

# Evolution of the Foreign Exchange Market and the Foreign Exchange Balance

July 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

In a persistent inflation scenario, the central banks of advanced countries have continued to raise interest rates and tighten liquidity. Inflation and financial turbulence (starting in March) exacerbated the risk of recession, especially in advanced economies. As a result, commodity prices followed a downward trend, going back to the levels observed before the Russia-Ukraine war broke out. The drought that has been affecting Argentina adds up to this international scenario, slashing both the quantity and quality of the goods expected to be exported over the year.

In this context, the National Government established the “PAIS tax” (Executive Order 377/2023, dated July 24) that applies to a large number of imports of goods and services with rates of 7.5% and 25%, respectively (some exemptions apply). In turn, the Federal Administration of Public Revenue (*Administración Federal de Ingresos Públicos*, AFIP) published General Resolution 5393/2023, dated July 25, which raises to 45% the contribution in advance of income tax set forth on the purchase of foreign currency for saving purposes. Along the same lines, and in order to encourage exports, the National Government modified the current “Export Increase Program” through Executive Order 378/2023, dated July 24. Now the program sets an exchange rate of ARS340/USD1 for settlements of foreign currency derived from exports of goods from regional economies. In addition, Resolution 216/2023 published on July 24 by the Agriculture and Fisheries Secretariat included new eligible goods (including corn) within the group of regional economies.

In this context, during July, financial institution’s clients purchased USD213 million in the forex market, while financial institutions’ purchases amounted to USD36 million. The BCRA sold USD179 million in the forex market (purchases of USD1,227 million through the “Export Increase Program”), and made net payments through the Local Currency Payment System for USD71 million. The National Treasury made purchases directly from the BCRA for USD1,193 million.

The “Non-Financial Private Sector” was a net purchaser of foreign currency for USD186 million. Within this group, the “Oilseeds and Grains” sector was the main net seller with net inflows of USD1,583 million, down 41% against July 2022. July’s net inflows from goods were lower as a result of the drought that has been affecting exportable goods.

The “Real Sector excluding Oilseeds and Grains” was a net purchaser of foreign currency, with a total of USD1,269 million, down 57% y.o.y., mainly explained by the lower deficit in the Goods and Services accounts.

“Natural Persons” made net purchases totaling USD518 million mainly for traveling expenses and other payments on cards to non-resident suppliers (USD319 million), and for saving purposes (USD171 million).

“Institutional Investors and Others”—both residents and non-residents—made net sales for USD17 million in July.

The foreign exchange current account recorded a deficit of USD645 million. This result was mainly explained by a deficit in “Primary Income” (USD1,312 million) and “Services” (USD330 million), which was partially offset by the surplus recorded in “Goods” (USD985 million) and “Secondary Income” (USD12 million).

The financial account of the “Non-Financial Private Sector” had a deficit of USD948 million in July, resulting from net self-to-self international transfers for USD430 million (largely explained by their counterpart of Travel and Passenger Transport inflows that are not required to be settled in the forex market; for more information see Section III.1.2.); payments of balances in foreign currency to local institutions originated from purchases made with cards to non-resident suppliers for USD270 million (which do not involve a net demand of foreign currency in the financial account); the build-up of foreign assets for USD196 million; net outflows on account of local financial loans for USD88 million; and net payments of loans to international organizations for USD84 million. These records were partially offset by inflows from other foreign financial debt and debt securities for USD76 million, and by foreign direct investment inflows for USD45 million.

The transactions carried out under the foreign exchange financial account of the “Financial Sector” recorded a deficit of USD795 million. This outcome was mainly explained by an increase of USD777 million in liquid foreign assets of financial institutions’ General Exchange Position.

In July, the transactions carried out under the foreign exchange financial account of the “General Government and the BCRA” recorded a deficit of USD1,678 million, mainly explained by repayments of principal owed to the IMF totaling USD2,657 million (SDR1,975 million), partially offset by net inflows from loans from international organizations for USD1,174 million.

During July, BCRA’s international reserves fell USD3,834 million, totaling USD24,092 million by the end of the month. This decrease was mainly explained by repayments of principal owed to the IMF totaling about USD2,657 million (SDR1,975 million), payments of sovereign bonds of the National Treasury to the private sector for USD803 million, net sales of the BCRA in the forex market, net payments settled by the BCRA through the Local Currency Payment System, and the fall in financial institution’s holdings of foreign currency. These transactions were partially offset by inflows from loans from international organizations for USD1,186 million, and by the increase in the US dollar exchange rate of foreign exchange reserves by USD482 million.

# I. Introduction

This report analyzes information on foreign exchange transactions made in July 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.<sup>1</sup>

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 July; data are broken down by sector and by heading.<sup>2</sup>

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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<sup>1</sup> Communication "A" 3840, as amended.

<sup>2</sup> 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](#)).<sup>3</sup>

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 a persistent inflation scenario, the central banks of advanced countries have continued to raise interest rates and tighten liquidity. Inflation and financial turbulence (starting in March) exacerbated the risk of recession, especially in advanced economies. As a result, commodity prices followed a downward trend, going back to the levels observed before the Russia-Ukraine war broke out.

The drought that has been affecting Argentina adds up to this international scenario, slashing both the quantity and quality of the goods expected to be exported over the year.

In this context, on July 24, the National Government increased the exchange rate for transactions settled under the “Export Increase Program” to ARS340/USD1,<sup>4</sup> and new eligible products were added, including corn.<sup>5</sup> Moreover, the “PAIS tax” was established for a large number of imports of goods and services with rates of 7.5% and 25%, respectively (fuel is exempted in the case of goods; and in the case of services, the rate applied to freight is 7.5% instead of 25%).<sup>6</sup> Finally, the contribution in advance of income tax set forth on the purchase of foreign currency for saving purposes was increased by 10 p.p. to 35%.<sup>7</sup>

In July, financial institution’s clients purchased USD213 million in the forex market, and financial institutions’ purchases amounted to USD36 million. The BCRA sold USD179 million in the forex market (purchases of USD1,227 million through the “Export Increase Program”), and made net payments through the Local Currency Payment System for USD71 million. The National Treasury made purchases directly from the BCRA for USD1,193 million (see Table II.1).<sup>8 9 10</sup>

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<sup>3</sup> The Central Bank’s website ([www.bcra.gob.ar](http://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.

<sup>4</sup> To see Executive Order 378/2023 [click here](#).

<sup>5</sup> To see Resolution 295/2023 [click here](#).

<sup>6</sup> To see Executive Order 377/2023 [click here](#).

<sup>7</sup> To see General Resolution 5393/2023 [click here](#).

<sup>8</sup> Information on the Local Currency Payment System of this report has been drawn from the Exchange Transaction Reporting System (RIOCI) and reported by transaction date. For more information, see the [Methodology Used for Compiling Foreign Exchange Market and Foreign Exchange Balance Statistics](#)

<sup>9</sup> Transactions in the forex market are reported according to their transaction date, except for the purchase and sale of securities payable in foreign currency.

<sup>10</sup> The result by sector excludes purchases of foreign currency to pay card bills for expenses incurred abroad for an amount of USD271 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	Jul-22	Jul-23	2022 up to Jul	2023 up to Jul
<b>BCRA - Market</b>	1,580	179	-310	3,660
<b>BCRA - SML</b>	30	71	428	639
<b>National Treasury</b>	-	-	2	-
<b>Institutions</b>	-740	-36	-47	-1,227
<b>Institutions' Clients (1 + 2 + 3)</b>	-870	-213	-72	-3,072
<b>1. Non-Financial Private Sector</b>	-950	-186	592	-2,716
Oilseeds and Grains	2,687	1,583	22,708	11,503
Real Sector Excluding Oilseeds and Grains	-2,941	-1,269	-17,672	-10,177
Natural Persons	-744	-518	-4,073	-3,513
Institutional Investors and Others	47	17	-371	-529
<b>2. General Government (National Treasury Excluded)</b>	66	46	-408	105
<b>3. Institutions (Own Transactions)</b>	14	-73	-256	-461
<b>National Treasury Directly with the BCRA</b>	-1,009	-1,193	-3,262	-6,454

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).<sup>11</sup>

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](#)).

<sup>11</sup> 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. July 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
<b>Non-Financial Private Sector</b>	1,035	-537	-29	-117	-79	-430	-30	-186
Oilseeds and Grains	1,584	0	4	0	-2	-1	-3	1,583
Real Sector Excluding Oilseeds and Grains	-433	-207	-229	14	-65	-264	-85	-1,269
Natural Persons	-23	-319	12	-171	-15	-7	5	-518
Institutional Investors and Others	-93	-12	184	40	3	-158	54	17
<b>General Government (National Treasury Excluded)</b>	-17	0	-95	195	27	-36	-28	46
<b>Institutions (Own Transactions)</b>	-33	0	-22	0	0	0	-18	-73
<b>Institutions' Result with Clients</b>	985	-537	-146	78	-52	-465	-75	-213
<b>Result for Forex Transactions</b>	1,001	-671	-135	78	-139	0	-347	-213
<b>Result for Self-to-Self International Transfers</b>	-16	134	-12	0	88	-465	272	0

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

Source: BCRA

"Oilseeds and Grains" was the main net seller of foreign currency in the market over July. This sector recorded net inflows for USD1,583 million mainly for the headings 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. Thus, this sector's net sales in the forex market amounted to USD1,584 million, down 41% against July 2022.

The "Real Sector excluding Oilseeds and Grains" was a net purchaser of foreign currency, with a total of USD1,269 million, down 57% y.o.y., mainly explained by the lower deficit in the Goods and Services accounts. In this sense, the two economic sectors generating more deficit with their purchases were "Energy" (USD417 million) and "Machinery and Equipment" (USD369 million), while the two sectors recording the highest surplus were "Food, Beverages and Tobacco" (USD540 million) and "Mining" (USD291 million), (see Table II.3).

**Table II.3 Foreign Exchange Market**

**Result of the Real Sector excluding Oilseeds and Grains disaggregated by main headings. July 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	567	0	-4	0	2	-6	-21	540
Mining	270	0	-1	0	54	-63	31	291
Agriculture and Other Primary Activities	230	0	-2	1	0	-25	17	221
Information Technology	-11	1	125	0	1	-6	5	115
Entertainment	-2	0	8	0	1	-1	3	9
Water	0	0	0	0	0	0	0	0
Gastronomy	-1	0	0	0	0	0	-2	-3
Non-Metallic Mineral Products (Cement, Ceramics and Others)	-18	0	-1	0	0	0	-3	-21
Construction	-12	0	-17	-1	1	-3	-15	-45
Paper, Publishing and Printing Industry	-68	0	1	0	0	0	-1	-68
Common Metals and their Manufacture	-75	0	-3	0	0	0	-7	-82
Communications	-13	0	-1	0	0	-107	-2	-122
Textile and Leather Industries	-93	0	-1	0	0	0	-3	-97
Other Manufacturing Industries	-140	0	16	0	0	0	0	-124
Tourism and Accommodation Services	0	-139	-4	0	0	-7	0	-150
Automobile Industry	-122	0	-3	0	0	30	-8	-102
Transport	-14	-68	-72	1	1	-38	-3	-193
Commerce	-304	0	8	1	1	0	-11	-305
Chemical, Rubber and Plastic Industries	-345	0	16	0	0	1	-16	-344
Machinery and Equipment	-364	0	8	0	1	2	-17	-369
Energy*	79	0	-303	11	-127	-44	-34	-417
<b>Total</b>	<b>-433</b>	<b>-207</b>	<b>-229</b>	<b>14</b>	<b>-65</b>	<b>-264</b>	<b>-85</b>	<b>-1,269</b>

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

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

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

Source: BCRA

Financial institutions made net purchases with their own funds for USD73 million.

In turn, the “General Government” (excluding the National Treasury) made net sales in the forex market for USD46 million.

“Natural Persons” made net purchases totaling USD518 million mainly for traveling expenses and other payments on cards to non-resident suppliers (USD319 million), and for saving purposes (USD171 million).

“Institutional Investors and Others”—both residents and non-residents—made net sales for USD17 million in July.

### 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 USD645 million in July. This result was mainly explained by a deficit in "Primary Income" (USD1,312 million) and "Services" (USD330 million), which was partially offset by the surplus recorded in "Goods" (USD985 million) and "Secondary Income" (USD12 million), (see Table III.1.1).<sup>12</sup>

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

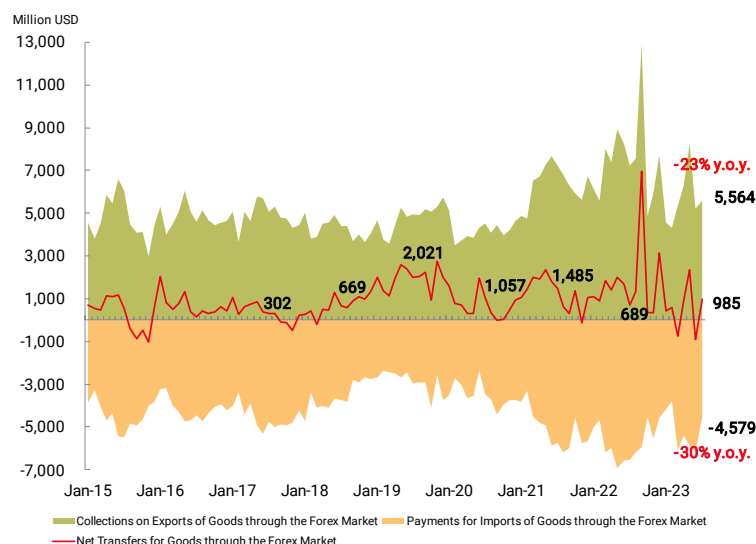
Date	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23
<b>Foreign Exchange Current Account</b>	<b>-1,302</b>	<b>-572</b>	<b>5,478</b>	<b>-664</b>	<b>-1,201</b>	<b>2,220</b>	<b>-1,651</b>	<b>-1,237</b>	<b>-2,020</b>	<b>71</b>	<b>776</b>	<b>-1,712</b>	<b>-645</b>
Goods	689	1,345	6,948	363	359	3,158	414	572	-747	903	2,363	-921	985
Services	-1,065	-1,072	-1,075	-799	-641	-473	-725	-653	-866	-506	-430	-363	-330
Primary Income	-934	-844	-387	-217	-917	-467	-1,352	-1,142	-432	-310	-1,169	-426	-1,312
Secondary Income	8	-2	-9	-12	-3	1	12	-14	25	-15	12	-1	12

Source: BCRA

#### III.1.1 Goods

In July, transfers for "Goods" on the foreign exchange balance exhibited net inflows for USD985 million, resulting from collections on exports for USD5,564 million, which were partially offset by payments of imports for USD4,579 million (see Chart III.1.1.1).

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



Source: BCRA

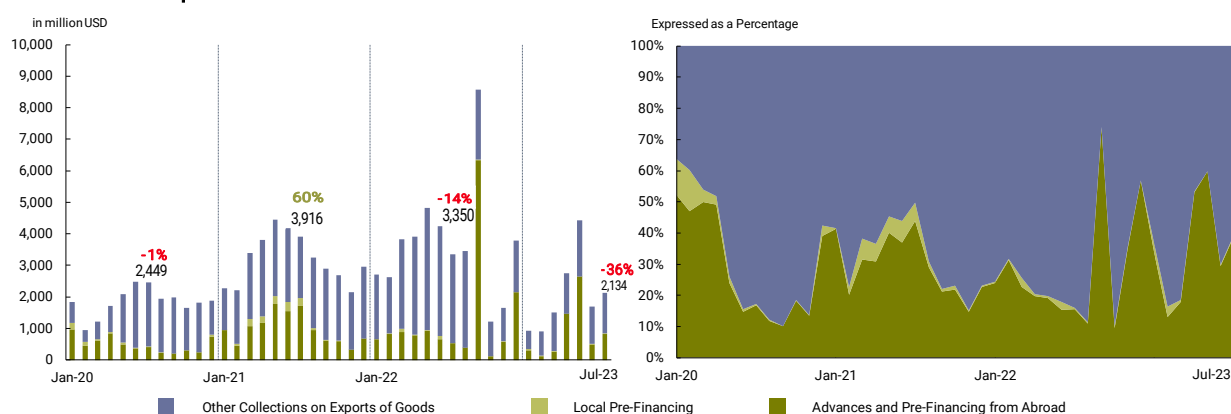
<sup>12</sup> For more information on the changes in the regulations that have an impact on the comparison of flows under "Goods", among other headings, see Section B.5. Important Regulatory Provisions that Have an Impact on Foreign Exchange Statistics of the [Methodology Used for Compiling Foreign Exchange Market and Foreign Exchange Balance Statistics](#) available at BCRA's website.

In July, the “Oilseeds and Grains” sector recorded foreign currency sales for collections on exports of goods through the forex market for USD2,134 million (-36% y.o.y.). The year-on-year drop in sales is mainly explained by losses in production due to the drought. The sector’s FOB exports totaled about USD2,200 million in July, which would imply that the sector maintained virtually unchanged its stock of commercial debt during July.

On July 24, the National Government increased the exchange rate for transactions settled under the “Export Increase Program” to ARS340/USD1,<sup>13</sup> and new eligible products were added, including corn.<sup>14</sup> As from the above date, the Oilseeds and Grains sector settled collections on exports through this program for about USD863 million.

Only 39% of the sector's inflows were collected ahead of time in July, 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**



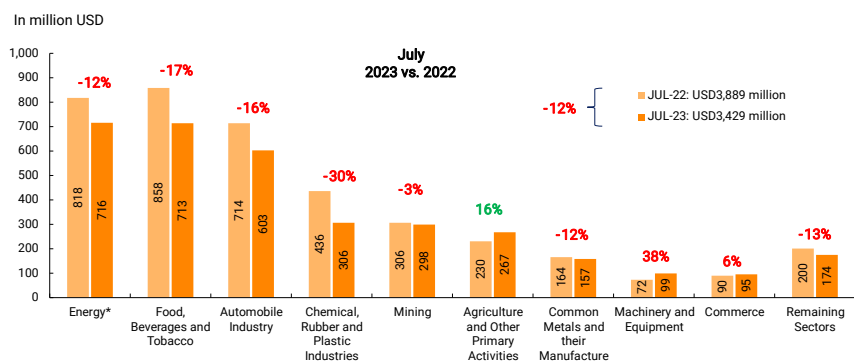
Source: BCRA

Inflows from the collections on exports of goods from the remaining sectors totaled USD3,429 million in July, decreasing 12% y.o.y., and 3% on a year-to-date comparison (see Chart III.1.1.4).

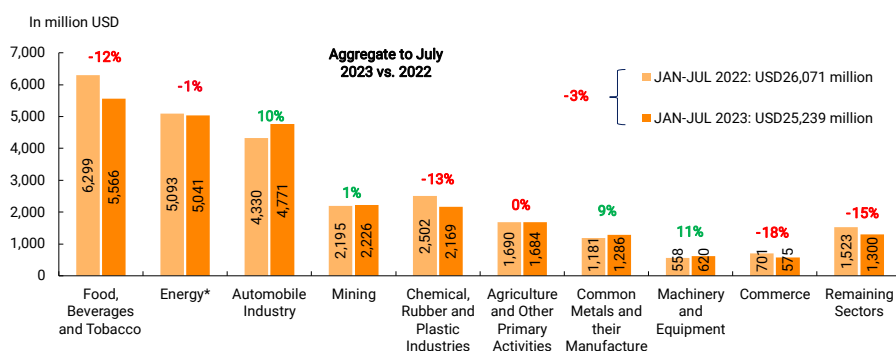
<sup>13</sup> To see Executive Order 378/2023 [click here](#).

<sup>14</sup> To see Resolution 295/2023 [click here](#).

**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

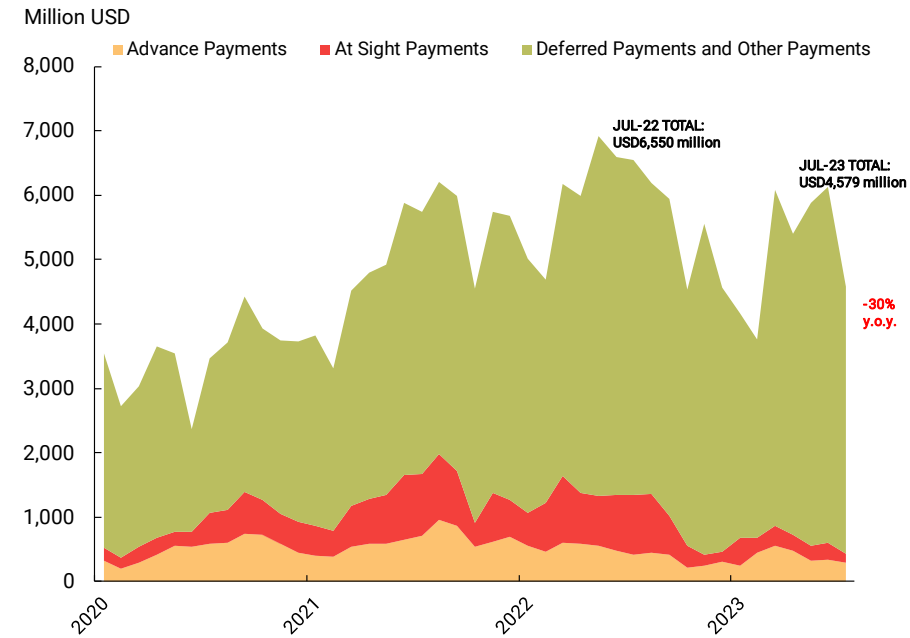
Broken down by sector, the relative dynamism of the “Machinery and Equipment”, “Agriculture and Others” and “Commerce” sectors stood out during the month, with a year-on-year increase of 38%, 16% and 6%, respectively, while the rest of the sectors showed setbacks in year-on-year terms.

In July, payments of imports of goods totaled USD4,579 million, down 30% against July 2022, and standing below July’s FOB imports (about USD6,291 million). This would imply either an increase in the sector’s commercial indebtedness level or a decrease in its foreign assets due to advances. It is worth noting that at the end of July the “PAIS tax” was established for a large number of imports of goods with rates of 7.5% (exemptions apply to fuel, medicines, and inputs linked to the basic food basket, among others).<sup>15</sup>

As regards imports of goods, 91% of payments were deferred, 6% were advance payments, and the other 3% were sight payments in July (see Chart III.1.1.5).

<sup>15</sup> To see Executive Order 377/2023 [click here](#).

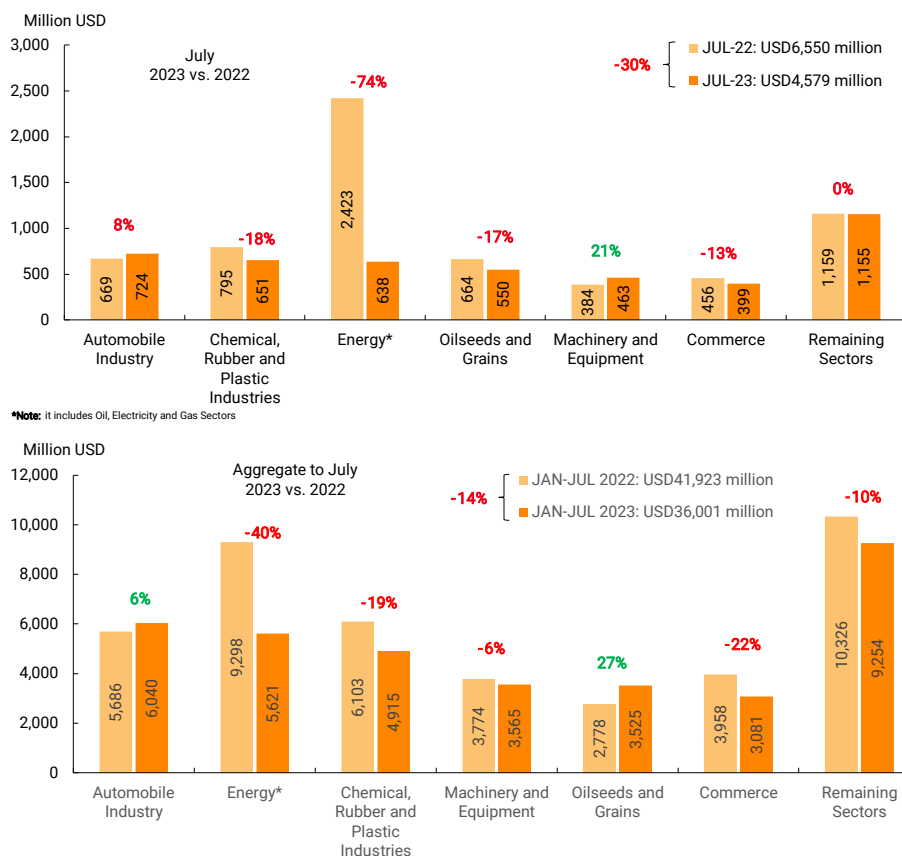
**Chart III.1.1.5 Foreign Exchange Balance**  
**Evolution of Payments for Imports of Goods by Type of Payment**



Source: BCRA

A 16% of total payments for imports of goods made in July corresponded to the “Automobile Industry” sector, followed by the “Chemical Industry” (14%) and the “Energy” (14%) sectors. The “Machinery and Equipment” sector showed greater dynamism in July with a 21% 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**



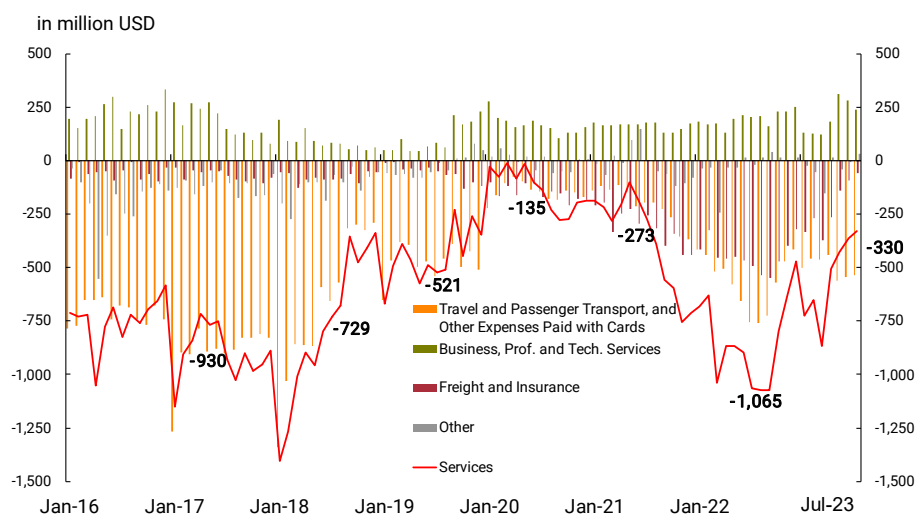
Source: BCRA

### III.1.2 Services, Primary and Secondary Income

The “Services” account recorded a deficit of USD330 million in July, down 69% against the net outflows of July 2022. This improvement correlated with a fall in gross outflows for “Freight and Insurance” (USD458 million; down 85% y.o.y.), “Travel and Passenger Transport” (USD94 million; down 12% y.o.y.), and “Business, Professional and Technical Services” (USD28 million, down 30% y.o.y.). The measures implemented to finance the payment of imports of professional services and freight between related companies (Communication “A” 7746, dated April 20) brought about a decrease of gross outflows (see Chart III.1.2.1). Moreover, at the end of July, the “PAIS tax” was established for a large number of imports of services with a rate of 25% (a 7.5% rate is applied on freight, and health and education services remain exempt).<sup>16</sup>

<sup>16</sup> To see Executive Order 377/2023 [click here](#).

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



Source: BCRA

In July, gross inflows from Travel and Passenger Transport amounted to USD163 million (up 337% against July 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.<sup>17</sup> In turn, gross outflows from Travel and Passenger Transport totaled USD700 million, up 2% against June, and down 12% against July 2022.<sup>18</sup>

Thus, this month’s result was explained by the net outflows of “Travel and Passenger Transport, and Other Expenses Paid with Cards” (USD537 million), and “Freight and Insurance” (USD60 million), which were partially offset by net inflows from “Business, Professional and Technical Services” (USD238 million) and “Other Services” (USD30 million).

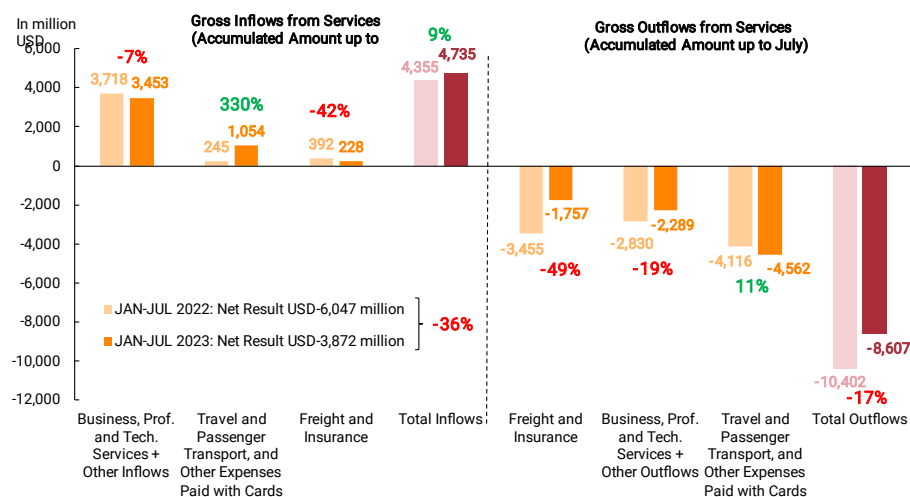
Over the accumulated period from January up to July 2023, net outflows from the payment of services totaled USD3,872 million, down 36% against the same period in 2022 (see Chart III.1.2.2).

<sup>17</sup> 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.

<sup>18</sup> 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.



**Chart III.1.2.2 Foreign Exchange Balance  
Net Inflows from Services**



Source: BCRA

Primary income transactions recorded net outflows amounting to USD1,312 million in July, mainly due to net payments of “Interest” (USD1,260 million). The “General Government and the BCRA” paid USD1,206 million of gross interest (including payments of interest from Argentine Government Securities of USD1,023 million, and payments of interest from international organizations—IMF excluded—of USD153 million). In turn, the private sector repaid USD288 million for the same heading. In addition, gross outflows of profits, dividends and other income transferred to accounts abroad amounted to USD56 million.<sup>19</sup>

Finally, secondary income transactions recorded a surplus of USD12 million.

## III.2 Capital Account

In July, the capital account of the foreign exchange balance recorded a surplus of USD5 million.

<sup>19</sup> 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”. As of June 2021, exporters of goods that registered an increase in their external sales over the previous year, will be able to access the forex 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.3 Foreign Exchange Financial Account

In July, the transactions carried out under the foreign exchange financial account recorded a deficit of USD3,676 million. This is the result of the deficits recorded by all the sectors involved in the account (see Table III.3.1).<sup>20</sup>

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

Date	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23
<b>Foreign Exchange Financial Account</b>	<b>-2,998</b>	<b>-342</b>	<b>-3,793</b>	<b>2,241</b>	<b>-303</b>	<b>3,669</b>	<b>-2,219</b>	<b>-734</b>	<b>1,855</b>	<b>-4,091</b>	<b>-2,191</b>	<b>-2,915</b>	<b>-3,676</b>
Non-Financial Private Sector	-719	-919	-639	-617	-660	-409	-412	-713	-675	-852	-677	-155	-948
Financial Sector	372	25	-616	192	14	-1,078	878	62	198	76	-696	-51	-819
General Government and the BCRA	-2,089	257	-2,519	2,081	80	3,945	-3,138	-218	2,815	-2,823	-786	-2,482	-1,678
Other Net Transfers	-562	295	-19	585	262	1,211	453	135	-484	-493	-32	-227	-230

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 USD948 million in July, resulting from net self-to-self international transfers for USD430 million (largely explained by their counterpart of Travel and Passenger Transport inflows that are not required to be settled in the forex market; for more information see Section III.1.2.); payments of balances in foreign currency to local institutions originated from purchases made with cards to non-resident suppliers for USD270 million (which do not involve a net demand of foreign currency);<sup>21</sup> the build-up of foreign assets for USD196 million; net outflows on account of local financial loans for USD88 million; and net payments of loans to international organizations for USD84 million. These records were partially offset by inflows from other foreign financial debt and debt securities for USD76 million, and by foreign direct investment inflows for USD45 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	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23
<b>Foreign Exchange Financial Account</b>	<b>-719</b>	<b>-919</b>	<b>-639</b>	<b>-617</b>	<b>-660</b>	<b>-409</b>	<b>-412</b>	<b>-713</b>	<b>-675</b>	<b>-852</b>	<b>-677</b>	<b>-155</b>	<b>-948</b>
Non-Residents' Direct Investments	43	32	41	40	33	66	52	54	38	58	54	223	45
Non-Residents' Portfolio Investments	2	6	0	-1	-3	1	-1	3	-1	0	-1	-4	0
Financial Loans and Credit Lines	-465	-629	-437	-476	-515	-130	-149	-582	-278	-456	-420	-188	-281
Local Financial Loans	-22	-105	42	52	-17	-12	-28	-97	56	76	-101	-83	-88
Other Foreign Loans and Debt Securities	-75	-181	-100	-169	-235	126	107	-248	-45	-317	-81	182	76
Payment of Card Balance	-368	-343	-379	-358	-262	-244	-228	-237	-290	-215	-237	-287	-270
Loans from Other International Organizations and Other	-54	26	31	-5	-79	-58	8	-52	-41	1	-83	-56	-84
Buildup of Foreign Assets by the Non-Financial Private Se	-179	-186	-107	14	56	95	-81	-11	-4	-397	-83	0	-196
Self-to-Self International Transfers	-66	-170	-167	-189	-152	-381	-240	-123	-386	-56	-150	-130	-430
Purchase and Sale of Securities	0	2	0	-1	-1	-1	-2	-2	-2	-2	5	0	-3

Source: BCRA

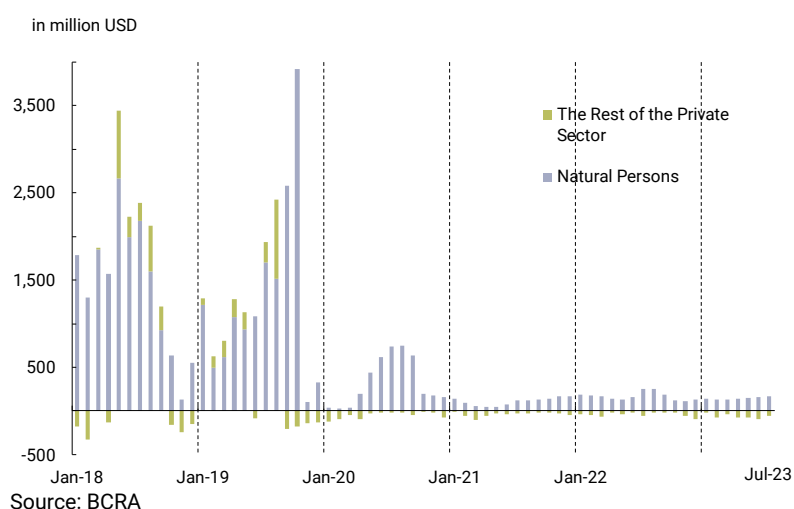
<sup>20</sup> For more information on the “Other Net Transfers” account of the foreign exchange balance, see Section C.4.11. of the [Methodology Used for Compiling Foreign Exchange Market and Foreign Exchange Balance Statistics](#)

<sup>21</sup> 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”.

Non-financial private sector residents' foreign assets recorded a deficit of USD196 million—i.e., net purchases of banknotes (USD117 million) and net outflows of foreign currency (USD79 million).

This outcome reflects net purchases for USD171 million made by “Natural Persons”, partially offset by net sales for USD54 million made by legal persons (see Chart III.3.1.1). On July 25, the AFIP increased by 10 p.p. the contribution in advance of income tax for the purchase of foreign currency for saving purposes, bringing it to 45%.<sup>22</sup>

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

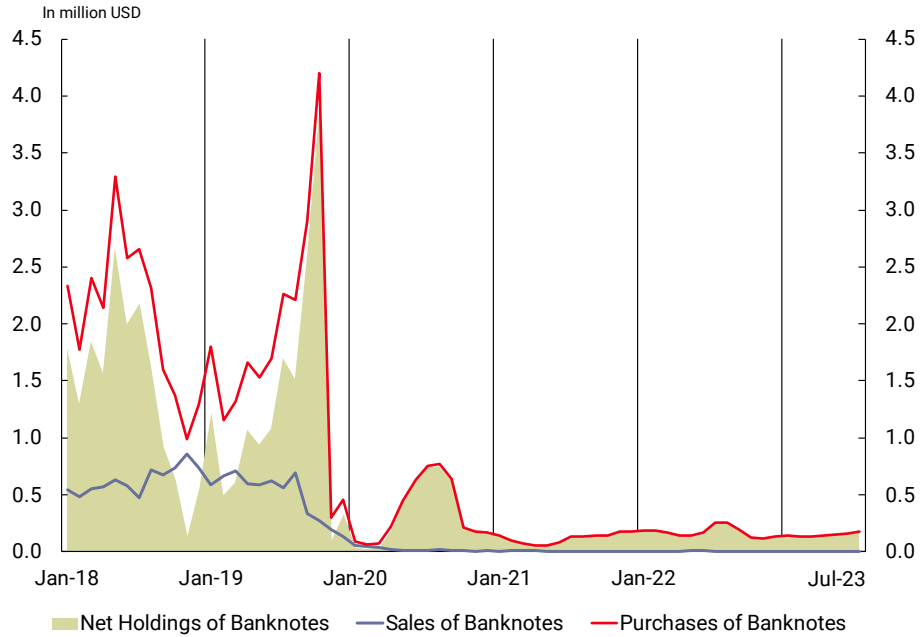


In July, “Natural Persons” purchased banknotes for USD174 million—up 8% against June, but down 33% y.o.y.—and sold USD3 million (see Chart III.3.1.2).<sup>23</sup>

<sup>22</sup> To see General Resolution 5393/2023 [click here](#).

<sup>23</sup> 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 Executive Order 319/20 may not access the forex market until benefits are over). As from September 16, 2020, the 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). As of July 25, 2023, the AFIP increased by 10 p.p. the contribution in advance of income tax for the purchase of foreign currency for saving purposes, bringing it to 45% (General Resolution 5393/2023).

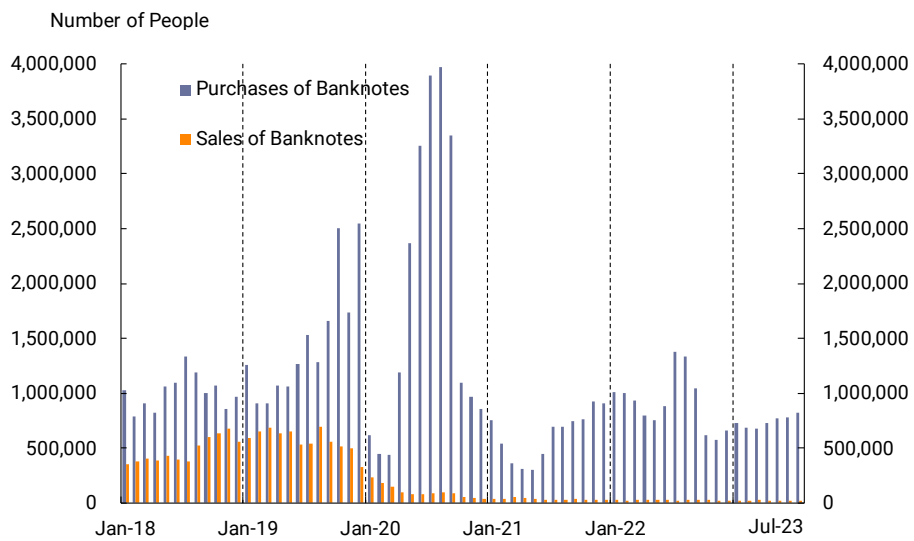
**Chart III.3.1.2 Foreign Exchange Balance  
Natural Persons. Banknotes**



Source: BCRA

In terms of traders, 823,000 individuals purchased banknotes, while sellers amounted to about 15,000 (see Chart III. 3.1.3).

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

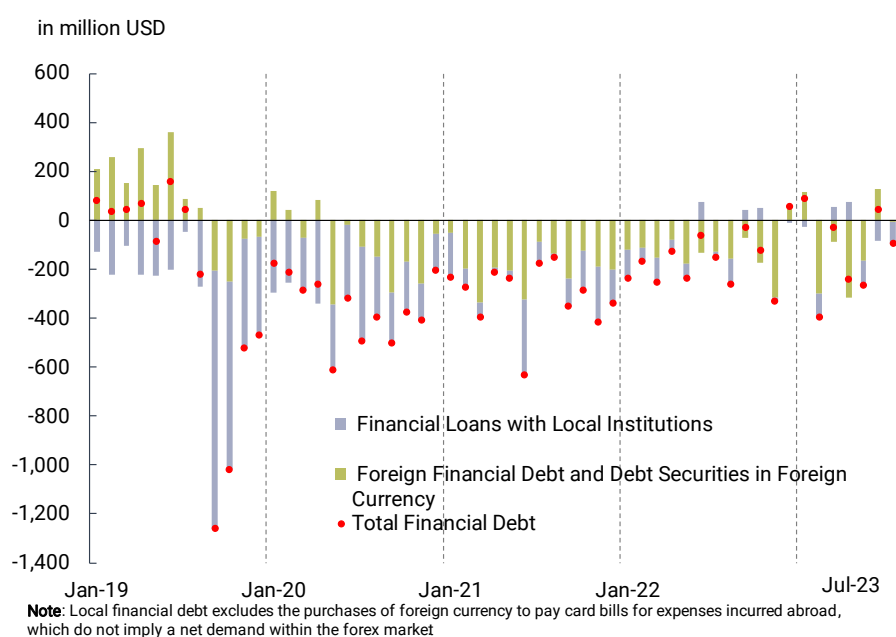


Source: BCRA

In turn, in July, this sector recorded net outflows to their own accounts abroad (USD79 million). This result is mainly explained by the net transfers made by the “Real Sector excluding Oilseeds and Grains” (USD65 million), “Natural Persons” (USD15 million) and “Oilseeds and Grains” (USD2 million), which were partially offset by the transfers received by “Institutional Investors and Others” (USD3 million).

Net outflows of financial debt from the non-financial private sector, including loans from international organizations and local financial loans, reached USD96 million in July—outflows from “Energy” (USD54 million) and “Food, Beverages and Tobacco” (USD25 million) standing out. This amount involves net payments of loans granted by local institutions (USD88 million), and net outflows on account of financial debt held abroad, securities in foreign currency, and loans owed to international organizations (USD8 million). The total amount excludes purchases of foreign currency to pay card bills for expenses incurred abroad (USD270 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).<sup>24</sup>

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

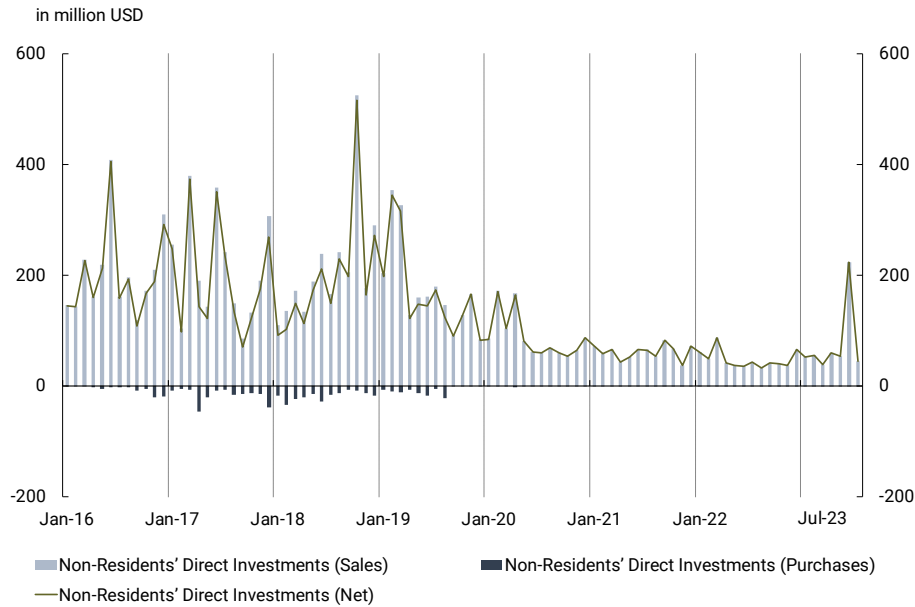


Source: BCRA

Direct investments made by non-residents in the private sector through the forex market reached USD45 million (net inflows) in July (see Chart III.3.1.5).

<sup>24</sup>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

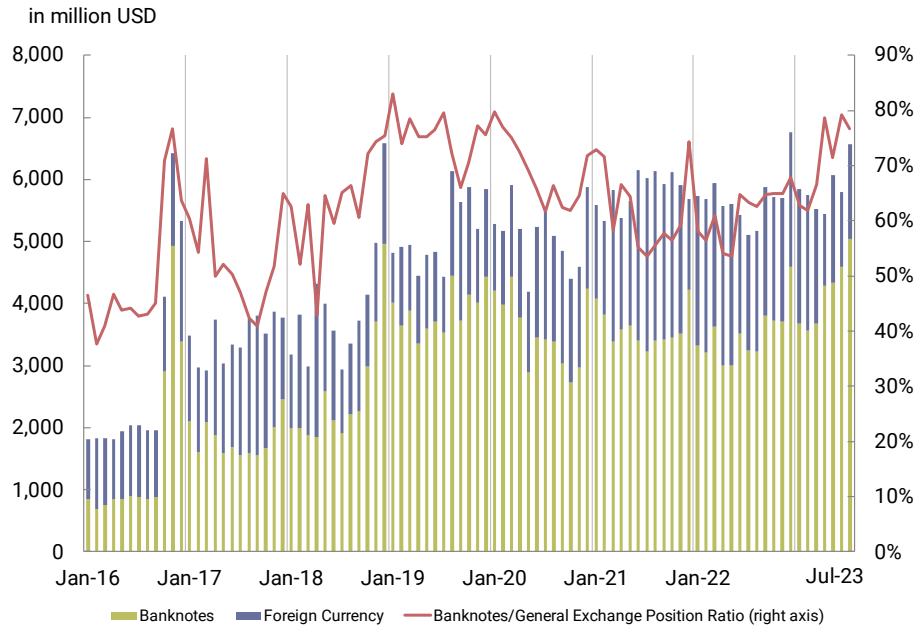
### III.3.2. Foreign Exchange Financial Account of the Financial Sector

In July, the transactions carried out under the foreign exchange financial account of the “Financial Sector” recorded a deficit of USD795 million. This outcome was mainly explained by an increase of USD777 million in liquid foreign assets of financial institutions’ General Exchange Position.<sup>25</sup>

Financial institutions’ General Exchange Position amounted to USD6,572 million at the end of July, up 13% against the end of June. This result was explained by the increase in holdings of foreign currency (USD332 million) and banknotes (USD445 million). Holdings of foreign currency banknotes totaled USD5,040 million by the end of the month. This stock accounted for 77% 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).

<sup>25</sup> 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**

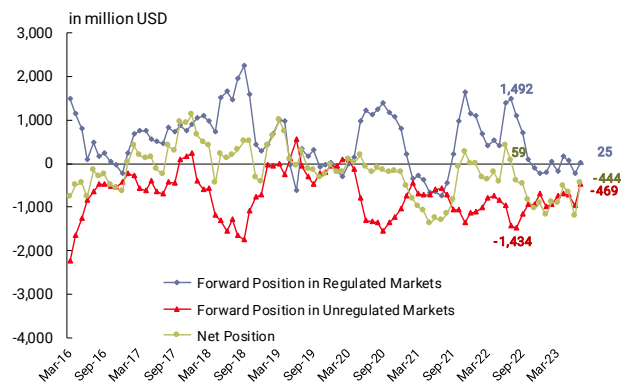


Source: BCRA

On another note, the ensemble of financial institutions ended July with a forward short position in foreign currency of USD444 million, recording a drop of USD755 million against the end of June. Institutions purchased USD505 million directly from clients (Forwards) and USD250 million in regulated markets over July (see Chart III.3.2.2).

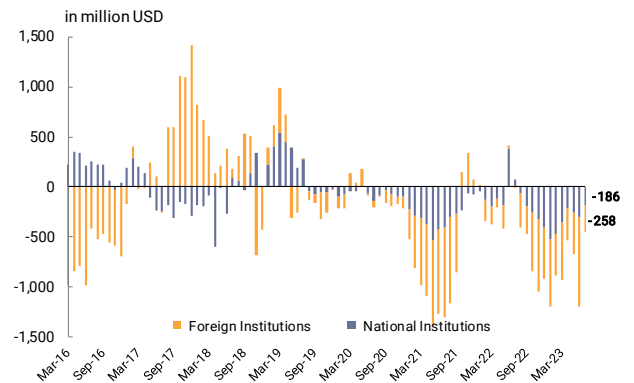
Foreign capital institutions ended July with a net short position of USD258 million, decreasing their short position by USD644 million compared to June. In turn, national capital institutions purchased USD111 million, reducing their net short position of June to USD186 million (see Chart III.3.2.3).

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



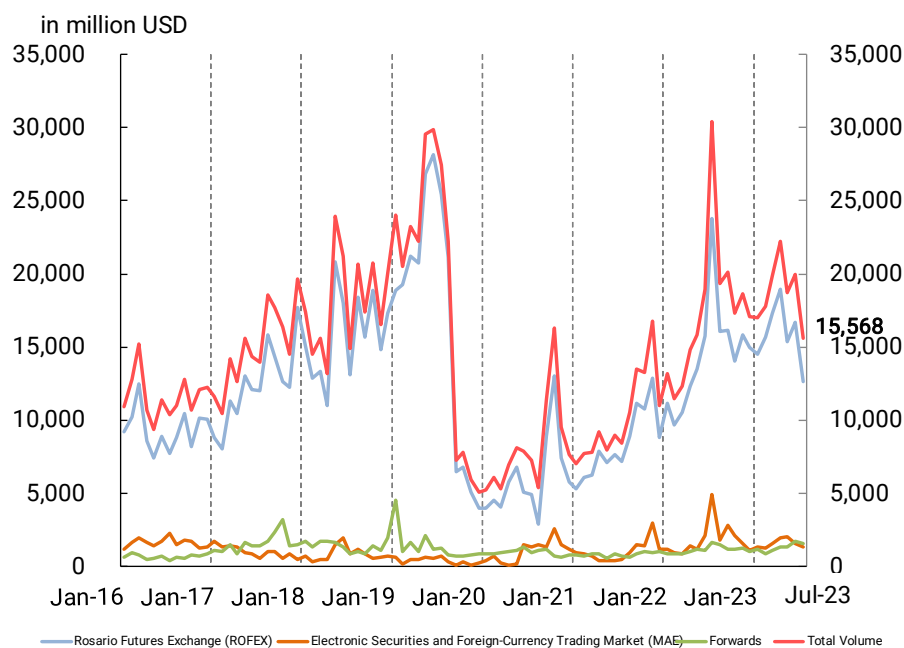
Source: BCRA

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



The volume traded in forward markets totaled USD15,568 million in July, i.e.: USD952 million daily on average. Transactions carried out in the Rosario Futures Exchange (ROFEX) continued to stand out, with an 81% share in the total volume traded in the forward market (see Chart III.3.2.4).<sup>26</sup>

**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

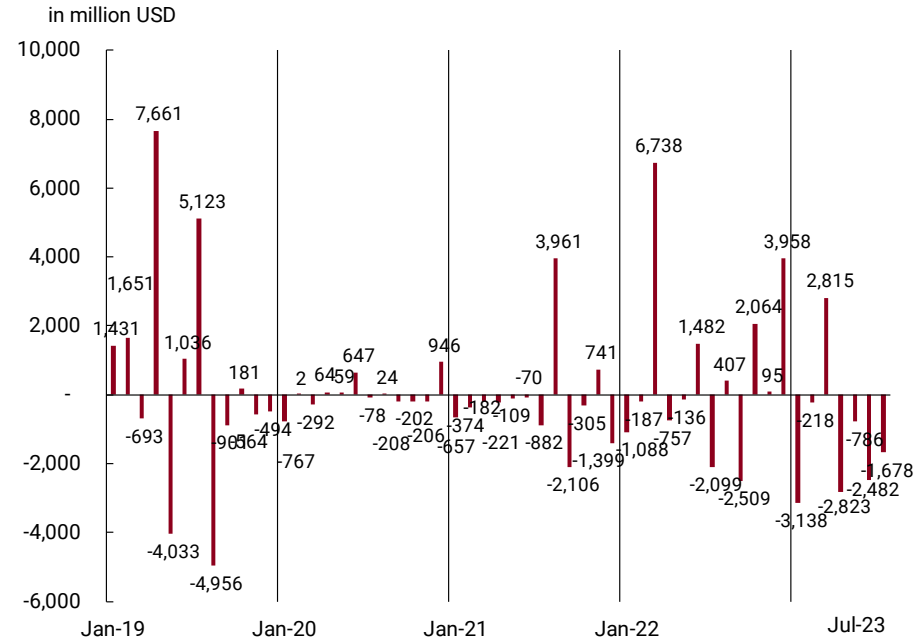
In July, the transactions carried out under the foreign exchange financial account of the “General Government and the BCRA” recorded a deficit of USD1,678 million (see Chart III.3.3.1), mainly explained by repayments of principal owed to the IMF totaling USD2,657 million (SDR1,975 million), partially offset by net inflows from loans from international organizations for USD1,174 million.

<sup>26</sup> 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**

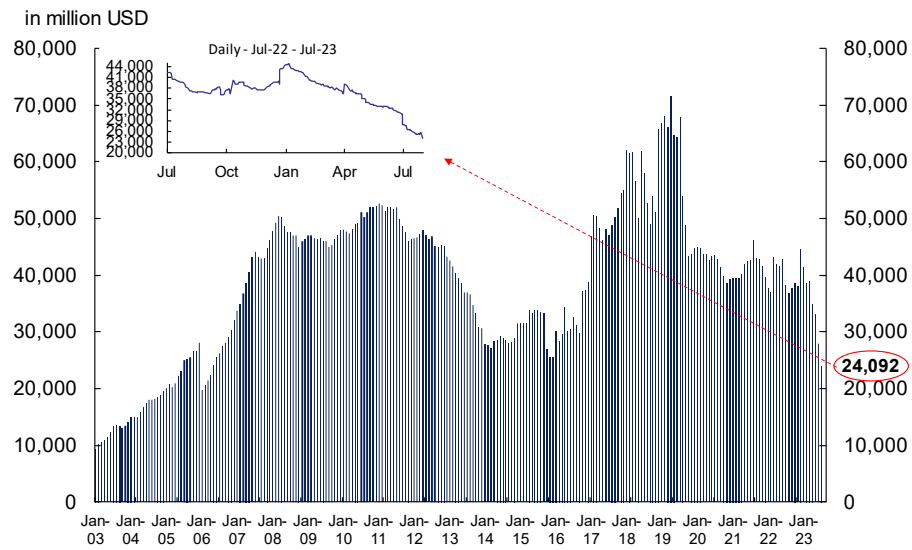


Source: BCRA

## IV. BCRA's International Reserves

During July, BCRA's international reserves fell USD3,834 million, totaling USD24,092 million by the end of the month. This decrease was mainly explained by repayments of principal owed to the IMF totaling about USD2,657 million (SDR1,975 million), payments of sovereign bonds of the National Treasury to the private sector for USD803 million, net sales of the BCRA in the forex market, net payments settled by the BCRA through the Local Currency Payment System, and the fall in financial institution's holdings of foreign currency. These transactions were partially offset by inflows from loans from international organizations for USD1,186 million, and by the increase in the US dollar exchange rate of foreign exchange reserves by USD482 million (see Chart IV.1).

**Chart IV.1 BCRA's International Reserves**



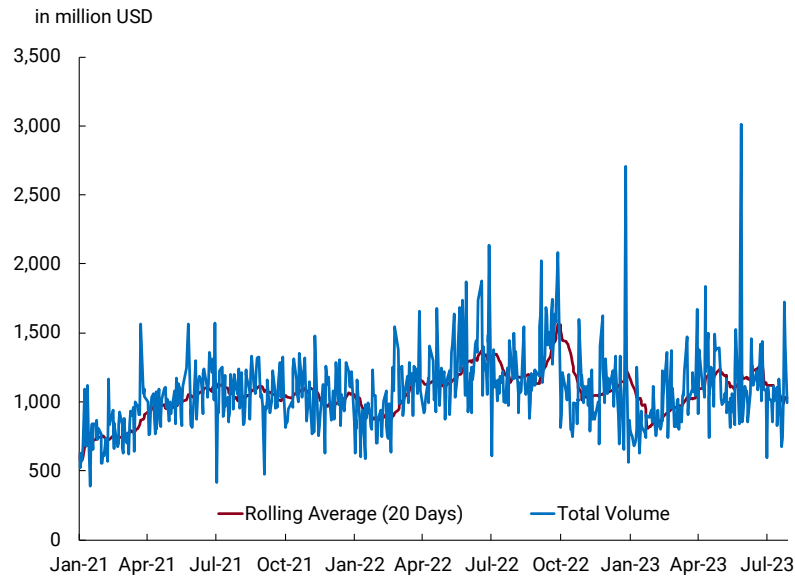
Source: BCRA

## V. Volumes Traded in the Foreign Exchange Market

In July, the volume traded in the forex market totaled USD21,610 million, down 14% against July 2022 (see Chart V.1). The average daily volume traded was USD1,029 million. The y.o.y. drop in volume was explained by a 19% reduction in transactions between the institutions and their clients (down USD3,278 million), and an 8% reduction in transactions between the institutions (down USD404 million), partially offset by a 12% increase in transactions between the institutions and the BCRA (up USD300 million).<sup>27</sup>

<sup>27</sup> 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**



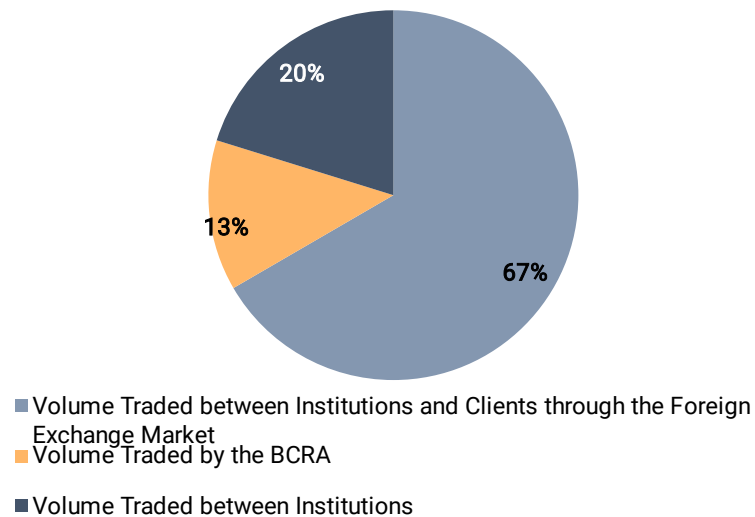
Source: BCRA

Foreign exchange transactions between institutions and their clients accounted for 67% of the total volume traded, while transactions between institutions—mainly through the Electronic Trading System (SIOPEL)—represented 20%; in turn, transactions between institutions and the BCRA stood for the remaining 13% (see Chart V.2).<sup>28</sup>

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<sup>28</sup> The volume traded between licensed institutions and their clients excludes the following items: the underwriting of LEBAC bills, self-to-self international transfers (around USD1,345 million), the record of deposits in foreign currency allocated for the payment of financial debt service for about USD118 million, and purchases of foreign currency to pay card bills for expenses incurred abroad (around USD271 million for the month under study).

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

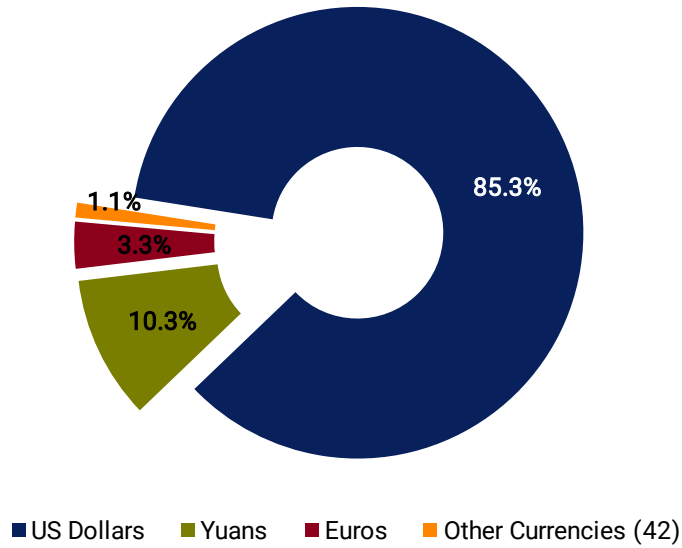


Source: BCRA

In July, 143 institutions traded in the market involving 45 foreign currencies.

Thus, most of the volume traded between licensed institutions and their clients was highly concentrated both at the institution level (the first ten accounted for 88% of such volume) and in terms of the currency used, USD-denominated transactions having an 85% share in the total traded with clients. However, it is worth noting that the yuan has been gaining share to rank second (10% of the total traded with clients) after surpassing the euro (3% of the total). The remaining currencies concentrated 1% of the total volume traded (see Chart V.3).

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



Source: BCRA

Finally, 85% of foreign exchange transactions between financial and foreign exchange institutions and their clients were channeled through private financial institutions, 15% through public banks, and 0.1% through foreign exchange houses and agencies.