Evolution of the Foreign Exchange Market and the Foreign Exchange Balance

December 2023

BANCO CENTRAL
DE LA REPÚBLICA ARGENTINA

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Executive Summary

Global economy has been marked, throughout 2023, by low growth rates and high inflation, particularly in core metrics. In this scenario, monetary authorities of advanced economies have maintained, and even raised, interest rates, giving way to some price contraction. The outlook for 2024 is lower inflation at a global level, which would pave the way to reduced monetary policy rates.

In December, the new authorities of the Argentine Government and the BCRA took over. They implemented a series of measures to endow the foreign exchange market with predictability and to orderly manage the payments of commercial debt arising from imports of goods and services. These measures are listed under the section “December 2023 Regulations” in this report.

In December, financial institution’s clients sold USD2,289 million in the forex market, and financial institutions’ sales amounted to USD184 million. The BCRA purchased USD2,486 million in the forex market, and made net payments through the Local Currency Payment System for USD13 million.

The “Non-Financial Private Sector” was a net seller of foreign currency for USD2,559 million. Within this group, the “Oilseeds and Grains” sector recorded net inflows of USD1,328 million, down 63% against December 2022. December's net inflows from exports of goods were lower on two grounds: the drought that has been affecting exportable goods; and the fact that a portion of exports was not settled in the forex market, but through the stock market under the “Export Increase Program” (see the section on regulations). In turn, the “Real Sector excluding oilseeds and Grains”, recorded net inflows of USD1,436 million, mainly explained by the result in “Goods”.

“Natural Persons” made net purchases totaling USD277 million mainly for traveling expenses and other payments on cards to non-resident suppliers (USD218 million), and for saving purposes (USD55 million).

“Institutional Investors and Others”—both residents and non-residents—made net sales for USD73 million in December.

The foreign exchange current account had a surplus of USD2,962 million in December, as a result of the surplus recorded in the Goods (USD3,381 million) account, which was partially offset by the deficits recorded in the Primary Income (USD387 million), Services (USD20 million), and Secondary Income (USD12 million) accounts.

The financial account of the “Non-Financial Private Sector” was virtually neutral, excluding the records that bring about no net transfers in the forex market (self-to-self international transfers). This was the result of net self-to-self international transfers for USD909 million (mainly explained as the counterpart of the Real Sector's collections on exports from Goods and Services that had not been settled in the foreign exchange market and inflows from freely available foreign currency by natural persons); payments of balances in foreign currency to local institutions for purchases made with cards to non-resident suppliers for USD293 million (which do not involve a net demand of foreign currency in the financial account); net outflows from loans granted by international organizations for USD121 million; net outflows from local financial loans for USD72 million; and net outflows from other financial debt held abroad and debt securities for USD32 million. These outflows were partially offset by net inflows from foreign assets for USD330 million;

inflows from foreign direct investments for USD87 million; and inflows from the sale of securities for USD5 million.

The transactions carried out under the foreign exchange financial account of the “Financial Sector” recorded a deficit of USD1,555 million. This outcome was mainly explained by an increase of USD1,484 million in liquid foreign assets of financial institutions’ General Exchange Position, and by net outflows from financial loans of USD71 million.

The transactions carried out under the foreign exchange financial account of the “General Government and the BCRA” recorded a deficit of USD504 million, mainly explained by repayments of principal owed to the IMF totaling USD919 million (SDR686 million), and net payments of financial loans for USD6 million, partially offset by net inflows from loans from international organizations (IMF excluded) for USD338 million, and net inflows from sales of foreign assets by the public sector for about USD16 million.

During December, BCRA’s international reserves increased USD1,560 million, totaling USD23,073 million by the end of the month. This increase was mainly explained by the settlement of net purchases made by the BCRA in the forex market, net inflows from international organizations (IMF excluded) and other debt of the General Government and the BCRA of USD180 million, the increase in the US dollar exchange rate of foreign exchange reserves by USD122 million, and the increase in financial institution’s holdings of foreign currency; which were partially offset by repayments of principal owed to the IMF and net payments settled by the BCRA through the Local Currency Payment System.

December 2023 Regulations

As of December 10, 2023, the new authorities of the Argentine Government and the BCRA took a series of economic policy measures that had a direct impact on the foreign exchange market.

Given that importers' commercial debts have risen significantly above the historical average, the Board of Directors of the BCRA implemented a new regime streamlining their access to the foreign exchange market to make foreign trade transactions for paying commercial debts. The aim is to offer predictability to such payments. As a result, the BCRA adopted a series of measures to rectify such debts. Under Communication A 7918, the Bond for the Reconstruction of a Free Argentina (BOPREAL) was created. These bonds are denominated in US dollars with a redemption option, and are subscribed in pesos. BOPREALs have been issued to channel importers' demand for foreign currency to pay commercial debts for goods with customs registration, or services actually rendered, until December 12, 2023.[1] In addition, according to the provisions of Executive Order 72/2023 and AFIP's General Resolution 5469/2023, BOPREALs may be used to pay tax and customs obligations, plus interest, fines and ancillary charges.

The BCRA provides, under Communication A 7917, that importers are no longer required from December 13, 2023 onwards to have an affidavit recorded as "OUT" through the Argentine Imports System (*Sistema de Importaciones de la República Argentina*, SIRA), nor to validate the transaction in the Foreign Trade Unique Current Account computer system to ask for authorization to access the forex market for the payment of goods with customs registration. This measure was adopted to make the flow of goods and services come to normal. In addition, the BCRA established a staggered system of access to the forex market according to the type of good or service involved: immediate for hydrocarbons and derivatives and electricity, 30 days for pharmaceuticals or inputs from that sector, fertilizers and phytosanitary products, and 180 days for vehicles. For the rest of the goods, payments can be made in four equal and consecutive installments after 30, 60, 90 and 120 calendar days.

This Communication also establishes that importers are no longer required from December 13, 2023 onwards to have an affidavit recorded as "APPROVED" through the Argentine Imports System and Foreign Service Payments (*Sistema de Importaciones de la República Argentina y Pagos de Servicios al Exterior*, SIRASE), nor to validate the transaction in the Foreign Trade Unique Current Account computer system to ask for authorization to access the forex market for the payment of services rendered by non-residents. Institutions do not need the BCRA's prior consent to provide clients with access to the forex market for payments of services rendered by non-residents, such as transport services, travel, card consumptions of residents charged by non-resident suppliers or those of non-residents charged by Argentine suppliers, and freight services for transactions related to the import of goods.

In the same vein, the Statistical System for Imports (*Sistema Estadístico de Importaciones*, SEDI) was launched on December 26 by Joint Resolution 5466/2023 issued by the AFIP and the Secretariat of Trade. It eliminates the early reporting regime called SIRA—applicable to imports for consumption—and the SIRASE—applicable to legal and natural persons who have to make payments abroad on their own or on account of third parties, or anyone acting as payer settling third party's obligations. The SEDI was implemented for the analysis and monitoring of statistical data on imports of goods, and aims to normalize and facilitate foreign trade, without the need to require a license for shipments intended for consumption. At the same time, the "Registry of Commercial Debt from Imports Owed to Foreign Suppliers" was implemented to overcome a burdensome stock of debt, and to clearly determine the actual level of commercial debt incurred by individuals and companies that have recently imported essential inputs for production.

In addition, AFIP's General Resolution 5463/2023, effective December 13, changed the rates of income and personal property taxes levied on the purchase of foreign currency for saving purposes (30%), and the rate

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[1] For more information on the terms and conditions of this new instrument, please see also Communications A 7925 and B 12695.

of foreign currency expenses paid with cards (0%). Therefore, the total charge for these consumptions is currently 60%: 30% (PAIS tax) and 30% (income tax or personal property tax, as appropriate).

At the same time, Executive Order 29/2023 changed the PAIS tax rate applicable to the purchase of foreign currency for payments of freight services and other transport services for the import or export of goods (whether purchased abroad or in Argentina, but rendered by non-residents). Such foreign currency purchases will be levied with a rate of 17.5% on the price, net of taxes and fees. The regulation also established a rate of 17.5% to purchases of foreign currency for the payment of imports of goods, which is applicable to the total amount of the transaction. This tax is not levied on foreign currency purchases for payments of imports of inputs and intermediate goods directly related to basic food basket products and other goods related to the generation of energy.

It should be noted that much of the local or foreign purchases of the remaining services (rendered by non-residents) (and listed in Annex II of Executive Order 99/2019) are levied with a rate of 25% since July 2023.

Finally, Executive Order 28/2023 (published on December 13), sets forth a new edition of the "Export Increase Program". This program is intended for the entire exporting sector, and allows to settle 20% of the inflow of foreign currency collected from exports of goods and services through the stock market, having to settle, at least, 80% through the forex market.

I. Introduction

This report analyzes information on foreign exchange transactions made in December 2023 as gathered by the Exchange Transaction Reporting System administered by the BCRA. Additionally, it relies on information on changes in BCRA's International Reserves due to transactions carried out by the BCRA on its own account or on behalf of the National Government, and on changes in the balance of institutions' foreign currency accounts at the BCRA.[2]

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

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

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

Section II of this report analyzes the result of foreign exchange transactions for December; data are broken down by sector and by heading.[3]

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

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

[3] 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).[4]

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

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

II. Result by Sector in the Foreign Exchange Market

In December, financial institution's clients sold USD2,289 million in the forex market, and financial institutions' sales amounted to USD184 million. The BCRA purchased USD2,486 million in the forex market, and made net payments through the Local Currency Payment System for USD13 million (see Table II.1).[5] [6] [7]

On a year-to-date basis, financial institution's clients purchased USD599 million. The BCRA purchased USD368 million in the forex market and made payments through the Local Currency Payment System for USD825 million. At the same time, financial institutions sold USD141 million.

The non-financial private sector made net sales amounting to USD432 million in 2023. They are calculated by subtracting net purchases made by the Real Sector excluding Oilseeds and Grains (USD8,680 million, down about 67% against 2022), Natural Persons (USD6,415 million), and Institutional Investors and Others (USD335 million) from net sales of the Oilseeds and Grains sector (USD15,863 million, down about 60% against 2022).

[4] 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.

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

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

[7] The result by sector excludes purchases of foreign currency to pay card bills for expenses incurred abroad for an amount of USD293 million. These payments of local debts in foreign currency do not imply a net demand in the whole system, made up by the institutions and the BCRA.

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

Result by Sector of the Foreign Exchange Market with Institutions	Dec-22	Dec-23	2022 up to Dec	2023 up to Dec
BCRA - Market	-2,222	-2,486	-5,956	-368
BCRA - SML	67	13	802	825
National Treasury	-	-	4	-
Institutions	-192	184	-599	141
Institutions' Clients (1 + 2 + 3)	2,348	2,289	5,750	-599
1. Non-Financial Private Sector	2,314	2,559	6,451	432
Oilseeds and Grains	3,633	1,328	39,568	15,863
Real Sector Excluding Oilseeds and Grains	-999	1,436	-25,976	-8,680
Natural Persons	-436	-277	-6,854	-6,415
Institutional Investors and Others	115	73	-286	-335
2. General Government (National Treasury Excluded)	72	-109	-427	384
3. Institutions (Own Transactions)	-38	-161	-274	-1,415
National Treasury Directly with the BCRA	1,184	-172	-4,712	-7,602

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

Source: BCRA

The following table is intended to analyze the purchases and sales carried out through institutions in the forex market, reflecting each sector's net foreign exchange result. Each heading's net result—as informed by the institutions to the BCRA—is displayed vertically. The result of forex transactions in pesos and in foreign currency may be set apart from the result of self-to-self international transfers (see Table II.2).[8]

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

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

Table II.2 Foreign Exchange Market
Result of Institutions' Transactions with Clients. December 2023.
Equivalent in million dollars

Sector/Main Headings	Goods	Travel and Passenger Transport, and Other Expenses Paid with Cards	Other Services, and Primary and Secondary Inflows	Foreign Assets - Banknotes	Foreign Assets - Foreign Currency	Net Self-to-Self International Transfers	Debt, FDI, Portfolio, and Other Transactions	Total
Non-Financial Private Sector	3,437	-287	136	-36	366	-909	-149	2,559
Oilseeds and Grains	1,355	0	0	0	20	-40	-8	1,328
Real Sector Excluding Oilseeds and Grains	2,049	-123	-32	9	47	-361	-153	1,436
Natural Persons	7	-218	6	-55	198	-219	4	-277
Institutional Investors and Others	27	55	162	10	102	-289	7	73
General Government (National Treasury Excluded)	0	0	-81	21	0	70	-120	-109
Institutions (Own Transactions)	-56	0	-31	0	1	0	-75	-161
Institutions' Result with Clients	3,381	-287	25	-15	367	-840	-343	2,289
Result for Forex Transactions	3,124	-419	-66	-15	1	0	-336	2,289
Result for Self-to-Self International Transfers	258	132	91	0	366	-840	-7	0

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

In December, the "Oilseeds and Grains" sector recorded net sales of foreign currency in the forex market for USD1,328 million, mainly explained by the headings included in "Goods" (collections on exports net of payments for imports), recording a net amount of USD1,355 million, down about 62% against December 2022.

The "Real Sector excluding Oilseeds and Grains" also recorded net sales amounting to USD1,436 million, mainly explained by the result in "Goods", with net sales of USD2,049 million.

In this context, the two economic sectors generating more surplus were "Automobile Industry" (USD535 million) and "Food, Beverages and Tobacco" (USD479 million), while the two sectors recording the highest deficit with their purchases were "Energy" (USD133 million), "Transport" (USD75 million) and "Tourism and Accommodation Services" (USD73 million), (see Table II.3).

Table II.3 Foreign Exchange Market
Result of the Real Sector excluding Oilseeds and Grains disaggregated by main headings. December 2023.
Equivalent in million dollars

Sector/Main Headings	Goods	Travel and Passenger Transport, and Other Expenses Paid with Cards	Other Services, and Primary and Secondary Inflows	Foreign Assets - Banknotes	Foreign Assets - Foreign Currency	Net Self-to-Self International Transfers	Debt, FDI, Portfolio, and Other Transactions	Total
Automobile Industry	546	0	-1	0	0	-6	-4	535
Food, Beverages and Tobacco	571	0	4	0	1	-86	-12	479
Mining	183	0	0	1	37	-57	45	208
Chemical, Rubber and Plastic Industries	226	0	13	0	0	-30	-27	183
Agriculture and Other Primary Activities	169	0	1	0	1	-32	-8	131
Common Metals and their Manufacture	97	0	-4	0	0	-5	0	88
Information Technology	0	2	83	0	3	-13	4	78
Machinery and Equipment	28	0	7	0	0	-9	-10	16
Commerce	20	0	5	1	1	-11	-7	9
Entertainment	0	0	8	0	1	-2	-1	7
Non-Metallic Mineral Products (Cement, Ceramics and Others)	12	0	0	0	0	-3	-2	7
Other Manufacturing Industries	9	0	3	0	0	-4	-3	6
Textile and Leather Industries	16	0	0	0	0	-5	-8	2
Gastronomy	0	0	0	0	0	-4	4	0
Water	0	0	0	0	2	-2	0	0
Communications	-2	0	9	0	1	-3	-13	-8
Construction	0	1	-7	0	0	-15	13	-8
Paper, Publishing and Printing Industry	-5	0	-1	0	0	-3	-6	-15
Tourism and Accommodation Services	0	-58	2	0	0	-19	0	-73
Transport	3	-68	8	0	0	-18	-1	-75
Energy*	177	0	-162	4	0	-36	-117	-133
Total	**2,049**	**-123**	**-32**	**9**	**47**	**-361**	**-153**	**1,436**

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

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

Financial institutions made net purchases with their own funds for USD161 million.

In turn, the "General Government" (excluding the National Treasury) made net purchases in the forex market for USD109 million.

"Natural Persons" made net purchases totaling USD277 million mainly for traveling expenses and other payments on cards to non-resident suppliers (USD218 million), and for saving purposes (USD55 million).

"Institutional Investors and Others"—both residents and non-residents—made net sales for USD73 million in December.

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 USD2,962 million in December. This result was mainly explained by a surplus in “Goods” (USD3,381 million), which was partially offset by the deficit in “Primary Income” (USD387 million), “Services” (USD20 million) and “Secondary Income” (USD12 million), (see Table III.1.1).[9]

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

Date	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23
Foreign Exchange Current Account	2,220	-1,651	-1,237	-2,020	71	776	-1,712	-645	-372	511	-313	47	2,962
Goods	3,158	414	572	-747	903	2,363	-921	985	1,292	1,406	854	1,982	3,381
Services	-473	-725	-653	-866	-506	-430	-363	-330	-412	-461	-753	-678	-20
Primary Income	-467	-1,352	-1,142	-432	-310	-1,169	-426	-1,312	-1,251	-425	-373	-1,256	-387
Secondary Income	1	12	-14	25	-15	12	-1	12	-1	-10	-42	-2	-12

Source: BCRA

On year-to-date terms, current account transactions showed a deficit of USD3,581 million. This result was mainly explained by a deficit in “Primary Income” (USD9,833 million), “Services” (USD6,195 million), and “Secondary Income” (USD536 million), which was partially offset by the surplus recorded in “Goods” (USD12,486 million).

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

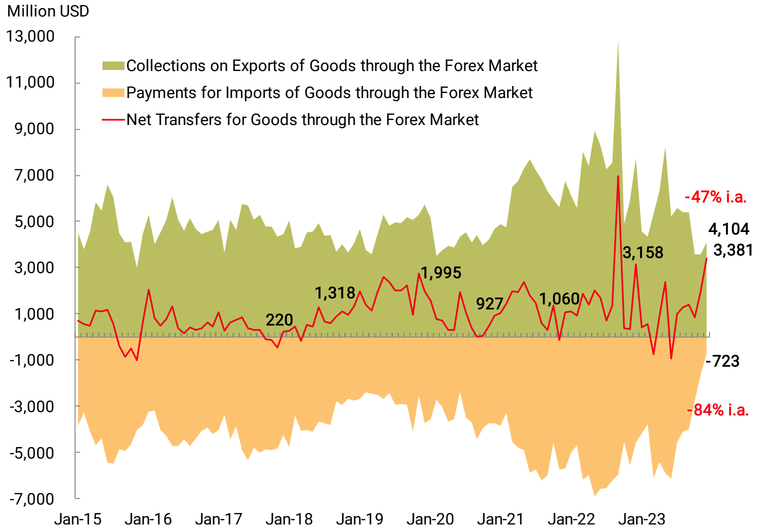
In this sense, foreign currency inflows from exports of goods and services settled through the stock market under these regulations are not recorded as collections of exports of goods and services in the foreign exchange market and foreign exchange balance statistics; except for those collections that were kept in local foreign currency accounts (that result in self-to-self international transfers). In December, about USD900 million from collections of exports of goods and services were settle through the stock market. They were directly transferred from accounts held abroad. On year-to-date terms, the amount collected reached about USD2,400 million.

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

III.1.1. Goods

In December, transfers for "Goods" on the foreign exchange balance exhibited net inflows for USD3,381 million, resulting from collections on exports for USD4,104 million, which were partially offset by payments of imports for USD723 million (see Chart III.1.1.1).

Chart III.1.1.1 Foreign Exchange Balance
Transfers for Goods



In addition, estimates reveal that more than USD750 million were collections on exports under the "Export Increase Program" through the stock market during the month. This amount plus the collections on exports settled through the foreign exchange market stand for USD4,854 million. Therefore, net inflows total USD4,130 million.

On year-to-date terms, transfers for "Goods" on the foreign exchange balance exhibited net inflows for USD12,486 million (down about 43% against 2022 on year-to-date terms). This is explained by collections on exports for USD61,633 million, which were partially offset by payments of imports for USD49,178 million. This is in line with inflows transferred through the stock market which amounted to USD2,200 million in 2023. Hence, total net inflows from Goods throughout the year would have been about USD14,700 million. In turn, estimates show that the sector's FOB exports totaled about USD66,251 million in 2023, which would imply that the exporters of goods have reduced their stock of commercial debt this year.

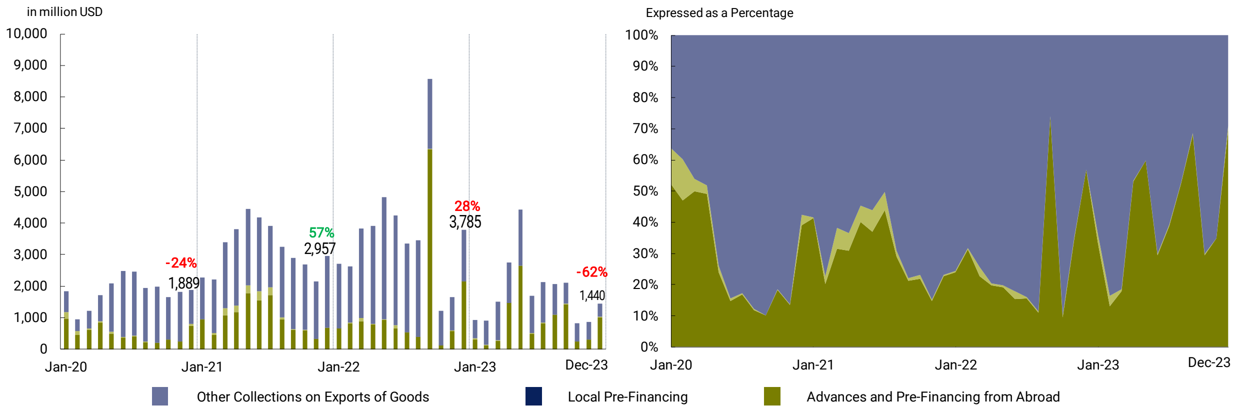
In December, the "Oilseeds and Grains" sector recorded foreign currency sales for collections on exports of goods through the forex market for USD1,440 million (-62% y.o.y.). Taking into account the estimated USD285 million that the sector transferred through the stock market,[10] total inflows from collections on exports reached about USD1,725 million. It is estimated that the sector's FOB exports totaled

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

USD1,550 million in December, which would imply an increase in the stock of commercial debt during December.

In line with this behavior, 71% of the sector's inflows were collected ahead of time in December, either through advances or pre-financing (local and foreign); this share was above the average figures observed during the first 11 months of the year (40%), and also above the historical average of the series (46% for the 2016-2022 period), (see Chart III.1.1.2).

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

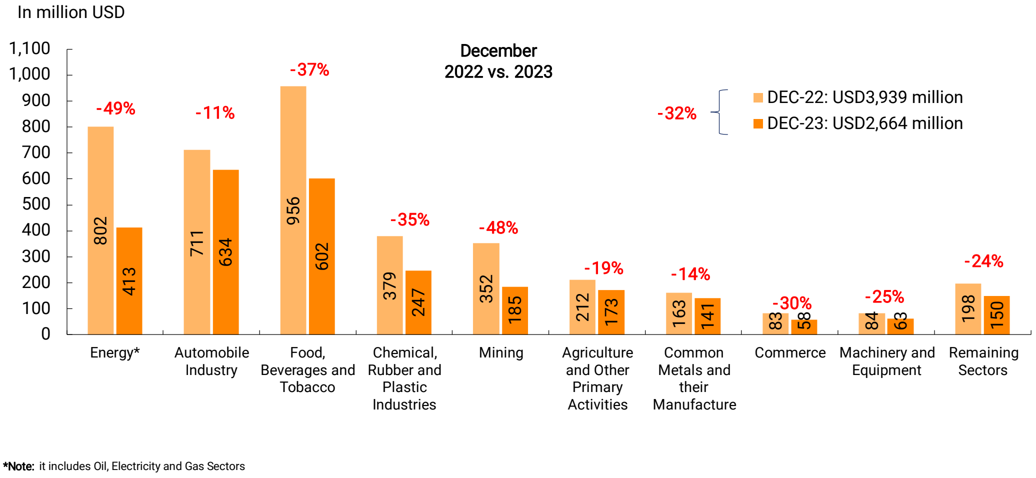


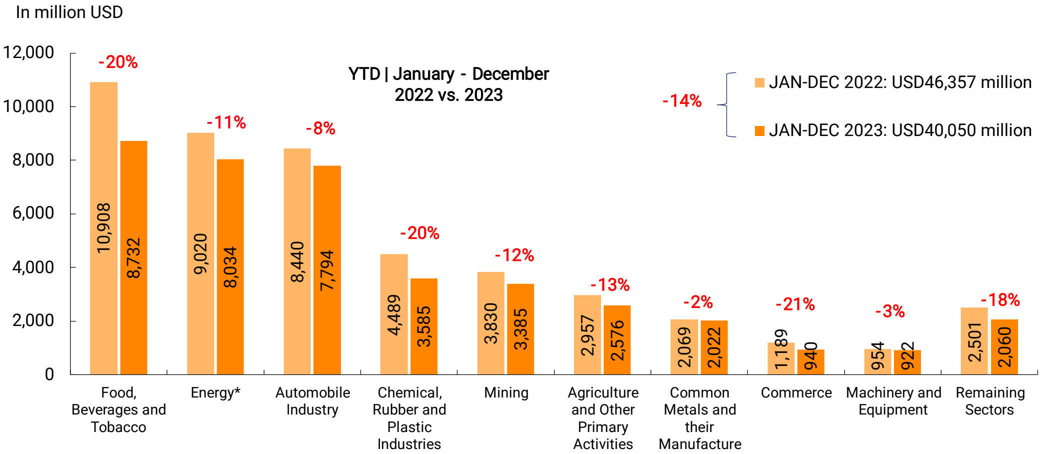
Source: BCRA

On an annual basis, the sector recorded inflows from the collection on exports through the forex market for USD21,614 million, down 51% against 2022. In addition, about USD861 million more were settled through the stock market. It is estimated that the sector's FOB exports totaled USD23,982 million, which would imply a decrease in the stock of commercial debt during the year.

Inflows from the collections on exports of goods from the remaining sectors through the forex market totaled USD2,664 million in December, decreasing 32% y.o.y., and 14% on a year-to-date basis. In turn, proceeds from the collection of exports through the stock market were estimated at about USD460 million. December was marked by setbacks in the collections on exports on a year-on-year basis for all sectors (see Chart III.1.1.4), even when including inflows recorded through the stock market.

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



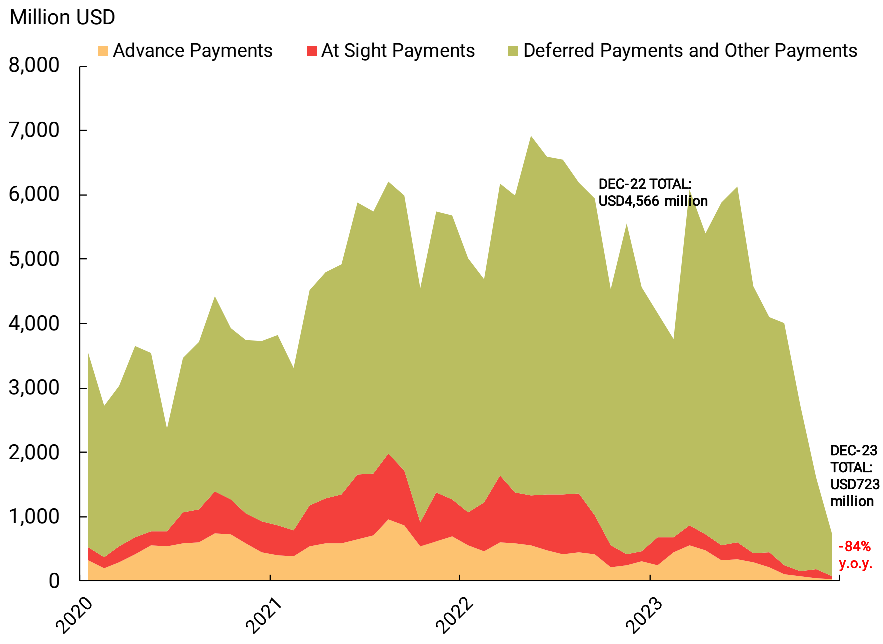


Source: BCRA

In December, payments of imports of goods totaled USD723 million, down 84% against December 2022, standing below December's FOB imports (USD4,041 million). This would imply either an increase in the sector's commercial indebtedness level or a decrease in its foreign assets due to advances (for more information on the behavior of payments for imports of goods during December, see the section on December 2023 Regulations).

As regards imports of goods, 90% of payments were deferred, 6% were sight payments, and the other 4% were advance payments in December (see Chart III.1.1.5).

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

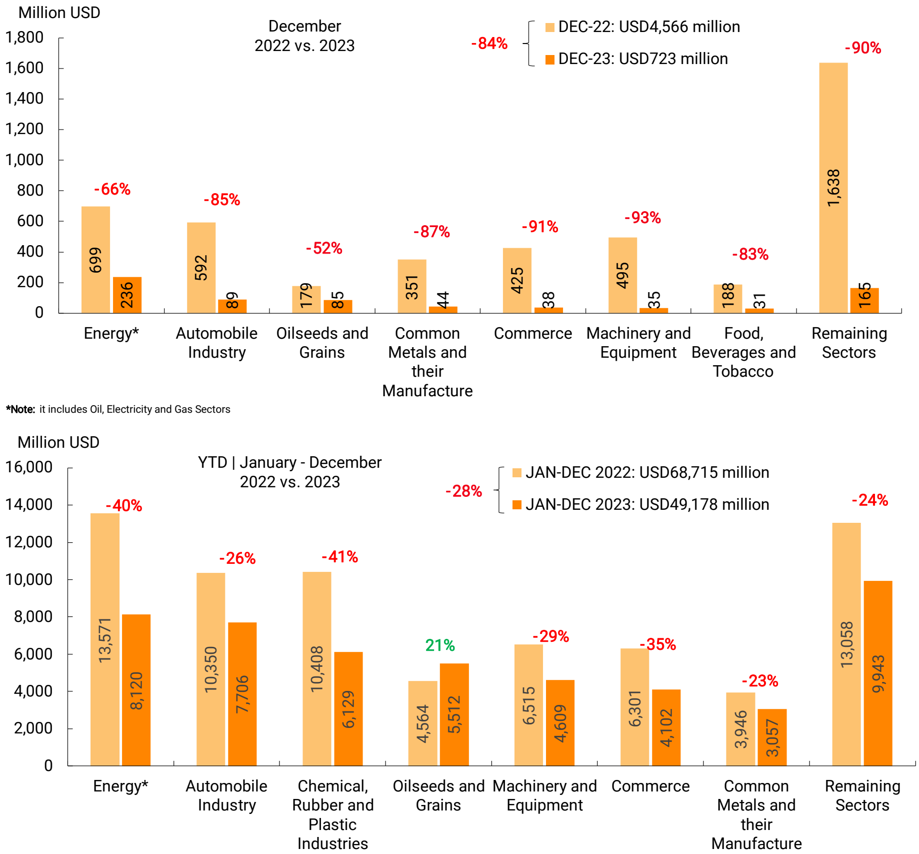


Source: BCRA

A 33% of total payments for imports of goods made in December corresponded to the “Energy” sector, followed by the “Automobile Industry” (12%) and “Oilseeds and Grains” (12%) sectors. In y.o.y. terms, there was a fall in payments for imports from all sectors during December (see Chart III.1.1.6).

On year-to-date terms, payments for imports of goods totaled USD49,178 million, while FOB imports are estimated to be USD69,778 million, flagging an increase in the stock of commercial debt from imports.

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



Source: BCRA

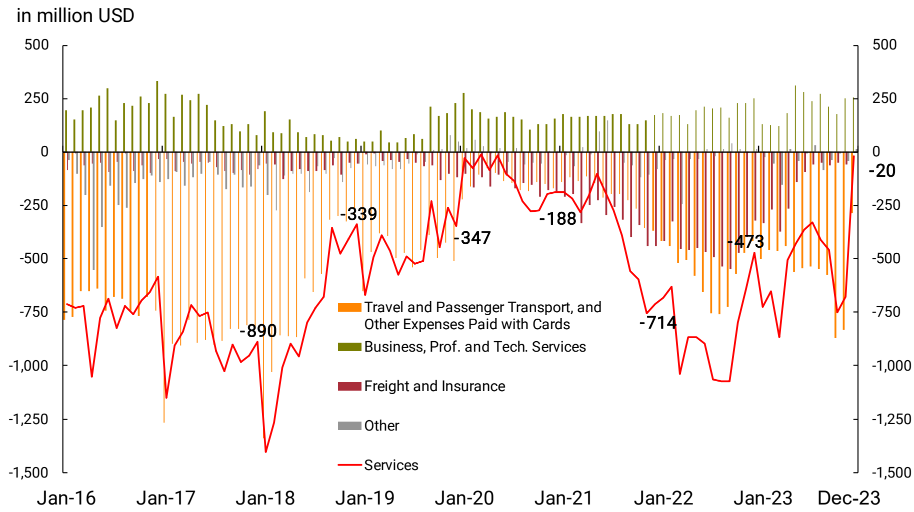
III.1.2. Services, Primary and Secondary Income

The “Services” account run a deficit of USD20 million in December, down 96% against the net outflows of December 2022. This month’s result was explained by the net outflows of “Travel and Passenger Transport, and Other Expenses Paid with Cards” (USD287 million), and “Freight and Insurance” (USD1 million), which were partially offset by net inflows from “Business, Professional and Technical Services” (USD254 million) and “Other Services” (USD13 million), (see Chart III.1.2.1). For more information on payments of services dynamics, see the section on December 2023 Regulations.

In addition, inflows from Services amounted to USD144 million. They were settled in the stock market under the aforementioned “Export Increase Program”.

It is worth noting that AFIP's General Resolution 5463/2023,[11] effective December 13, changed the rates of income and personal property taxes levied on the purchase of foreign currency for saving purposes to 30%, and the rate of foreign currency expenses paid with cards, to 0%. Therefore, the total charge for these consumptions is currently 60%: 30% (PAIS tax) and 30% (income tax or personal property tax, as appropriate). (For more information see the section on December 2023 Regulations).

Chart III.1.2.1 Foreign Exchange Balance
Net Inflows from Services



Source: BCRA

In December, gross inflows from Travel and Passenger Transport amounted to USD146 million (up 57% against December 2022). This increase was observed after the implementation of Communication A 7630, dated November 3, 2022, which set forth that any inflows arising from non-resident cards, charges of tourist services hired by non-residents and charges of non-resident passenger transport services are exempted from the requirement to settle currency in the forex market. This measure seeks to boost foreign currency inflows from inbound tourism. In addition, a higher exchange rate is charged on card consumptions of non-resident visitors.[12 13]

On a year-to-date basis, net outflows for payments of services in 2023 totaled USD6,196 million, down 39% against 2022 (see Chart III.1.2.2). On the other side, inflows settled through the stock market amounted to USD260 million.[14]

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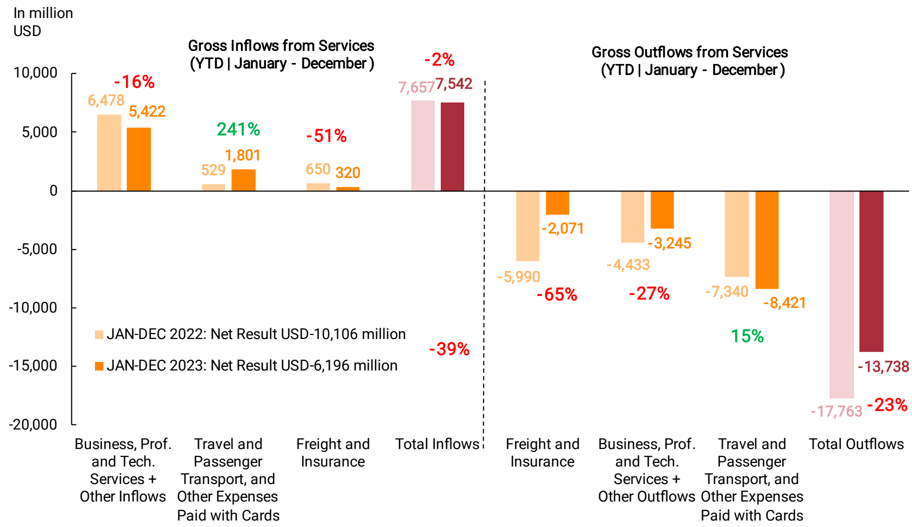
[11] To see General Resolution 5463/2023 click here.
[12] Self-to-self international transfers have no net effect on the forex market, since inflows are not settled in the forex market but deposited in local accounts in foreign currency.
[13] In terms of the "Travel and Passenger Transport, and Other Expenses Paid with Cards" account, it is worth pointing out that the transfers made to international credit card issuers involve both purchases made during travels abroad and those made on a remote basis. In turn, inflows also include non-resident remote purchases made with cards to Argentine suppliers. For more information on the changes implemented to the regulations that have an impact on the comparison of the flows reported in the headings included under "Services", among others, see Section B.5. Important Regulatory Provisions that Have an Impact on Foreign Exchange Statistics of the Methodology Used for Compiling Foreign Exchange Market and Foreign Exchange Balance Statistics available at BCRA's website.
[14] For more information on the private sector's external debt, click here to see the quarterly publication of the BCRA.

Chart III.1.2.2 Foreign Exchange Balance
Net Inflows from Services



Source: BCRA

Primary income transactions recorded net outflows amounting to USD387 million in December, mainly due to net payments of “Interest” for USD375 million.

The “General Government and the BCRA” paid USD192 million of gross interest (including payments of interest to international organizations—IMF excluded—amounting to USD168 million), and USD24 million on account of other interest payments. In turn, the private sector repaid USD204 million for the same heading. In addition, gross outflows of profits, dividends and other income transferred to accounts abroad amounted to USD16 million.

Finally, secondary income transactions had a deficit of USD12 million.

III.2. Capital Account

In December, the capital account of the foreign exchange balance produced a neutral result.

III.3. Foreign Exchange Financial Account

In December, transactions carried out under the foreign exchange financial account recorded a deficit of USD1,525 million. This result was explained by the deficit recorded in the “Financial Sector” (USD1,555 million), in the “Non-Financial Private Sector” (USD1,005 million), and in the “National Government and the BCRA" (USD504 million), partially offset by the surplus recorded in "Other Net Transfers" (USD1,539 million), (see Table III.3.1).[15]

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

Date	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23
Foreign Exchange Financial Account	3,669	-2,219	-734	1,855	-4,091	-2,191	-2,915	-3,676	4,409	-1,132	-4,254	-1,631	-1,525
Non-Financial Private Sector	-409	-412	-713	-675	-852	-677	-155	-948	-346	-632	-835	-1,142	-1,005
Financial Sector	-1,078	878	62	198	76	-696	179	-800	403	406	-21	-128	-1,555
General Government and the BCRA	3,944	-3,139	-218	2,815	-2,823	-787	-2,482	-1,678	4,807	-923	-3,176	-516	-504
Other Net Transfers	1,212	454	135	-484	-493	-31	-456	-249	-455	17	-222	155	1,539

The annual result of the foreign exchange financial account run a deficit of USD18,105 million.

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

The financial account of the "Non-Financial Private Sector" was virtually neutral, excluding the records that bring about no net transfers in the forex market (self-to-self international transfers). This was the result of net self-to-self international transfers for USD909 million (mainly explained as the counterpart of the Real Sector's collections on exports from Goods and Services that had not been settled in the foreign exchange market and inflows from freely available foreign currency by natural persons); payments of balances in foreign currency to local institutions originated from purchases made with cards to non-resident suppliers for USD293 million (which do not involve a net demand of foreign currency in the financial account); net outflows from loans granted by international organizations for USD121 million; net outflows from local financial loans for USD72 million; and net outflows from other financial debt held abroad and debt securities for USD32 million. These outflows were partially offset by net inflows from foreign assets for USD330 million; inflows from foreign direct investments for USD87 million; and inflows from the sale of securities for USD5 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	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23
Foreign Exchange Financial Account	-409	-412	-713	-675	-852	-677	-155	-948	-346	-632	-835	-1,142	-1,005
Non-Residents' Direct Investments	66	52	54	38	58	54	223	45	69	85	91	100	87
Non-Residents' Portfolio Investments	1	-1	3	-1	0	-1	-4	0	-1	12	1	-3	0
Financial Loans and Credit Lines	-130	-149	-582	-278	-456	-420	-188	-281	-525	-389	-538	-556	-396
Local Financial Loans	-12	-28	-97	56	76	-101	-83	-88	49	-5	-126	-149	-72
Other Foreign Loans and Debt Securities	126	108	-248	-44	-317	-81	183	77	-326	-102	-55	-88	-31
Payment of Card Balance	-244	-228	-238	-290	-215	-237	-288	-271	-248	-282	-357	-319	-293
Loans from Other International Organizations and Other	-58	8	-52	-41	1	-83	-56	-84	150	-15	52	-92	-121
Buildup of Foreign Assets by the Non-Financial Private Se	95	-81	-11	-4	-397	-83	0	-196	-91	-84	-112	5	330
Self-to-Self International Transfers	-381	-240	-123	-386	-56	-150	-130	-430	54	-250	-328	-604	-909
Purchase and Sale of Securities	-1	-2	-2	-2	-2	5	0	-3	-2	9	-1	8	5

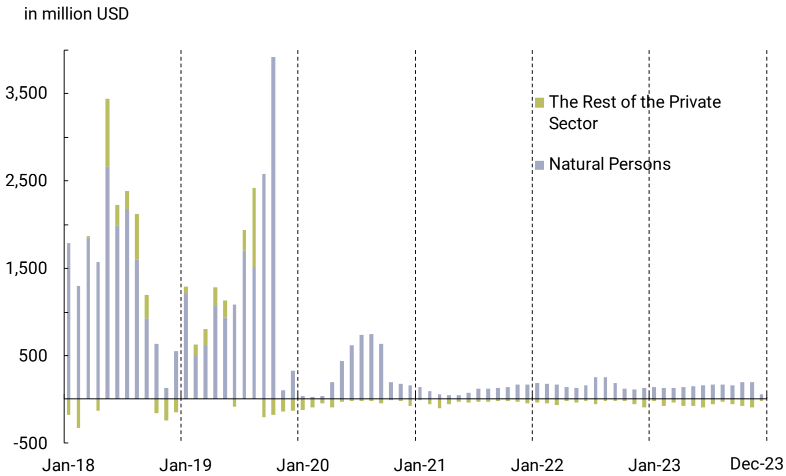
Source: BCRA

[15] 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.

Non-financial private sector residents' foreign assets recorded a surplus of USD330 million—i.e., net inflows of foreign currency (USD366 million) which were partially offset by net purchases of banknotes (USD36 million).

This outcome reflects net purchases for USD55 million made by “Natural Persons”, partially offset by net sales for USD19 million made by legal persons (see Chart III.3.1.1).

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



Source: BCRA

In December, “Natural Persons” purchased banknotes for USD73 million–down 64% against November, and down 44% y.o.y.–and sold USD18 million (see Chart III.3.1.2). On year-to-date terms, “Natural Persons” made total net purchases of banknotes for USD1,796 million.

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

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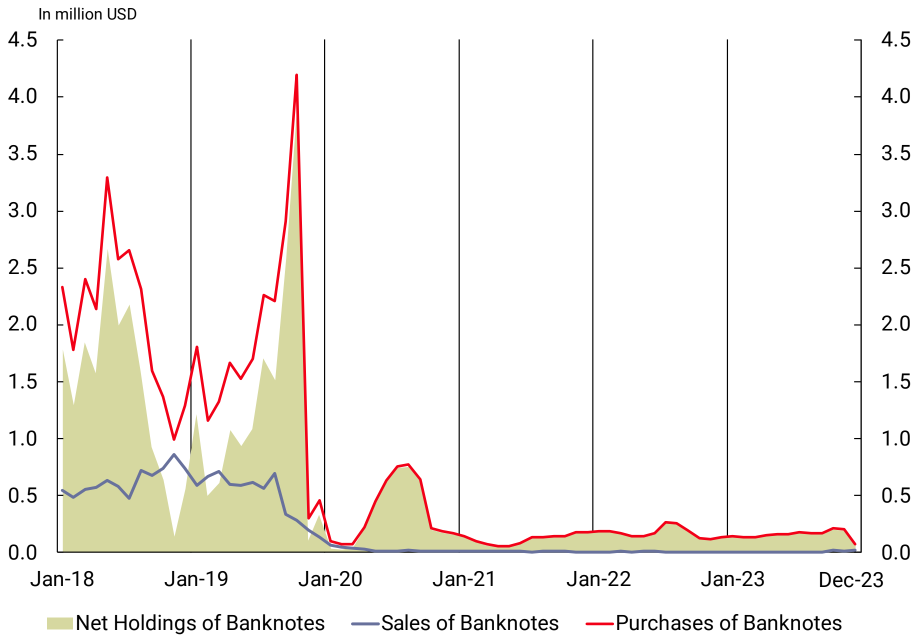
[16] To see General Resolution 5463/2023 click here.

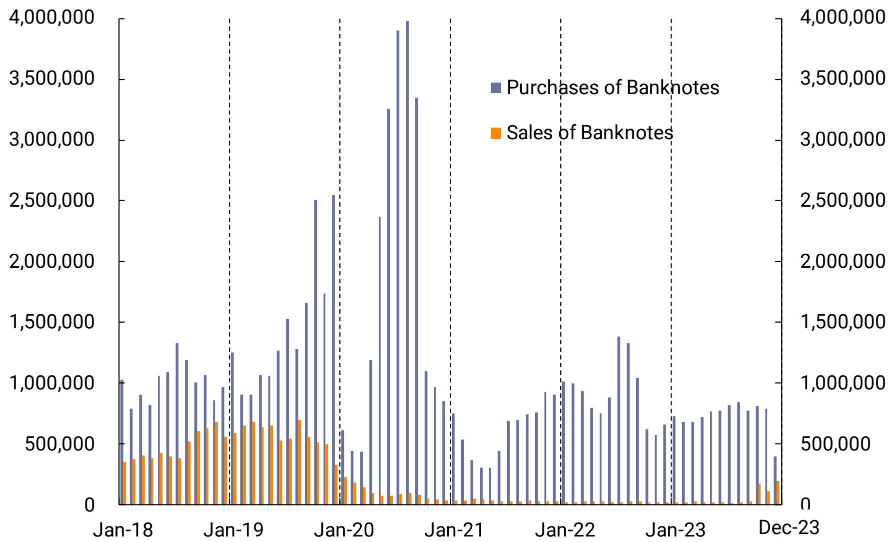
Chart III.3.1.2 Foreign Exchange Balance
Natural Persons. Banknotes



Source: BCRA

In terms of traders during December, 396,000 individuals purchased banknotes, while sellers amounted to about 197,000 (see Chart III. 3.1.3).

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

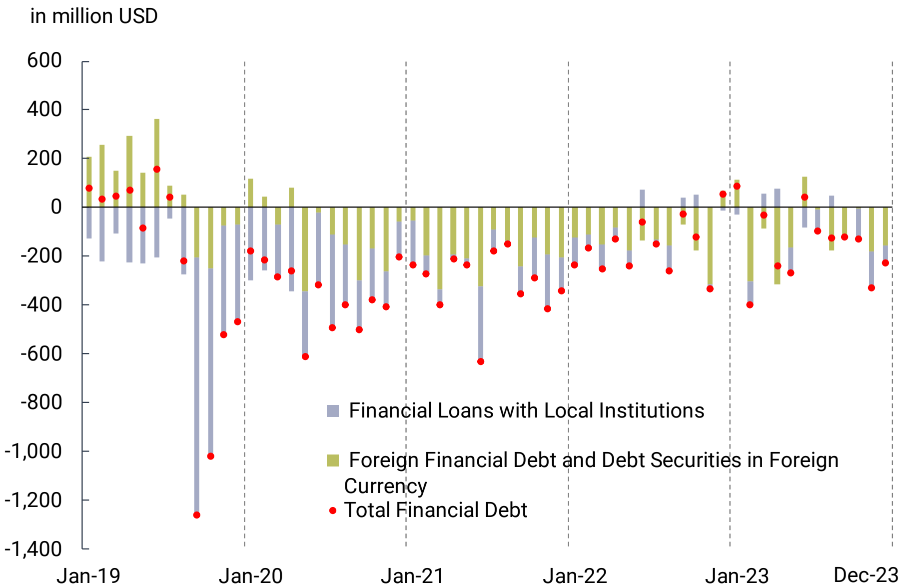


Source: BCRA

In turn, in December, this sector recorded net inflows from their own accounts abroad (USD366 million). This result is mainly explained by net transfers received by "Natural Persons" (USD198 million), "Institutional Investors and Others" (USD102 million), Real Sector excluding Oilseeds and Grains (USD47 million), and "Oilseeds and Grains" (USD20 million).

Net outflows of financial debt from the non-financial private sector, including loans from international organizations and local financial loans, reached USD225 million in December—net outflows from "Energy" (USD136 million) standing out. This amount involves net outflows on account of financial debt held abroad, securities in foreign currency, and loans owed to international organizations (USD153 million), and net outflows from local loans (USD72 million). The total amount excludes purchases of foreign currency to pay card bills for expenses incurred abroad (USD293 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).[17]

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



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

Source: BCRA

Direct investments made by non-residents in the private sector (including the financial) through the forex market reached USD90 million (net inflows) in December (see Chart III.3.1.5). The annual total recorded net inflows for USD913 million.

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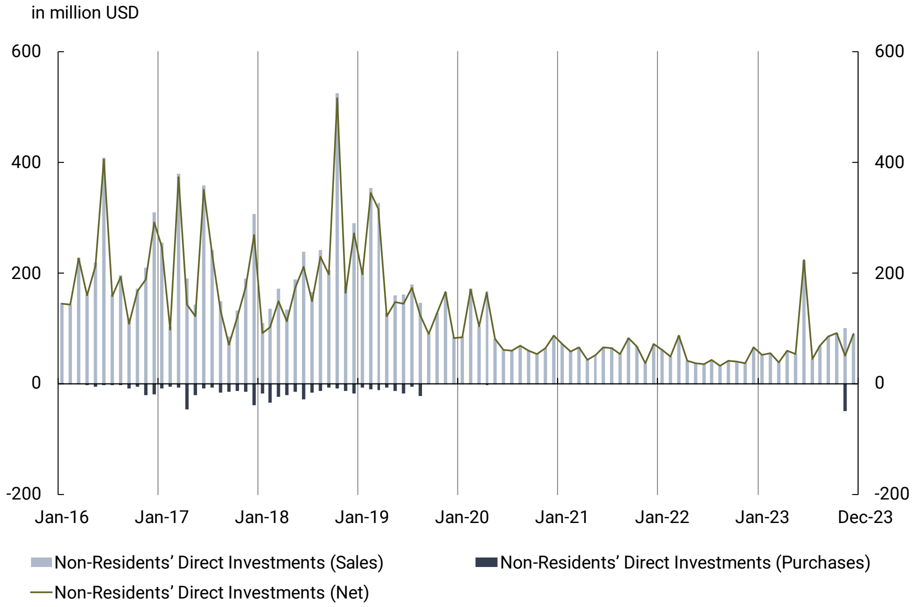
[17] As from September 16, 2020, through Communication A 7106, the BCRA set out guidelines for private sector companies to refinance their foreign financial debt or local debt securities in foreign currency, so that they may be aligned to the new requirements, thus ensuring the smooth functioning of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

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



Source: BCRA

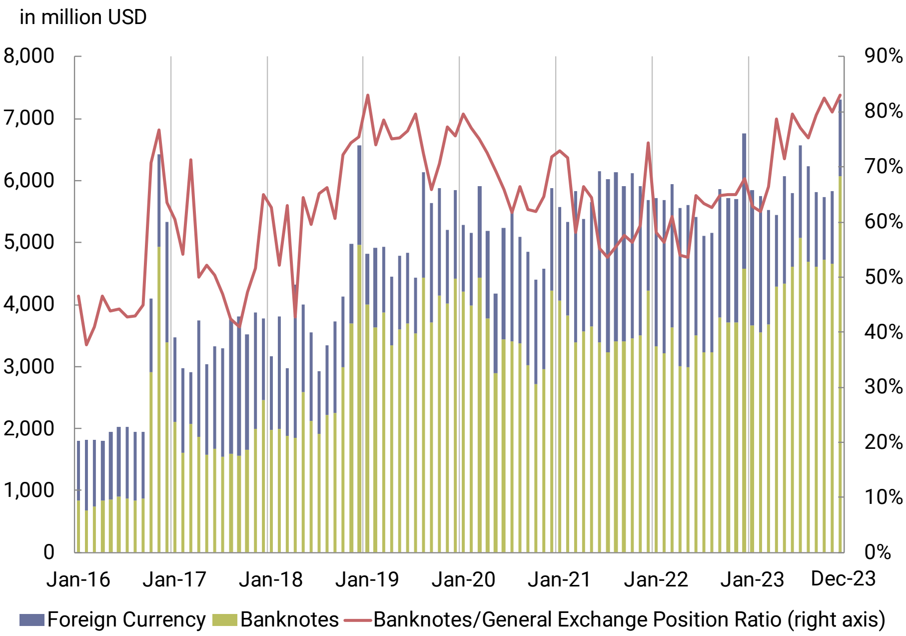
III.3.2. Foreign Exchange Financial Account of the Financial Sector

In December, the transactions carried out under the foreign exchange financial account of the "Financial Sector" recorded a deficit of USD1,555 million. This outcome was mainly explained by an increase of USD1,484 million in liquid foreign assets of financial institutions' General Exchange Position, and by net outflows from financial loans of USD71 million.[18]

Financial institutions' General Exchange Position amounted to USD7,312 million at the end of December, up 26% against the end of November. This result was explained by an increase in holdings of banknotes (USD1,407 million)—in line with a rise of private deposits (USD1,568 million) as a result of the impact caused by personal property taxes—and in foreign currency (USD83 million). Holdings of foreign currency banknotes totaled USD6,070 million by the end of the month. This stock accounted for 83% 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).

[18] 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 December with a forward short position in foreign currency of USD72 million, recording a drop of USD187 million against the end of November. They purchased USD104 million in regulated markets and USD82 million to their clients directly (Forwards) over the month (see Chart III.3.2.2).

Foreign capital institutions ended December with a net short position of USD22 million, decreasing their short position by USD97 million compared to November. In turn, national capital institutions purchased USD89 million, reducing their net short position of November to USD50 million (see Chart III.3.2.3).

Chart III.3.2.2 Forward Market
EOM Institutions' Forward Position

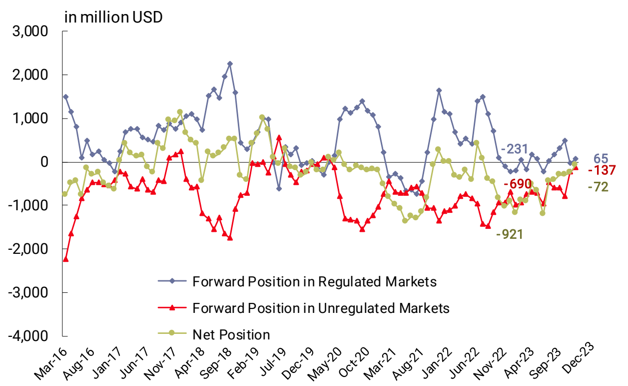
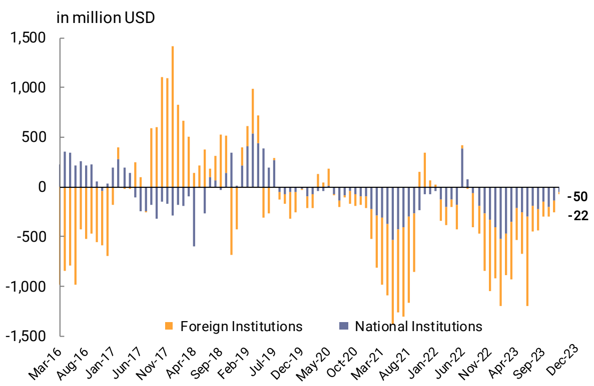


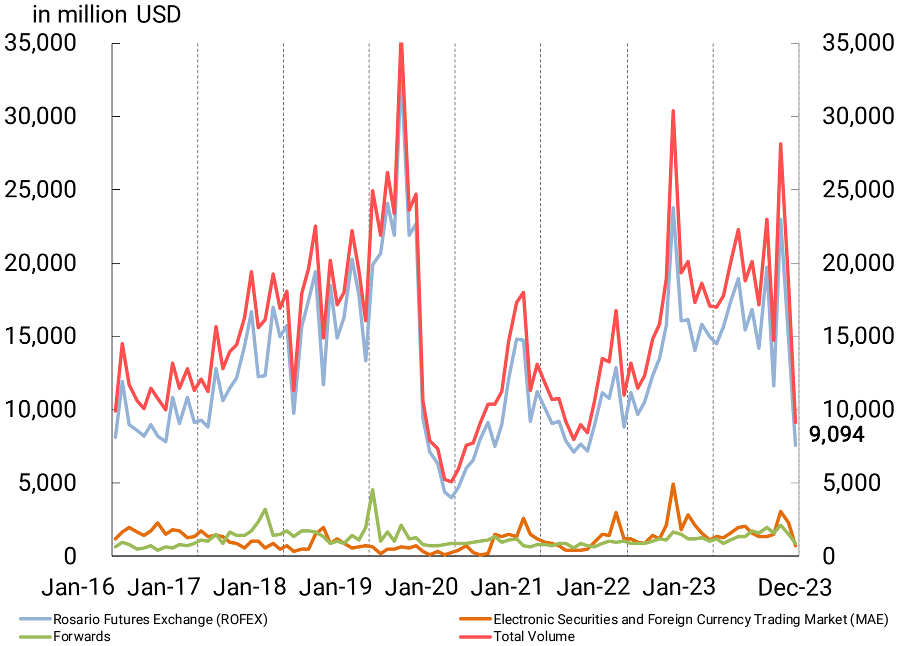
Chart III.3.2.3 Forward Market
EOM Institutions' Forward Position



Source: BCRA

The volume traded in forward markets totaled USD9,094 million in December, i.e.: USD479 million daily on average. Transactions carried out in the Rosario Futures Exchange (ROFEX) continued to stand out, with an 83% share in the total volume traded in the forward market (see Chart III.3.2.4).[19]

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



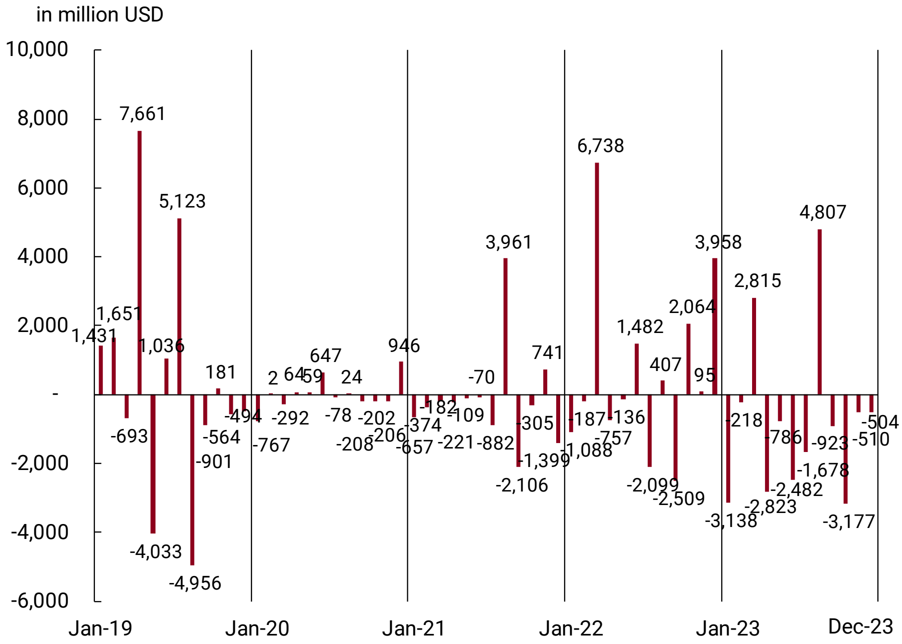
Source: BCRA

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

In December, the transactions carried out under the foreign exchange financial account of the "General Government and the BCRA" recorded a deficit of USD504 million (see Chart III.3.3.1), mainly explained by repayments of principal owed to the IMF totaling USD919 million (SDR686 million) and net payments of financial loans for USD6 million, partially offset by net inflows from loans from international organizations (IMF excluded) for USD338 million, net inflows from self-to-self international transfers for USD70 million, and net inflows from sales of foreign assets for about USD16 million.

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

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



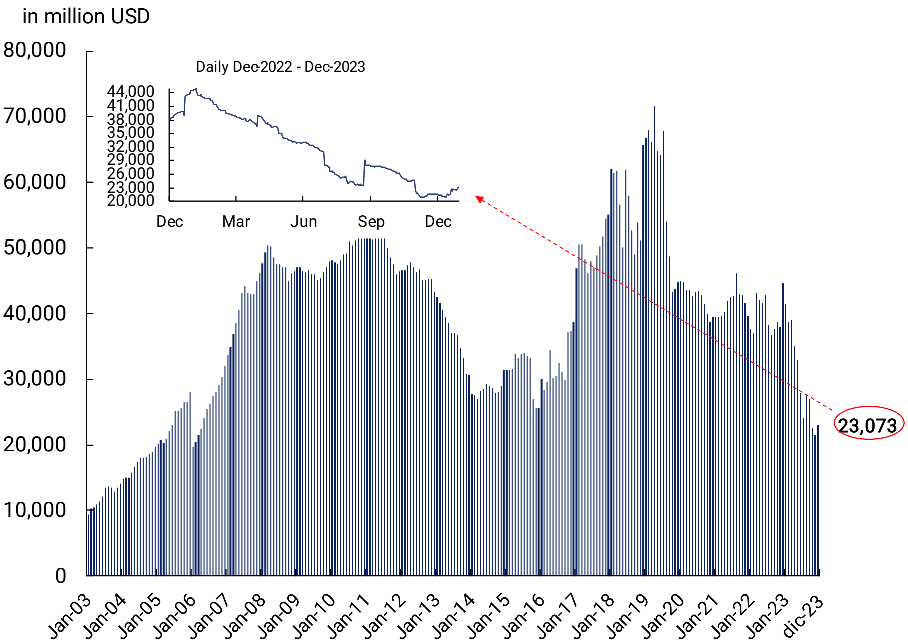
Source: BCRA

IV. BCRA's International Reserves

During December, BCRA's international reserves increased USD1,560 million, totaling USD23,073 million by the end of the month. This increase was mainly explained by the settlement of net purchases made by the BCRA in the forex market, net inflows from international organizations (IMF excluded) and other debt of the General Government and the BCRA of USD180 million, the increase in the US dollar exchange rate of foreign exchange reserves by USD122 million, and the increase in financial institution's holdings of foreign currency; which were partially offset by repayments of principal owed to the IMF and net payments settled by the BCRA through the Local Currency Payment System (see Chart IV.1).

BCRA's international reserves decreased by 48% (down USD21,525 million) compared to December 2022. This was mainly explained by net payments of principal, interest and charges to the IMF of USD8,394 million (SDR6,236 million); a fall in financial institution's holdings of foreign currency of USD2,968 million; net payments of principal and interest to other international organizations and other financial debt incurred by the National Treasury of USD5,677 million; repayments of principal, interest and administrative expenses to international organizations and those arising from other transactions carried out by the BCRA, and net payments settled by the BCRA through the Local Currency Payment System, all of which was partially offset by net purchases made by the BCRA in the forex market, and the increase in the US dollar exchange rate of foreign exchange reserves by USD 150 million.

Chart IV.1 BCRA's International Reserves



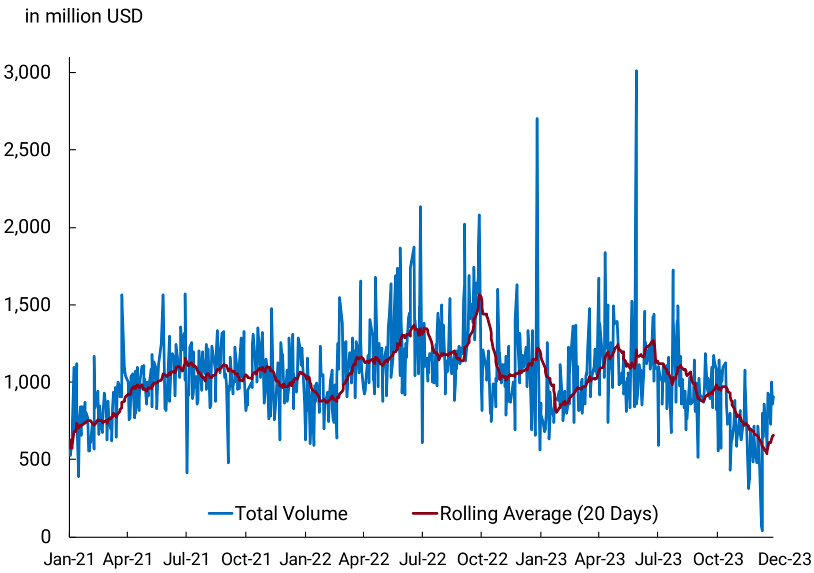
Source: BCRA

V. Volumes Traded in the Foreign Exchange Market

In December, the volume traded in the forex market totaled USD12,533 million, down 49% against December 2022 (see Chart V.1). The average daily volume traded was USD660 million, falling in y.o.y. terms as a result of a 59% drop in transactions between institutions and their clients (down USD9,994 million), a 56% drop in transactions between institutions (down USD2,862 million), and a 39% increase in transactions between institutions and the BCRA (up USD932 million).[20]

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

Chart V.1 Foreign Exchange Market Volume Traded Daily Evolution

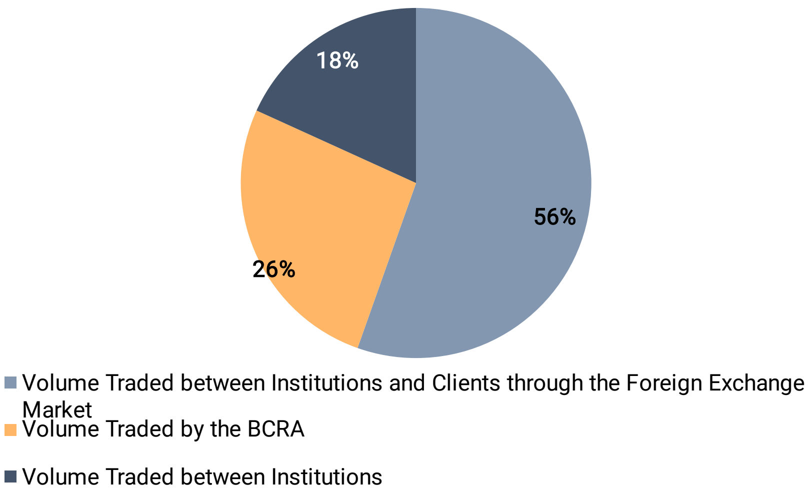


Source: BCRA

Foreign exchange transactions between institutions and their clients accounted for 55% of the total volume traded; transactions between institutions and the BCRA stood for 26%; and transactions between institutions—through the Electronic Trading System (SIOPEL)—represented the remaining 18% (see Chart V.2).[21]

[21] The volume traded between licensed institutions and their clients excludes the following items: the subscription of LEBAC bills, self-to-self international transfers (around USD2,123 million), the record of deposits in foreign currency allocated for the payment of financial debt service for about USD57 million, and purchases of foreign currency to pay card bills (around USD293 million for the month under study).

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

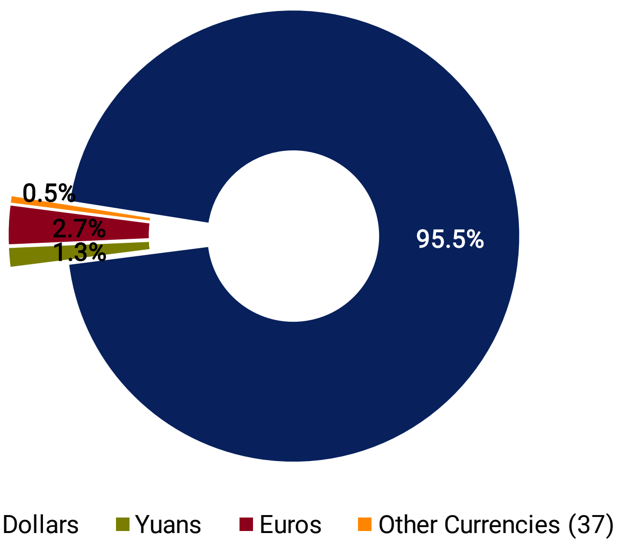


Source: BCRA

In December, 139 institutions traded in the market involving 40 foreign currencies.

Thus, the volume traded between licensed institutions and their clients mostly concentrated on few institutions (the first ten accounted for 86% of such volume) and on currencies (USD-denominated transactions having a 95.5% share in the total traded with clients, followed by Euros, which accounted for about 3% of the total, and Yuans with slightly more than 1%). Regarding Yuans, they dropped 60% against November and 83% against the average of the past 3 months, the remaining currencies stood for less than 1% (see Chart V.3).

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



Source: BCRA

Finally, 91% of foreign exchange transactions between financial and foreign exchange institutions and their clients were channeled through private financial institutions, 8% through public banks, and the remaining 0.1% through foreign exchange houses and agencies.