Evolution of the Foreign Exchange Market and Exchange Balance

March 2021

BANCO CENTRAL
DE LA REPÚBLICA ARGENTINA

Evolution of the Foreign Exchange Market and the Foreign Exchange Balance

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About inclusive language in the Spanish version of this report

The Central Bank of Argentina is committed to encouraging the use of a non-discriminatory language that promotes the acceptance of all gender identities. It should be noted that all those who have contributed to this report acknowledge that language influences ideas, feelings, ways of thinking, as well as principles and core values.

Therefore, efforts have been made to avoid sexist and binary language in this report.

Contents

Page 6 | I. Introduction

Page 9 | II. Result by Sector in the Foreign Exchange Market

Page 11 | III. Foreign Exchange Balance

Page 24 | IV. BCRA's International Reserves

Page 25 | V. Volumes Traded in the Foreign Exchange Market

Executive Summary

In March, the BCRA recorded net purchases in the foreign exchange market for an amount of USD1,372 million. During March, BCRA's international reserves increased USD75 million, mainly explained by foreign currency deposited by institutions with the BCRA, net payments of debt (principal and interest) by the National Government, and by a fall in the exchange rates of various reserve assets against the US dollar.

The world economy is struggling with the health and economic effects of a profound crisis caused by the COVID-19 pandemic, with consequences on trade and capital flows at global and local levels. Over the last few months, the BCRA has been implementing policy changes in the foreign exchange market in order to promote a more efficient allocation of foreign currency. In this context, the BCRA purchased in the forex market from financial institutions and their clients USD208 million and USD1,164 million (i.e., their net sales, respectively). The National Treasury made purchases directly from the BCRA for USD365 million.

The real sector was a net seller of foreign currency for USD1,510 million. Within this group, the "Oilseeds and Grains" sector was the main net seller in the forex market with net inflows for USD3,179 million, reaching a record level in March—more than doubling the inflows recorded y.o.y.—, in a context of high international agricultural commodity prices. In March 2020, the position of the sector had been clearly opposite, making net commercial external debt payments.

The "Real Sector excluding Oilseeds and Grains", on the other hand, was a net purchaser in the forex market with a total of USD1,669 million. The foreign currency thus purchased was mainly allocated to make payments for imports of goods and services, and to pay financial debt.

"Natural Persons" made net purchases totaling USD175 million for payments on cards to non-resident suppliers (with a drop of about USD108 million, 24% y.o.y., given the current COVID-19 pandemic), and for saving purposes (USD59 million, recording a drop of 36% against February).

"Institutional Investors and Others"—both residents and non-residents—made net purchases for USD96 million in March.

The foreign exchange current account, which includes flows from net exports of goods and services, as well as primary and secondary income, had a surplus of USD1,392 million. The surplus could be mainly explained by the positive net result from "Goods" for USD1,999 million that also reached record levels in March, despite net purchases from "Primary Income" and "Services".

The foreign exchange financial account of the "Non-Financial Private Sector" had a deficit of USD517 million in March, resulting basically from net settlements of financial debt for USD515 million.

The transactions carried out under the foreign exchange financial account of the "Financial Sector" evidenced a deficit amounting to USD362 million, mainly explained by the increase in liquid foreign assets of financial institutions' General Exchange Position for USD361 million.

The transactions carried out under the foreign exchange financial account of the "General Government and the BCRA" recorded a deficit of USD253 million, mainly explained by net payments of financial debt.

I. Introduction

This report analyses information on foreign exchange transactions made in March 2021 as gathered by the Exchange Transaction Reporting System administered by the BCRA. Additionally, it relies on information on changes in BCRA's International Reserves due to transactions carried out by the BCRA on its own account or on behalf of the National Government, and on changes in the balance of institutions' foreign currency accounts at the BCRA.[1]

Data collected from institutions include information on every transaction conducted in the forex market by natural or legal persons (including the sector to which they belong, which agrees with the main business activity reported to AFIP (Federal Administration of Public Revenues)), amounts traded, currency denomination, and the reason for the foreign exchange transaction (heading)—such as export or import 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, the methodology used for compiling foreign exchange market and foreign exchange balance statistics is available here on BCRA's website.

It should be noted that, effective on September 1, 2019, the BCRA made new adjustments to the operation of the forex market with considerable impact on the information analyzed in this report.

One of the most significant provisions sets out that the foreign exchange ticket shall take the form of an affidavit and shall be signed by the requesting party, who swears that the data informed is true. The new regulations also provide that any proceeds from the export of goods and services shall be exchanged in the local market within given deadlines; any new financial debts held abroad shall also be subject to a time frame. Furthermore, a ceiling was set on purchases of foreign currency made by natural persons intended to buildup foreign assets and for personal transfers (currently up to USD200/month). As to legal persons, they shall be previously authorized to purchase foreign currency for saving purposes.

On the other hand, financial institutions shall require the BCRA's prior authorization to: i) purchase securities denominated in foreign currency in the secondary market, ii) pay debts to related institutions arising from the import of goods due as of August 31, 2019 (where monthly payments exceed USD2 million), iii) pay services to related institutions, iv) early pay financial debts; and v) transfer profits and dividends abroad.

The new Social Solidarity and Productive Reactivation Act (*Ley de Solidaridad Social y Reactivación Productiva*), published on the Official Gazette on December 23, 2019, established a tax (called Tax for an Inclusive and Solidary Argentina,—*Impuesto Para una Argentina Inclusiva y Solidaria*, "PAIS"). The tax levies on certain foreign exchange transactions, including saving in foreign currency or purchases of foreign currency for traveling abroad, and amounts to 30%.[2]

On April 30, 2020 Communication "A" 7001 set out new guidelines for those that had been granted MSMEs credit lines in pesos—under Communication "A" 6937, as amended—to access the forex market for paying all types of foreign debt (principal and interest). It also determined that those who apply for access to the forex market should submit an affidavit stating that they had neither sold any securities denominated in foreign

[1] Communication "A" 3840, as amended.
[2] To access the Social Solidarity and Productive Reactivation Act, click here.

currency nor made any transfer in such denomination to foreign depositary institutions during the 30 days before the date of application, and that they undertake not to make such transactions during the 30 calendar days after the date of application—later extended to 90 days. Moreover, the reporting threshold for the Advance Transactions Reporting Regime was reduced from USD2 million to USD500 thousand.[3]

On May 28, 2020 the BCRA basically established, under Communication "A" 7030, that the prior authorization of the BCRA was required to access the forex market where they have no liquid foreign assets available and their foreign currency holdings in local financial institutions are insufficient to pay their foreign debts. In addition, the Board of Directors decided that companies must request the prior authorization of the BCRA to access the forex market for the payment of foreign commercial liabilities, if the stock of debt is lower than that recorded as of January 1, 2020; and for the payment of principal of foreign loans, when the creditor is a related counterparty of the debtor. During the following weeks, this Communication has been gradually reviewed to meet the specific commercial needs of different productive sectors. Amendments were introduced through Communications "A" 7042 and "A" 7052, and consolidated in Communication "A" 7068, issued on July 08, 2020.[4]

By mid-September, the BCRA and the financial institutions have streamlined the control and monitoring mechanisms for ensuring that clients' financial and income capacity allow them to open savings accounts in foreign currency. They also limited co-owners' access to purchase US dollars for the buildup of foreign assets (Communication "A" 7105).[5]

Moreover, the BCRA together with other National Government agencies has implemented measures to promote a more efficient allocation of foreign currency. In this regard, while maintaining the current USD200 monthly quota for natural persons, the BCRA established that payments made in foreign currency with credit or debit cards will count as part of the monthly quota since September 1, 2020. There will be no ceiling on consumption with debit and/or credit cards. However, where monthly expenses exceed the USD200 quota, they will count towards the quota of subsequent months. These measures also determined that the beneficiaries under paragraph 4 of Communication "A" 6949, as supplemented, and/or Section 2 of Decree No. 319/20 may not access the forex market to make foreign exchange transactions, sell securities settled in foreign currency nor transfer them to foreign depositaries until they pay their financing in full or during the period in which they are entitled to reimburse their loans with no adjustments.

In turn, the Federal Administration of Public Revenues (AFIP) will collect a 35% contribution in advance of income and personal property taxes from natural persons applying for foreign currency to build up foreign assets, or pay their debit and/or credit card bills. The aim is to deter natural persons from applying for foreign currency for saving and making payments on cards for foreign consumption abroad.

In addition, guidelines were established to enable private sector companies to refinance their foreign liabilities, so that they be aligned to the new requirements for the smooth functioning of the forex market.[6]

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[3] To access Communication "A" 7001, click here.
[4] To access the text of Communication "A" 7030, click here. To access the text of Communication "A" 7042, click here. To access the text of Communication "A" 7052, click here. To access the text of Communication "A" 7068, click here.
[5] To access the text of Communication "A" 7105, click here.
[6] To access the text of Communication "A" 7106, click here.

In October, the BCRA established that, in addition to the requirements to access the forex market for paying imports of goods pending import customs registration, the intervening institution must ensure that importers have uploaded their affidavits to the Imports Monitoring Comprehensive System, stating that the goods imported have been recorded as "OUT" in all cases where such an affidavit is a requirement for recording an import for consumption.[7]

Since October 29, 2020 financial institutions shall, in addition to requesting the client's affidavit, verify that the information so provided matches the data available online at the BCRA to that effect.[8]

Section II of this report analyzes the result of foreign exchange transactions for March; data are broken down by sector and by heading.[9]

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 shown here should be analyzed in light of the different forex regulations in force by period**.[10]

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

The world economy is struggling with the health and economic effects of a profound crisis caused by the COVID-19 pandemic, with consequences on trade and capital flows at global and local levels. Over the last few months, the BCRA has been implementing policy changes in the foreign exchange market in order to

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[7] To access the text of Communication "A" 7138, click here.
[8] To access the text of Communication "A" 7151, click here.
[9] 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".
[10] 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.

promote a more efficient allocation of foreign currency. In this context, the BCRA purchased in the forex market from financial institutions and their clients USD208 million and USD1,164 million (i.e., their net sales, respectively). The National Treasury made purchases directly from the BCRA for USD365 million (see Table II.1).[11]

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

Result by Sector of the Foreign Exchange Market with Institutions	Jan-21	Feb-21	Mar-21
BCRA	**-159**	**-633**	**-1.372**
National Treasury	**-**	**-**	**-**
Institutions	**-29**	**1**	**208**
Institutions' Clients (1 + 2 + 3)	**188**	**632**	**1.164**
1. Non-Financial Private Sector	**280**	**990**	**1.240**
Oilseeds and Grains	2.045	2.121	3.179
Real Sector Excluding Oilseeds and Grains	-1.463	-959	-1.669
Natural Persons	-277	-157	-175
Institutional Investors and Others	-26	-14	-96
2. General Government	**-79**	**-303**	**-66**
3. Institutions (Own Transactions)	**-13**	**-55**	**-10**
National Treasury Directly with the BCRA	**-**	**-456**	**-365**

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

The following table is intended to analyze the purchases and sales carried out through institutions in the forex market. For readers' convenience, each sector's net foreign exchange result analyzed in this report is arranged in horizontal reading direction, and 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 (transfers of foreign currency from abroad in March). (See Table II.2).[12]

[11] Transactions in the forex market are reported according to their settlement date, except for the purchase and sale of securities payable in foreign currency.
[12] 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.

Table III.1.2 Foreign Exchange Market
Result of Institutions' Transactions with Clients. March 2021
Equivalent in million dollars

Sector/Main Headings	Goods	Travel and Passenger Transport, and Other Expenses Paid with Cards	Remaining Services and Other Current Transfers	Foreign Assets - Banknotes	Foreign Assets - Foreign Currency	Net Self-to-Self International Transfers	Debt, FDI, Portfolio, and Other Transactions	Total
Non-Financial Private Sector	**2.086**	**-136**	**-293**	**44**	**209**	**-343**	**-326**	**1.240**
Oilseeds and Grains	3.176	0	0	-1	1	-1	5	3.179
Real Sector Excluding Oilseeds and Grains	-1.032	-18	-348	49	18	-47	-290	-1.669
Natural Persons	-9	-108	25	-59	179	-195	-7	-175
Institutional Investors and Others	-49	-9	30	54	11	-100	-34	-96
General Government	**-86**	**0**	**-75**	**115**	**-2**	**7**	**-26**	**-66**
Institutions (Own Transactions)	**-2**	**-1**	**-9**	**0**	**0**	**0**	**1**	**-10**
Institutions' Result with Clients	**1.999**	**-137**	**-376**	**159**	**207**	**-336**	**-351**	**1.164**
Result for Forex Transactions	**2.001**	**-137**	**-470**	**159**	**8**	**0**	**-398**	**1.164**
Result for Self-to-Self International Transfers	**-3**	**0**	**94**	**0**	**198**	**-336**	**47**	**0**

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

Based on the chart above, the following sectors' performance can be highlighted.

"Oilseeds and Grains" was the main net seller of foreign currency in the market over March. This sector recorded net inflows for USD3,179 million for virtually all concepts included in "Goods" (collections on exports net of payments for imports), which is reasonable enough as it proves to be the main exporting sector in the economy. In a context of high international agricultural commodity prices, the sector's proceeds from the collection of exports reached record levels in March, doubling the amount recorded y.o.y.

In March, the "Oilseeds and Grains" sector's inflows were about USD600 million above FOB exports estimates for customs valuation purposes, which means an increase in the sector's commercial indebtedness level (for further information, see Section III.1.1).

The "Real Sector excluding Oilseeds and Grains", on the other hand, was a net purchaser of foreign currency, with a total of USD1,669 million. These purchases were mainly used to make payments for imports of goods and services, and to pay financial debt (for further information, see Sections III.1.1 and III.1.2).

"Natural Persons" made net purchases totaling USD175 million, basically for making payments on cards for purchases from non-resident suppliers (USD108 million, recording a drop of 24% y.o.y., given the current border restrictions), and for saving purposes (USD59 million, recording a drop of 36% against February). Furthermore, they transferred USD179 million from their own accounts abroad, credited in local accounts in foreign currency ("Self-to-Self International Transfers"); having a neutral impact on the forex market.

"Institutional Investors and Others" recorded net purchases for USD96 million. This sector comprises investment funds, pensions funds, hedge funds, insurance companies, and other legal persons not included in the previous classifications—both residents and non-residents.

In turn, the "General Government" made net purchases in the forex market through licensed financial institutions for USD66 million, mainly for the payment of goods.

Finally, financial institutions used their own funds (USD10 million) to pay interest of financial debt.

III. Foreign Exchange Balance

The Foreign Exchange Balance comprises transactions carried out by institutions with their clients in the foreign exchange market (included in Section II) and those carried out by the BCRA—either on its own account or on behalf of the National Government. It is worth noting that the Foreign Exchange Balance is presented in an analytical format based on the Balance of Payments broken down by component and by institutional sector.

III.1 Current Account

Current account transactions recorded in the foreign exchange balance showed a surplus of USD1,392 million in March (see Table III.1.1).

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

Date	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21
Exchange Current Account	**83**	**-155**	**-322**	**1.562**	**555**	**-462**	**-601**	**-495**	**-340**	**406**	**417**	**751**	**1.392**
Goods	709	292	316	1.955	1.057	366	7	44	450	927	1.051	1.445	1.999
Services	-11	-85	-16	-70	-134	-229	-278	-286	-201	-188	-187	-216	-280
Primary Income	-609	-372	-635	-328	-404	-570	-334	-254	-584	-350	-457	-484	-336
Secondary Income	-5	9	13	5	35	-28	5	1	-5	17	10	7	10

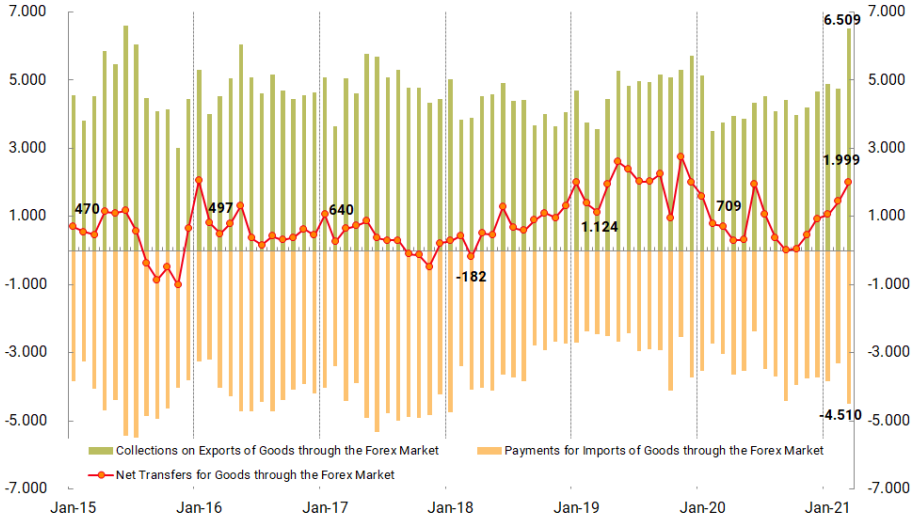
III.1.1 Goods

Broadly, the "Goods" section of the foreign exchange balance includes the sales and purchases of foreign currency through the foreign exchange market arising from "collections on exports of goods" and "payments for imports of goods" as clients informed their financial institutions.[13]

In March, transfers for "Goods" on the foreign exchange balance reached a historically high record, exhibiting net inflows for USD1,999 million, resulting from collections on exports for USD6,509 million and payments of imports for USD4,510 million (see Chart III.1.1.1).

[13] Since the obligation to enter the proceeds from the export of goods into the country and to exchange them in the forex market was removed, and prior to October 2019's regulatory changes, the real sector carrying out transactions abroad opted for not entering all their collections on exports into the local market and keeping a part of such amount in accounts held abroad to pay their foreign liabilities, including imports (thereby reducing transaction costs). On the other hand, once it was possible to transfer, once again, funds to own accounts held abroad, and up to October 2019, importers started to make their payments under the headings included in "Goods" and to fund their accounts abroad for future payments of imports (this led to less administrative burden when compared to reporting if they were paying imports). These two factors affected the gross flows for "Goods" until the changes introduced in October 2019, which reinstated the obligation to exchange the proceeds from the export of goods and services, and to render foreign exchange tickets as affidavits, as well as the limits on the purchase of foreign assets made by residents.

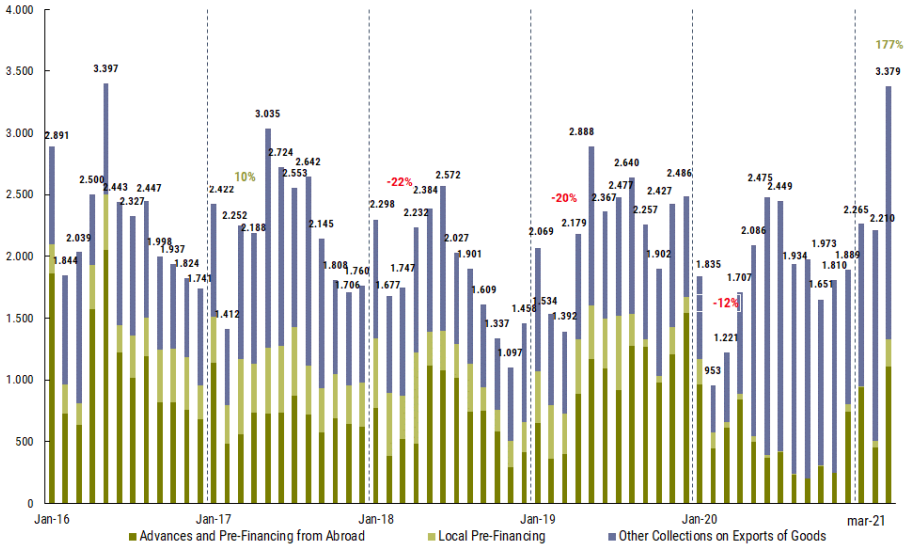
Chart III.1.1.1 Foreign Exchange Balance
Transfers for Goods
Equivalent in million dollars



The "Oilseeds and Grains" sector recorded foreign currency sales for collections on exports of goods through the forex market for USD3,379 million, up 177% y.o.y., reaching a peak record for March. The sector's exports of goods were about USD2,800 million, some USD600 million below collections, which means an increase in the sector's commercial debts resulting from advances and the pre-financing of exports, the exact opposite situation of March 2020.

In turn, Affidavits of Sales Abroad (Declaraciones Juradas de Ventas al Exterior, DJVEs) as reported by the Ministry of Agriculture and Fisheries (which determine withholding payments on exports) recorded a 35% drop against February, and a 40% y.o.y. increase. In the first quarter of 2021, DJVEs increased more than 300% y.o.y., in a context of high prices for export products.

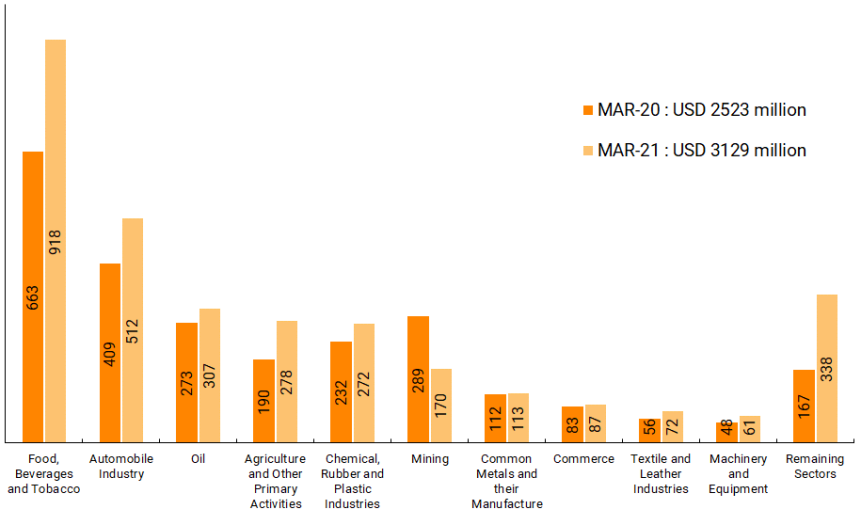
Chart III.1.1.2 Foreign Exchange Balance
Collection on Exports of Goods from the "Oilseeds and Grains" sector
Equivalent in million dollars



In March, the local trade of the main grains went down compared to previous harvest seasons, showing, however, an accelerated trend against February. By the end of March, 42 million tons of soybean from the 19/20 harvest season were traded (about 86% of the estimated harvest) against 46 million recorded in the 18/19 harvest season (about 86% of the estimated harvest). In addition, 13 million tons from the 20/21 harvest season were traded, with a slowdown in the local trade against the previous harvest season, going down from 39% to 29% of the estimated harvest. Corn ended March with local trades amounting to 39 million from the 19/20 harvest season, a similar level to that observed for the previous harvest season. As for the 20/21 harvest season, the rate of trade stands at 59% against 58% of the 19/20 harvest season at the same date. In turn, local purchases of wheat made in March for the 20/21 harvest season were 100% equal to the cereal's exports estimates (10 million tons), just the same as in the 19/20 harvest season for March.

In turn, inflows from the collections on exports of goods from the remaining sectors totaled USD3,129 million, an amount 23% higher than that of February, and 24% higher than that of March 2020. When breaking down information by sector, 64% of these inflows were concentrated in the "Food, Beverages and Tobacco", "Automobile Industry", "Oil", "Mining", and "Agriculture and Other Primary Activities" sectors (see Chart III.1.1.3).

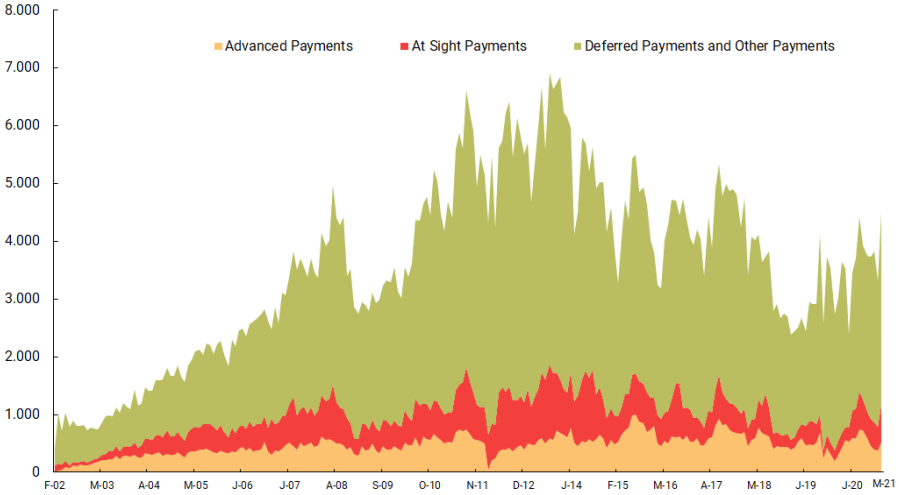
Chart III.1.1.3 Foreign Exchange Balance
Collection on Exports of Goods ("Oilseeds and Grains" Sector Excluded)
Equivalent in million dollars



In March, payments of imports of goods through the forex market totaled USD4,510 million, up 49% y.o.y. In turn, FOB imports estimates were about USD500 million above the amount of payments, totaling around USD5,000 million, which would imply an increase in commercial debt due to imports of goods and/or a reduction of assets abroad.

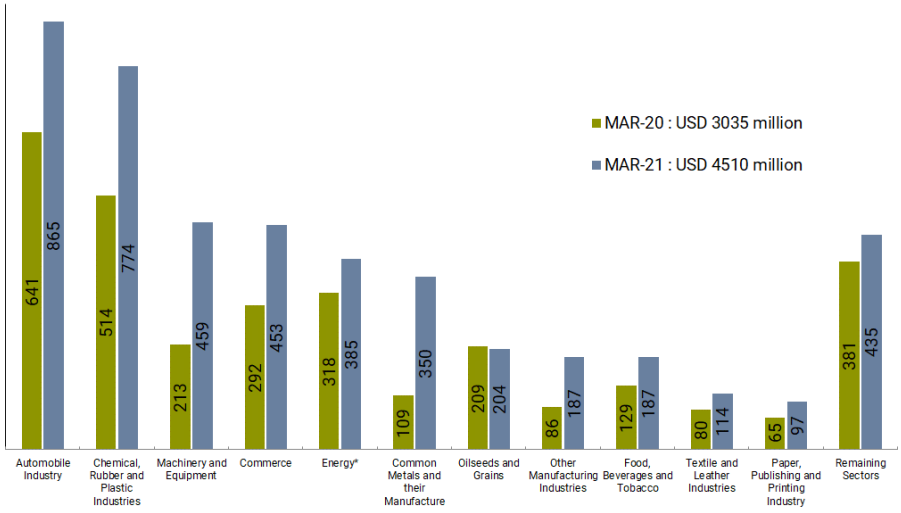
As regards imports of goods, 74% of payments were deferred, 12% were advance payments, and the other 14% were sight payments in March (see Chart III.1.1.4).

Chart III.1.1.4 Foreign Exchange Balance
Evolution of Payments for Imports of Goods by Type of Payment
Equivalent in million dollars



In terms of sectors, 57% of March's payments for imports of goods were made in the "Automobile Industry", "Chemical, Rubber and Plastic Industries", "Machinery and Equipment", and "Commerce" sectors (see Chart III.1.1.5).[14]

Chart III.1.1.5 Foreign Exchange Balance
Payments for Imports of Goods by Sector
Equivalent in million dollars



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

III.1.2 Services, Primary and Secondary Income

The "Services" account recorded a deficit of USD280 million in March, mainly explained by net outflows from "Freight and Insurance" and "Travel and Passenger Transport, and Other Expenses Paid with Cards" which amounted to USD333 million and USD137 million, respectively. These transactions were partially offset by net inflows from "Business, Professional and Technical Services" for USD165 million (see Chart III.1.2.1).

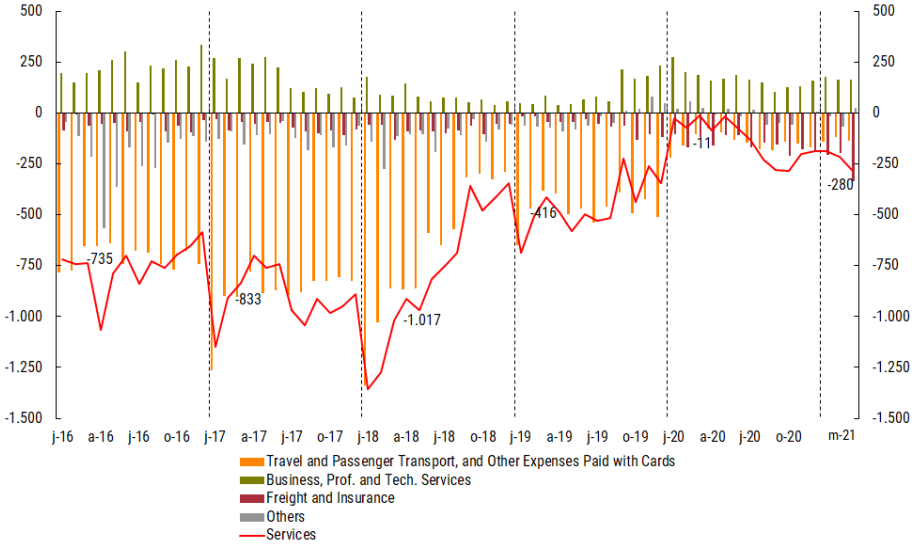
Given the travel restrictions under the COVID-19 pandemic that continue until present day, the net deficit of the "Travel and Passenger Transport, and Other Expenses Paid with Cards" account remains at minimum levels. This behavior is in line with the information published in the last international tourism survey. It is worth pointing out that the transfers made to international credit card issuers include purchases made either during travels abroad or those made on a remote basis. In turn, inflows also include non-resident remote purchases made with cards from Argentine suppliers.[15]

It should be noted that the regulatory changes introduced in September 2019 have a direct impact on the figures shown in the "Services" account, mainly due to the exporters of services' obligation to enter the proceeds from their collections into the country, and to exchange them in the forex market; and institutions' obligation to record those sales and keep the client's affidavit with a description of the type of transaction made. Prior to September, a large part of this type of inflow was reported as repatriation of funds from clients'

[14] The "Energy" sector includes companies belonging to the "Oil", "Electricity" and "Gas" sectors.
[15] To access the latest technical report on International Tourism Statistics, click here.

accounts held abroad (included in the Foreign Exchange Financial Account) and clients could even choose not to include a description of the type of transaction made.

Chart III.1.2.1 Foreign Exchange Balance
Net Inflows from Services
Equivalent in million dollars



Primary income transactions recorded net outflows amounting to USD336 million in March, mainly due to net payments of "Interest", whereas no transfers of "Profits and Dividends" were made (as a result of the requirement to obtain prior authorization from the BCRA for these transactions since October 2019). As regards gross payments of interest, USD138 million were made by the "General Government and the BCRA", and USD194 million by the private sector.

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

III.2 Capital Account

In March, the capital account of the foreign exchange balance recorded net inflows for USD14 million.

III.3 Foreign Exchange Financial Account

In March, net outflows for the foreign exchange financial account totaled USD1,028 million. This result was explained by a deficit in the "Non-Financial Private Sector" (USD517 million), in the "Financial Sector" (USD362 million) and in the "Public Sector and the BCRA" (USD253 million), which were partly offset by the surplus recorded in "Other Net Transfers" (USD103 million) (see Table III.3.1.).[16]

[16] The "Other Net Transfers" account of the foreign exchange balance is made up of transfers with a potential impact on the level of the BCRA's international reserves—although they are not foreign exchange transactions or direct inflows/outflows of the BCRA or the National Government.

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

Date	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21
Foreign Exchange Capital and Financial Account	**-1.092**	**-74**	**-581**	**-1.235**	**-1.137**	**-453**	**-952**	**-1.302**	**-1.048**	**-53**	**-516**	**-365**	**-1.028**
Financial sector	-788	613	866	-1.132	-382	362	201	372	-371	-1.422	298	219	-362
Non-Financial Private Sector	-318	-348	-803	-901	-1.225	-1.151	-1.098	-687	-583	-281	-366	-368	-517
Public Sector and BCRA	-292	64	59	647	-78	24	-208	-202	-206	946	-653	-373	-253
Other Net Movements	306	-404	-704	151	549	312	154	-785	112	704	205	158	103

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 USD517 million in March, resulting basically from net settlements of financial debt for USD515 million.

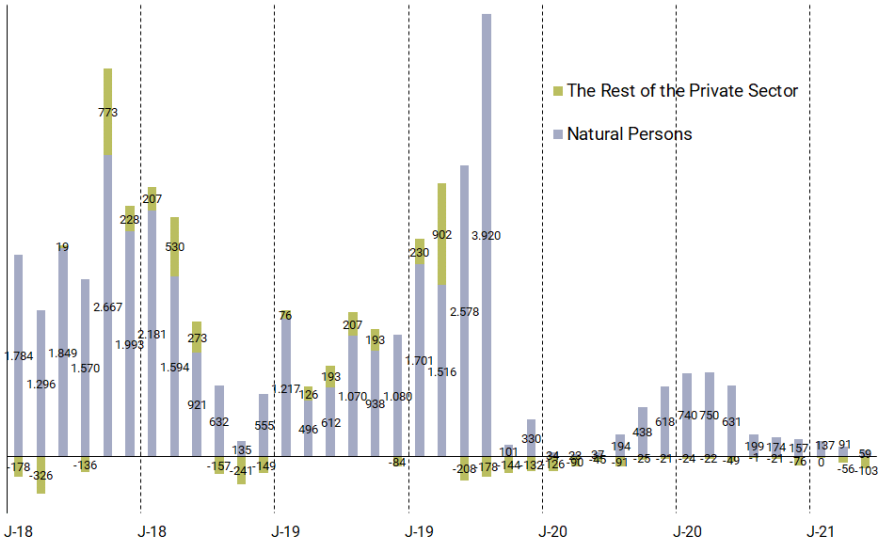
Table III.3.1.1. Foreign Exchange Balance
Foreign Exchange Financial Account of the Non-Financial Private Sector
Equivalent in million dollars

Date	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21
Foreign Exchange Financial Account	**-318**	**-348**	**-803**	**-901**	**-1.225**	**-1.151**	**-1.098**	**-687**	**-583**	**-281**	**-366**	**-368**	**-517**
Non-Residents' Direct Investments	103	165	81	62	59	68	60	54	63	84	71	58	65
Non-Residents' Portfolio Investments	5	2	3	7	12	2	3	-4	1	-1	-5	1	3
Financial Loans and Credit Lines	-316	-519	-628	-400	-589	-489	-511	-426	-439	-280	-338	-364	-515
Loans from Other International Organizations and Other	-79	188	-35	30	22	14	-80	-58	-54	-5	2	7	21
Buildup of Foreign Assets by the Non-Financial Private	-110	-183	-377	-529	-452	-571	-434	-201	-111	89	-98	-2	253
Self-to-Self International Transfers	77	0	154	-69	-278	-175	-136	-52	-44	-166	2	-68	-343
Purchase and Sale of Securities	0	0	0	-1	0	0	0	0	0	-1	0	0	0

The buildup of foreign assets by non-financial private sector residents brought about net inflows amounting to USD253 million: USD209 million in net transfers from abroad (mainly credited to local accounts in foreign currency, "Self-to-Self International Transfers", with a neutral result in the forex market) and USD44 million in net sales.

This outcome reflects net sales for USD103 million made by legal persons and others, partially offset by net purchases for USD59 million made by "Natural Persons" (see Chart III.3.1.1).

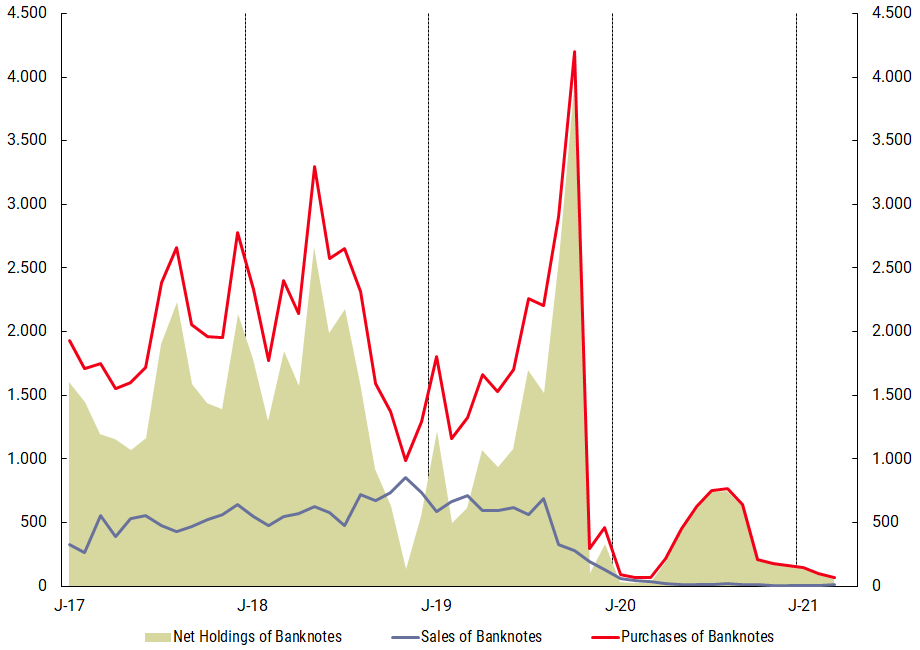
Chart III.3.1.1 Foreign Exchange Balance
Net Purchases of Banknotes by Sector
Equivalent in million dollars



"Natural Persons" purchased banknotes for USD69 million—about USD30 million less than in February (- 30%)—, and sold USD10 million. These transactions were made in the context of the regulatory changes introduced in mid-September 2020, as under Communication "A" 7105 (introducing controls and monitoring mechanisms for ensuring that clients' financial and income capacity make them eligible to open savings accounts in foreign currency; as well as limits to co-owners' access to purchase foreign currency for building up foreign assets), and Communication "A" 7106 (establishing that any payments made in foreign currency on credit or debit cards will count as part of the USD200 monthly quota per person, and that beneficiaries under paragraph 4 of Communication "A" 6949, as supplemented, and/or Section 2 of Decree No. 319/20 may not access the forex market until benefits are over).[17]

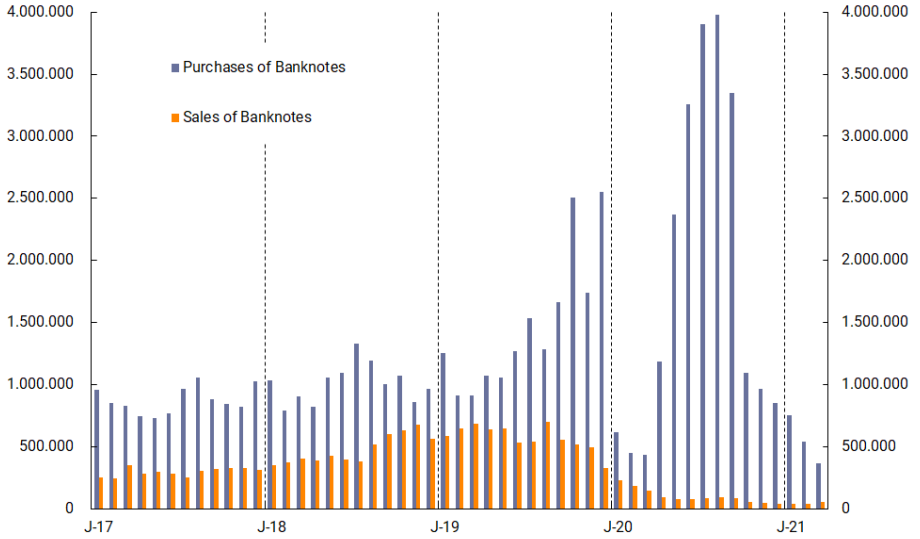
[17] As from September 16, 2020, the Federal Administration of Public Revenues (AFIP) will collect a 35% contribution in advance of income and personal property taxes from natural persons applying for foreign currency to build up foreign assets, or pay their debit and/or credit card bills (General Resolution 4815/2020).

Chart III.3.1.2 Foreign Exchange Balance
Natural Persons. Banknotes
Equivalent in million dollars



In terms of traders, 336,000 individuals purchased banknotes (about 174,000 less than in February), while sellers amounted to about 50,000—with per capita purchases and sales for USD189 and USD203, respectively (see Chart III.3.1.3).

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

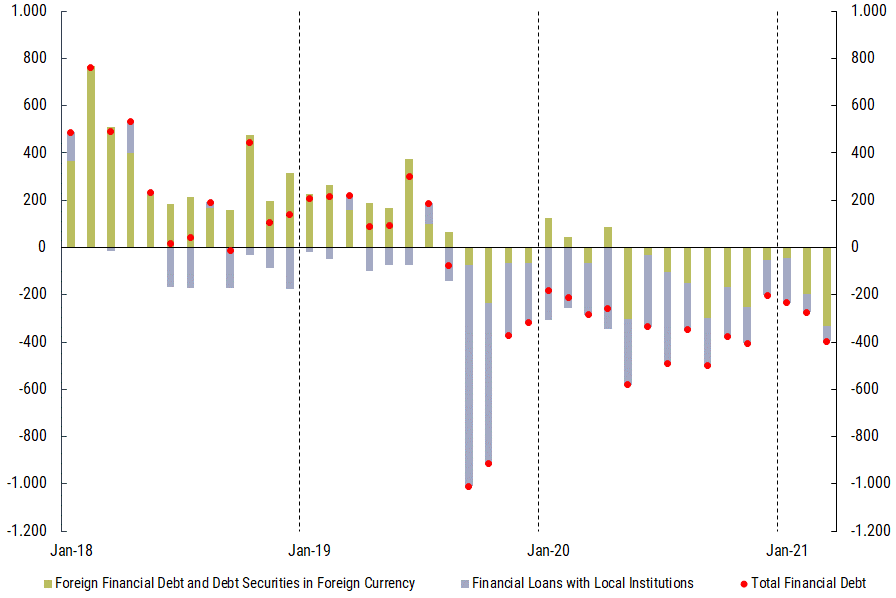


In turn, as it has already been mentioned, in March, this sector made net transfers from their own accounts abroad (USD209 million) to the "Real Sector" (USD19 million), to "Institutional Investors and Others" (USD11 million), and to "Natural Persons" (USD179 million). In the case of "Natural Persons" they were credited in local accounts in foreign currency ("Self-to-Self International Transfers"), having a neutral impact on foreign exchange transactions.

Prior to October 2019, a part of the funds transferred by the "Real Sector" to accounts abroad was used to pay their foreign liabilities through such accounts, whether commercial or financial, such as payments for imports of goods and services, primary income, debt securities or loans. Based on the regulatory changes introduced by Communication "A" 6770, purchases by legal persons to make transfers to their own accounts abroad now require the prior authorization of the BCRA.

Net payments of financial debts, including loans of international organizations, totaled USD397 million in March, out of which USD64 million stood for net settlements paid to local institutions, and USD333 million for net payments of other financial debt in foreign currency (see Chart III.3.1.4).[18] [19]

Chart III.3.1.4 Foreign Exchange Balance
Non-Financial Private Sector. Financial Debt
Equivalent in million dollars

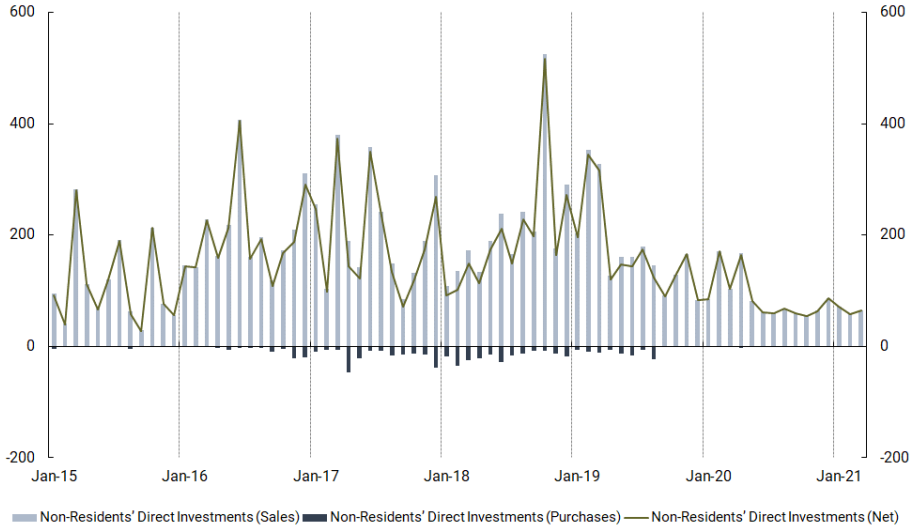


Note: Local financial debt excludes the purchases of foreign currency to pay card bills for expenses incurred abroad.

[18] Net payments exclude purchases of foreign currency to pay card bills for expenses incurred abroad for an amount of USD97 million; they do not imply a net demand in the whole system, made up by the 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.
[19] As from September 16, 2020, through Communication "A" 7106, the sovereign debt restructuring process in foreign currency was successfully carried out by the National State. In symphony with this measure, the BCRA set out guidelines for private sector companies to refinance their foreign financial debts 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.

Investments made by non-residents recorded net inflows for USD65 million (see Chart III.3.1.5), basically accounted for by direct investments. The "Oil" sector recorded the highest number of sales as a result of direct investment inflows, totaling USD20 million.

Chart III.3.1.5 Foreign Exchange Balance
Non-Residents' Direct Investments
Equivalent in million dollars



Finally, due to the regulatory changes implemented that limited the transactions carried out by institutions with their own funds, foreign currency flows from transactions carried out with securities in the secondary market posted no movements.[20]

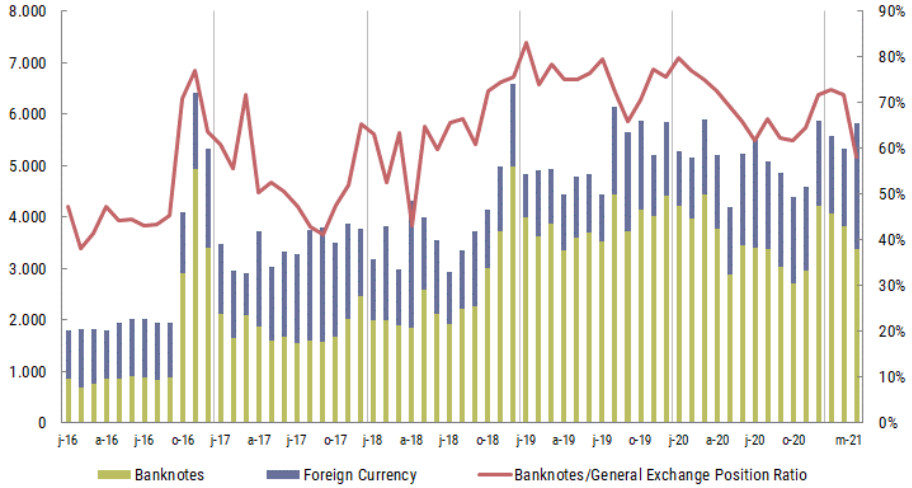
III.3.2. Foreign Exchange Financial Account of the Financial Sector

In March, the transactions carried out under the foreign exchange financial account of the "Financial Sector" ran up a deficit of USD362 million. This outcome is mainly explained by an increase in liquid foreign assets of financial institutions' General Exchange Position for USD361 million.[21]

Financial institutions' General Exchange Position amounted to USD5,695 million at the end of March, up USD361 million against February. This may be explained by a rise in the stock of foreign currency amounting to USD791 million, partially offset by a fall in the stock of banknotes (see Chart III.3.2.1) that amounted to USD3,391 million by the end of the month. This stock accounted for 60% of the total General Exchange Position, and it is basically allocated by institutions to cover local foreign currency deposit transactions and foreign exchange market needs.

[20] In the forex market, transactions are entered on behalf of financial institutions. The net effect of these transactions has, as counterpart, non-financial private sector residents or non-residents. Therefore, they are included in the foreign exchange financial account of the non-financial private sector.
[21] The General Exchange Position is defined in the Annex to Communication "A" 6244, subparagraph 4.7.

Chart III.3.2.1 Foreign Exchange Balance
Institutions' General Exchange Position
Equivalent in million dollars



On another note, the ensemble of financial institutions ended March with a forward short position in foreign currency of USD710 million, recording a rise of USD99 million against the end of February. They purchased USD106 million in regulated markets and sold USD205 million to their clients directly (Forwards) over the month (see Chart III.3.2.2).

Foreign-capital institutions' net sales amounted to USD75 million, and those of national-capital institutions totaled USD25 million, ending March with net short positions of USD398 million and USD312 million, respectively (see Chart III.3.2.3).

Chart III.3.2.2 Forward Market
Institutions' Forward Position
Equivalent in million dollars

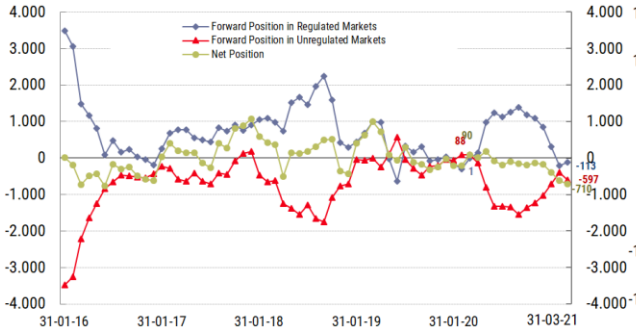
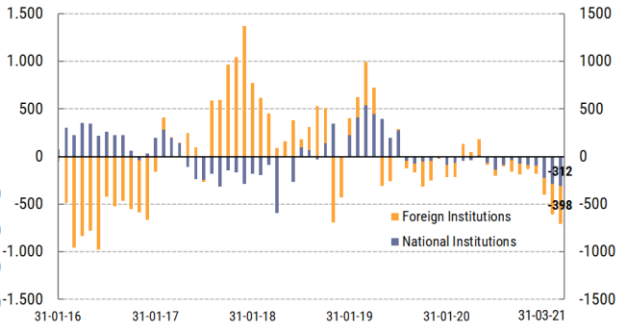


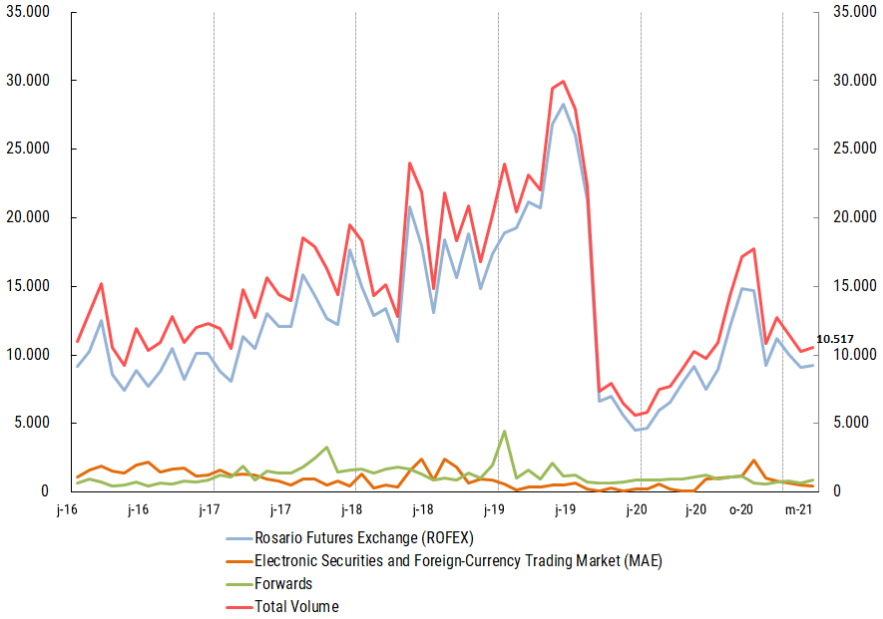
Chart III.3.2.3 Forward Market
Institutions' Forward Position
Equivalent in million dollars



The volume traded in forward markets totaled USD10,517 million in March (see Chart III.3.2.4); in other words, around USD478 million daily on average. The total volume traded increased 2% against February and 37% year-on-year. Transactions carried out in the Mercado a Término de Rosario (ROFEX) continued to stand out, with an 88% share in the total volume traded in the forward market.[22]

[22] The chart includes the total volume traded in the ROFEX, the transactions arranged by institutions in the Electronic Securities and Foreign Currency Trading Market (MAE), and with Forwards. This information comes from the Forward Transactions Reporting Scheme (Communication "A" 4196, as amended) and postings on the websites of MAE and ROFEX.

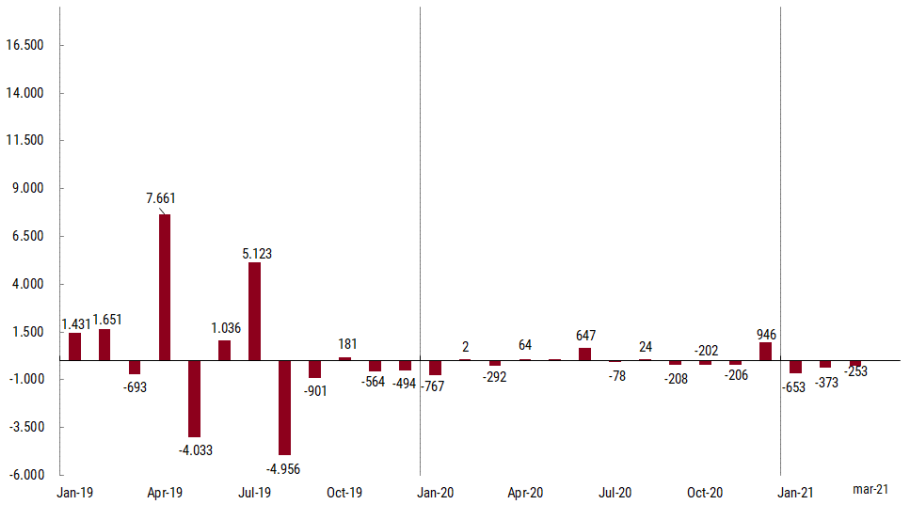
Chart III.3.2.4 Forward Market
Total Volume Traded in the Forward Market
Equivalent in million dollars



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

In March, the transactions carried out under the foreign exchange financial account of the General Government and the BCRA recorded a deficit of USD253 million (see Chart III.3.3.1), mainly explained by net outflows from financial debt.

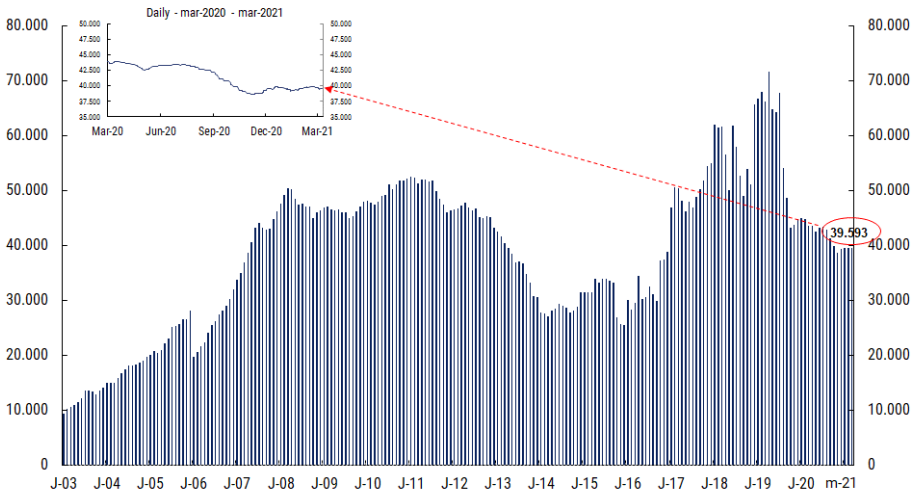
Chart III.3.3.1 Foreign Exchange Balance
Foreign Exchange Financial Account of the General Government and the BCRA
Equivalent in million dollars



IV. BCRA's International Reserves

During March, BCRA's international reserves increased USD75 million, totaling USD39,593 million by the end of the month (see Chart IV.1). This is the result of net purchases made in the foreign exchange market for USD1,372 million, which were mainly offset by foreign currency deposited by institutions with the BCRA, net payments of debt (principal and interest) by the Public Sector (as already explained), and by a fall in the exchange rates of various reserve assets against the US dollar for an amount of USD303 million.

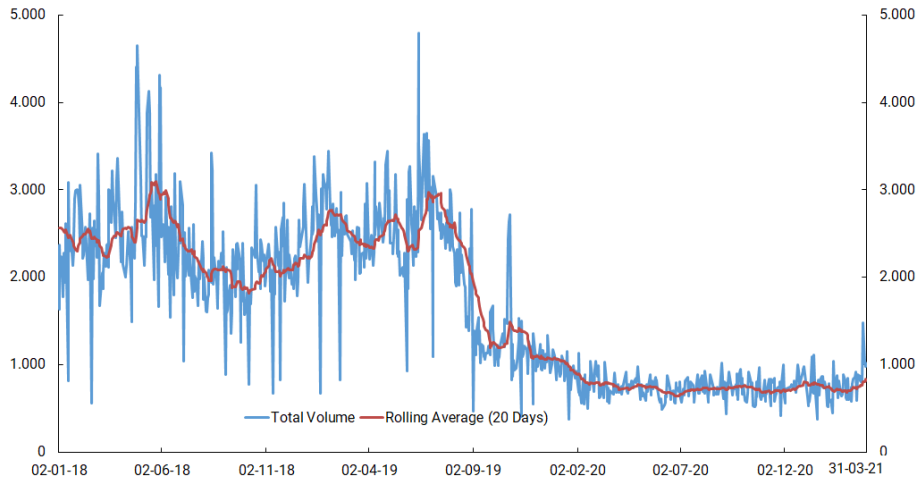
Chart IV.1 International Reserves
Equivalent in million dollars



V. Volumes Traded in the Foreign Exchange Market

In March, the volume traded in the forex market totaled USD19,601 million, up 41% y.o.y. The average daily volume traded was USD891 million (see Chart V.1). The y.o.y. increase in the volume was mainly explained by a 46% increase in transactions carried out between licensed institutions and their clients, and a rise of 13% in transactions between financial and foreign exchange institutions.[23]

Chart V.1 Foreign Exchange Market
Volume Traded Daily Evolution
Equivalent in million dollars



Foreign exchange transactions between institutions and their clients accounted for 73% of the total volume traded, while transactions between institutions—mainly through the Electronic Trading System (SIOPEL)—represented 17%; in turn, transactions between institutions and the BCRA stood for the remaining 10% (see Chart V.2).[24]

Given that we are still in the midst of the pandemic, coupled with the measures ordered by the National Government to mitigate the spread of COVID-19, and the fact that foreign exchange market transactions were mostly made online, in March, there were only 66 trading institutions (66 against more than 200 as was usually the case before the pandemic), and 24 different currencies were used (24 against 40 as was usually the case before the pandemic).

Thus, most of the volume traded between licensed institutions and their clients was highly concentrated in a few number of institutions (out of the already mentioned 66 institutions, the first ten accounted for almost 90% of such volume) and in the currency used; USD-denominated transactions had a 95% share in the total traded with clients, followed by Euros, which accounted for 5% of the total (see Chart V.3).

[23] 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).
[24] The volume traded between licensed institutions and their clients excludes the following items: the underwriting of LEBAC bills, self-to-self international transfers (around USD1,094 million in March 2021), the record of deposits in foreign currency allocated for the payment of financial debt service for about USD258 million, and purchases of foreign currency to pay card bills for expenses incurred abroad (around USD97 million for the month under study).

Chart V.2 Foreign Exchange Market
Total Volume and Share. March 2021

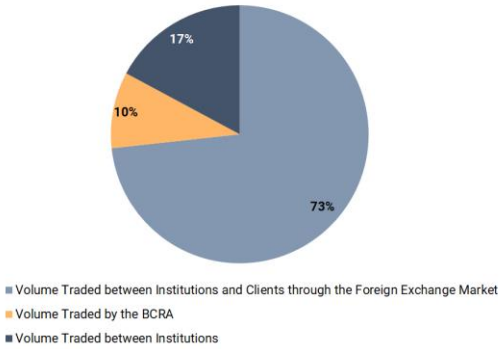
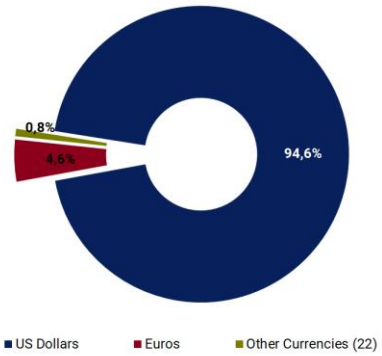


Chart V.3 Foreign Exchange Market
Volume with Clients by Currency. March 2021



Finally, 78% of foreign exchange transactions between financial and foreign exchange institutions were channeled through private financial institutions. Public banks accounted for the remaining 22% of transactions, foreign exchange houses and agencies having a marginal share—about 0.1%.