

Evolution of the Foreign Exchange Market and the Foreign Exchange Balance

May 2022



BANCO CENTRAL
DE LA REPÚBLICA ARGENTINA

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About inclusive language in the Spanish version of this report

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

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

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Executive Summary

The world economy continues recovering, but at a slower pace due to the uncertainty caused by the armed conflict between Russia and Ukraine, and the rise in benchmark interest rates in the world's major economies—triggered by a higher level of inflation due to escalating energy and food prices worldwide, and supply chain disruptions. In this context, the BCRA has continued to improve foreign exchange regulations in order to promote a more efficient allocation of foreign currency. In May, financial institutions' clients sold USD625 million in the forex market. The BCRA purchased USD684 million and made net payments through the local currency payment system (SML) for USD86 million. In turn, financial institutions purchased USD27 million.

The “Real Sector” was a net seller of foreign currency for USD1,437 million. Within this group, the “Oilseeds and Grains” sector was the main net seller in the forex market with net inflows for USD4,284 million, up 11% y.o.y.

The “Real Sector excluding Oilseeds and Grains”, on the other hand, was a net purchaser of foreign currency, with a total of USD2,847 million, up 70% y.o.y. 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 USD492 million for payments on cards to non-resident suppliers (USD320 million) and for saving purposes (USD130 million).

“Institutional Investors and Others”—both residents and non-residents—made net purchases for USD157 million in May.

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 USD484 million. This could be mainly explained by net inflows from “Goods” for USD2,015 million, which were partially offset by a deficit in “Services” (USD867 million), and “Primary Income” (USD675 million).

The foreign exchange financial account of the “Non-Financial Private Sector” had a deficit of USD633 million in May, resulting basically from payments of balances in foreign currency to local institutions originated from purchases made with cards to non-resident suppliers for USD282 million (which do not involve a net demand of foreign currency); payments of local financial loans for USD62 million; loans held abroad and debt securities for USD133 million, and loans to other international organizations for USD43 million.

The transactions carried out under the foreign exchange financial account of the “Financial Sector” resulted in a surplus of USD83 million, mainly explained by a decrease of USD39 million in liquid foreign assets of financial institutions' General Exchange Position and inflows from financial loans, debt securities and credit lines of USD28 million.

In May, the transactions carried out under the foreign exchange financial account of the “General Government and the BCRA” ran up a deficit of USD137 million, mainly explained by the repayment of loans owed to international organizations totaling USD164 million.

In May, BCRA's international reserves decreased USD446 million, ending the month with USD41,561 million, mainly on the following grounds: payments of principal and interest by the National Government (USD534 million)—including payments of interest to the IMF of SDR272 million, equivalent to USD364 million,—and a decrease in institutions' holdings with the BCRA (USD180 million), in other transactions (USD228 million), and in the US dollar exchange rate of the assets that make up the reserves (USD287 million). These changes were partially offset by the purchases on the exchange market.

I. Introduction

This report analyses information on foreign exchange transactions made in May 2022 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 inflows or outflows from exports or imports of goods or services, saving, and financial liabilities, as defined in the Sixth Edition of the IMF's Balance of Payments and International Investment Position Manual (BPM6).

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

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

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

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

¹ Communication "A" 3840, as amended.

² Sectors were grouped into: "Central Bank", "Institutions", "General Government", "Oilseeds and Grains", "Real Sector excluding Oilseeds and Grains", "Natural Persons", and "Institutional Investors and Others".

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

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

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

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

II. Result by Sector in the Foreign Exchange Market

The world economy continues recovering, but at a slower pace due to the uncertainty caused by the armed conflict between Russia and Ukraine, and the rise in benchmark interest rates in the world's major economies—triggered by a higher level of inflation due to escalating energy and food prices worldwide, and supply chain disruptions. In this context, the BCRA has continued to improve foreign exchange regulations in order to promote a more efficient allocation of foreign currency.

In May, financial institutions' clients sold USD625 million in the forex market. The BCRA purchased USD684 million and made net payments through the local currency payment system (SML) for USD86 million. In turn, financial institutions purchased USD27 million. (See Table II.1).

4 5 6

Table II.1 Foreign Exchange Market

Result by Sector

Equivalent in million dollars

Result by Sector of the Foreign Exchange Market with Institutions	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Aggregate period from January to May
BCRA - Market	161	367	-477	-211	-684	-844
BCRA - SML	51	44	77	81	86	339
National Treasury	-	-	-	1	-	1
Institutions	77	-103	113	95	-27	154
Institutions' Clients (1 + 2 + 3)	-289	-308	287	34	625	349
1. Non-Financial Private Sector	-154	-126	444	148	788	1,099
Oilseeds and Grains	2,573	2,484	3,595	3,358	4,284	16,294
Real Sector Excluding Oilseeds and Grains	-2,005	-1,901	-2,409	-2,518	-2,847	-11,680
Natural Persons	-506	-509	-537	-470	-492	-2,515
Institutional Investors and Others	-216	-201	-205	-223	-157	-1,001
2. General Government (National Treasury Excluded)	-61	-155	-105	-60	-124	-505
3. Institutions (Own Transactions)	-74	-28	-52	-53	-38	-245
National Treasury Directly with the BCRA	-1,373	-	-246	-132	-248	-2,000

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

Source: BCRA

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

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

⁶ The result by sector excludes purchases of foreign currency to pay card bills for expenses incurred abroad for an amount of USD282 million. These payments of local debts in foreign currency do not imply a net demand in the whole system, made up by the institutions and the BCRA.

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 accounts abroad in May). (See Table II.2).⁷

Table II.2 Foreign Exchange Market
Result of Institutions' Transactions with Clients. May 2022
 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	2,121	-579	-376	-87	72	-120	-242	788
Oilseeds and Grains	4,252	0	17	0	3	-3	14	4,284
Real Sector Excluding Oilseeds and Grains	-1,975	-215	-468	22	29	-28	-211	-2,847
Natural Persons	-33	-320	2	-130	29	-41	1	-492
Institutional Investors and Others	-123	-44	72	21	10	-48	-46	-157
General Government (National Treasury Excluded)	-97	0	-118	103	1	30	-44	-124
Institutions (Own Transactions)	-9	0	-42	0	0	0	12	-38
Institutions' Result with Clients	2,015	-579	-536	16	73	-90	-274	625
Result for Forex Transactions	2,015	-577	-532	16	22	0	-320	625
Result for Self-to-Self International Transfers	0	-2	-3	0	51	-90	46	0

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

Source: BCRA

Based on the chart above, 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](#)).

"Oilseeds and Grains" was the main net seller of foreign currency in the market over May. This sector recorded net inflows for USD4,284 million mainly for the 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 product prices, the sector's net result from transfers for goods on the forex market amounted to USD4,252 million, up 11% y.o.y.

The "Real Sector excluding Oilseeds and Grains", on the other hand, was a net purchaser of foreign currency, with a total of USD2,847 million, up 70% y.o.y. 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 USD492 million mainly for payments on cards to non-resident suppliers (USD320 million, up 6% against April), and for saving purposes (USD130 million, down 6% against April). Furthermore, they transferred USD29 million from their own accounts abroad, credited in local

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](#)

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 USD157 million.

In turn, the “General Government” (excluding the National Treasury) made net purchases in the forex market through licensed financial institutions for USD124 million, mainly explained by the payments of imports of goods and services.

Finally, financial institutions made net purchases with their own funds for USD38 million mainly to pay for services and other current transactions.

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 USD484 million in May (see Table III.1.1).⁸

Table III.1.1. Foreign Exchange Balance

Foreign Exchange Current Account

Equivalent in million dollars

Date	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22
Foreign Exchange Current Account	1,727	1,254	653	-308	-785	557	-1,566	-44	-471	-476	486	276	484
Goods	2,365	1,769	1,478	608	316	1,375	-117	1,060	1,101	906	1,853	1,403	2,015
Services	-100	-186	-270	-388	-558	-595	-754	-714	-683	-630	-1,040	-866	-867
Primary Income	-539	-342	-576	-534	-529	-203	-695	-383	-909	-717	-314	-261	-675
Secondary Income	0	12	20	5	-14	-20	0	-7	20	-35	-12	0	10

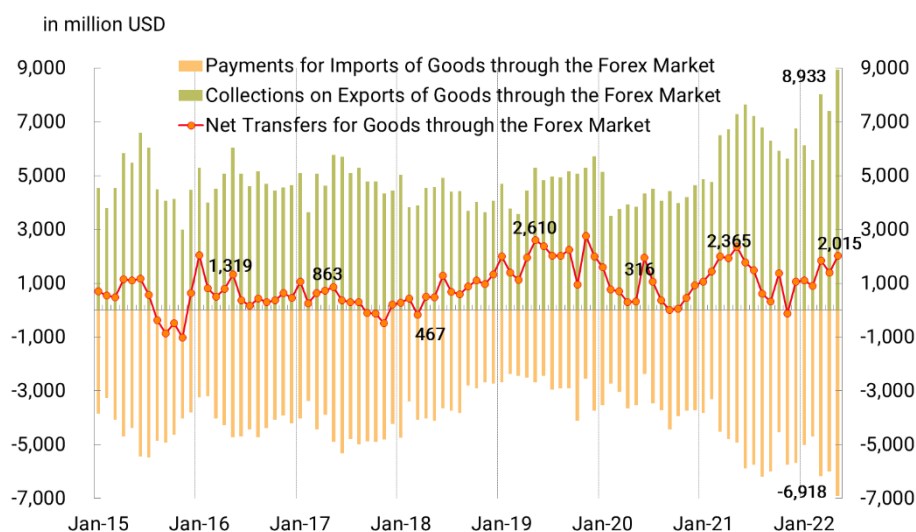
Source: BCRA

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

III.1.1 Goods

In May, transfers for “Goods” on the foreign exchange balance exhibited net inflows for USD2,015 million, resulting from collections on exports for USD8,933 million and payments of imports for USD6,918 million (see Chart III.1.1.1).

**Chart III.1.1.1 Foreign Exchange Balance
Transfers for Goods**



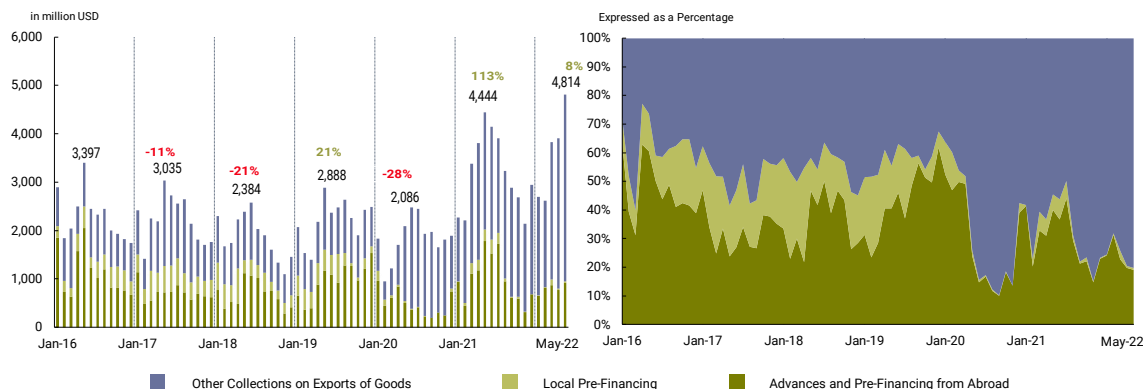
Source: BCRA

The “Oilseeds and Grains” sector recorded foreign currency sales for collections on exports of goods through the forex market for USD4,814 million, up 8% y.o.y. A 20% of the sector's inflows were collected ahead of time either through advances or pre-financing (local and foreign); this share remains below the historical average of the series, 52% for the 2016-2021 period (see Chart III.1.1.2).

The sector's FOB exports amounted to USD4,345 million in May; i.e., about USD500 million below inflows from the collection on exports of goods through the forex market. This implies either an increase of the sector's commercial debts resulting from advances and the pre-financing of exports or a reduction of their assets abroad.

Chart III.1.1.2 Foreign Exchange Balance

Collection on Exports of Goods from the “Oilseeds and Grains” sector



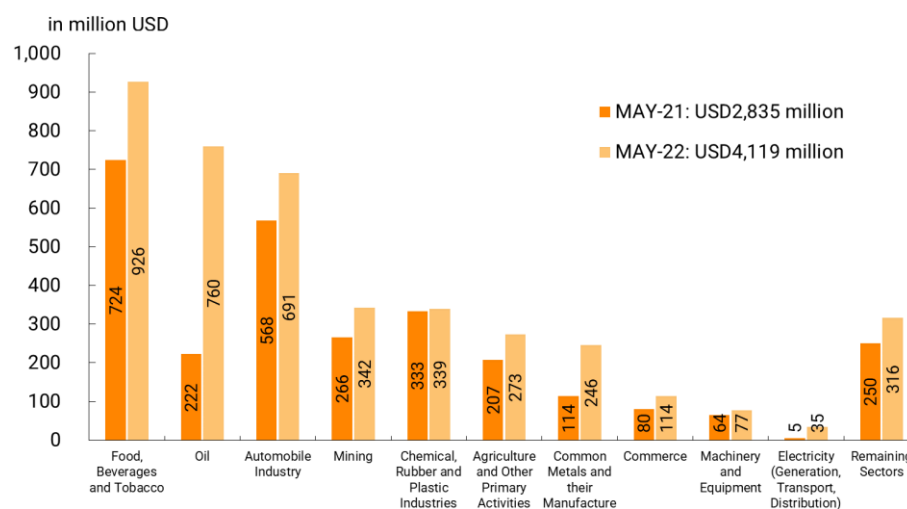
Source: BCRA

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 an increase of 39% against April, and of 45% y.o.y., reaching a total of USD4,700 million in May.

In May, the amount of corn grains traded in the local market was similar to that recorded in the previous 2020/21 harvest season. Wheat purchases, on the other hand, showed high dynamism, standing above the levels observed in previous harvest seasons. Conversely, the trade of soybean continued to lag more than USD1,950 million (valued at current prices) compared to the previous harvest season: 17 million tons were traded up to the end of May, representing 40% of the estimated harvest vis-a-vis 48% of the previous season on a y.o.y. basis.

Inflows from the collections on exports of goods from the remaining sectors totaled USD4,119 million, up 45% y.o.y. Moreover, 74% of these inflows were concentrated in the “Food, Beverages and Tobacco”, “Oil”, “Automobile Industry”, “Mining”, and “Chemical, Rubber and Plastic Industries” sectors (see Chart III.1.1.3).

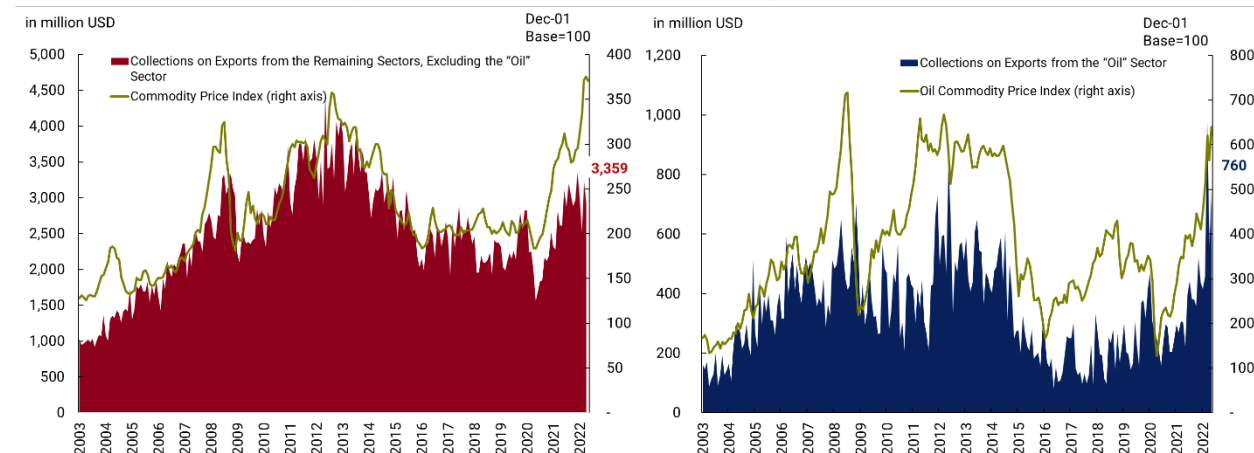
Chart III.1.1.3 Foreign Exchange Balance
Collection on Exports of Goods ("Oilseeds and Grains" Sector Excluded)



Source: BCRA

Broken down by sector, information reveals greater dynamism in the "Oil", "Food, Beverages and Tobacco", and "Automobile Industry" sectors. In the case of the "Oil" sector, the collection on exports of goods totaled USD760 million, up 242% y.o.y., but down 22% against the peak record of March against a backdrop of high export prices due to the conflict between Russia and Ukraine (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

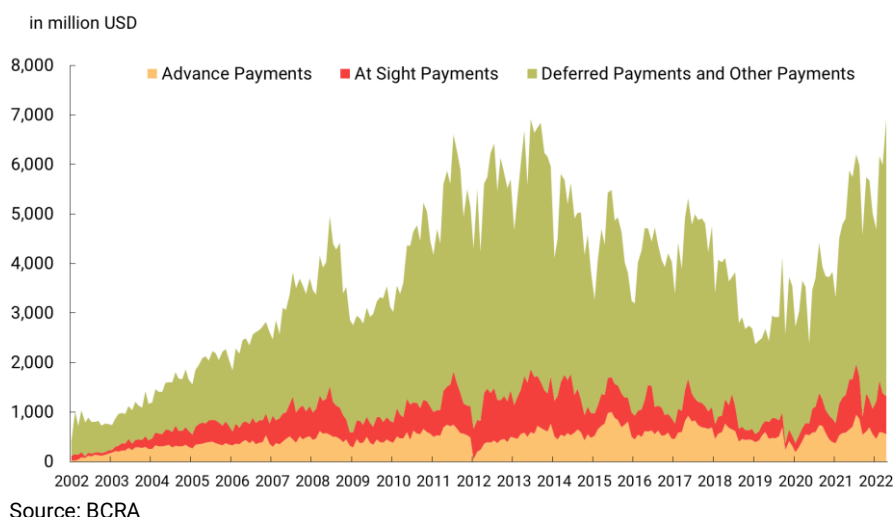
In May, payments of imports of goods totaled USD6,918 million, up 41% y.o.y. against payments made in May 2021. This figure was below May's FOB imports (USD7,383 million), which means an increase in the sector's commercial indebtedness level or a reduction of foreign assets as a result of imports for an amount of about USD500 million. This behavior was in line with the changes introduced by BCRA's Communication "A" 7466, as amended, whereby importers are allowed to have simplified access to the forex market for the value of their imports in 2021 plus 5% (five percent), or the value of their imports in 2020 plus 70% (seventy

percent)—any excess amount should be financed for at least a 180-day period, in accordance with import authorizations issued by the Ministry of Productive Development.

On June 2022, a new financing scheme was launched—as under Communication “A” 7528—for the “Automobile Industry” sector called “Certification related to the financing of imports of goods necessary for the production of vehicles and/or automotive components in Argentina”. This scheme will enable companies to honor their financing commitments of the surplus of up to 5% of imports in 2021 or up to 70% in 2020.⁹

As regards imports of goods, 81% of payments were deferred, 11% were sight payments, and the other 8% were advance payments in May (see Chart III.1.1.5).

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

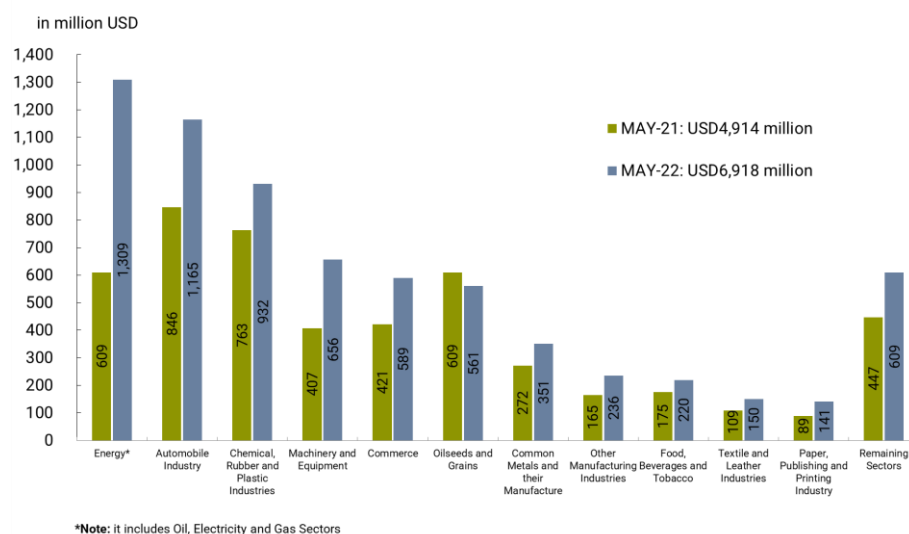


May’s payments for imports of goods (67%) were made in the “Energy”, “Automobile Industry”, “Chemical, Rubber and Plastic Industries”, “Machinery and Equipment”, and “Commerce” sectors. The “Energy” sector’s import payments totaled USD1,309 million in May, up 115% y.o.y., and down 5% against the peak recorded in March (see Chart III.1.1.6). This behavior was similar to that observed in the collection on exports for the “Oil” sector in a context of higher international prices of imported fuels.¹⁰

⁹ For more information, see Communication “A” 7528 in this [link](#).

¹⁰ The “Energy” sector includes companies belonging to the “Oil”, “Electricity” and “Gas” sectors.

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



Source: BCRA

III.1.2 Services, Primary and Secondary Income

The “Services” account recorded a deficit of USD867 million in May. This result was mainly explained by net outflows from “Travel and Passenger Transport, and Other Expenses Paid with Cards”, “Freight and Insurance”, and “Other Services” which amounted to USD579 million, USD450 million, and USD31 million, respectively. These transactions were partially offset by net inflows from “Business, Professional and Technical Services” for USD194 million (see Chart III.1.2.1).

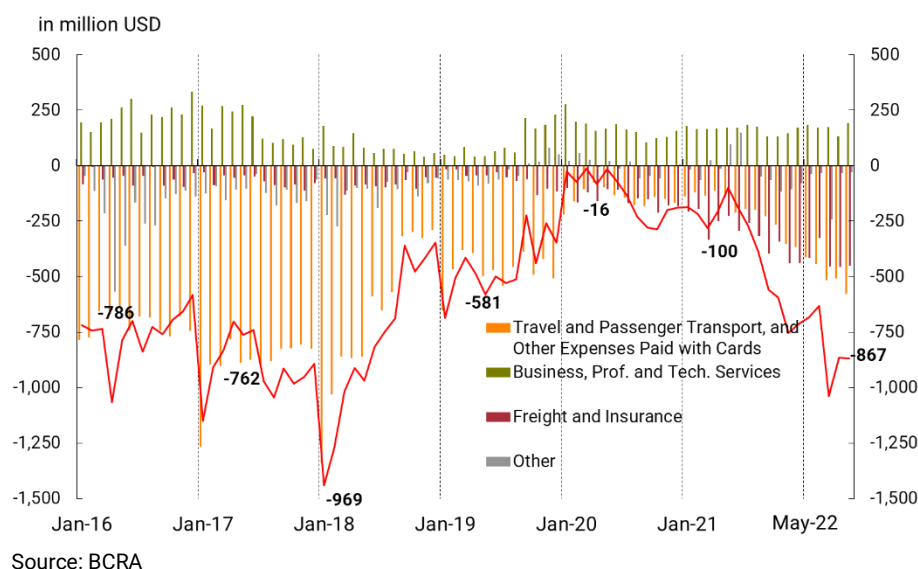
As from June, natural persons who export services may be credited up to USD12,000 per year to accounts held at local financial institutions without the requirement of settlement in pesos. This benefit also applies to companies in the sector, which will have foreign currency available for the payment of salaries for a percentage of the increase in foreign sales recorded this year compared to 2021.

Given the gradual recovery of outbound tourism under the COVID-19 pandemic, the net deficit of the “Travel and Passenger Transport, and Other Expenses Paid with Cards” account remains below the levels historically observed for this month of the year up to early 2020. 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 to Argentine suppliers.^{11 12}

¹¹ To access the latest technical report on International Tourism Statistics, [click here](#).

¹² For more information on the changes implemented to the regulations that have an impact on the comparison of the flows reported in the items included under “Services”, among others, see Section B.5. Important Regulatory Provisions that Have an Impact on Foreign Exchange Statistics of the [Methodology Used for Compiling Foreign Exchange Market and Foreign Exchange Balance Statistics](#) available at BCRA’s website.

**Chart III.1.2.1 Foreign Exchange Balance
Net Inflows from Services**



Primary income transactions recorded net outflows amounting to USD675 million in May, mainly due to net payments of "Interest" for USD665 million. The "General Government and the BCRA" paid USD489 million of gross interest, including payments of interest to the IMF for SDR272 million, equivalent to USD364 million. In turn, the private sector repaid USD185 million of gross interest.¹³

Finally, secondary income transactions recorded a surplus of USD10 million.

III.2 Capital Account

In May, the capital account of the foreign exchange balance recorded net inflows for USD1 million.

III.3 Foreign Exchange Financial Account

In May, the transactions carried out under the foreign exchange financial account ran up a deficit of USD644 million. This result was explained by a deficit in the "Non-Financial Private Sector" (USD633 million) and in the "General Government and the BCRA" (USD137 million), which were partially offset by the surplus of USD83 million recorded in the "Financial Sector" account, and of USD43 million in "Other Net Transfers" (see Table III.3.1).¹⁴

¹³ The regulations on the access to the forex market for the payment of profits and dividends set out that the companies that have exchanged foreign currency from new direct investment contributions in the forex market since January 2020 can make payments of up to 30% of the accumulated amount so exchanged since that date. In turn, non-resident shareholders will be able to access the forex market for the payment of profits and dividends on foreign direct investment contributions entered and exchanged in the forex market since November 16, 2020, and allocated to finance projects under the "Plan for the Promotion of the Argentine Natural Gas Production". Effective June 2021, exporters of industrialized and extractive goods that registered an increase in their external sales over 2020, will be able to access the exchange market for the payment of profits and dividends from closed and audited balance sheets, for a percentage of that increase. See Communications "A" 6869, "A" 7168 and "A" 7301.

¹⁴ For more information on the "Other Net Transfers" account of the foreign exchange balance, see Section C.4.11. of the [Methodology Used for Compiling Foreign Exchange Market and Foreign Exchange Balance Statistics](#)

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

Date	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22
Foreign Exchange Financial Account	-727	-137	-630	3,866	-2,384	-843	193	-1,955	-1,524	-421	5,583	-324	-644
Non-Financial Private Sector	-311	-601	-288	-277	-378	-517	-758	-534	-390	-481	-586	-431	-633
Financial Sector	-292	-490	114	-102	201	-213	135	144	-100	18	-291	361	83
General Government and the BCRA	-109	-70	-882	3,961	-2,106	-305	741	-1,399	-1,088	-187	6,738	-757	-137
Other Net Transfers	-15	1,024	427	284	-101	192	75	-166	54	230	-279	504	43

Source: BCRA

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

The foreign exchange financial account of the “Non-Financial Private Sector” had a deficit of USD633 million in May, resulting basically from payments of balances in foreign currency to local institutions originated from purchases made with cards to non-resident suppliers for USD282 million (which do not involve a net demand of foreign currency)¹⁵; payments of loans to local financial institutions for USD62 million, loans held abroad and debt securities for USD133 million; and loans to other international organizations for USD43 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	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22
Foreign Exchange Financial Account	-311	-601	-288	-277	-378	-517	-758	-534	-390	-481	-586	-431	-633
Non-Residents' Direct Investments	52	66	65	51	82	68	36	71	62	49	87	36	37
Non-Residents' Portfolio Investments	1	5	0	2	2	2	-13	-1	2	0	2	13	2
Financial Loans, Debt Securities and Credit Lines	-296	-670	-279	-265	-424	-369	-488	-327	-420	-310	-808	-338	-477
Local Financial Loans	-29	-311	-88	-21	-113	-165	-231	-138	-115	-63	-99	-47	-62
Other Foreign Loans and Debt Securities	-193	-278	-77	-137	-218	-67	-119	16	-108	-51	-395	-54	-133
Payment of Card Balance	-74	-82	-114	-107	-93	-137	-137	-206	-197	-195	-314	-237	-282
Loans from Other International Organizations and Other	-14	-44	-11	8	-21	-55	-64	-217	-15	-61	242	-26	-43
Buildup of Foreign Assets by the Non-Financial Private Sector	28	-32	-126	-82	-118	-122	-193	-78	-177	-137	-14	-31	-15
Self-to-Self International Transfers	-82	74	62	9	100	-41	-36	18	157	-22	-94	-84	-120
Purchase and Sale of Securities	0	0	0	0	0	0	0	0	0	0	0	-1	-16

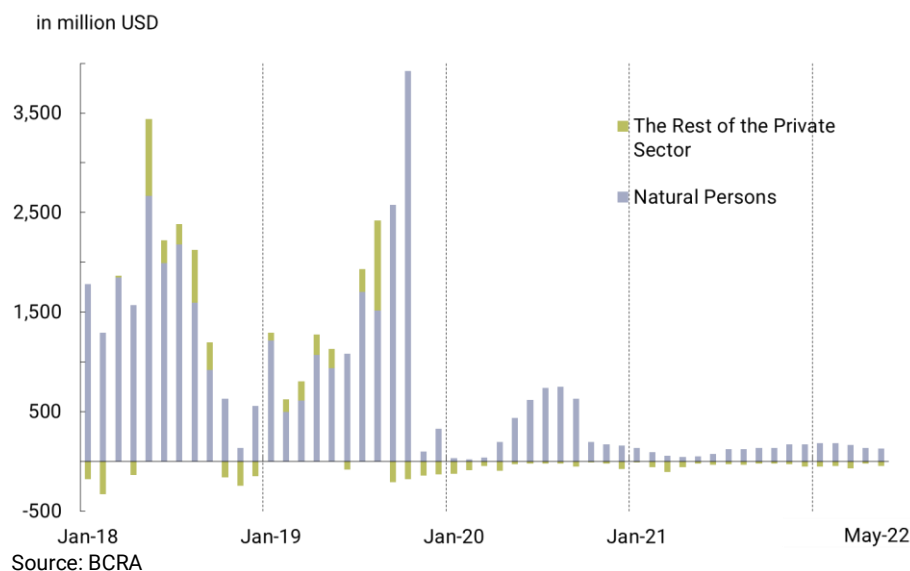
Source: BCRA

Non-financial private sector residents' foreign assets resulted in net outflows amounting to USD15 million—i.e., net purchases of USD87 million minus net inflows of USD72 million.

This outcome reflects net purchases for USD130 million made by “Natural Persons”, partially offset by net sales for USD43 million made by legal persons and others (see Chart III.3.1.1).

¹⁵ The demand of foreign currency due to purchases made with cards from foreign suppliers is recorded in a services account of the foreign exchange balance, under “Travel and Passenger Transport, and Other Expenses Paid with Cards”.

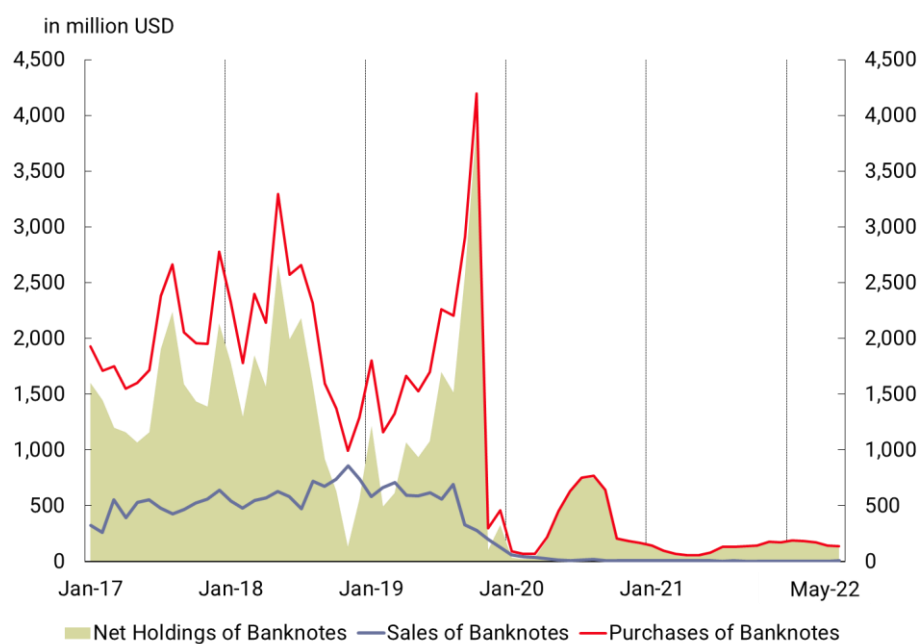
**Chart III.3.1.1 Foreign Exchange Balance
Net Purchases of Banknotes by Sector**



“Natural Persons” purchased banknotes for USD139 million, and they sold USD8 million (see Chart III.3.1.2). 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).¹⁶

¹⁶ 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).

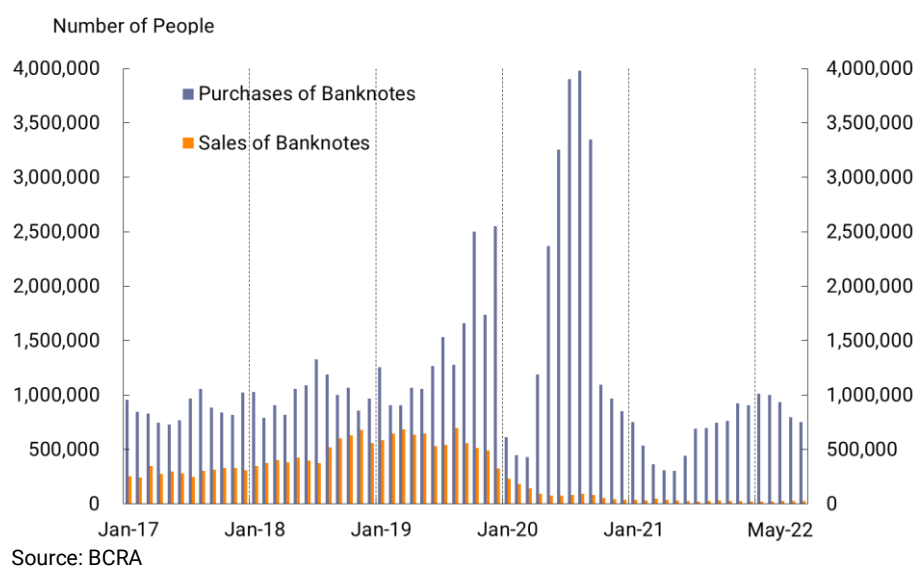
**Chart III.3.1.2 Foreign Exchange Balance
Natural Persons. Banknotes**



Source: BCRA

In terms of traders, 750,000 individuals purchased banknotes, while sellers amounted to about 26,000—per capita purchases and sales amounting to USD185 and USD330, respectively (see Chart III.3.1.3).

**Chart III.3.1.3 Foreign Exchange Balance
Natural Persons. Banknotes**



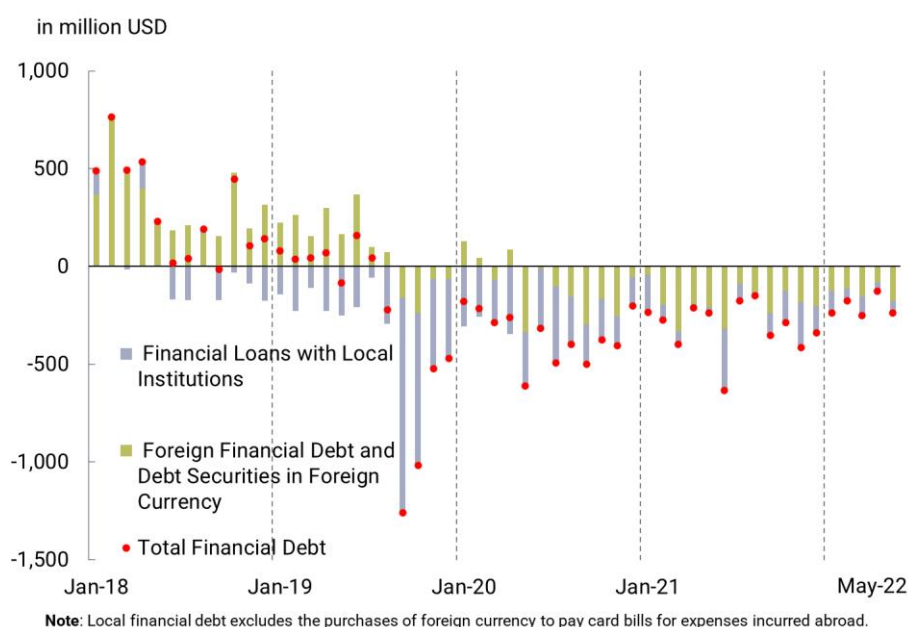
Source: BCRA

In turn, as it has already been mentioned, in May, this sector's net transfers from their own accounts abroad amounted to USD72 million. This result was mainly explained by the transfers to the "Real Sector excluding

Oilseeds and Grains” (USD29 million), to “Natural Persons” (USD29 million), and to “Institutional Investors and Others” (USD10 million). In the case of “Natural Persons”, the amounts transferred were credited in local accounts in foreign currency (“self-to-self international transfers”), having a neutral impact on foreign exchange transactions.¹⁷

Net payments of financial debts from the non-financial private sector include loans from international organizations and local financial loans, reaching a total amount of USD238 million in May. Out of this figure, USD176 million stood for net payments of other financial debt in foreign currency and USD62 million for net payments to local institutions. The total amount excludes purchases of foreign currency to pay card bills for expenses incurred abroad (USD282 million), which do not imply a net demand within the whole system, i.e., the ensemble of financial institutions and the BCRA. Instead, they were calculated under the heading “Travel, and Other Expenses Paid with Cards” at the time of the transfer abroad (see Chart III.3.1.4).¹⁸

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



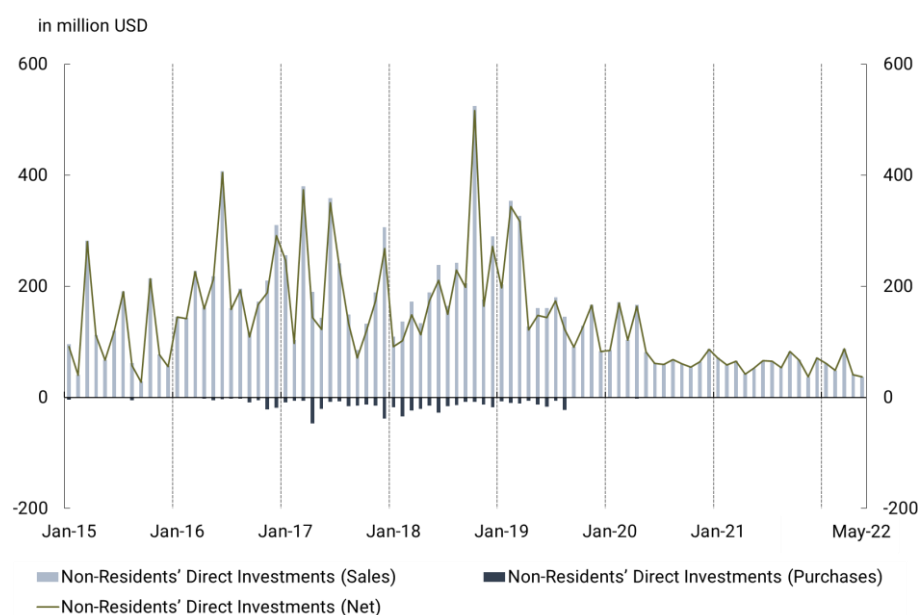
Source: BCRA

Direct investments made by non-residents in the non-financial private sector reached USD37 million (net inflows) in May (see Chart III.3.1.5).

¹⁷ 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.

¹⁸ 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.

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



Finally, due to the regulation 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.¹⁹

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

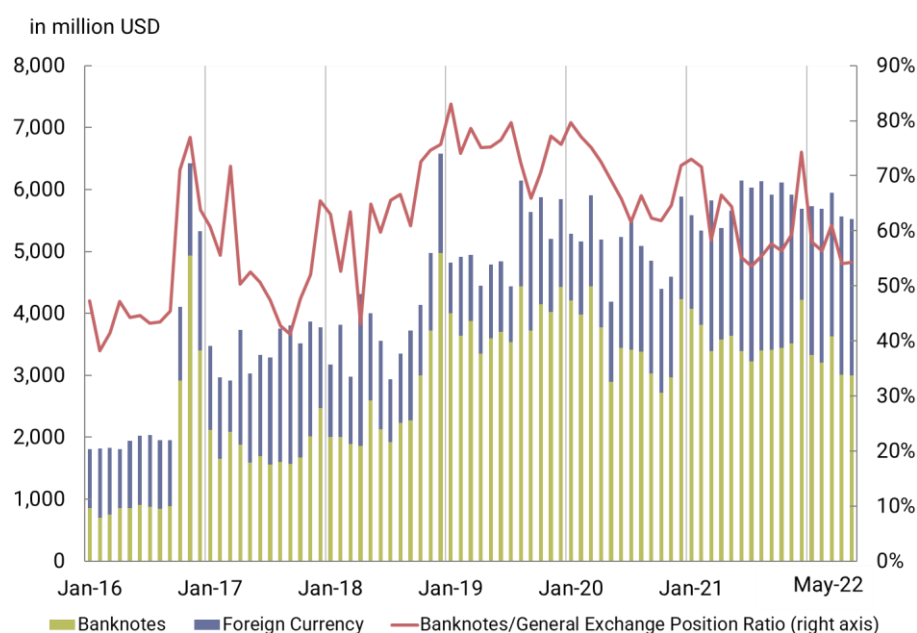
In May, the transactions carried out under the foreign exchange financial account of the "Financial Sector" resulted in a surplus of USD83 million. This outcome is mainly explained by a decrease in liquid foreign assets of financial institutions' General Exchange Position.²⁰

Financial institutions' General Exchange Position amounted to USD5,526 million at the end of May, down USD39 million against April. This may be mostly explained by a drop in the stock of foreign currency (USD30 million), and in the stock of banknotes (USD9 million). Holdings of foreign currency banknotes totaled USD2,997 million by the end of the month. This stock accounted for 54% of the total General Exchange Position, and it is allocated by institutions to cover local foreign currency deposit transactions and foreign exchange market needs (see Chart III.3.2.1).

¹⁹ In the forex market, transactions are entered on behalf of financial institutions. The net effect of these transactions has, as counterpart, other residents or non-residents. Therefore, they are included in the foreign exchange financial account of the non-financial private sector. For more information, see Section C.4.9. "Purchase and Sale of Securities" of the [Methodology Used for Compiling Foreign Exchange Market and Foreign Exchange Balance Statistics](#).

²⁰ 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**

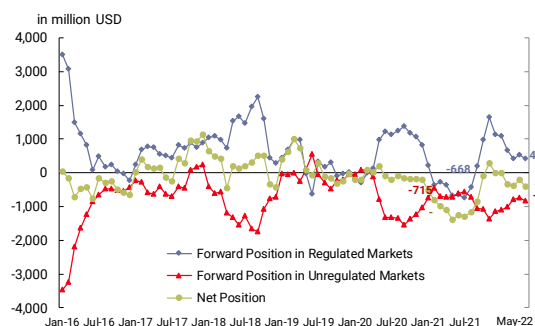


Source: BCRA

On another note, the ensemble of financial institutions ended May with a forward short position in foreign currency of USD418 million, recording an increase of about USD216 million against the end of April. They sold USD116 million in regulated markets and USD100 million to their clients directly (Forwards) over the month (see Chart III.3.2.2).

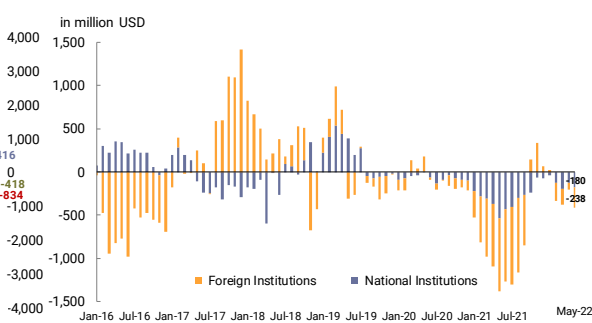
Foreign-capital institutions' net purchases amounted to USD157 million ending May with a net short position of USD238 million. In turn, national-capital institutions purchased USD59 million, ending May with a net short position of USD180 million (see Chart III.3.2.3).

**Chart III.3.2.2 Forward Market
EOM Institutions' Forward Position**



Source: BCRA

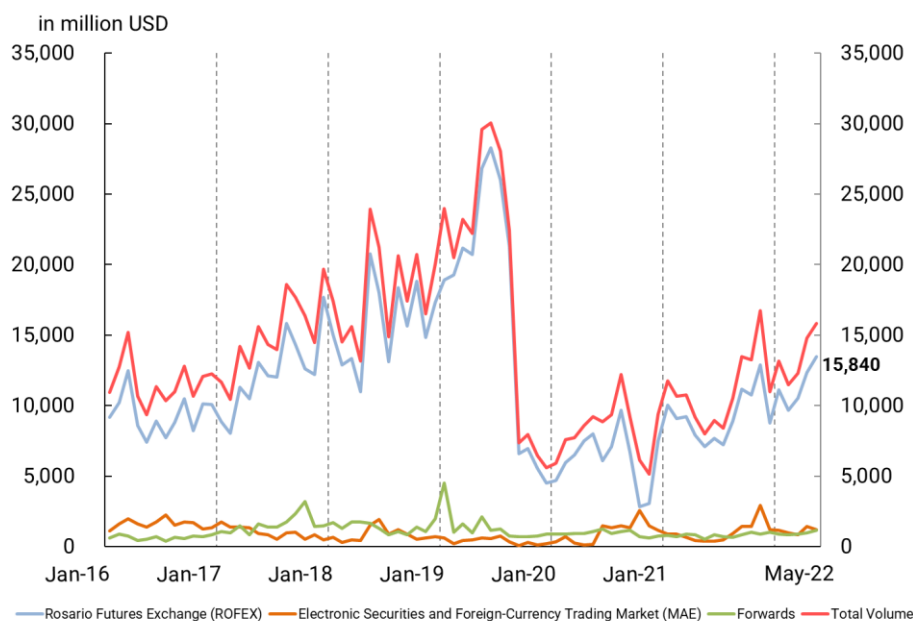
**Chart III.3.2.3 Forward Market
EOM Institutions' Forward Position**



The volume traded in forward markets totaled USD15,840 million in May, i.e., USD739 million daily on average. Transactions carried out in the Mercado a Término de Rosario (ROFEX) continued to stand out, with an 85% share in the total volume traded in the forward market (see Chart III.3.2.4).²¹

Chart III.3.2.4 Forward Market

Total Volume Traded in the Forward Market



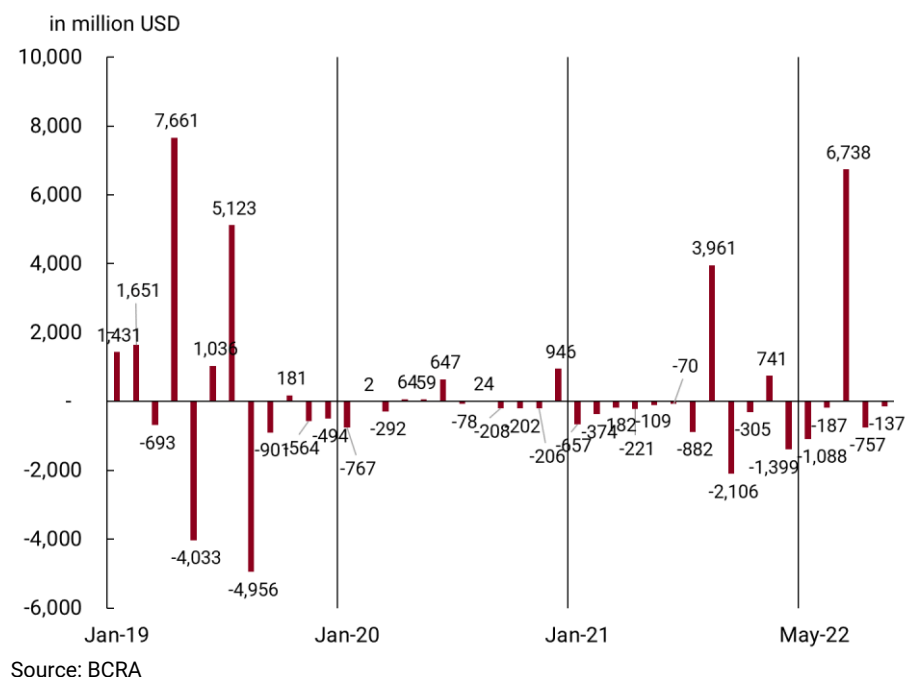
Source: BCRA

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

In May, the transactions carried out on this account recorded a deficit of USD137 million (see Chart III.3.3.1), mainly explained by outflows of funds to pay the equivalent amount of USD164 million owed to international organizations.

²¹ 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.

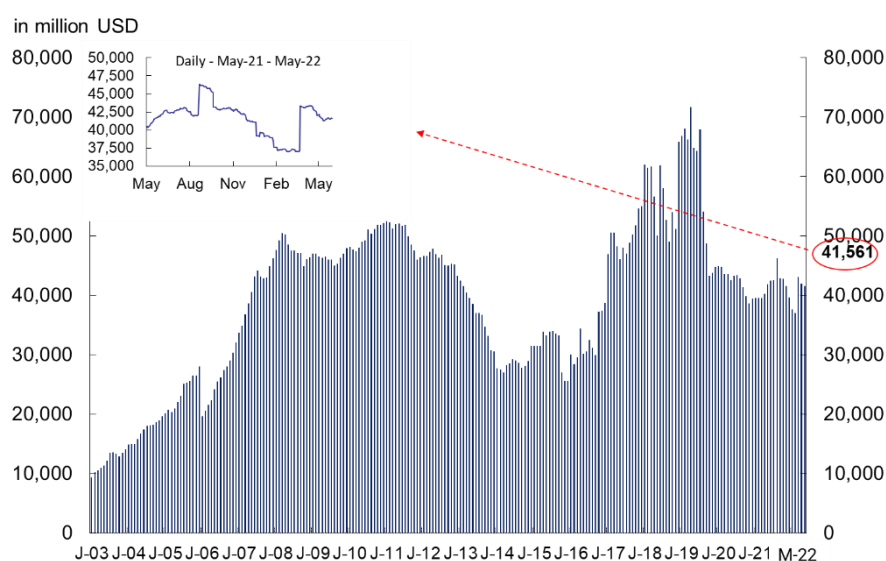
Chart III.3.3.1 Foreign Exchange Balance
Foreign Exchange Financial Account of the General Government and the BCRA



IV. BCRA's International Reserves

In May, BCRA's international reserves decreased USD446 million, ending the month with USD41,561 million, mainly on the following grounds: payments of principal and interest by the National Government (USD534 million)—including payments of interest to the IMF of SDR272 million, equivalent to USD364 million,—and a decrease in institutions' holdings with the BCRA (USD180 million), in other transactions (USD228 million), and in the US dollar exchange rate of the assets that make up the reserves (USD287 million). These changes were partially offset by the purchases made in the forex market (see Chart IV.1).

Chart IV.1 BCRA's International Reserves



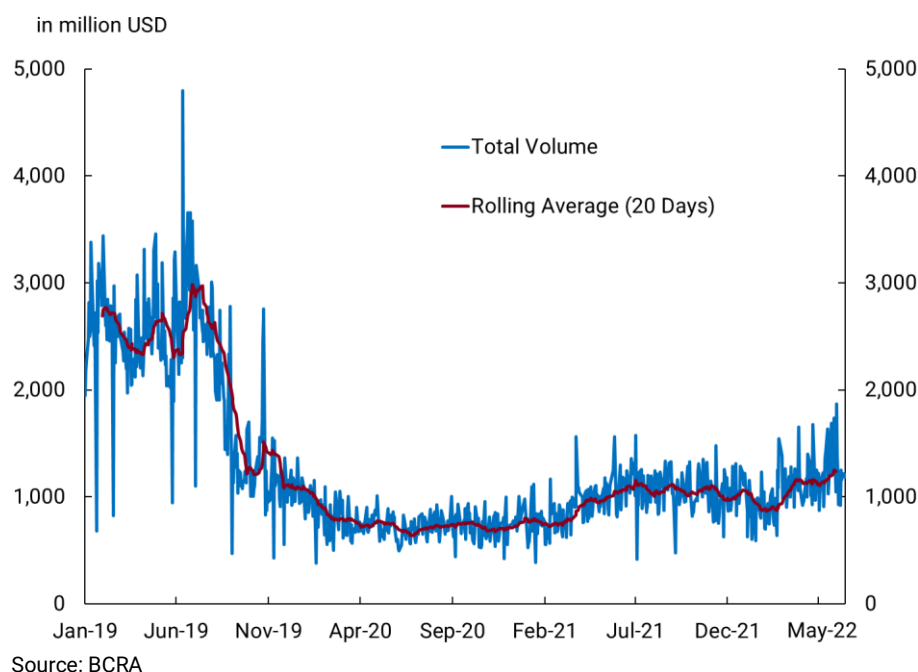
Source: BCRA

V. Volumes Traded in the Foreign Exchange Market

In May, the volume traded in the forex market totaled USD25,487 million, up 28% y.o.y. The average daily volume traded was USD1,274 million (see Chart V.1). The y.o.y. increase in the volume was explained by a 33% increase in transactions carried out between licensed institutions and their clients, and by a rise of 38% in transactions carried out between financial and foreign exchange institutions.²²

²² In BCRA's website there is a quarterly ranking of volumes traded with clients in the forex market broken down by institution (to access the ranking, [click here](#)).

**Chart V.1 Foreign Exchange Market
Volume Traded Daily Evolution**



Foreign exchange transactions between institutions and their clients accounted for 77% of the total volume traded, while transactions between institutions—mainly through the Electronic Trading System (SIOPEL)—represented 16%; in turn, transactions between institutions and the BCRA stood for the remaining 7% (see Chart V.2).²³

In May, 125 institutions traded in the market involving 41 foreign currencies.

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 125 institutions, the first ten accounted for 89% of such volume) and in the currency used; USD-denominated transactions had a 96% share in the total traded with clients, followed by Euros, which accounted for 4% of the total (see Chart V.3).

²³ The volume traded between licensed institutions and their clients excludes the following items: the underwriting of LEBAC bills, self-to-self international transfers (around USD627 million in May 2022), the record of deposits in foreign currency allocated for the payment of financial debt service for about USD128 million, and purchases of foreign currency to pay card bills for expenses incurred abroad (around USD282 million for the month under study).

Chart V.2 Foreign Exchange Market
Total Volume and Share - May 2022

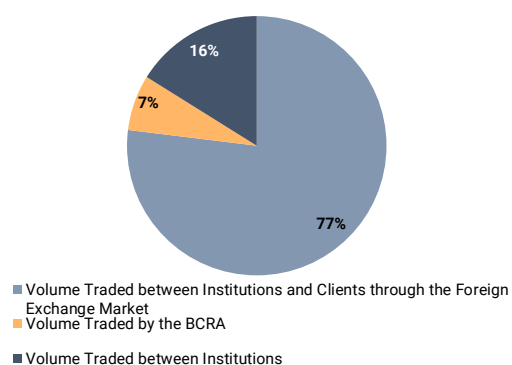
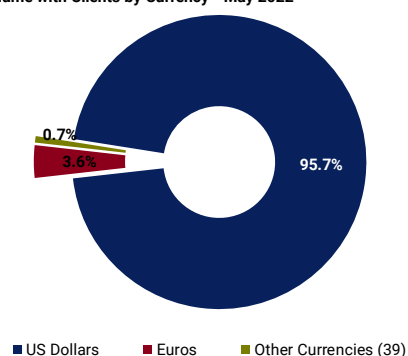


Chart V.3 Foreign Exchange Market
Volume with Clients by Currency - May 2022



Source: BCRA

Finally, 89% of foreign exchange transactions between financial and foreign exchange institutions and their clients were channeled through private financial institutions. Public banks accounted for the remaining 11% of transactions, foreign exchange houses and agencies having a marginal share—less than 0.02%.