The volume traded in forward markets totaled USD11,947 million in September, i.e.: USD569 million daily on average. Transactions carried out in the Rosario Futures Exchange (ROFEX) continued to stand out, with an 84% share in the total volume traded in the forward market (see Chart III.3.2.4).[18]

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



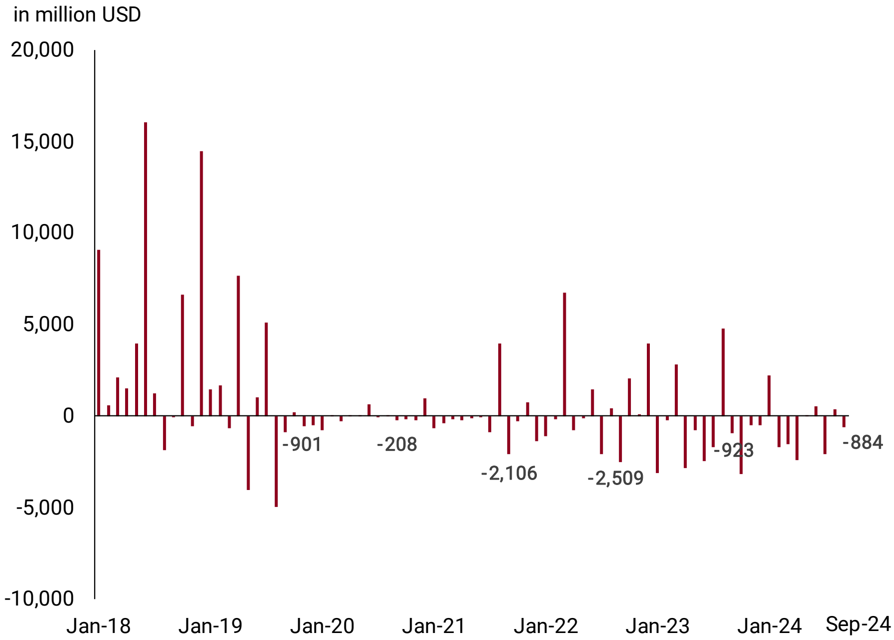
Source: BCRA

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

In September, the transactions carried out under the foreign exchange financial account of the "General Government and the BCRA" recorded a deficit of USD884 million (see Chart III.3.3.1), mainly explained by payments of principal of sovereign bonds and other public debt (USD543 million), net outflows on account of loans from international organizations other than the IMF (USD226 million), and payments of other financial loans (USD127 million).

[18] 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

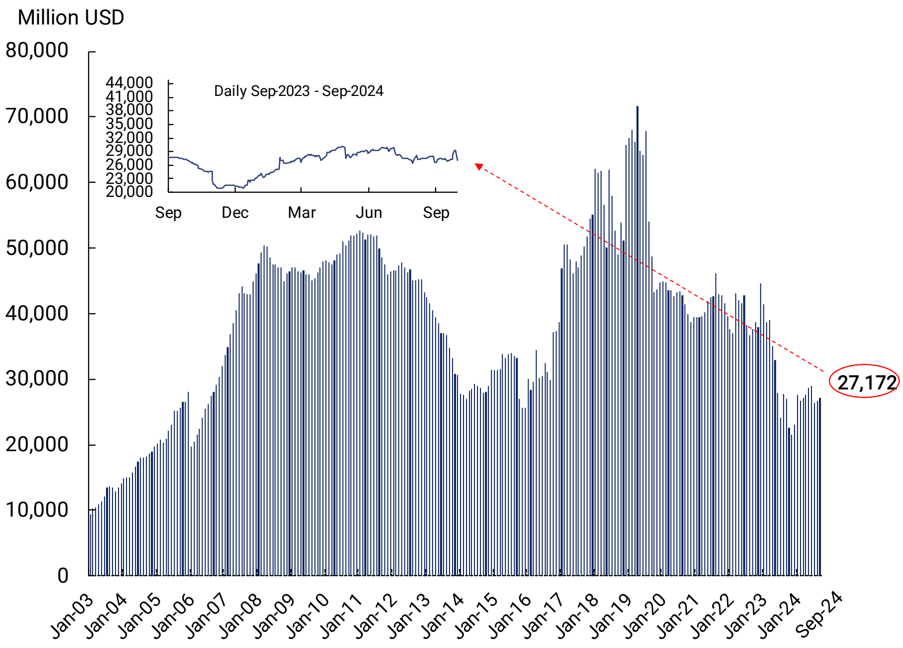
IV. BCRA's International Reserves

During September, BCRA's international reserves increased USD454 million, totaling USD27,172 million by the end of the month. This rise was mainly the result of the increase in financial institution's holdings of foreign currency in the BCRA (USD1,168 million), the increase in the US dollar exchange rate of foreign exchange reserves (USD496 million), and the settlement of net purchases made by the BCRA in the forex market (USD17 million), partially offset by net outflows of principal and interest from international organizations (IMF excluded), sovereign bonds and other financial debt of the National Treasury and the BCRA (USD1,125 million), and net payments made by the BCRA through the Local Currency Payment System (USD55 million) (see Chart IV.1).

Moreover, under the "Asset Regularization Regime" established by Law 27,743 and regulated by Executive Order 608/2024 and Communication A 8062,[19] the regularization of holdings in domestic and foreign currency in Argentina and/or abroad has begun. In this context, financial institutions received, during September, around USD13.1 billion in foreign currency deposits.

[19] Law 27,743. Executive Order 608/2024. Communication A 8062.

Chart IV.1 BCRA's International Reserves



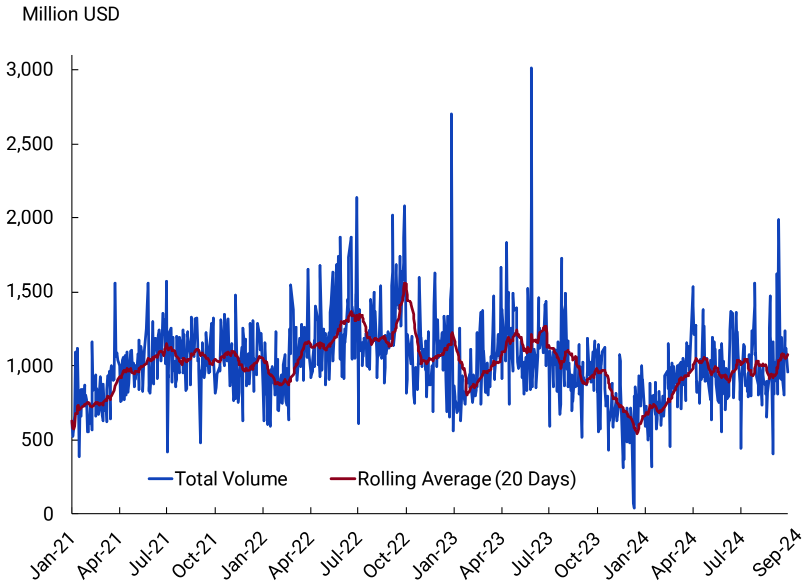
Source: BCRA

V. Volumes Traded in the Foreign Exchange Market

In September, the volume traded in the forex market totaled USD21,941 million, up 9% against September 2023 (see Chart V.1). The average daily volume traded was USD1,045 million. The increased volume in year-on-year terms was explained by a 29% rise in transactions between the institutions and the BCRA (up USD275 million), and a 27% hike in transactions between the institutions and their clients (up USD3,386 million), partially offset by a 29% reduction in transactions between the institutions (down USD1,824 million).[20]

[20] On the BCRA's website there is a quarterly ranking of volumes traded with clients in the forex market broken down by institution (to access the ranking, click here).

Chart V.1 Foreign Exchange Market Volume Traded Daily Evolution



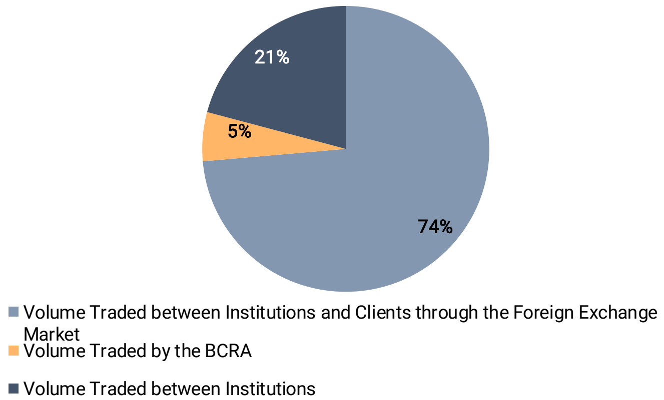
Source: BCRA

Foreign exchange transactions between institutions and their clients accounted for 74% of the total volume traded; transactions between institutions, and transactions between institutions and the BCRA—through the Electronic Trading System (SIOPEL)—represented 21% and 6%, respectively (see Chart V.2).[21]

In September, 126 institutions traded in the market involving 55 foreign currencies. Most of the volume traded between licensed institutions and their clients was highly concentrated both at institution level (the first ten accounted for 90% of such volume) and in terms of the currency used–USD-denominated transactions having a 96% share in the total traded with clients, followed by euros, which accounted for just over 3% of the total, with the yuan and the remaining currencies concentrating the rest of the total volume traded (see Chart V.3).

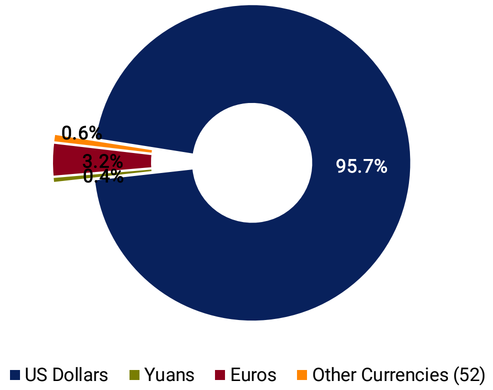
[21] The volume traded between licensed institutions and their clients excludes the following items: the subscription of LEBAC bills, self-to-self international transfers (around USD3,874 million), the record of deposits in foreign currency allocated for the payment of financial debt service for about USD38 million, and purchases of foreign currency to pay card bills (around USD152 million for the month under study).

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



Source: BCRA

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



Finally, 93% of foreign exchange transactions between financial and foreign exchange institutions and their clients were channeled through private financial institutions, and the remaining 7% through public banks.