Evolution of the Foreign Exchange Market and the Foreign Exchange Balance

February 2024

BANCO CENTRAL
DE LA REPÚBLICA ARGENTINA

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Executive Summary

In 2023, the global economy had to deal with high interest rates in an attempt to curb inflation, and evidenced moderate economic growth. As inflation is going down in most regions, financial conditions might be expected to ease in 2024. However, two factors should not be overlooked. First, geopolitical tensions may push up commodities prices and prolong tight monetary policy measures. Second, the pace of slowdown in inflation has been called into question. Hence, advanced countries' interest rates may take longer to fall. As for the prospects of world economic growth, there are concerns about China's stock and real estate markets, which could adversely affect international performance.

Locally, a target of zero monetary financing to the National Treasury has been set for 2024, in line with the objectives and plans of monetary and foreign exchange policy announced for this year. In February, Series 2 of BOPREAL bonds was awarded in full and Series 3 was launched. They are issued in US dollars for importers to repay their commercial debt.

In addition, financial institution's clients sold USD2,279 million in the forex market, and financial institutions' sales amounted to USD61 million over the month. The BCRA purchased USD2,358 million in the forex market, and made net payments through the Local Currency Payment System for USD17 million.

The "Non-Financial Private Sector" was a net seller of foreign currency for USD2,611 million. Within that group, the "Real Sector excluding Oilseeds and Grains" was the main supplier of foreign currency, recording net inflows of USD1,593 million, mainly explained by the result in "Goods". In turn, the "Oilseeds and Grains" sector recorded net inflows of USD1,248 million, up 61% against February 2023.

"Natural Persons" made net purchases totaling USD229 million mainly for traveling expenses and other payments on cards to non-resident suppliers (recording a net amount of USD227 million).

"Institutional Investors and Others"—both residents and non-residents—made net purchases of USD1 million in February.

The foreign exchange current account recorded a surplus of USD1,576 million in February. This result was explained by a surplus in "Goods" (USD3,059 million) and "Secondary Income" (USD13 million), which was partially offset by the deficit recorded in "Primary Income" (USD1,263 million) and "Services" (USD232 million).

The financial account of the "Non-Financial Private Sector" had a deficit of USD471 million in February. This was the result of net self-to-self international transfers for USD384 million (mainly explained as the counterpart of the real sector's collections on exports from goods and services that had not been settled in the foreign exchange market and inflows from freely available foreign currency), net outflows from other financial debt held abroad and debt securities for USD155 million, payments of balances in foreign currency to local institutions originated from purchases made with cards to non-resident suppliers for USD147 million (which do not involve a net demand of foreign currency in the financial account), and payments of loans owed to international organizations for USD22 million; partially offset by net inflows from foreign assets for USD94 million, local financial loans for USD61 million, foreign direct investments for USD58 million, and inflows from the sale of securities for USD21 million.

The transactions carried out under the foreign exchange financial account of the “Financial Sector” recorded a deficit of USD569 million. This outcome involved an increase of USD522 million in liquid foreign assets of financial institutions’ General Exchange Position, net purchases of securities for USD9 million, and net outflows from financial loans and credit lines of USD38 million.

The transactions carried out under the foreign exchange financial account of the “General Government and the BCRA” showed a deficit of USD1,715 million, mainly explained by net outflows on account of loans from international organizations other than the IMF (USD1,755 million) and other financial loans (USD207 million), which were partially offset by the counterpart of outflows from self-to-self international transfers of USD244 million.

During February, BCRA’s international reserves fell USD951 million, totaling USD26,690 million by the end of the month. This decrease was mainly explained by net outflows of interest and other financial debt of the General Government and the BCRA (USD1,916 million), net payments of interest and fees to the IMF (USD846 million; SDR636 million), a fall in financial institution's holdings of foreign currency in the BCRA (USD478 million), and a decrease in the US dollar exchange rate of foreign exchange reserves (USD52 million); which were partially offset by net purchases made by the BCRA in the forex market (USD2,358 million).

I. Introduction

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

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

For further information on 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 for February; data are broken down by sector and by heading.[2]

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

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[1] Communication A 3840, as amended.
[2] Sectors were grouped into: "Central Bank", "Institutions", "General Government", "Oilseeds and Grains", "Real Sector excluding Oilseeds and Grains", "Natural Persons", and "Institutional Investors and Others".
For identification purposes, each sector is defined as follows: **"General Government"** stands for the so-called "Public Sector" and embraces transactions made by the National Treasury directly through its account in foreign currency held with the BCRA; **"Oilseeds and Grains"**; **"Real Sector excluding Oilseeds and Grains"** includes the following sectors: "Oil", "Food, Beverages and Tobacco", "Textile and Leather Industries", "Paper, Publishing and Printing Industry", "Chemical, Rubber and Plastic Industries", "Non-Metallic Mineral Products (Cement, Ceramics and Others)", "Common Metals and their Manufacture", "Machinery and Equipment", "Automobile Industry", "Other Manufacturing Industries", "Electricity (Generation, Transport, Distribution)", "Gas (Extraction, Transport, Distribution)", "Water", "Commerce", "Transport", "Communications", "Mining", "Agriculture and Other Primary Activities", "Construction", "Information Technology", "Gastronomy", "Entertainment" and "Tourism and Accommodation Services"; **"Financial and Foreign Exchange Institutions"** includes the sector's transactions; **"Natural Persons"** includes all natural persons within the sector "Other Non-Financial Private Sectors"; and **"Institutional Investors and Others"** includes "Insurance" as well as the rest of the "Other Non-Financial Private Sectors".

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

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

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

II. Result by Sector in the Foreign Exchange Market

In 2023, the global economy had to deal with high interest rates in an attempt to curb inflation, and evidenced moderate economic growth. As inflation is going down in most regions, financial conditions might be expected to ease in 2024. However, two factors should not be overlooked. First, geopolitical tensions may push up commodities prices and prolong tight monetary policy measures. Second, the pace of slowdown in inflation has been called into question. Hence, advanced countries' interest rates may take longer to fall. As for the prospects of world economic growth, there are concerns about China's stock and real estate markets, which could adversely affect international performance.

Locally, a target of zero monetary financing to the National Treasury has been set for 2024, in line with the objectives and plans of monetary and foreign exchange policy announced for this year. In February, Series 2 of BOPREAL bonds was awarded in full and Series 3 was launched. They are issued in US dollars for importers to repay their commercial debt.

In February, financial institution's clients sold USD2,279 million in the forex market, and financial institutions' sales amounted to USD61 million. The BCRA purchased USD2,358 million in the forex market, and made net payments through the Local Currency Payment System for USD17 million. The National Treasury purchased USD1,015 million directly from the BCRA (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 USD146 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	Feb-23	Feb-24	2023 up to Feb	2024 up to Feb
BCRA - Market	**750**	**-2,358**	**1,167**	**-5,629**
BCRA - SML	**75**	**17**	**114**	**22**
National Treasury	**-**	**-**	**-**	**-**
Institutions	**19**	**61**	**365**	**-11**
Institutions' Clients (1 + 2 + 3)	**-844**	**2,279**	**-1,646**	**5,618**
1. Non-Financial Private Sector	**-667**	**2,611**	**-1,352**	**6,135**
Oilseeds and Grains	776	1,248	1,574	2,981
Real Sector Excluding Oilseeds and Grains	-810	1,593	-1,626	3,551
Natural Persons	-503	-229	-1,054	-418
Institutional Investors and Others	-130	-1	-246	20
2. General Government (National Treasury Excluded)	**-109**	**-215**	**-177**	**-304**
3. Institutions (Own Transactions)	**-68**	**-117**	**-116**	**-213**
National Treasury Directly with the BCRA	**-262**	**-1,015**	**-1,229**	**-1,460**

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. February 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	**3,103**	**-266**	**82**	**57**	**38**	**-384**	**-18**	**2,611**
Oilseeds and Grains	1,274	0	4	0	2	-16	-15	1,248
Real Sector Excluding Oilseeds and Grains	1,855	-102	-63	43	43	-156	-26	1,593
Natural Persons	-4	-227	16	-2	-26	6	8	-229
Institutional Investors and Others	-23	63	126	16	19	-218	15	-1
General Government (National Treasury Excluded)	**0**	**0**	**-334**	**39**	**0**	**244**	**-164**	**-215**
Institutions (Own Transactions)	**-44**	**0**	**-28**	**0**	**0**	**0**	**-45**	**-117**
Institutions' Result with Clients	**3,059**	**-266**	**-279**	**96**	**38**	**-140**	**-227**	**2,279**
Result for Forex Transactions	2,878	-432	-297	96	8	0	27	2,279
Result for Self-to-Self International Transfers	181	166	18	0	29	-140	-254	0

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

In February, the "Oilseeds and Grains" sector recorded net sales of foreign currency in the forex market for USD1,248 million, mainly explained by the headings included in "Goods" (collections on exports net of payments for imports), recording a net amount of USD1,274 million, up 59% against February 2023.

The "Real Sector excluding Oilseeds and Grains" was the main supplier of foreign currency in February, with net sales of USD1,593 million, mainly explained by the result in "Goods", with inflows of USD1,855 million.

On a disaggregated basis, the economic sectors running larger surplus were "Food, Beverages and Tobacco" (USD650 million) and "Mining" (USD338 million), while the "Chemical, Rubber and Plastic Industries" sector recorded the highest deficit (USD80 million) (see Table II.3).

Table II.3 Foreign Exchange Market

Result of the Real Sector excluding Oilseeds and Grains disaggregated by main headings. February 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	710	0	-2	0	3	-70	8	650
Mining	302	0	0	0	27	-38	47	338
Automobile Industry	297	0	-19	0	0	2	-5	275
Energy*	394	0	-105	19	3	46	-90	266
Agriculture and Other Primary Activities	225	0	0	0	0	-33	32	225
Information Technology	-3	3	88	0	2	-17	9	82
Common Metals and their Manufacture	65	0	-4	0	0	-4	-5	52
Entertainment	0	0	10	0	4	-3	12	24
Machinery and Equipment	25	0	6	0	0	-7	-6	17
Textile and Leather Industries	7	0	0	0	0	-5	2	4
Water	0	0	0	0	0	0	0	0
Gastronomy	0	0	0	0	0	0	0	0
Non-Metallic Mineral Products (Cement, Ceramics and Others)	-8	0	-1	0	0	-2	-2	-13
Paper, Publishing and Printing Industry	-9	0	1	0	0	0	-4	-13
Construction	-4	1	-4	0	0	-6	0	-14
Other Manufacturing Industries	-24	0	10	0	0	-2	2	-15
Commerce	-38	0	7	2	2	-12	5	-35
Communications	-8	0	-11	0	0	10	-40	-49
Transport	3	-51	-44	20	1	26	-7	-53
Tourism and Accommodation Services	0	-55	1	0	0	-16	0	-69
Chemical, Rubber and Plastic Industries	-76	0	4	0	0	-23	15	-80
Total	**1,855**	**-102**	**-63**	**43**	**43**	**-156**	**-26**	**1,593**

*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 USD117 million.

In turn, the “General Government” (excluding the National Treasury) made net purchases in the forex market for USD215 million.

“Natural Persons” made net purchases totaling USD229 million mainly for traveling expenses and other payments on cards to non-resident suppliers (recording a net amount of USD227 million).

“Institutional Investors and Others”—both residents and non-residents—practically offset their transactions in the forex market.

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 had a surplus of USD1,576 million in February. This result was mainly explained by a surplus of “Goods” (USD3,059 million) and “Secondary Income” (USD13 million), which was partially offset by the deficit recorded in “Primary Income” (USD1,263 million) and “Services” (USD232 million), (see Table III.1.1).[8]

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

Date	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24
Foreign Exchange Current Account	-1,237	-2,020	71	776	-1,712	-645	-372	511	-313	47	2,962	1,964	1,576
Goods	572	-747	903	2,363	-921	985	1,292	1,406	854	1,982	3,381	3,879	3,059
Services	-653	-866	-506	-430	-363	-330	-412	-461	-753	-678	-20	84	-232
Primary Income	-1,142	-432	-310	-1,169	-426	-1,312	-1,251	-425	-373	-1,256	-387	-2,006	-1,263
Secondary Income	-14	25	-15	12	-1	12	-1	-10	-42	-2	-12	6	13

Source: BCRA

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

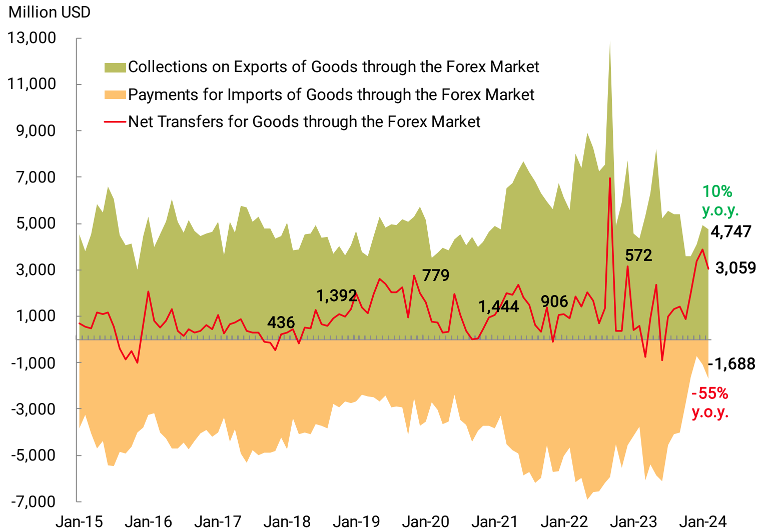
In this sense, foreign currency inflows from exports of goods and services settled through the stock market under these regulations are not recorded as collections of exports of goods and services in the foreign exchange market and foreign exchange balance statistics; except for those collections that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

III.1.1. Goods

In February, transfers for “Goods” on the foreign exchange balance exhibited net inflows for USD3,059 million, resulting from collections on exports for USD4,747 million, which were partially offset by payments of imports for USD1,688 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 at the BCRA’s website.

Chart III.1.1.1 Foreign Exchange Balance
Transfers for Goods



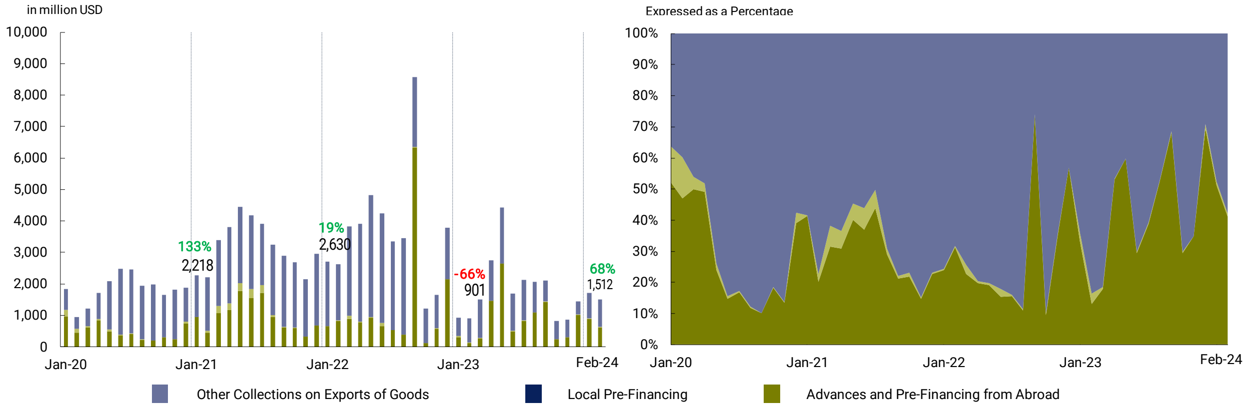
Source: BCRA

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, in February, the "Oilseeds and Grains" sector recorded foreign currency sales for collections on exports of goods through the forex market for USD1,512 million (+68% y.o.y.). The sector's FOB exports estimates totaled about USD2,050 million in February, which would imply that the sector decreased its stock of commercial debt during the month, even after adding up the companies' inflows settled through the stock markets.

Forty-two percent of the sector's inflows were collected ahead of time in February, either through advances or pre-financing (local and foreign); this share was below the historical average of the series, 45% for the 2016-2023 period (see Chart III.1.1.2).

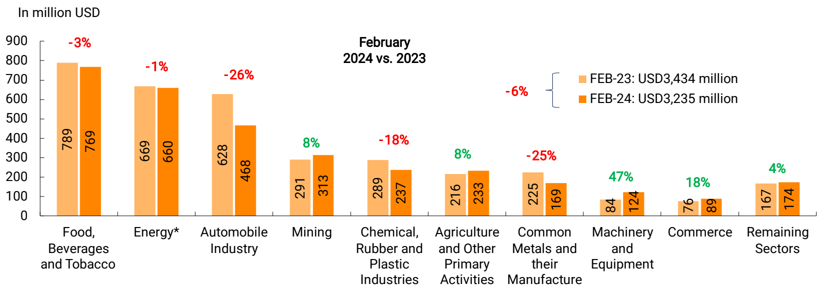
Chart III.1.1.2 Foreign Exchange Balance
Collection on Exports of Goods from the "Oilseeds and Grains" Sector

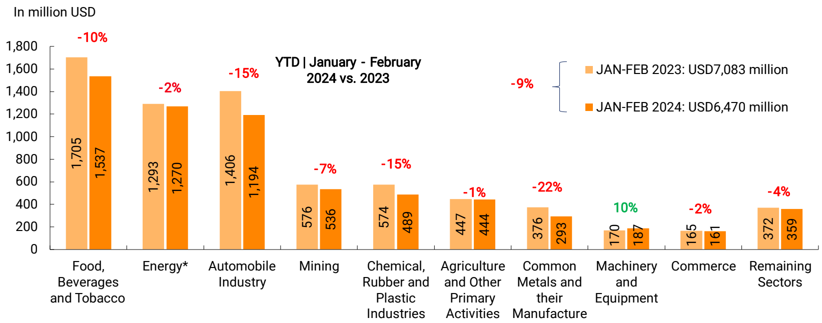


Source: BCRA

Inflows from the collections on exports of goods from the remaining sectors settled through the forex market totaled USD3,235 million in February, down 6% y.o.y. Broken down by sector, they showed a heterogeneous performance in February (year on year). For example, "Machinery and Equipment" increased by 47% and "Commerce" by 18%, whereas "Automobile Industry" fell by 26%, and "Common Metals and their Manufacture" by 25% (see Chart III.1.1.4).

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





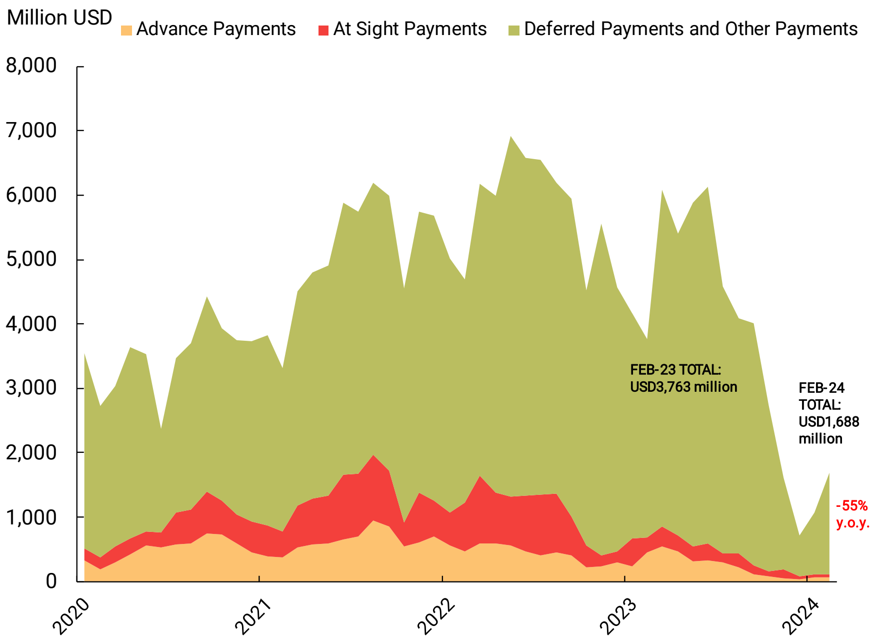
Source: BCRA

In February, payments of imports of goods totaled USD1,688 million, down 55% against February 2023, and below February's FOB imports (USD3,900 million). This would imply either an increase in the sector's commercial indebtedness level or a decrease in its foreign assets within the framework of the relevant foreign exchange regulations set out in December 2023.[9] However, it should also be noted that the BCRA awarded the entire BOPREAL Series 2 for 2,000 million (NV), in addition to 491 million (NV) of the first auction of BOPREAL Series 3.

As regards imports of goods, 94% of payments were deferred, 4% were advance payments, and the other 2% were sight payments in February (see Chart III.1.1.5).

[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".

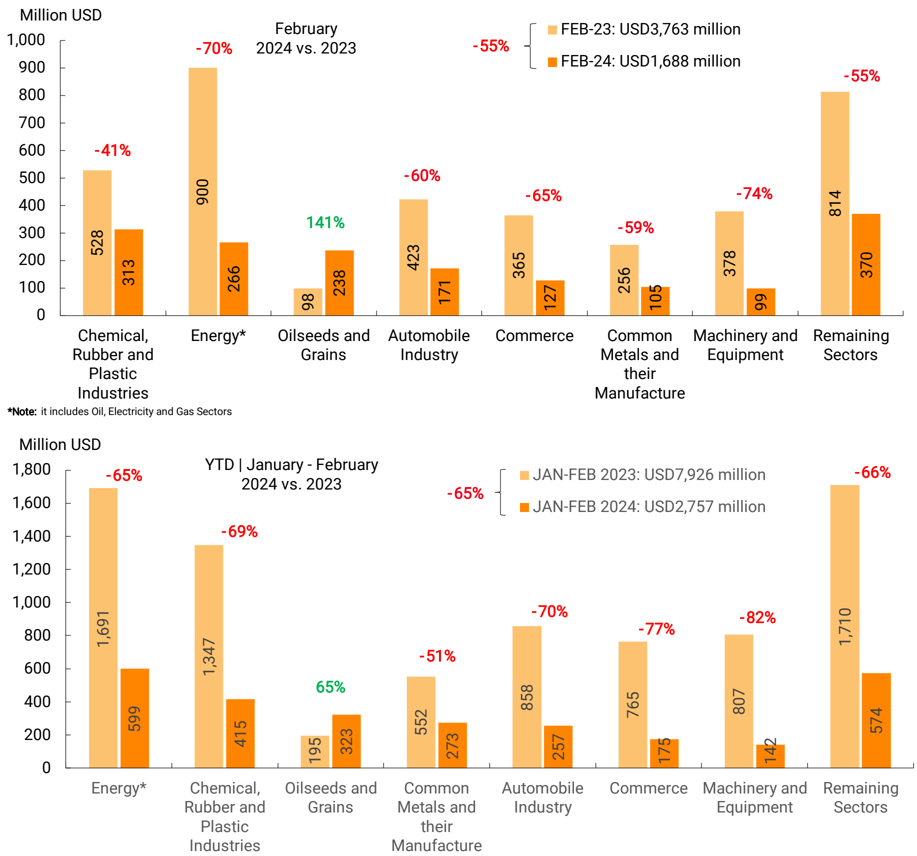
Chart III.1.1.5 Foreign Exchange Balance
Evolution of Payments for Imports of Goods by Type of Payment



Source: BCRA

The monthly change of total payments for imports of goods made in February was led by the “Chemical, Rubber and Plastic Industries” sector (19%), followed by “Energy” (16%) and “Oilseeds and Grains” (14%). There was a fall in payments for imports from virtually all sectors during February (year on year), except for “Oilseeds and Grains” that increased 141% (see Chart III.1.1.6).

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



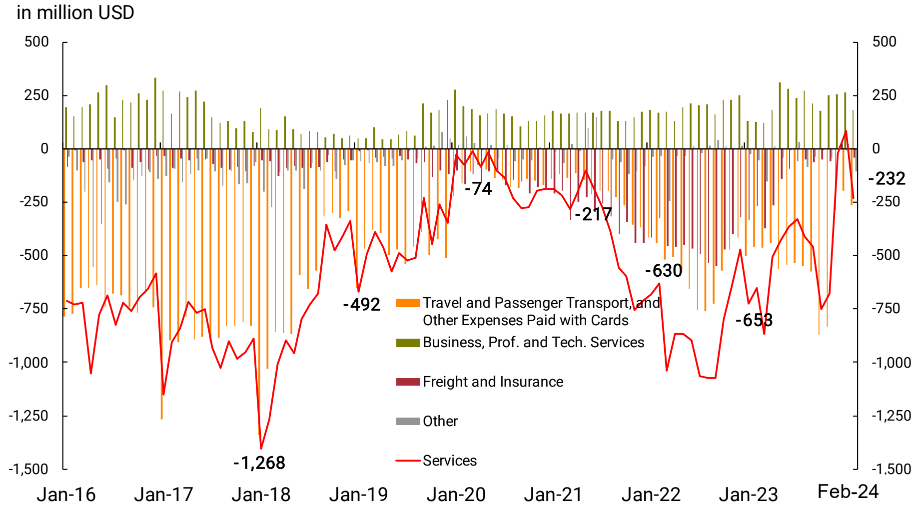
Source: BCRA

III.1.2. Services, Primary and Secondary Income

The “Services” account run a deficit of USD232 million in February, down 64% against the net outflows of February 2023. This month’s result was explained by the net outflows of “Travel and Passenger Transport, and Other Expenses Paid with Cards” (USD266 million), “Other Services” (USD105 million) and “Freight and Insurance” (USD42 million), which were partially offset by net inflows from “Business, Professional and Technical Services” (USD181 million), (see Chart III.1.2.1).

It is worth noting that the “Export Increase Program” covers inflows from the collections of services through the stock market, which 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.

Chart III.1.2.1 Foreign Exchange Balance
Net Inflows from Services



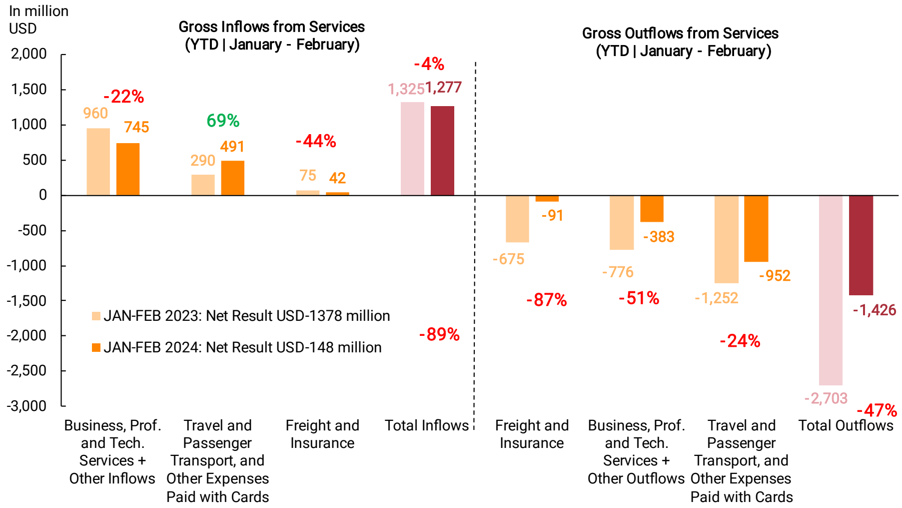
Source: BCRA

In February, gross inflows from "Travel and Passenger Transport" amounted to USD226 million (up 79% against February 2023). 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.[10] [11]

Gross inflows and outflows from "Services" accrued in the first two months of the year and their comparison with the same period of the previous year are shown below. This comparison shows that the improvement in the "Services" account is caused by a fall in gross outflows, especially in "Freight and Insurance" (see Chart III.1.2.2).[12]

[10] Self-to-self international transfers have no net effect on the forex market, since inflows are not settled in the forex market but deposited in local accounts in foreign currency.
[11] 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 the BCRA's website.
[12] 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
Gross Inflows from Services



Source: BCRA

Primary income transactions recorded net outflows amounting to USD1,263 million in February, mainly due to net payments of "Interest" for USD1,253 million.

The "General Government and the BCRA" paid USD1,153 million of gross interest, (including payments of USD776 (SDR586 million) to the IMF, payments of USD269 million on account of other interest payments made by the government, and payments of USD108 million to international organizations—IMF excluded). In turn, the private sector repaid USD130 million for the same heading. In addition, gross outflows of profits, dividends and other income transferred to accounts abroad amounted to USD10 million.

Finally, secondary income transactions recorded a surplus of USD13 million.

III.2. Capital Account

In February, the capital account of the foreign exchange balance recorded a surplus of USD13 million.

III.3. Foreign Exchange Financial Account

In February, transactions carried out under the foreign exchange financial account had a deficit of USD2,488 million. This result was explained by the deficit run by the "National Government and the BCRA" (USD1,715 million), the "Financial Sector" (USD569 million), and the "Non-Financial Private Sector" (USD471 million), partially offset by the surplus recorded in "Other Net Transfers" (USD267 million), (see Table III.3.1).[13]

[13] 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.

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

Date	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24
Foreign Exchange Financial Account	-734	1,855	-4,091	-2,191	-2,915	-3,676	4,409	-1,132	-4,254	-1,631	-1,525	2,751	-2,488
Non-Financial Private Sector	-713	-675	-852	-677	-155	-948	-346	-632	-835	-1,142	-1,005	-450	-471
Financial Sector	62	198	76	-696	179	-800	403	406	-21	-128	-1,555	374	-569
General Government and the BCRA	-218	2,815	-2,823	-787	-2,482	-1,678	4,807	-923	-3,176	-516	-504	2,199	-1,715
Other Net Transfers	135	-484	-493	-31	-456	-249	-455	17	-222	155	1,539	628	267

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 USD471 million in February. This was the result of net self-to-self international transfers for USD384 million (mainly explained as the counterpart of the real sector's collections on exports from goods and services that had not been settled in the foreign exchange market and inflows from freely available foreign currency), net outflows from other financial debt held abroad and debt securities for USD155 million, payments of balances in foreign currency to local institutions originated from purchases made with cards to non-resident suppliers for USD147 million (which do not involve a net demand of foreign currency in the financial account), and payments of loans owed to international organizations for USD22 million; partially offset by net inflows from foreign assets for USD94 million, local financial loans for USD61 million, foreign direct investments for USD58 million and inflows from the sale of securities for USD21 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

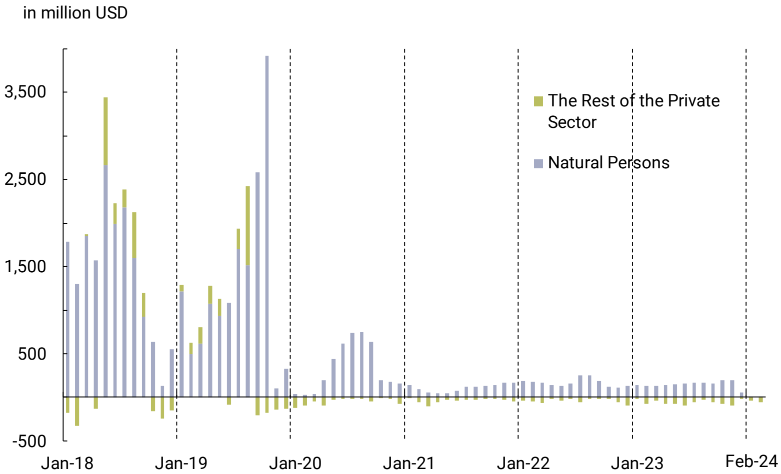
Date	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24
Foreign Exchange Financial Account	-713	-675	-852	-677	-155	-948	-346	-632	-835	-1,142	-1,005	-450	-471
Non-Residents' Direct Investments	54	38	58	54	223	45	69	85	91	100	87	45	58
Non-Residents' Portfolio Investments	3	-1	0	-1	-4	0	-1	12	1	-3	0	4	1
Financial Loans and Credit Lines	-582	-278	-456	-420	-188	-281	-525	-389	-538	-556	-396	175	-241
Local Financial Loans	-97	56	76	-101	-83	-88	49	-5	-126	-149	-72	228	61
Other Foreign Loans and Debt Securities	-248	-44	-317	-81	183	77	-326	-102	-55	-88	-31	91	-155
Payment of Card Balance	-238	-290	-215	-237	-288	-271	-248	-282	-357	-319	-293	-144	-147
Loans from Other International Organizations and Other	-52	-41	1	-83	-56	-84	150	-15	52	-92	-121	10	-22
Buildup of Foreign Assets by the Non-Financial Private Sector	-11	-4	-397	-83	0	-196	-91	-84	-112	5	330	-20	94
Self-to-Self International Transfers	-123	-386	-56	-150	-130	-430	54	-250	-328	-604	-909	-666	-384
Purchase and Sale of Securities	-2	-2	-2	5	0	-3	-2	9	-1	8	5	2	21

Source: BCRA

Non-financial private sector residents' foreign assets recorded a surplus of USD94 million—i.e., net sales of banknotes (USD57 million) and net inflows of foreign currency (USD38 million).

This outcome reflects net sales for USD59 million made by legal persons, partially offset by net purchases for USD2 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



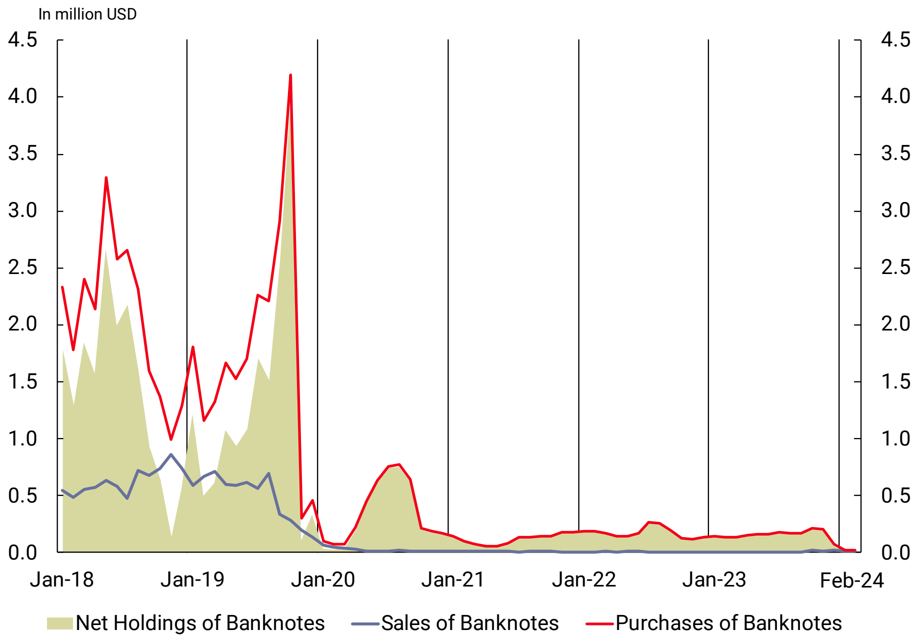
Source: BCRA

In February, “Natural Persons” purchased banknotes for USD14 million—down 29% against January, and down 89% y.o.y.—and sold USD13 million (see Chart III.3.1.2).

It is worth noting that AFIP’s General Resolution 5463/2023,[14] 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).

[14] To see General Resolution 5463/2023 click here.

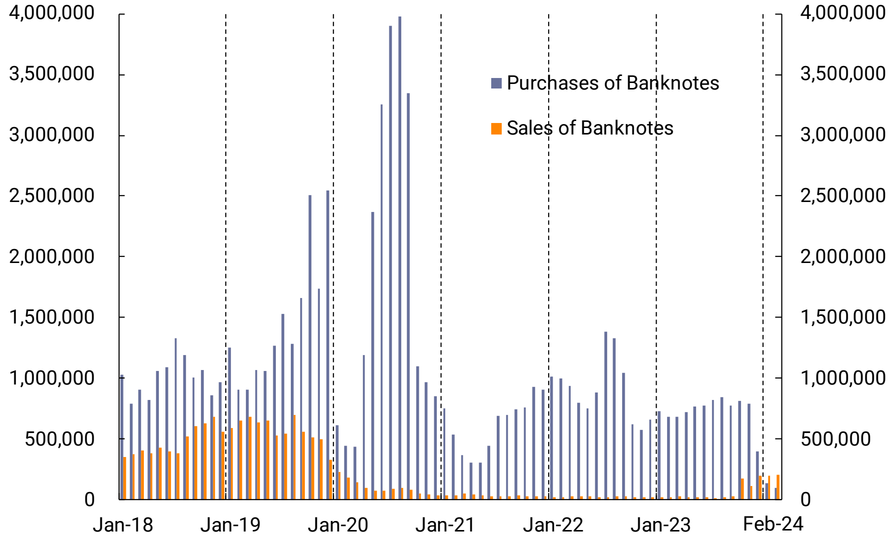
Chart III.3.1.2 Foreign Exchange Balance
Natural Persons. Banknotes



Source: BCRA

In terms of traders, in February, 207,000 individuals sold banknotes, while buyers amounted to about 95,000 (see Chart III. 3.1.3).

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

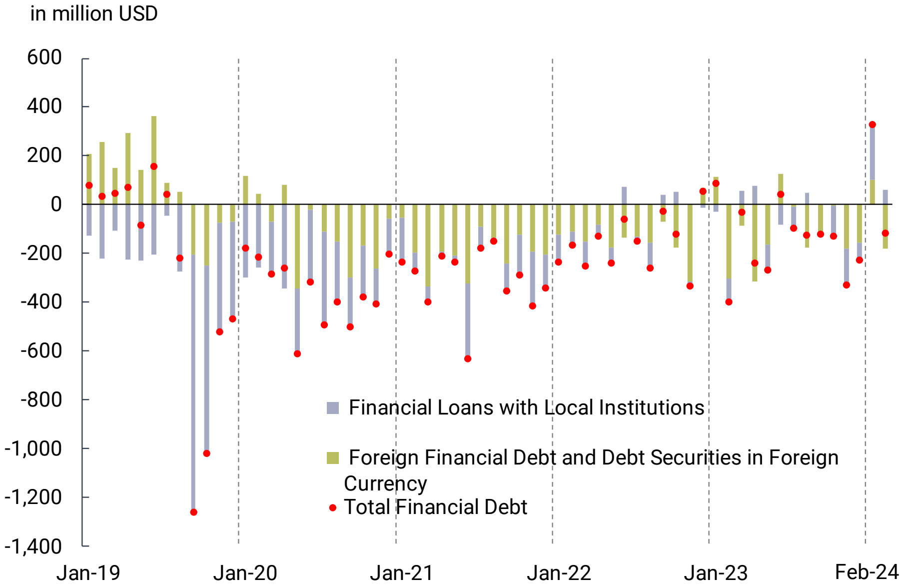


Source: BCRA

In turn, in February, this sector recorded net inflows to their own accounts from abroad (USD38 million). This result was mainly explained by the net inflows from the "Real Sector excluding Oilseeds and Grains" (USD43 million), "Institutional Investors and Others" (USD19 million) and "Oilseeds and Grains" (USD2 million), which were partially offset by net transfers made by "Natural Persons" (USD26 million).

Net outflows of financial debt from the non-financial private sector, including loans from international organizations and local financial loans, reached USD117 million in February—net outflows from "Energy" (USD94 million), "Communications" (USD42 million), and "Oilseeds and Grains" (USD15 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 (USD178 million), partially offset by net inflows of local loans (USD61 million). The total amount excludes purchases of foreign currency to pay card bills for expenses incurred abroad (USD146 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). [15]

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



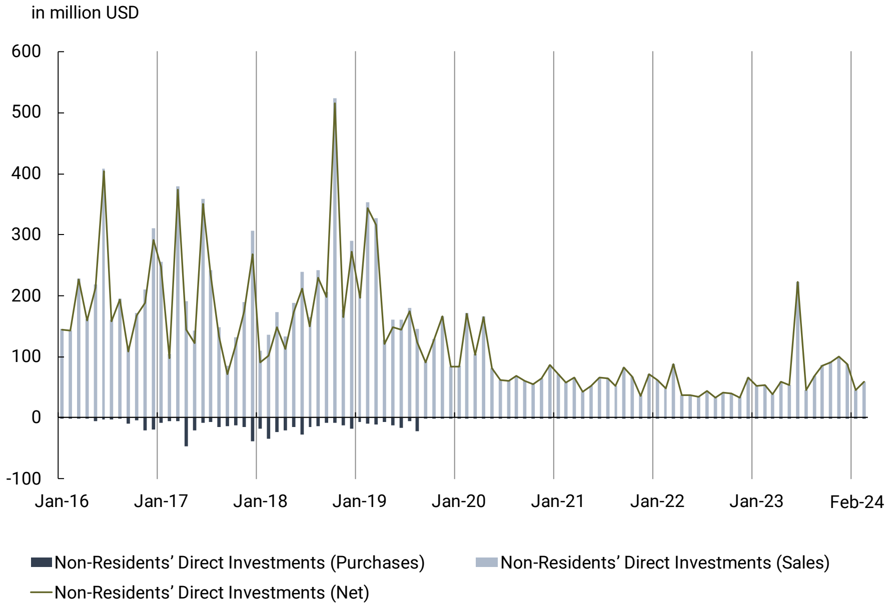
Note: Local financial debt excludes the purchases of foreign currency to pay card bills for expenses incurred abroad, which do not imply a net demand within the forex market

Source: BCRA

Direct investments made by non-residents in the non-financial private sector through the forex market reached USD58 million (net inflows) in February (see Chart III.3.1.5).

[15] 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. Non-Financial Private Sector



Source: BCRA

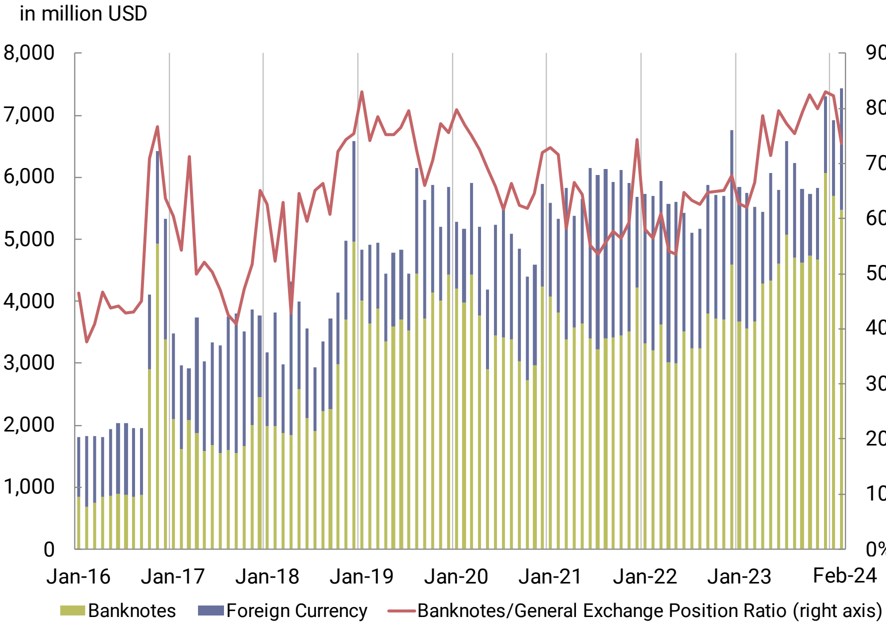
III.3.2. Foreign Exchange Financial Account of the Financial Sector

In February, the transactions carried out under the foreign exchange financial account of the "Financial Sector" resulted in a deficit of USD569 million. This outcome was explained by an increase of USD522 million in liquid foreign assets of financial institutions' General Exchange Position, net subscription of securities for USD9 million and by net outflows from financial loans and credit lines of USD38 million.[16]

Financial institutions' General Exchange Position amounted to USD7,437 million at the end of February, up 8% against the end of January. This result was explained by an increase in holdings of foreign currency (USD738 million), which was partially offset by a drop in the holdings of banknotes (USD216 million). Holdings of foreign currency banknotes totaled USD5,479 million by the end of the month. This stock accounted for 74% 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).

[16] 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 February with a forward short position in foreign currency of USD817 million, intensifying their short position by about USD530 million compared to the end of January. Institutions sold USD518 million directly to clients (Forwards) and USD12 million in regulated markets over February (see Chart III.3.2.2).

Foreign capital institutions ended February with a net short position of USD343 million, recording an increase of USD239 million compared to January. In turn, national capital institutions sold USD292 million, increasing their net short position of January to USD474 million (see Chart III.3.2.3).

Chart III.3.2.2 Forward Market
EOM Institutions' Forward Position

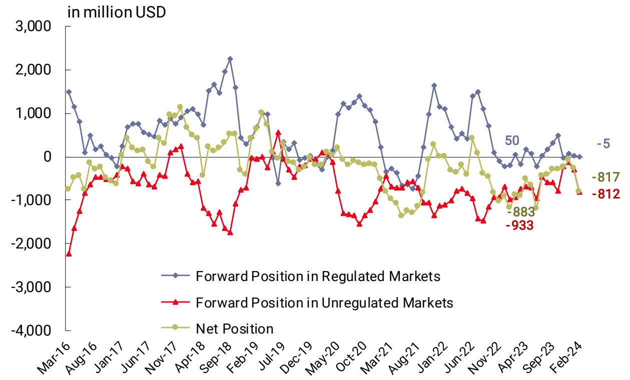
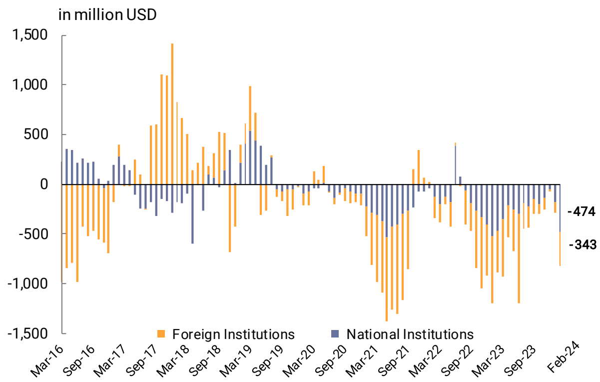


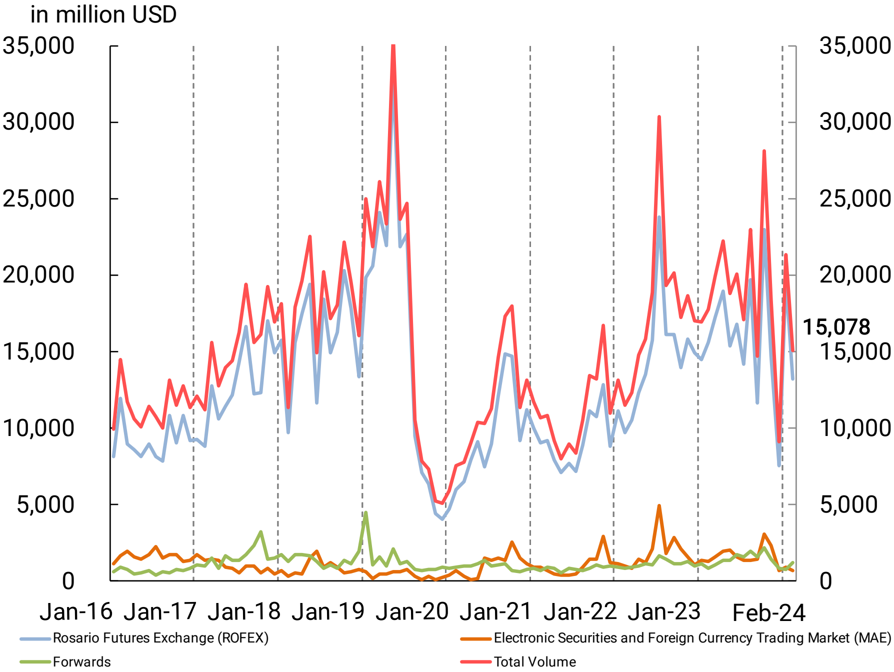
Chart III.3.2.3 Forward Market
EOM Institutions' Forward Position



Source: BCRA

The volume traded in forward markets totaled USD15,078 million in February, i.e.: USD794 million daily on average. Transactions carried out in the Rosario Futures Exchange (ROFEX) continued to stand out, with an 88% share in the total volume traded in the forward market (see Chart III.3.2.4).[17]

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



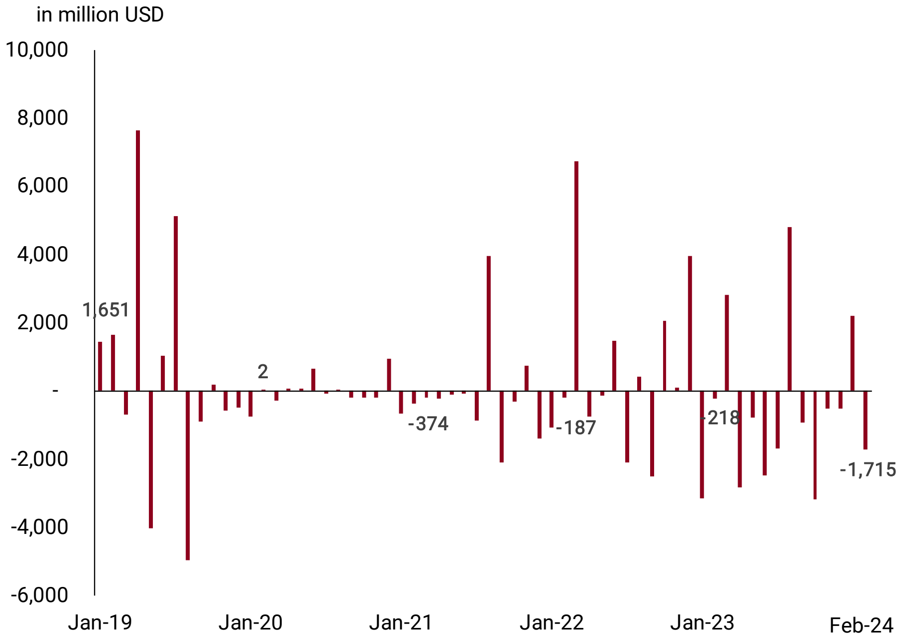
Source: BCRA

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

In February, the transactions carried out under the foreign exchange financial account of the "General Government and the BCRA" recorded a deficit of USD1,715 million (see Chart III.3.3.1), mainly explained by net outflows on account of loans from international organizations other than the IMF for USD1,755 million and payments of financial loans for USD207 million, which were partially offset by the counterpart of outflows from self-to-self international transfers of USD244 million.

[17] 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

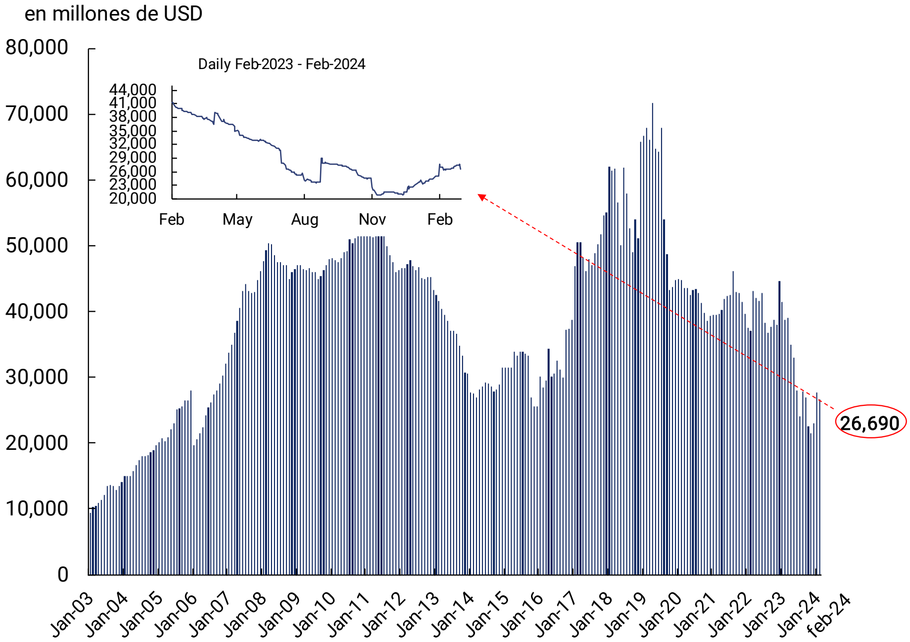


Source: BCRA

IV. BCRA's International Reserves

During February, BCRA's international reserves fell USD951 million, totaling USD26,690 million by the end of the month. This decrease was mainly explained by net outflows of interest and other financial debt of the General Government and the BCRA for USD1,916 million, net payments of interest and fees to the IMF for USD846 million (SDR636 million), a fall in financial institution's holdings of foreign currency in the BCRA for USD478 million, and a decrease in the US dollar exchange rate of foreign exchange reserves for USD52 million, which were partially offset by net purchases made by the BCRA in the forex market for USD2,358 million (see Chart IV.1).

Chart IV.1 BCRA's International Reserves



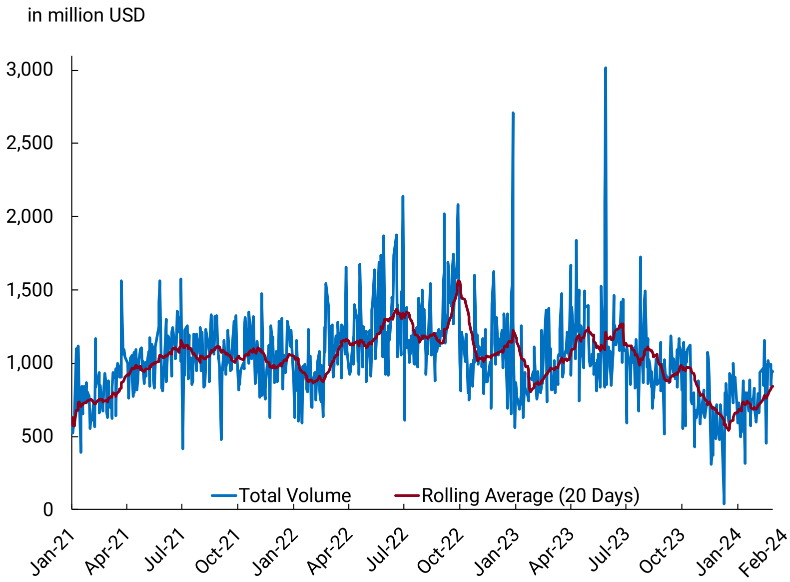
Source: BCRA

V. Volumes Traded in the Foreign Exchange Market

In February, the volume traded in the forex market totaled USD16,135 million, down 6% against February 2023 (see Chart V.1). The average daily volume traded was USD849 million, falling in y.o.y. terms as a result of a 23% drop in transactions between institutions and their clients (-USD2,690 million), partially offset by a 114% increase in transactions between institutions and the BCRA (+USD1,409 million), and a 5% increase in transactions between institutions (+USD190 million).[18]

[18] In 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

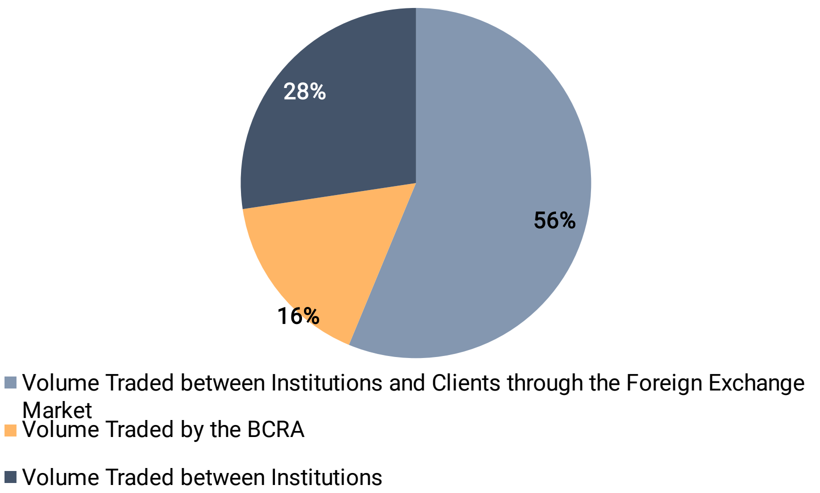


Source: BCRA

Foreign exchange transactions between institutions and their clients accounted for 56% of the total volume traded; transactions between institutions, and transactions between institutions and the BCRA—through the Electronic Trading System (SIOPEL)—represented 27% and 16%, respectively (see Chart V.2).[19]

[19] The volume traded between licensed institutions and their clients excludes the following items: the subscription of LEBAC bills, self-to-self international transfers (around USD2,293 million), the record of deposits in foreign currency allocated for the payment of financial debt service for about USD723 million, and purchases of foreign currency to pay card bills (around USD146 million for the month under study).

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

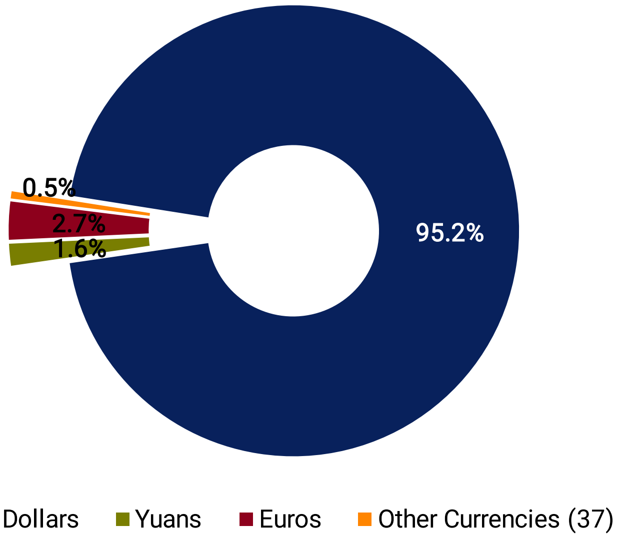


Source: BCRA

In February, 125 institutions traded in the market involving 40 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 86% of such volume) and in terms of the currency used, USD-denominated transactions having a 95% share in the total traded with clients, followed by euros, which accounted for nearly 3% of the total, the yuan accounting for less than 2% and the remaining currencies concentrated the rest of the total volume traded (see Chart V.3).

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



Source: BCRA

Finally, approximately 90% of foreign exchange transactions between financial and foreign exchange institutions and their clients were channeled through private financial institutions, around 10% through public banks, and the remaining 0.1% through foreign exchange houses and agencies.