

Evolution of the Foreign Exchange Market and the Foreign Exchange Balance

February 2023



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

Global economic activity has continued to slowdown in the past few months, with global growth forecasts also following a downward trend. This outlook was predicted against the backdrop of persistently high inflation rates that forced central banks of advanced economies to implement the largest contractionary monetary policy cycle since the global financial crisis of 2008/09. While financial conditions in developing countries slightly improved, the adverse effect of high interest rates and net capital outflows still prevails.

In February, financial institution's clients purchased USD844 million in the forex market. On the sellers' side, financial institutions sold USD25 million, and the BCRA USD750 million. At the same time, the BCRA made net payments through the local Currency Payment System (SML) for USD69 million.

The "Non-Financial Private Sector" was a net purchaser of foreign currency for USD667 million. Within this group, the "Oilseeds and Grains" sector was the main net seller with net inflows of USD776 million, down 69% on a y.o.y. comparison. In February, the sector continued making partial payments on net debt incurred through the end of 2022 under the "Export Increase Program". It is worth noting that the payment of this type of debts brings about no outflow of foreign currency; instead, the outflow takes place upon the export of previously financed goods.

The "Real Sector excluding Oilseeds and Grains" was a net purchaser of foreign currency, with a total of USD810 million, down 60% y.o.y. These purchases were mainly used to make net payments of interest, imports of goods and services, and travel expenses among others paid with cards.

"Natural Persons" made net purchases totaling USD503 million mainly for payments on cards to non-resident suppliers (USD332 million), and for saving purposes (USD130 million).

"Institutional Investors and Others"—both residents and non-residents—made net purchases for USD130 million in February, mainly for imports of goods.

The foreign exchange current account, which includes net flows from net exports of goods and services, as well as primary and secondary income, recorded a deficit of USD1,237 million. This result was explained by net outflows from "Primary Income" (USD1,142 million), "Services" (USD653 million), and "Secondary Income" (USD14 million), which were partially offset by net inflows from transfers of "Goods" for USD572 million.

The financial account of the "Non-Financial Private Sector" had a deficit of USD713 million in February, resulting basically from outflows from financial loans and debt securities for USD248 million; payments of balances in foreign currency to local institutions originated from purchases made with cards to non-resident suppliers for USD237 million (which do not involve a net demand of foreign currency in the financial account)¹; outflows from self-to-self international transfers for USD123 million (largely explained by their counterpart of Travel and Passenger Transport inflows, for more information see Section III.1.2.); payments of loans owed to international organizations for USD52 million; and the buildup of foreign assets for

¹ 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".

USD11 million. These outflows were partially offset by inflows from foreign direct investments for USD54 million.

In February, the transactions carried out under the foreign exchange financial account of the "Financial Sector" resulted in a surplus of USD69 million. This outcome is explained by a decrease of USD114 million in liquid foreign assets of financial institutions' General Exchange Position, partially offset by outflows from financial loans and lines of credit of USD45 million.

In February, the transactions carried out under the foreign exchange financial account of the "General Government and the BCRA" recorded a deficit of USD218 million, mainly explained by net repayments of principal and interest of financial debt.

During February, BCRA's international reserves decreased USD2,708 million, totaling USD38,709 million by the end of the month. This fall was mainly explained on the following grounds: the BCRA's intervention in the forex market, as mentioned above; the payment of interest and fees to the International Monetary Fund of USD750 million (equivalent to SDR554 million); a decrease in the US dollar exchange rate of foreign exchange reserves by USD733 million; and net payments of principal and interest on National Treasury debt.

Publication of a new statistical annex to the foreign exchange market and the foreign exchange balance

In order to contribute towards a comprehensive review and simplified publication of foreign exchange statistics, a new annex to the foreign exchange market and the foreign exchange balance (Nuevo Anexo MC.xlsm) is published together with the February 2023 report. The annex deals with the same series that were previously divided into three annexes:

- Statistical Annex to the Foreign Exchange Balance (Anexo.xlsm).
- Foreign Exchange Market Statistics (Opecames.xlsx).
- Statistical Annex to the Foreign Exchange Market (MC Sectorial.xlsm).

Below, you will find a summary of the series and their location in the new annex:

- The table that was previously included in sheet "Anexo sectorial Merc de Cambios" of file "Anexo.xlsm" was relocated to sheets "MC por sector" and "MC por concepto" and switched to a more user-friendly format of a pivot table. In turn, these pivot tables use data from sheet "Datos Mercado de Cambios".
- The series previously found in the different sheets of file "Opecames.xlsx" are now located in sheet "Mercado de cambios". A breakdown by economic sector of those series is now located in sheets "MC por sector" and "MC por concepto".
- The series that were previously found in file "MC sectorial.xlsm" are now located in sheets "MC por sector" and "MC por concepto" and switched to a more user-friendly pivot table format.

It should be noted that the three files will be discontinued as of April 26, 2023. Since then, the March 2023 report will be published with the new annex to the foreign exchange market and the foreign exchange balance (Nuevo Anexo MC.xlsm).

For more information on the creation of these series, see the [Methodology Used for Compiling Foreign Exchange Market and Foreign Exchange Balance Statistics](#).

I. Introduction

This report analyses information on foreign exchange transactions made in February 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 (Federal Administration of Public Revenue)), 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 February; 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**

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

Global economic activity has continued to slowdown in the past few months, with global growth forecasts also following a downward trend. This outlook was predicted against the backdrop of persistently high inflation rates that forced central banks of advanced economies to implement the largest contractionary monetary policy cycle since the global financial crisis of 2008/09. While financial conditions in developing countries slightly improved, the adverse effect of high interest rates and net capital outflows still prevails.

In February, financial institution's clients purchased USD844 million in the forex market. On the sellers' side, financial institutions sold USD25 million, and the BCRA USD750 million. At the same time, the BCRA made net payments through the local Currency Payment System (SML) for USD69 million (see Table II.1).^{5 6 7}

Table II.1 Foreign Exchange Market

Result by Sector

Equivalent in million dollars

Result by Sector of the Foreign Exchange Market with Institutions	Feb-22	Feb-23	2022 up to Feb	2023 up to Feb
BCRA - Market	367	750	528	1,167
BCRA - SML	44	69	95	108
National Treasury	-	-	1	-
Institutions	-110	25	-34	370
Institutions' Clients (1 + 2 + 3)	-301	-844	-589	-1,646
1. Non-Financial Private Sector	-118	-667	-278	-1,352
Oilseeds and Grains	2,494	776	5,069	1,574
Real Sector Excluding Oilseeds and Grains	-2,016	-810	-4,078	-1,626
Natural Persons	-565	-503	-1,110	-1,054
Institutional Investors and Others	-30	-130	-159	-246
2. General Government (National Treasury Excluded)	-155	-109	-209	-177
3. Institutions (Own Transactions)	-28	-68	-102	-116
National Treasury Directly with the BCRA	-	-262	-1,373	-1,229

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

⁴ The Central Bank's website (www.bkra.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 (RIO) 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 USD238 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, 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 (transfers of foreign currency to accounts abroad during the month). (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](#)).

Table II.2 Foreign Exchange Market
Result of Institutions' Transactions with Clients. February 2023.
 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	601	-459	-291	-53	42	-172	-334	-667
Oilseeds and Grains	803	0	-9	0	10	-11	-17	776
Real Sector Excluding Oilseeds and Grains	-103	-111	-367	59	39	-67	-260	-810
Natural Persons	-14	-332	7	-130	-20	2	-15	-503
Institutional Investors and Others	-84	-16	77	18	12	-96	-42	-130
General Government (National Treasury Excluded)	-15	0	-269	95	14	84	-18	-109
Institutions (Own Transactions)	-15	0	-9	0	0	0	-44	-68
Institutions' Result with Clients	572	-459	-570	42	55	-88	-396	-844
Result for Forex Transactions	577	-556	-565	42	25	0	-366	-844
Result for Self-to-Self International Transfers	-5	97	-5	0	30	-88	-30	0

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

Source: BCRA

"Oilseeds and Grains" was the main net seller of foreign currency in the market over February. This sector recorded net inflows for USD776 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. This sector's net sales in the forex market amounted to USD803 million, down 68% against February 2022. In February, the sector continued with the trend of the previous month, making partial payments on net debt incurred through the end of 2022 under the "Export Increase Program". It is worth noting that the payment of this type of debts brings about no outflow of foreign currency; instead, the outflow takes place upon the export of previously collected or financed goods.

The "Real Sector excluding Oilseeds and Grains" was a net purchaser of foreign currency, with a total of USD810 million, down 60% y.o.y. These purchases were mainly used to make payments for net imports of goods and services, and to pay interest and ticket expenses (for further information, see Sections III.1.1 and III.1.2). In this sense, the two economic sectors generating more deficit with their purchases were "Energy" (USD420 million) and "Machinery and Equipment" (USD297 million), while the two sectors recording the

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](#)

highest surplus were “Food, Beverages and Tobacco” (USD609 million) and “Mining” (USD268 million), (see Table II.3).

Table II.3 Foreign Exchange Market

Result of the Real Sector excluding Oilseeds and Grains disaggregated by main headings. February 2023.

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
Food, Beverages and Tobacco	620	0	-8	0	11	-16	1	609
Mining	270	0	-29	0	21	-27	32	268
Agriculture and Other Primary Activities	193	0	-3	0	-2	-1	3	190
Automobile Industry	205	0	-17	0	0	-9	10	189
Information Technology	-14	0	118	0	0	-8	8	105
Water	0	0	0	0	0	0	0	-1
Gastronomy	-2	1	0	0	0	-1	0	-3
Entertainment	-2	0	3	0	1	-1	-4	-3
Non-Metallic Mineral Products (Cement, Ceramics and Others)	-8	0	-1	0	0	0	-5	-14
Textile and Leather Industries	-44	0	-1	0	0	0	2	-42
Common Metals and their Manufacture	-31	0	-17	0	0	0	-13	-60
Paper, Publishing and Printing Industry	-58	0	-3	0	0	0	-4	-66
Communications	-17	0	-26	0	1	39	-69	-72
Other Manufacturing Industries	-123	0	6	0	0	0	2	-115
Construction	-12	0	-8	-9	0	-1	-106	-136
Tourism and Accommodation Services	0	-94	-42	0	0	-6	0	-141
Chemical, Rubber and Plastic Industries	-239	0	1	0	0	0	-2	-239
Transport	-25	-18	-211	5	1	-35	9	-275
Commerce	-289	0	0	0	0	0	4	-285
Machinery and Equipment	-294	0	4	0	1	0	-8	-297
Energy*	-231	0	-133	62	4	-2	-120	-420
Total	-103	-111	-367	59	39	-67	-260	-810

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

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

Source: BCRA

Financial institutions made net purchases with their own funds for USD68 million for paying goods, and debt.

Moreover, the “General Government” (excluding the National Treasury) made net purchases in the forex market through licensed financial institutions for USD109 million, mainly to make payments of interest, goods, and services, which were partially offset by the sale of foreign assets.

“Natural Persons” made net purchases totaling USD503 million mainly for payments on cards to non-resident suppliers (USD332 million), and for saving purposes (USD130 million).

“Institutional Investors and Others”—both residents and non-residents—made net purchases for USD130 million in February, mainly for imports of goods.

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 deficit of USD1,237 million in February (see Table III.1.1).⁹

Table III.1.1. Foreign Exchange Balance

Foreign Exchange Current Account

Equivalent in million dollars

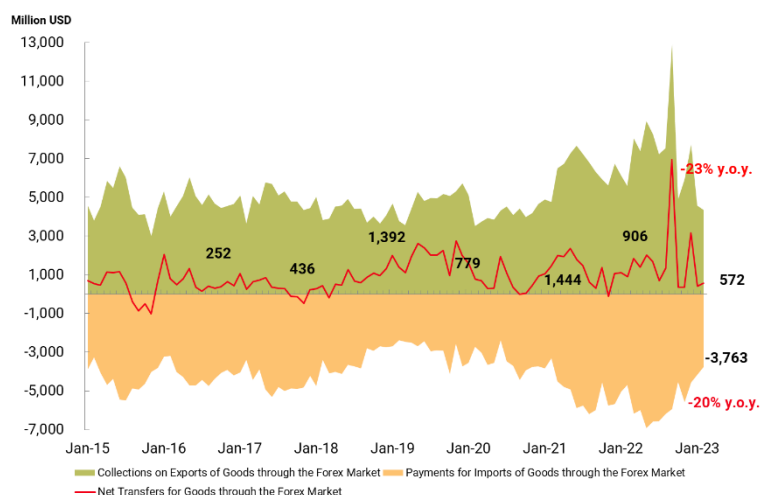
Date	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23
Foreign Exchange Current Account	-476	486	276	484	522	-1,302	-572	5,478	-664	-1,201	2,220	-1,651	-1,237
Goods	906	1,853	1,403	2,015	1,678	689	1,345	6,948	363	359	3,158	414	572
Services	-630	-1,040	-866	-867	-896	-1,065	-1,072	-1,075	-799	-641	-473	-725	-653
Primary Income	-717	-314	-261	-675	-261	-934	-844	-387	-217	-917	-467	-1,352	-1,142
Secondary Income	-35	-12	0	10	1	8	-2	-9	-12	-3	1	12	-14

Source: BCRA

III.1.1 Goods

In February, transfers for “Goods” on the foreign exchange balance exhibited net inflows for USD572 million, resulting from collections on exports for USD4,335 million and payments of imports for USD3,763 million (see Chart III.1.1.1).

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



Source: BCRA

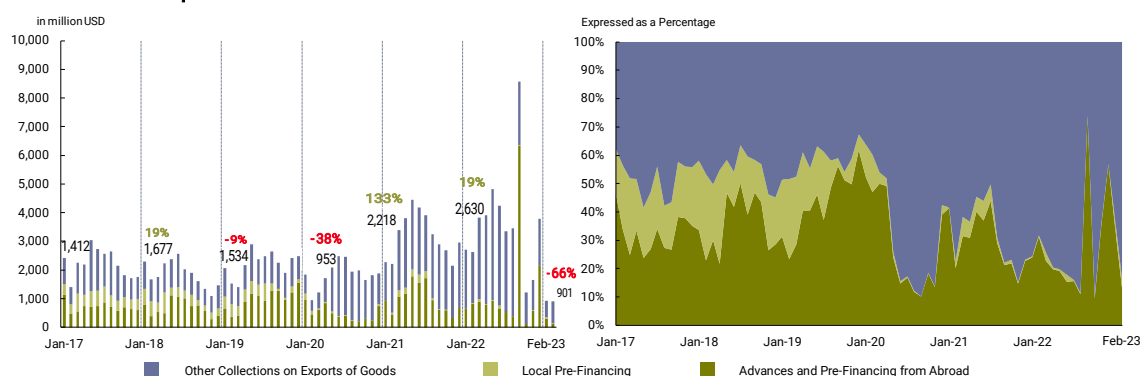
⁹ For more information on the changes in the regulations that have an impact on the comparison of flows under “Goods”, among other headings, see Section B.5. Important Regulatory Provisions that Have an Impact on Foreign Exchange Statistics of the [Methodology Used for Compiling Foreign Exchange Market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

The “Oilseeds and Grains” sector recorded in February foreign currency sales for collections on exports of goods through the forex market for USD901million (-66% y.o.y.). In February, the sector continued with the trend of the previous month, making partial payments on net debt incurred through the end of 2022 under the “Export Increase Program”. The sector’s FOB exports were USD1,800 million in February; about USD900 million above inflows recorded from the collection on exports of goods through the forex market. It is worth noting that the payment of this type of debts brings about no outflow of foreign currency; instead, the outflow takes place upon the export of previously financed goods.

In line with this behavior, only 16% of the sector's inflows were collected ahead of time in February, either through advances or pre-financing (local and foreign); this share was below the historical average of the series, 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



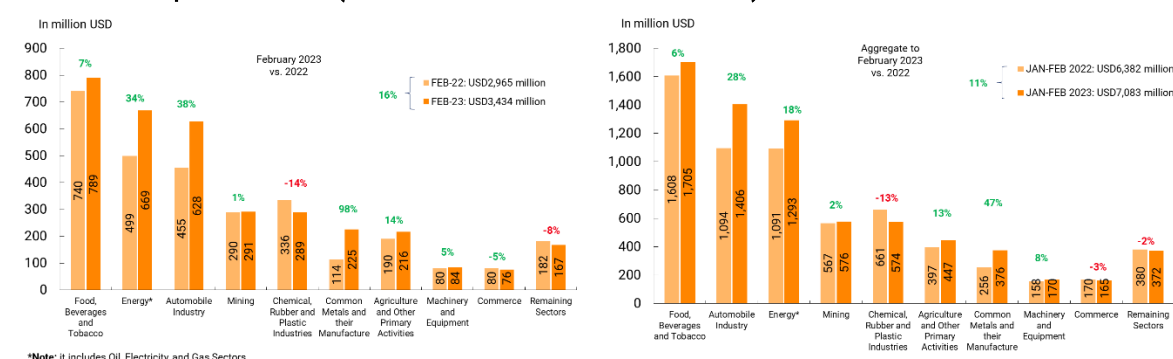
Source: BCRA

Following the same trend of the forex market, Affidavits of Sales Abroad (Declaraciones Juradas de Ventas al Exterior, DJVEs) as reported by the Agriculture and Fisheries Secretariat (which determine withholding payments on exports) totaled USD780 million in February, down 84% y.o.y.

Inflows from the collections on exports of goods from the remaining sectors totaled USD3,434 million in February, up 16% y.o.y. (see Chart III.1.1.4).

Chart III.1.1.4 Foreign Exchange Balance

Collection on Exports of Goods (“Oilseeds and Grains” Sector Excluded)



*Note: it includes Oil, Electricity and Gas Sectors

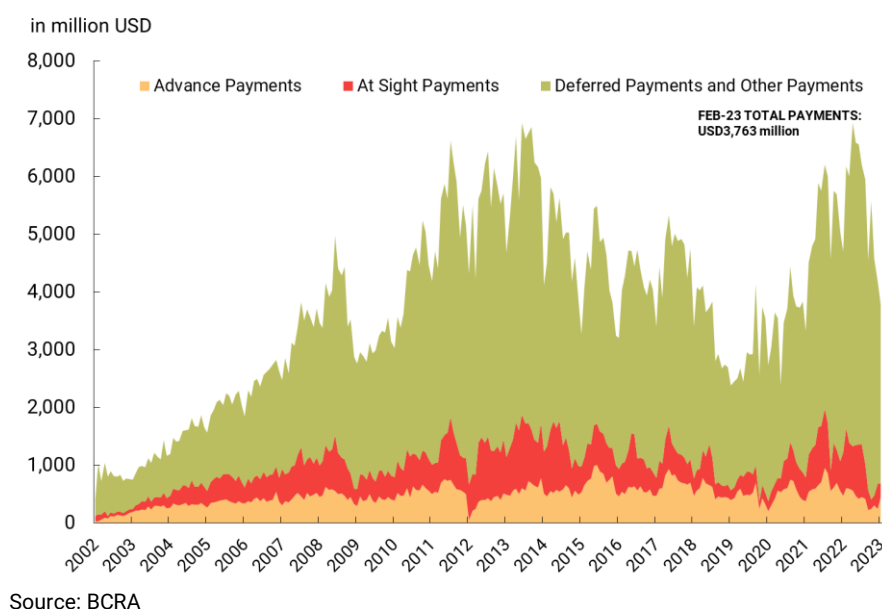
Source: BCRA

Broken down by sector, the greatest relative dynamism of the “Common Metals” sector stood out during the month, with a year-on-year increase of 98%, followed by the “Automobile Industry” and the “Energy” sector with a year-on-year increase of 38% and 34%, respectively.

In February, payments of imports of goods totaled USD3,763 million, falling 20% y.o.y., and standing below February’s FOB imports (USD4,770 million). This would imply either an increase in the sector’s commercial indebtedness level or a decrease in its foreign assets due to previously made advances.

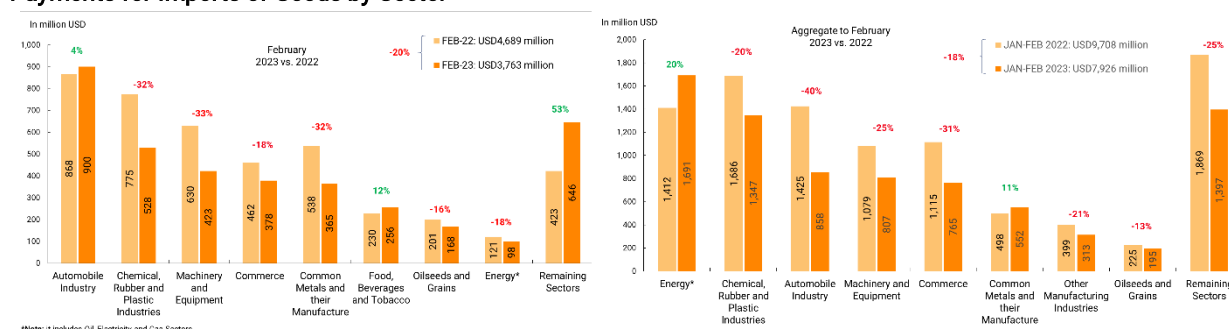
As regards imports of goods, 82% of payments were deferred, 12% were advance payments, and the other 6% were sight payments in February (see Chart III.1.1.5).

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



A 24% of total payments for imports of goods made in February corresponded to the “Automobile Industry” sector, followed by the “Chemical, Rubber and Plastic Industries” sector (14%). The “Food, Beverages and Tobacco” sector showed greater dynamism with a 12% y.o.y. increase (see Chart III.1.1.6).

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

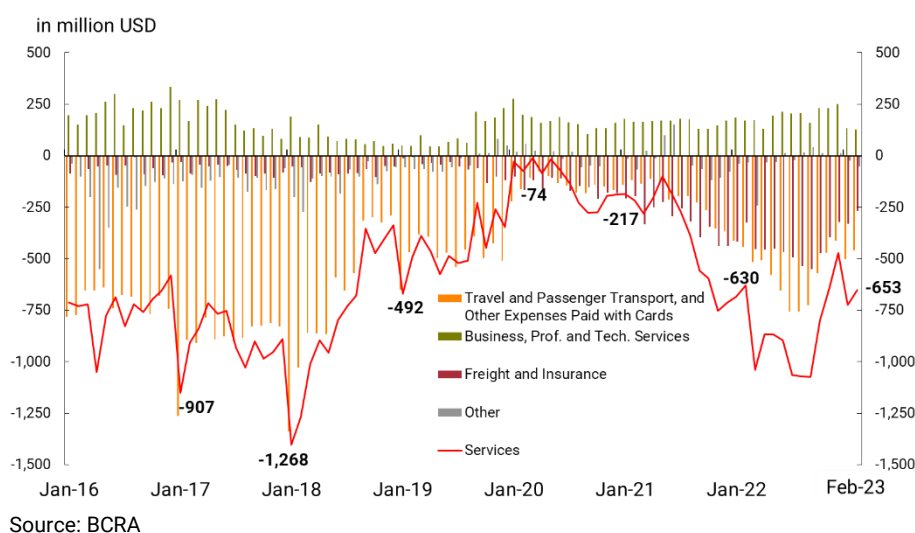


Source: BCRA

III.1.2 Services, Primary and Secondary Income

The "Services" account recorded a deficit of USD653 million in February. This result was explained by net outflows from "Travel and Passenger Transport, and Other Expenses Paid with Cards", "Freight and Insurance", and "Other Services" which amounted to USD459 million, USD269 million, and USD52 million, respectively. These transactions were partially offset by net inflows from "Business, Professional and Technical Services" for USD128 million (see Chart III.1.2.1).

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



In February, gross inflows from Travel and Passenger Transport amounted to USD126 million (up 577% in y.o.y. terms). 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

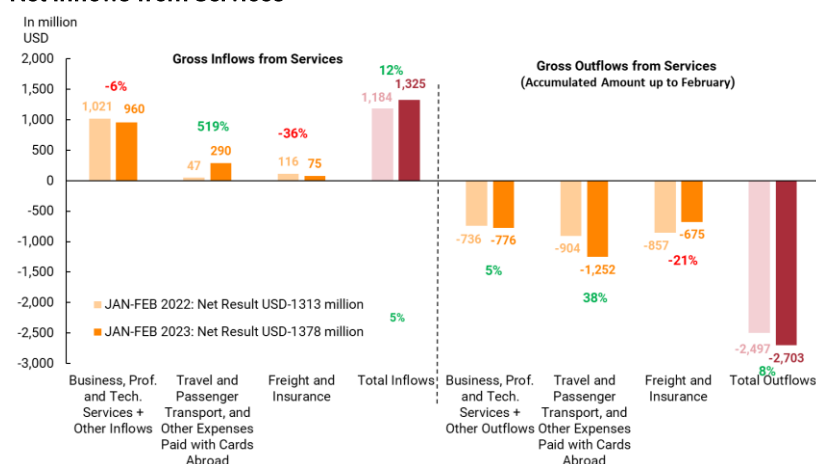
visitors.¹⁰ In turn, gross outflows from travel expenses totaled USD585 million, down 12% against January, and up 27% in y.o.y. terms. Moreover, in y.o.y. terms, they increased hand in hand with the number of tourists traveling abroad, even though per capita expenses were lower.

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.¹¹

Over the accumulated period from January up to February 2023, net outflows from Services totaled USD1,378 million, up 5% against the same period in 2022 (see Chart III.1.2.2).

Chart III.1.2.2 Foreign Exchange Balance

Net Inflows from Services



Source: BCRA

Primary income transactions recorded net outflows amounting to USD1,142 million in February, mainly due to net payments of “Interest” for USD1,116 million. The “General Government and the BCRA” paid USD1,003 million of gross interest (including payments of USD700 million (SDR518 million) to the IMF). In turn, the private sector repaid USD159 million under the same heading.¹²

Finally, secondary income transactions had a deficit of USD14 million.

¹⁰ Self-to-self international transfers have no net effect on the forex market, since inflows are not settled in the forex market but deposited in local accounts in foreign currency.

¹¹ 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.

¹² 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.

III.2 Capital Account

In February, the capital account of the foreign exchange balance recorded net outflows for USD4 million.

III.3 Foreign Exchange Financial Account

In February, the transactions carried out under the foreign exchange financial account recorded a deficit of USD734 million. This result was explained by a deficit in the “Non-Financial Private Sector” (USD713 million), and in the “General Government and the BCRA” (USD218 million). Both deficits were partially offset by a surplus in the “Financial Sector” (USD69 million) and in “Other Net Transfers” (USD128 million) (see Table III.3.1).¹³

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

Date	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23
Foreign Exchange Financial Account	-421	5,583	-324	-644	961	-2,998	-342	-3,793	2,241	-303	3,669	-2,219	-734
Non-Financial Private Sector	-535	-716	-530	-661	-512	-719	-919	-639	-616	-660	-409	-412	-713
Financial Sector	18	-291	360	-23	175	372	25	-616	192	14	-1,078	878	69
General Government and the BCRA	-339	6,723	-740	-143	1,472	-2,089	257	-2,519	2,081	80	3,945	-3,138	-218
Other Net Transfers	435	-134	586	183	-173	-562	295	-19	584	262	1,211	453	128

Source: BCRA

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

The financial account of the “Non-Financial Private Sector” had a deficit of USD713 million in February, resulting basically from outflows from financial loans and debt securities for USD248 million; payments of balances in foreign currency to local institutions originated from purchases made with cards to non-resident suppliers for USD237 million (which do not involve a net demand of foreign currency in the financial account)¹⁴; self-to-self international transfers for USD123 million (largely explained by their counterpart of Travel and Passenger Transport inflows, for more information see Section III.1.2.); payments of loans owed to international organizations for USD52 million; and the buildup of foreign assets for USD11 million. These outflows were partially offset by inflows from foreign direct investments for USD54 million (see Table III.3.1.1).

¹³ For more information on the “Other Net Transfers” account of the foreign exchange balance, see Section C.4.11. of the [Methodology Used for Compiling Foreign Exchange Market and Foreign Exchange Balance Statistics](#)

¹⁴ 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”.

Table III.3.1.1. Foreign Exchange Balance

Foreign Exchange Financial Account of the Non-Financial Private Sector

Equivalent in million dollars

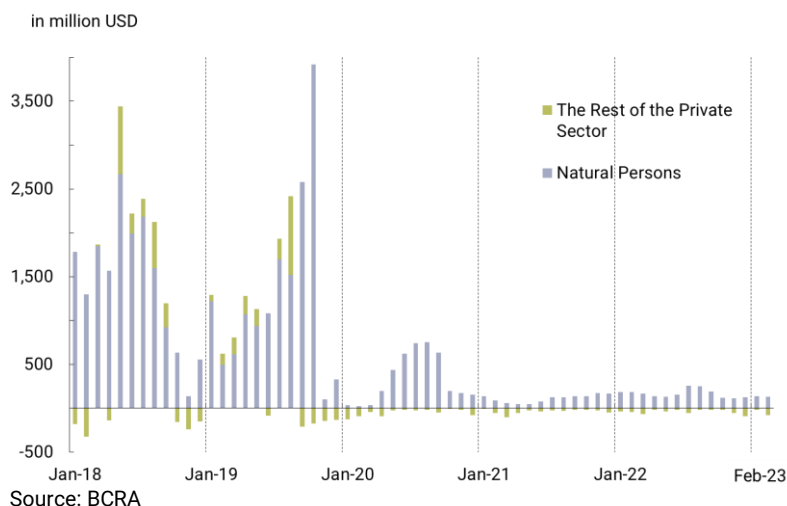
Date	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23
Foreign Exchange Financial Account	-535	-716	-530	-661	-512	-719	-919	-639	-616	-660	-409	-412	-713
Non-Residents' Direct Investments	48	87	36	37	34	43	32	41	40	33	66	52	54
Non-Residents' Portfolio Investments	0	2	13	2	0	2	6	0	-1	-3	1	-1	3
Financial Loans and Credit Lines	-310	-808	-337	-477	-272	-465	-629	-437	-476	-515	-130	-149	-582
Local Financial Loans	-63	-99	-47	-62	74	-22	-105	42	52	-17	-12	-28	-97
Other Foreign Loans and Debt Securities	-51	-395	-54	-132	-97	-75	-181	-100	-169	-235	126	107	-248
Payment of Card Balance	-195	-314	-237	-282	-249	-368	-343	-379	-358	-262	-244	-228	-237
Loans from Other International Organizations and Other	-61	242	-26	-43	-38	-54	26	31	-5	-79	-58	8	-52
Buildup of Foreign Assets by the Non-Financial Private Sector	-139	-19	-35	-23	-68	-179	-186	-107	15	56	95	-81	-11
Self-to-Self International Transfers	-74	-220	-180	-157	-169	-66	-170	-167	-189	-152	-381	-240	-123
Purchase and Sale of Securities	0	0	0	0	0	0	2	0	-1	-1	-1	-2	-2

Source: BCRA

Non-financial private sector residents' foreign assets resulted in net outflows amounting to USD11 million—i.e., net purchases of banknotes (USD53 million) that were partially offset by net inflows of foreign currency (USD42 million).

This outcome reflects net purchases for USD130 million made by “Natural Persons”, partially offset by net sales for USD77 million made by legal persons and others (see Chart III.3.1.1).

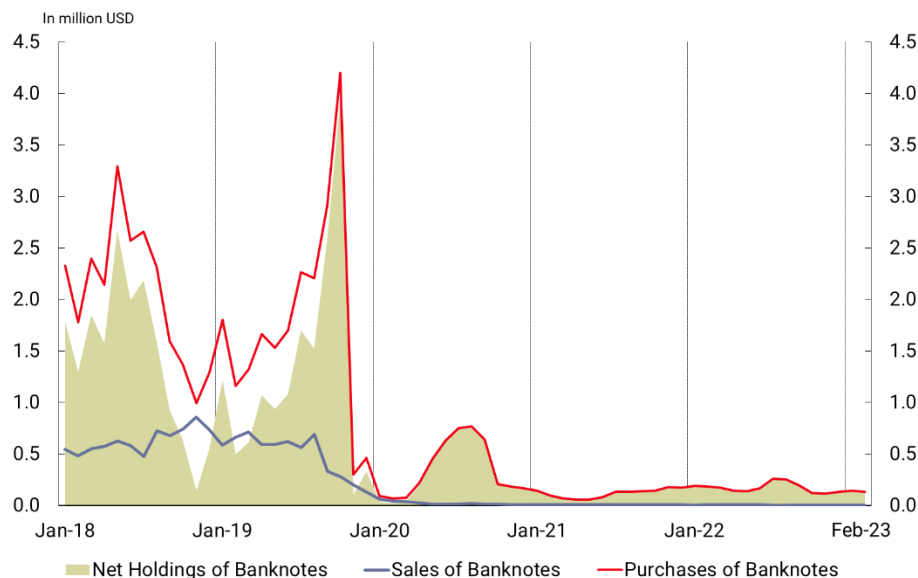
Chart III.3.1.1 Foreign Exchange Balance
Net Purchases of Banknotes by Sector



In February, “Natural Persons” purchased banknotes for USD133 million—down 7% against January, and down 29% y.o.y.—and sold USD3 million (see Chart III.3.1.2).¹⁵

¹⁵ 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). As from September 16, 2020, the Federal Administration of Public Revenue (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).

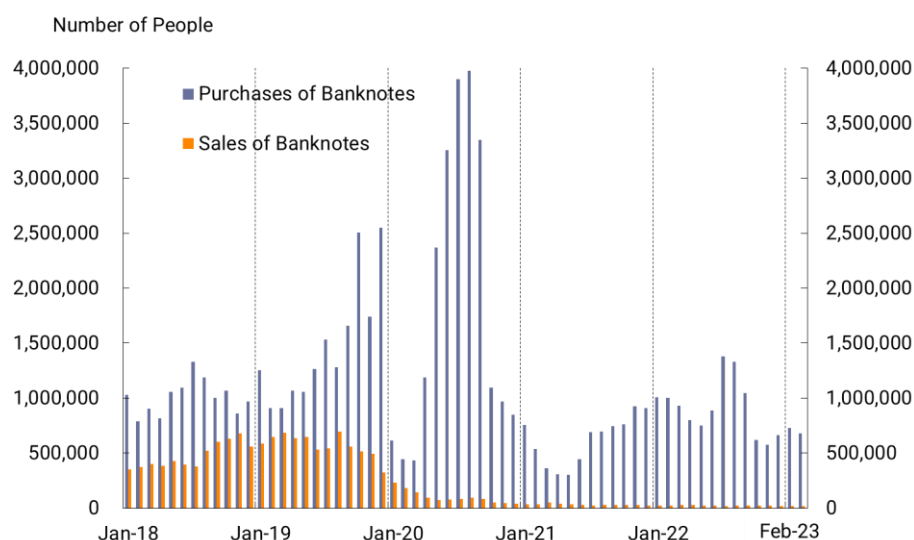
**Chart III.3.1.2 Foreign Exchange Balance
Natural Persons. Banknotes**



Source: BCRA

In terms of traders, 680,000 individuals purchased banknotes, while sellers amounted to about 17,000—per capita purchases and sales amounting to USD196 and USD195, respectively (see Chart III.3.1.3).

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

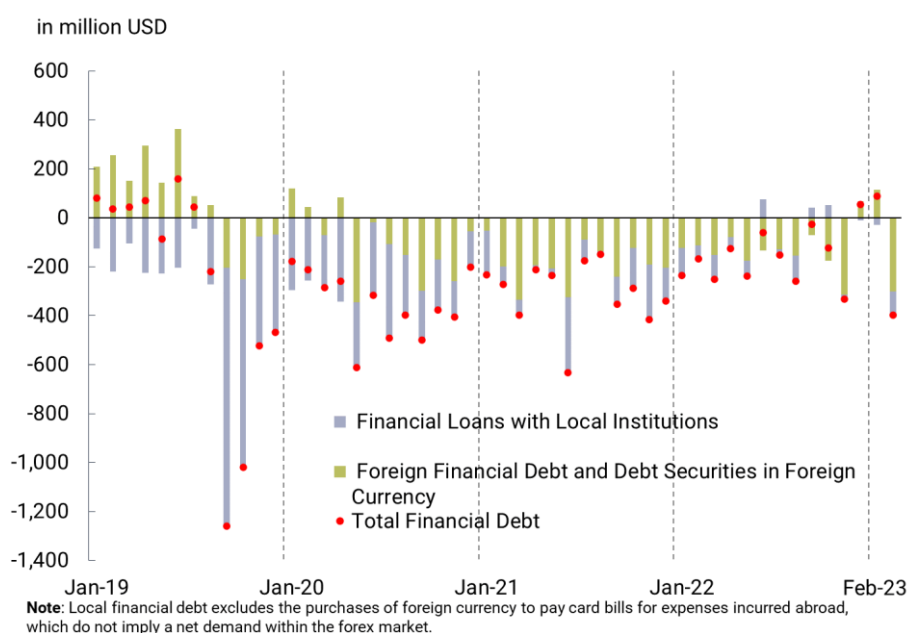


Source: BCRA

In turn, in February, this sector made net transfers from their own accounts abroad (USD42 million). In February, the “Real Sector Excluding Oilseeds and Grains” received net transfers for USD39 million, the sector of “Institutional Investors and Others” for USD12 million, and the “Oilseeds and Grains Sector” for USD11 million. These transfers were partially offset by net transfers sent abroad by “Natural Persons” for USD20 million.¹⁶

Net payments of financial debts from the non-financial private sector, including loans from international organizations and local financial loans, totaled USD397 million in February. This amount involves net outflows on account of financial debt held abroad, securities in foreign currency, and loans owed to international organizations (USD300 million), with outflows from the “Construction” sector standing out (about USD106 million), and net payments of loans granted by local institutions (USD97 million). The total amount excludes purchases of foreign currency to pay card bills for expenses incurred abroad (USD237 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**



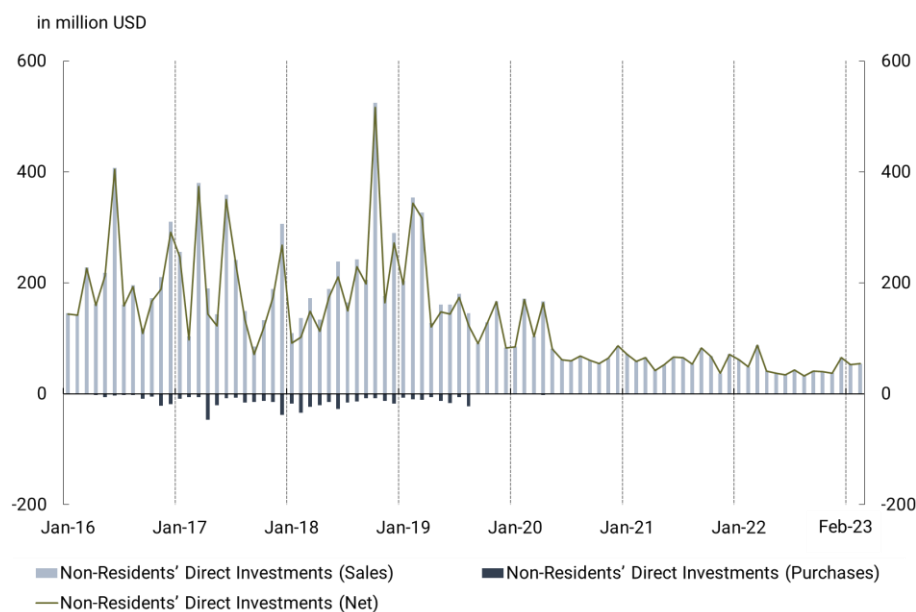
Source: BCRA

¹⁶ 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.

¹⁷ 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.

Direct investments made by non-residents in the private sector reached USD55 million (net inflows) in February, resulting basically from inflows from the “Mining” (USD20 million) sector (see Chart III.3.1.5).

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



Source: BCRA

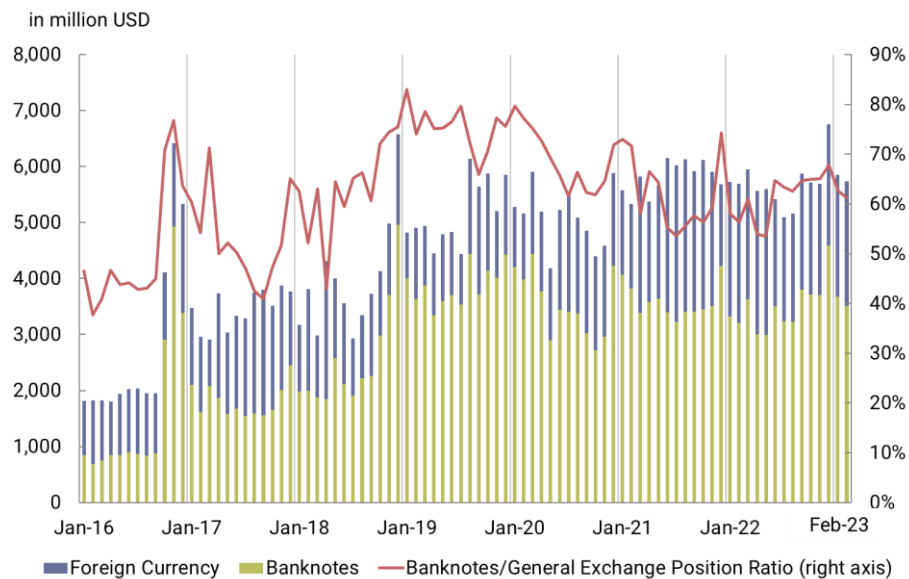
III.3.2. Foreign Exchange Financial Account of the Financial Sector

In February, the transactions carried out under the foreign exchange financial account of the “Financial Sector” resulted in a surplus of USD69 million. This outcome is explained by a decrease of USD114 million in liquid foreign assets of financial institutions’ General Exchange Position, partially offset by outflows from financial loans and lines of credit of USD45 million.¹⁸

Financial institutions’ General Exchange Position amounted to USD5,737 million at the end of February, down 2% against the end of January. This result was explained by a drop in holdings of banknotes (USD155 million), which was partially offset by an increase in the stock of foreign currency (USD41 million). Holdings of foreign currency banknotes totaled USD3,516 million by the end of the month. This stock accounted for 61% 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**

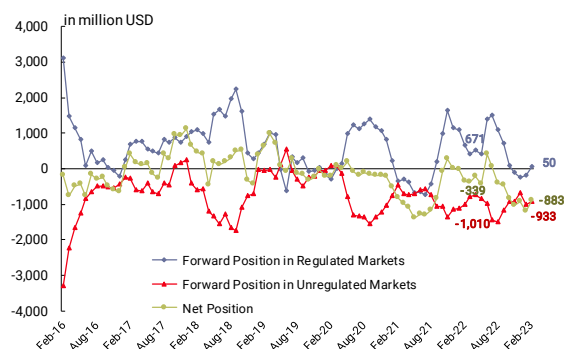


Source: BCRA

On another note, the ensemble of financial institutions ended February with a forward short position in foreign currency of USD883 million, recording a drop of USD314 million against the end of January. Institutions purchased USD68 million directly from clients (Forwards) and purchased USD246 million in regulated markets over February (see Chart III.3.2.2).

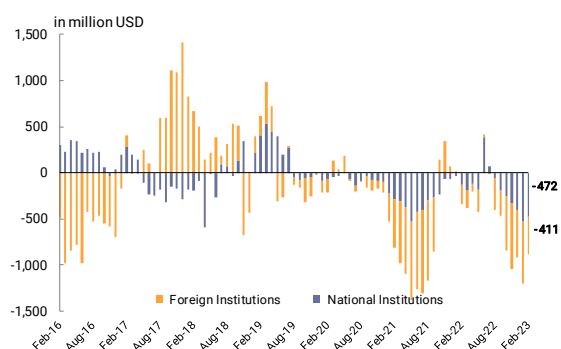
Foreign-capital institutions ended February with a net short position of USD411 million, recording a drop of USD260 million compared to January. In turn, national-capital institutions purchased USD54 million, reducing their net short position of January to USD472 million (see Chart III.3.2.3).

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



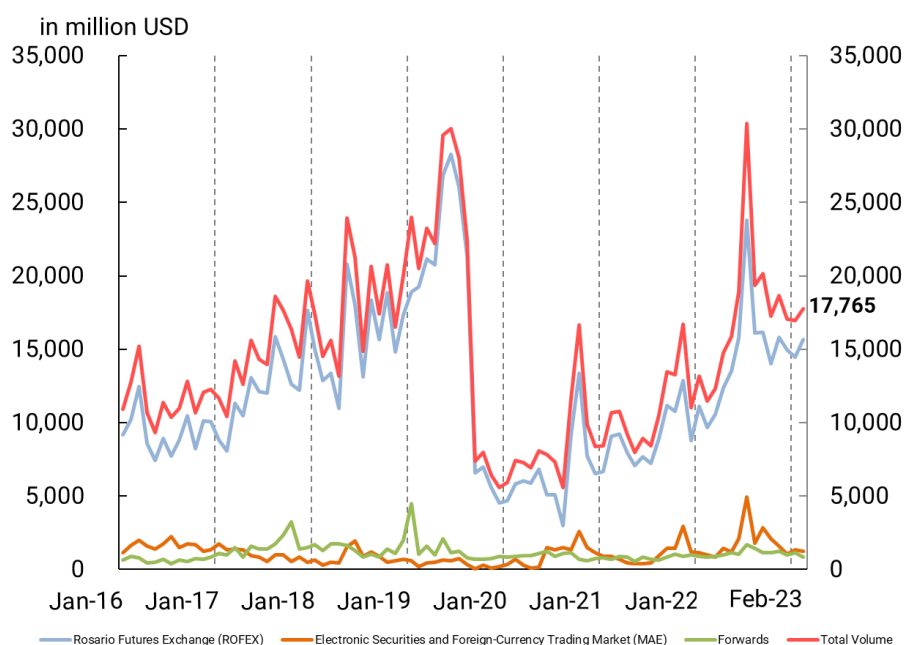
Source: BCRA

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



The volume traded in forward markets totaled USD17,765 million in February, i.e.: USD987 million daily on average. Transactions carried out in the Rosario Futures Exchange (ROFEX) continued to stand out, with an 88% share in the total volume traded in the forward market (see Chart III.3.2.4).¹⁹

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



Source: BCRA

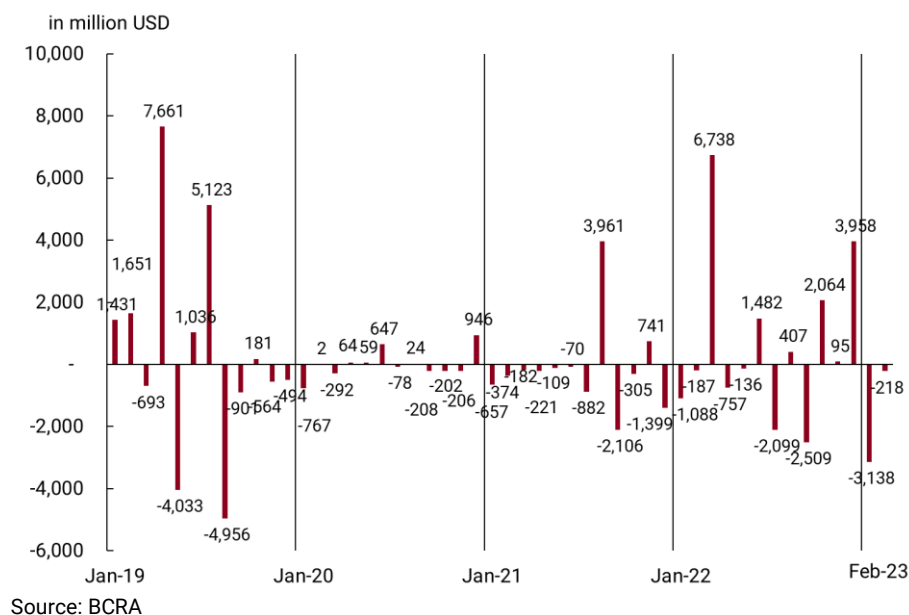
III.3.3. The Foreign Exchange Financial Account of the General Government and the BCRA

In February, the transactions carried out under the foreign exchange financial account of the “General Government and the BCRA” recorded a deficit of USD218 million (see Chart III.3.3.1), mainly explained by net repayments of principal and interest of financial debt.

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

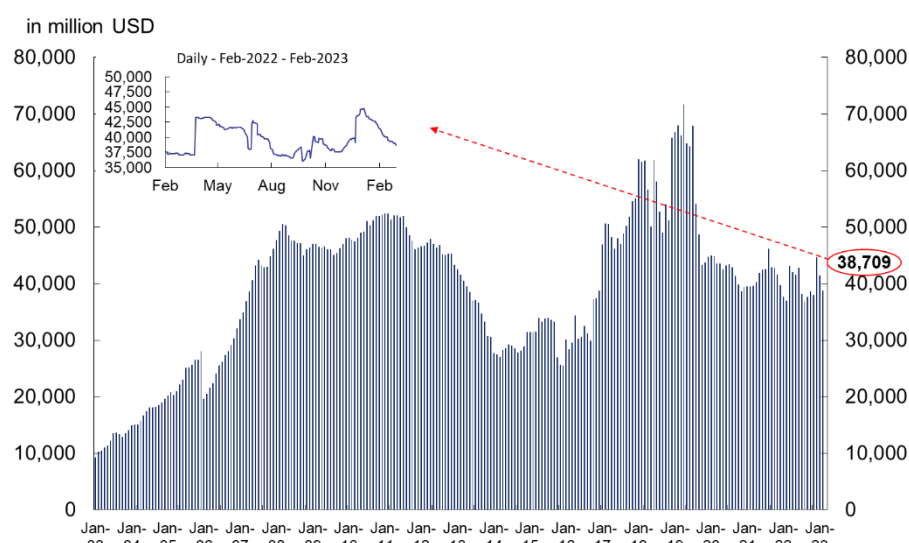
Foreign Exchange Financial Account of the General Government and the BCRA



IV. BCRA's International Reserves

During February, BCRA's international reserves decreased USD2,708 million, totaling USD38,709 million by the end of the month. This fall was mainly explained on the following grounds: the BCRA's intervention in the forex market, as mentioned above; the payment of interest and fees to the International Monetary Fund of USD750 million (equivalent to SDR554 million); a decrease in the US dollar exchange rate of foreign exchange reserves by USD733 million; and net payments of principal and interest on National Treasury debt see Chart IV.1).

Chart IV.1 BCRA's International Reserves



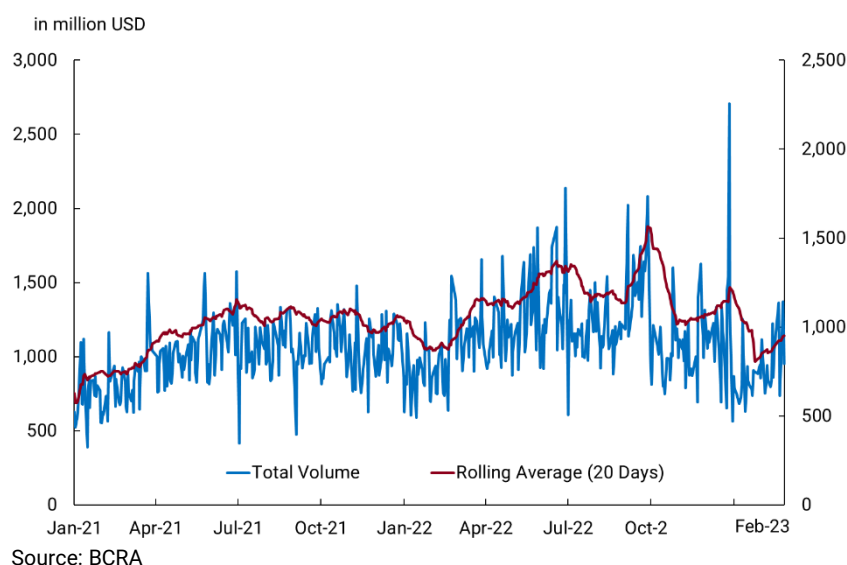
Source: BCRA

V. Volumes Traded in the Foreign Exchange Market

In February, the volume traded in the forex market totaled USD17,226 million, down 1% y.o.y. (see Chart V.1). The average daily volume traded was USD957 million. The y.o.y. drop in volume was explained by a 12% reduction in transactions between the institutions and their clients (USD1,581 million), partially offset by a 32% increase in transactions between the institutions (USD1,033 million), and a 39% increase in transactions between the institutions and the BCRA (USD349 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**



Foreign exchange transactions between institutions and their clients accounted for 68% of the total volume traded, while transactions between institutions—mainly through the Electronic Trading System (SIOPEL)—represented 25%; in turn, transactions between institutions and the BCRA stood for the remaining 7% (see Chart V.2).²¹

In February, there were 142 trading institutions, and 39 different currencies were used.

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 142 institutions, the first ten accounted for 88% of such volume); and in the currency used, USD-denominated transactions had a 95% share in the total traded with clients, followed by Euros, which accounted for 4% of the total, and the remaining currencies concentrated 1% of the total volume traded (see Chart V.3).

²¹ The volume traded between licensed institutions and their clients excludes the following items: the underwriting of LEBAC bills, self-to-self international transfers (around USD1,123 million in February 2023), the record of deposits in foreign currency allocated for the payment of financial debt service for about USD640 million, and purchases of foreign currency to pay card bills for expenses incurred abroad (around USD238 million for the month under study).

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

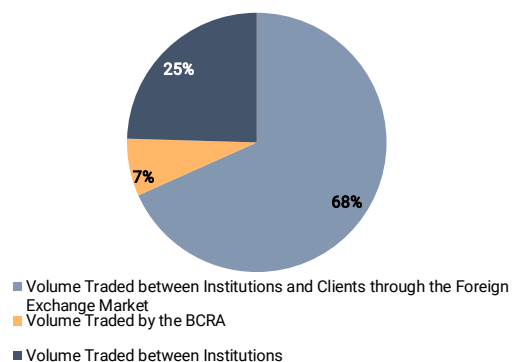
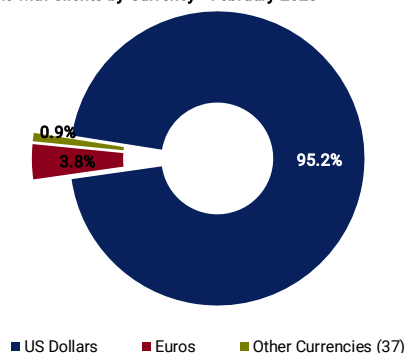


Chart V.3 Foreign Exchange Market
Volume with Clients by Currency - February 2023



Source: BCRA

Finally, 87% of foreign exchange transactions between financial and foreign exchange institutions and their clients were channeled through private financial institutions, 13% through public banks, and 0.3% through foreign exchange houses and agencies.