Evolution of the Foreign Exchange Market and the Foreign Exchange Balance

July 2024

BANCO CENTRAL
DE LA REPÚBLICA ARGENTINA

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Contents

Executive Summary

The world economy is growing at a modest pace, but with favorable prospects. Tight monetary conditions continue to have an impact, particularly on the credit and construction markets, while inflation is falling faster than expected, with private sector confidence thus improving. Economies are evolving in different ways—poor performance of the advanced economies of Europe and strong growth of the United States and some emerging economies.

At the local level, and as announced in the monetary and foreign exchange policy objectives and plans for 2024[1], the BCRA established under Communication A 8060, the suspension of reverse repo transactions since July 22 and the implementation of the "Fiscal Liquidity Bill", which will serve as the main tool for managing liquidity in the banking system.

In terms of the forex market performance for July, financial institution's clients purchased USD576 million, and financial institutions' sales amounted to USD333 million. The BCRA made net sales of USD180 million, and net payments through the Local Currency Payment System for USD63 million. The National Treasury made purchases directly from the BCRA for USD3,822 million.

The "Non-Financial Private Sector" was a net purchaser of foreign currency for USD439 million. Within that group, the "Oilseeds and Grains" sector was the main supplier of foreign currency, recording net inflows of USD1,815 million, mainly explained by the result in "Goods". The "Real Sector excluding Oilseeds and Grains" recorded net outflows of USD1,751 million, while those of "Natural Persons" amounted to USD511 million, mainly for traveling expenses and other payments on cards to non-resident suppliers.

In terms of the foreign exchange balance for July, the foreign exchange current account experienced a deficit of USD1,668 million. This result was explained by net outflows recorded in "Primary Income" (USD1,670 million) and "Services" (USD566 million), which were partially offset by the surplus recorded in "Goods" (USD551 million) and "Secondary Income" (USD17 million). In turn, transactions carried out under the foreign exchange financial account had a deficit of USD1,045 million. This result was explained by the deficit recorded in the "National Government and the BCRA" (USD2,070 million) and in the "Non-Financial Private Sector" (USD440 million), which were partly offset by the surplus in "Other Net Transfers" (USD1,080 million), and in the "Financial Sector" (USD385 million).

During July, BCRA's international reserves fell USD2,620 million, totaling USD26,402 million by the end of the month. This fall was mainly the result of outflows from payments of principal and interest of sovereign bonds and other public debt (USD2,653 million), gross payments of principal to the IMF (USD646 million; SDR487 million), BCRA's settlements of net sales in the foreign exchange market (USD138 million), net payments of principal and interest to international organizations—IMF excluded—(USD93 million), and net payments made by the BCRA through the Local Currency Payment System (USD64 million), which were partially offset by the increase in financial institutions' holdings of foreign currency in the BCRA (USD1,265 million), and the increase in the US dollar exchange rate of foreign exchange reserves (USD82 million).

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[1] To learn about the new monetary framework, click here.

I. Introduction

This report analyzes information on foreign exchange transactions made in July 2024 as gathered by the Exchange Transaction Reporting System administered by the BCRA. Additionally, it relies on information on changes in the BCRA's International Reserves due to transactions carried out by the BCRA on its own account or on behalf of the National Government, and due to changes in the balance of institutions' foreign currency accounts at the BCRA.[2]

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

For further information on the 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 the 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 the BCRA's website.

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

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).

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).

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[2] Communication A 3840, as amended.

[3] 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".

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 (included in Section II)—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 based on the reasons for the transactions (headings), which are again taken as an affidavit. However, **the evolution of the historical series 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)**. Foreign exchange market and foreign exchange balance statistics are available on BCRA's website.

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 July, financial institutions' clients purchased USD576 million in the forex market, and financial institutions' sales amounted to USD333 million.[4] The BCRA made net sales of USD180 million, and net payments through the Local Currency Payment System for USD63 million. The National Treasury made purchases directly from the BCRA for USD3,822 million (see Table II.1). [5] [6] [7]

[4] Like in recent months, financial institution's sales in July would be associated with foreign currency funds received from their clients to pay for card consumptions in foreign currency.
[5] Information on the Local Currency Payment System of this report has been drawn from the Exchange Transaction Reporting System (RIOC) and reported by transaction date. For more information, see the Methodology Used for Compiling Foreign Exchange Market and Foreign Exchange Balance Statistics
[6] Transactions in the forex market are reported according to their transaction date, except for the purchase and sale of securities payable in foreign currency.
[7] The result by sector excludes purchases of foreign currency to pay card bills for expenses incurred abroad for an amount of USD146 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-23	Jul-24	2023 up to Jul	2024 up to Jul
BCRA - Market	199	180	3,680	-14,123
BCRA - SML	71	63	639	251
National Treasury	-	-	-	-
Institutions	-56	333	-23	1,307
Institutions' Clients (1 + 2 + 3)	-213	-576	-4,297	12,565
1. Non-Financial Private Sector	-186	-439	-3,894	14,185
Oilseeds and Grains	1,583	1,815	10,711	11,941
Real Sector excluding Oilseeds and Grains	-1,269	-1,751	-10,538	4,306
Natural Persons	-518	-511	-3,532	-2,238
Institutional Investors and Others	17	8	-536	176
2. General Government (National Treasury Excluded)	46	-32	132	-760
3. Institutions (Own Transactions)	-73	-106	-535	-860
National Treasury Directly with the BCRA	-1,193	-3,822	-6,454	-8,661

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

In July, the "Oilseeds and Grains" sector was the main supplier of foreign currency, with net sales of USD1,815 million in the forex market. This was mainly explained by collections on exports net of payments for imports (under "Goods"), recording a net amount of USD1,829 million (see Table II.2).

It is worth noting that, since December 2023, exporters can settle up to 20% of their exports through the stock market, thus making it impossible to conduct an accurate year-on-year comparison.

Table II.2 Foreign Exchange Market
Result of Institutions' Transactions with Clients. July 2024
Equivalent in million dollars

Sector/Main Headings	Goods	Travel and Passenger Transport, and Other Expenses Paid with Cards	Other Services, and Primary and Secondary Inflows	Foreign Assets - Banknotes	Foreign Assets - Foreign Currency	Net Self-to-Self International Transfers	Debt, FDI, Portfolio, and Other Transactions	Total
Non-Financial Private Sector	586	-633	-107	74	92	-644	193	-439
Oilseeds and Grains	1,829	0	0	0	1	-20	5	1,815
Real Sector excluding Oilseeds and Grains	-1,136	-159	-288	42	30	-337	95	-1,751
Natural Persons	-18	-512	20	-5	16	-43	32	-511
Institutional Investors and Others	-88	38	160	37	45	-244	60	8
General Government (National Treasury Excluded)	-1	-1	-67	73	0	-3	-33	-32
Institutions (Own Transactions)	-34	0	-61	0	0	0	-10	-106
Institutions' Result with Clients	551	-634	-235	147	92	-647	149	-576
Result for Forex Transactions	362	-749	-255	147	6	0	-86	-576
Result for Self-to-Self International Transfers	190	115	20	0	87	-647	236	0

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

The "Real Sector excluding Oilseeds and Grains" recorded net purchases amounting to USD1,751 million, mainly explained by the result in "Goods" (net outflows of USD1,136 million), and "Other Services, and Primary and Secondary Inflows" (net outflows of USD288 million).

On a disaggregated basis, the economic sectors running larger surplus were “Food, Beverages and Tobacco” (USD407 million) and “Mining” (USD289 million), while “Chemical, Rubber and Plastic Industries” (USD581 million) and “Energy” (USD354 million) had the highest deficit (see Table II.3).

Table II.3 Foreign Exchange Market
Result of the Real Sector excluding Oilseeds and Grains disaggregated by main headings. July 2024
Equivalent in million dollars

Sector/Main Headings	Goods	Travel and Passenger Transport, and Other Expenses Paid with Cards	Other Services, and Primary and Secondary Inflows	Foreign Assets - Banknotes	Foreign Assets - Foreign Currency	Net Self-to-Self International Transfers	Debt, FDI, Portfolio, and Other Transactions	Total
Food, Beverages and Tobacco	500	0	-11	0	1	-85	1	407
Mining	252	0	-2	0	15	-43	66	289
Agriculture and Other Primary Activities	243	0	-4	0	2	-35	14	219
Information Technology	-10	3	99	1	0	-11	4	86
Entertainment	-2	0	12	0	1	-2	10	19
Water	0	0	0	0	0	0	0	0
Gastronomy	-3	0	-2	0	0	0	0	-5
Non-Metallic Mineral Products (Cement, Ceramics and Others)	-17	0	-1	0	0	-2	1	-19
Construction	-16	0	-7	-1	4	-9	-20	-49
Paper, Publishing and Printing Industry	-65	0	2	0	0	-2	3	-62
Transport	-7	-29	-73	24	0	16	-4	-73
Textile and Leather Industries	-85	0	-3	0	0	-6	-3	-96
Other Manufacturing Industries	-133	0	5	0	4	-3	-3	-132
Tourism and Accommodation Services	0	-133	0	0	0	-5	3	-135
Communications	-27	0	-7	0	0	-116	1	-149
Common Metals and their Manufacture	-157	0	-5	0	0	-4	8	-159
Machinery and Equipment	-285	0	5	0	1	-10	9	-279
Commerce	-334	0	4	0	0	-8	-1	-338
Automobile Industry	-335	0	-26	0	0	20	1	-340
Energy*	-214	0	-281	17	0	-8	132	-354
Chemical, Rubber and Plastic Industries	-441	0	6	0	2	-23	-125	-581
Total	**-1,136**	**-159**	**-288**	**42**	**30**	**-337**	**95**	**-1,751**

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

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

Source: BCRA

“Natural Persons” recorded net outflows of USD511 million mainly for traveling expenses and other payments on cards to non-resident suppliers.[8]

“Institutional Investors and Others”—both residents and non-residents—practically offset their transactions in July.

Financial institutions made net purchases with their own funds for USD106 million.

In turn, the “General Government” (excluding the National Treasury) made net purchases in the forex market for USD32 million.

[8] It should be noted that part of these card consumptions (recorded as outflows under “Travel and Passenger Transport, and Other Expenses Paid with Cards”) are paid by customers with their own funds in foreign currency, partially offsetting the impact on the forex market and, accordingly, on the changes in international reserves.

III. Foreign Exchange Balance

III.1. Current Account

Current account transactions recorded in the foreign exchange balance showed a deficit of USD1,668 million in July. This result was mainly explained by the net outflows recorded in "Primary Income" (USD1,670 million) and "Services" (USD566 million), which was partially offset by the surplus recorded in "Goods" (USD551 million) and "Secondary Income" (USD17 million), (see Table III.1.1).[9]

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

Date	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24
Foreign Exchange Current Account	-1,712	-645	-372	511	-313	47	2,962	2,344	1,575	1,804	2,277	1,161	-223	-1,668
Goods	-921	985	1,292	1,406	854	1,982	3,381	3,879	3,059	2,424	2,737	2,708	795	551
Services	-363	-330	-412	-461	-753	-678	-20	84	-232	-158	-183	-388	-368	-566
Primary Income	-426	-1,312	-1,251	-425	-373	-1,256	-387	-1,625	-1,264	-462	-290	-1,180	-533	-1,670
Secondary Income	-1	12	-1	-10	-42	-2	-12	6	13	0	12	21	-117	17

Source: BCRA

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

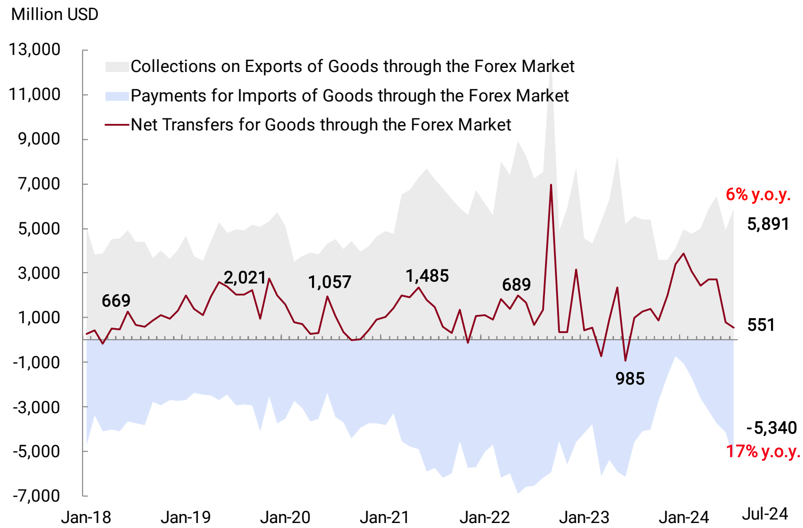
Under these regulations, foreign currency inflows from exports of goods and services settled through the stock market are not recorded as collections of exports of goods and services in the foreign exchange market and foreign exchange balance statistics; except for those collections that were kept in local foreign currency accounts (that result in self-to-self international transfers).

III.1.1. Goods

In July, transfers for "Goods" on the foreign exchange balance exhibited net inflows for USD551 million, resulting from collections on exports for USD5,891 million, which were partially offset by payments of imports for USD5,340 million (see Chart III.1.1.1).

[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 on the BCRA's website.

Chart III.1.1.1 Foreign Exchange Balance Transfers for Goods



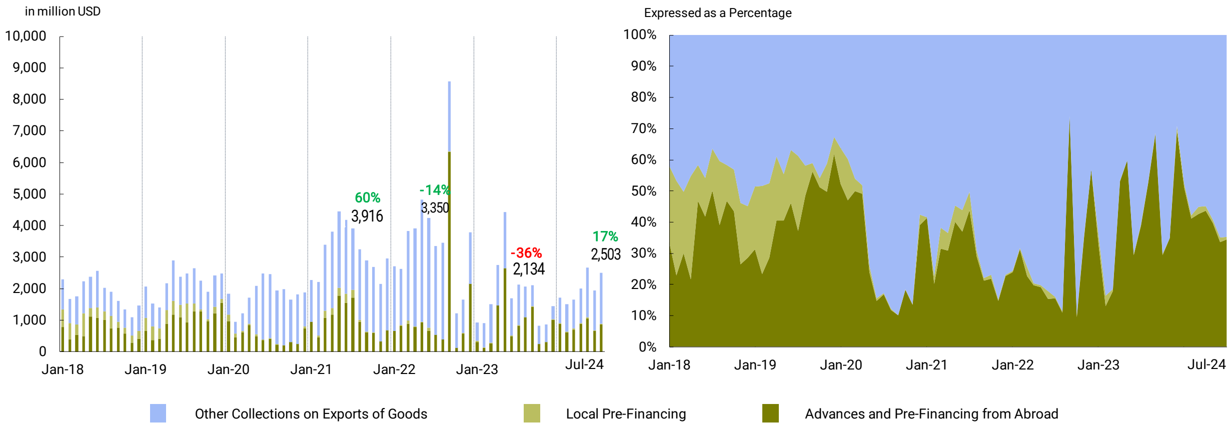
It is worth noting that, since December 2023, exporters can settle up to 20% of their exports through the stock market, thus making it impossible to conduct an accurate year-on-year comparison.

As already mentioned, the Export Increase Program covers inflows from the collection of exports through the stock market, which are not included in the statistics published by the foreign exchange market and the foreign exchange balance, because they are not recorded in the Exchange Transaction Reporting System (RIOC), with the exception of those collections that are transferred to and deposited in local accounts in foreign currency for subsequent settlement in the stock market and are recorded as self-to-self international transfers, having no net effect on the forex market.

In this context, the “Oilseeds and Grains” sector sold foreign currency for USD2,503 million from collections on exports of goods. This figure represents a 17% y.o.y. increase, primarily driven by a larger harvest compared to the previous year. Moreover, the BCRA may infer from the companies' estimated revenues channeled through the stock markets that those of the sector would closely align with their FOB exports in July (USD3,043 million).

Thirty-five percent of the sector’s inflows were collected ahead of time either through advances or pre-financing of exports (local and foreign) (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



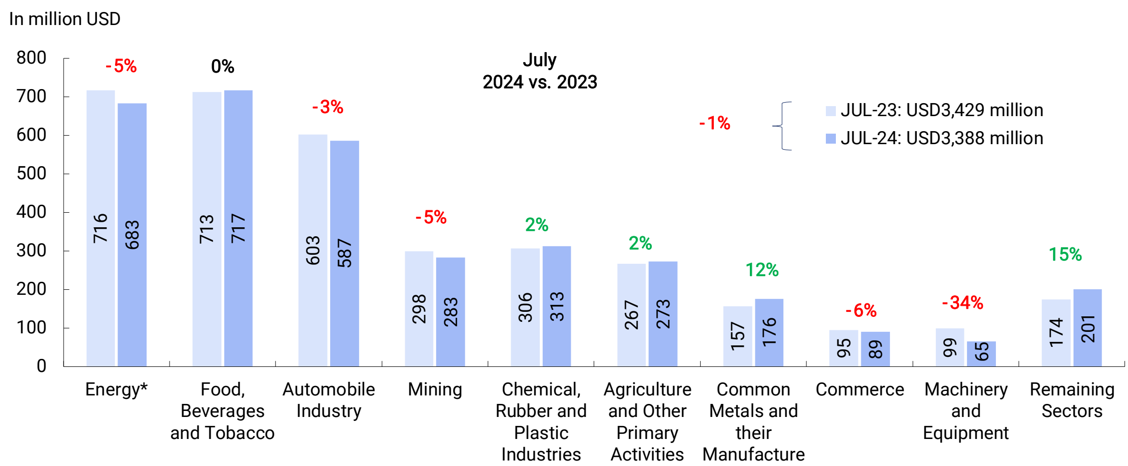
It is worth noting that, since December 2023, exporters can settle up to 20% of their exports through the stock market, thus making it impossible to conduct an accurate year-on-year comparison.

Source: BCRA

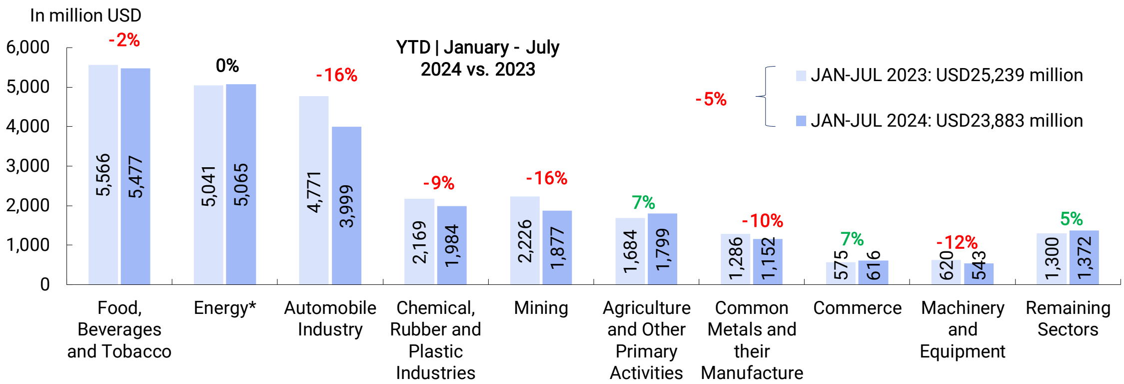
Inflows from the collections on exports of goods from the remaining sectors settled through the forex market totaled USD3,388 million in July. These sectors' FOB exports totaled USD4,178 million in July, which would imply, even considering the companies' estimated inflows received through the stock markets, a slight decrease in the sector's stock of commercial debt during the month.

Regarding the performance by sector, "Common Metals and their Manufacture" increased 12% y.o.y., while "Machinery and equipment" experienced a 34% y.o.y. decline. It should be noted that, as previously mentioned, the impact of the Export Increase Program on foreign exchange market statistics makes it impossible to accurately compare year-on-year collections on exports of goods (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



It is worth noting that, since December 2023, exporters can settle up to 20% of their exports through the stock market, thus making it impossible to conduct an accurate year-on-year comparison.

Source: BCRA

In July, payments of imports of goods through the forex market reached USD5,340 million, up 17% y.o.y. This figure is similar to July's FOB imports, which amounted to USD5,318 million. Should the sector's foreign currency purchases against securities be added up, it can be assumed that the external debt for imports of goods continued to fall throughout July.[10]

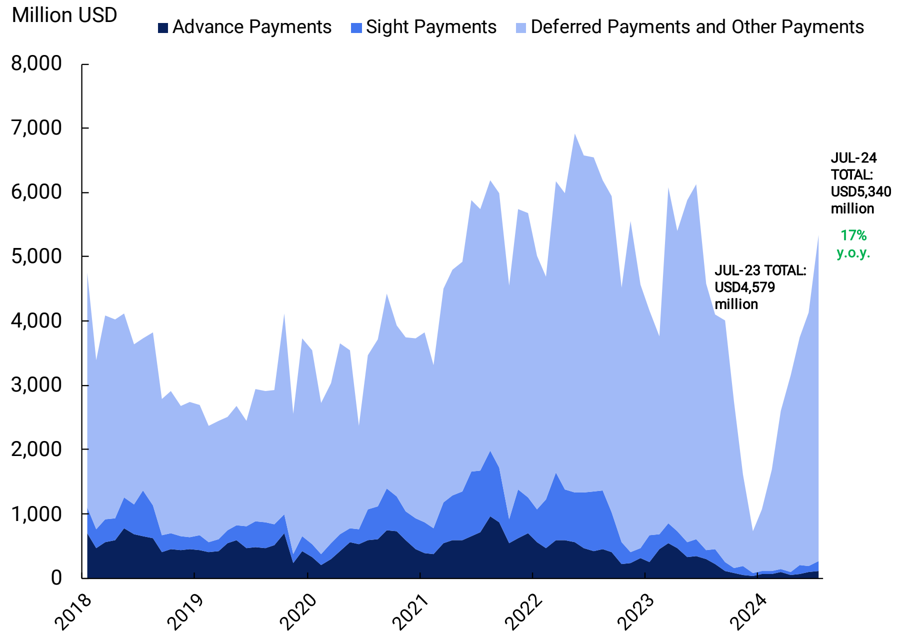
In addition, it is worth noting that indebtedness for imports has been addressed through the foreign trade and exchange regulations set out in December 2023.[11] In this context, MSMEs with debts recorded in the “Registry of Commercial Debt from Imports Owed to Foreign Suppliers” for up to USD500,000 were allowed

[10] For more information see the report on the“Evolution of the Foreign Exchange Market and the Foreign Exchange Balance” of June.
[11] For more information see the Report on the Evolution of the Foreign Exchange Market and the Foreign Exchange Balance, December 2023, the section on “December 2023 Regulations”.

to access the forex market and settle all their liabilities in a staggered manner without subscribing BOPREALs. Some 7,900 MSMEs have made import debt payments totaling about USD810 million since the regulation was implemented.

As regards imports of goods, 95% of payments in the forex market were deferred, 3% were sight payments, and the other 2% were advance payments in July (see Chart III.1.1.5).

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



Source: BCRA

In July, payments of imports across most sectors exhibited a year-on-year increase, the sectors "Common Metals and their Manufacture" (up 44%), "Energy" (up 41%), and "Automobile Industry" (up 27%) standing out. "Machinery and Equipment" was an exception, with payments falling 24% y.o.y. (see Chart III. 1.1.6).

Pursuant to Communication A 8054 dated June 27, the BCRA changed the payment terms for imports of luxury goods and finished vehicles: from 180 days to 120 days as from customs registration. On July 23, it was announced[12] that these goods will have access to the MLC as early as 90 days from the date of customs registration. This provision will become effective on August 1.

For the rest of the goods, payments will be structured into four installments, each amounting to 25% of the total value and payable at 30, 60, 90 and 120 days after customs registration. From August 1, the importers of these goods may have access to the MLC under a payment structure consisting of two installments: each amounting to 50% of the total value and payable at 30 and 60 days after customs registration.

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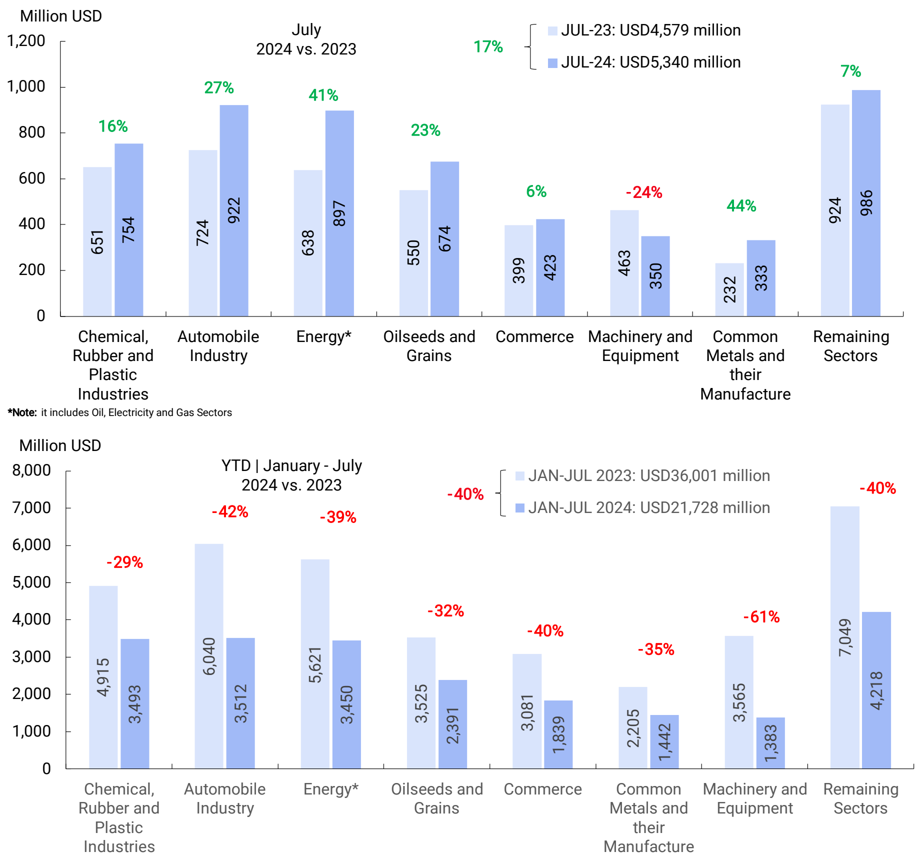
[12] See BCRA's press release.

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



Source: BCRA

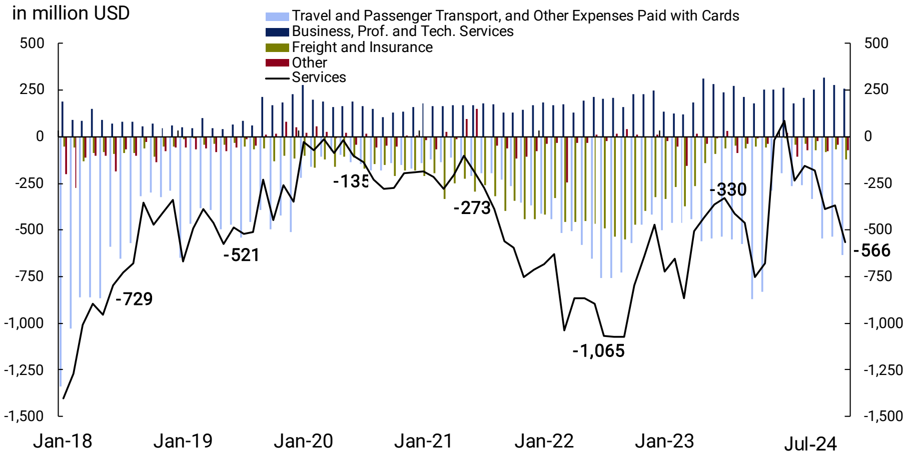
III.1.2. Services, Primary and Secondary Income

The "Services" account experienced a deficit of USD566 million in July, up 72% against the net outflows recorded in July 2023. This month's result was explained by the net outflows of "Travel and Passenger Transport, and Other Expenses Paid with Cards"[13] (USD634 million), "Freight and Insurance" (USD119 million) and "Other" (USD72 million), which were partially offset by net inflows from "Business, Professional and Technical Services" (USD259 million) (see Chart III.1.2.1).

[13] In terms of the "Travel and Passenger Transport, and Other Expenses Paid with Cards" account, it is worth pointing out that the transfers made to international credit card issuers involve both purchases made during travels abroad and those made to foreign suppliers 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 on the BCRA's website.

It is worth noting that up to 20% of the exports of services, like the exports of goods, can be settled in the stock market under the Export Increase Program. These inflows are not included in the statistics published by the foreign exchange market and the foreign exchange balance. This is so because they are not recorded in the Exchange Transaction Reporting System (RIOC), with the exception of those collections that are transferred to and deposited in local accounts in foreign currency to be subsequently settled in the stock market and are recorded as self-to-self international transfers, having no net effect on the forex market.[14] Therefore, this scheme prevents accurate year-on-year comparisons.

Chart III.1.2.1 Foreign Exchange Balance
Net Inflows from Services



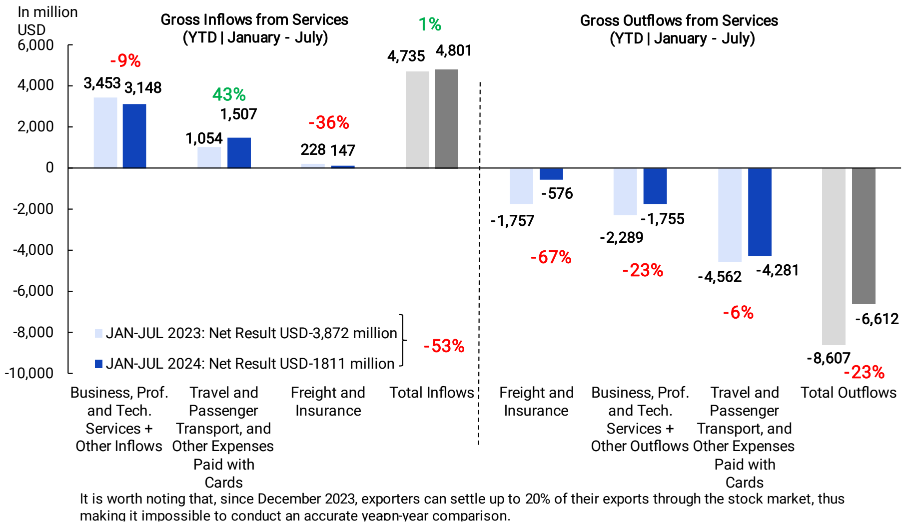
It is worth noting that, since December 2023, exporters can settle up to 20% of their exports through the stock market, thus making it impossible to conduct an accurate year-on-year comparison.

Source: BCRA

The following table displays the yearly accumulated gross inflows and outflows for services by heading and their comparison on a year-on-year basis. It shows that the improvement in the accumulated balance of the Services account is the result of a decrease in gross outflows; in particular, freight and insurance (see Chart III.1.2.2).[15]

[14] These inflows were observed after the implementation of Communication A 7630, dated November 3, 2022, which set forth that any inflows arising from non-resident cards on account of charges for tourist services and 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. These 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.
[15] For more information on the private sector's external debt, click here to see the quarterly publication of the BCRA.

Chart III.1.2.2 Foreign Exchange Balance Services



Source: BCRA

Primary income transactions resulted in net outflows amounting to USD1,670 million in July, due to net payments of interest for USD1,652 million, and net outflows of profits, dividends and other income transferred abroad amounting to USD17 million.

The "General Government and the BCRA" paid USD1,614 million of gross interest (including payments of interest on sovereign bonds in foreign currency for USD1,402 million, and payments of interest to international organizations—IMF excluded—for USD213 million). In turn, the private sector made gross repayments for USD287 million.

Finally, secondary income transactions recorded net inflows for USD17 million.

III.2. Capital Account

In July, the capital account of the foreign exchange balance recorded a surplus of USD11 million.

III.3. Foreign Exchange Financial Account

In July, transactions carried out under the foreign exchange financial account encountered a deficit of USD1,045 million. This result was explained by the deficit recorded in the "National Government and the BCRA" (USD2,070 million) and in the "Non-Financial Private Sector" (USD440 million), which were partly offset by the surplus in "Other Net Transfers" (USD1,080 million), and in the "Financial Sector" (USD385 million) (see Chart III.3.1).[16]

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

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

Date	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24
Foreign Exchange Financial Account	-2,915	-3,676	4,409	-1,132	-4,254	-1,631	-1,525	2,370	-2,487	-1,565	-2,012	-155	634	-1,045
Non-Financial Private Sector	-155	-948	-346	-632	-835	-1,142	-1,005	-450	-471	384	418	59	-172	-440
Financial Sector	179	-800	403	406	-21	-128	-1,555	386	-142	297	192	-275	-302	385
General Government and the BCRA	-2,482	-1,678	4,807	-923	-3,176	-516	-504	2,199	-1,714	-1,543	-2,403	29	522	-2,070
Other Net Transfers	-456	-249	-455	17	-222	155	1,539	235	-160	-703	-218	32	586	1,080

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 USD440 million in July. This was the result of net self-to-self international transfers for USD644 million[17]; payments of balances in foreign currency to local institutions from purchases made on cards to non-resident suppliers for USD146 million (which do not involve a net demand of foreign currency in the financial account); net outflows on financial debt held abroad and debt securities for USD28 million, and outflows from non-residents' portfolio investments for USD3 million. This deficit was partially offset by inflows from foreign assets for USD166 million, the net disbursement of local financial loans for USD129 million, and inflows from foreign direct investments for USD49 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	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24
Foreign Exchange Financial Account	-155	-948	-346	-632	-835	-1,142	-1,005	-450	-471	384	418	59	-172	-440
Non-Residents' Direct Investments	223	45	69	85	91	100	87	45	58	60	56	152	71	49
Non-Residents' Portfolio Investments	-4	0	-1	12	1	-3	0	4	1	2	8	3	-3	-3
Financial Loans and Credit Lines	-188	-281	-525	-389	-538	-556	-396	175	-241	664	730	321	-67	-45
Local Financial Loans	-83	-88	49	-5	-126	-149	-72	228	61	794	542	406	46	129
Other Foreign Loans and Debt Securities	182	76	-326	-103	-56	-89	-32	90	-156	-5	307	42	5	-28
Payment of Card Balance	-287	-270	-248	-282	-356	-318	-292	-143	-146	-125	-118	-127	-118	-146
Loans from Other International Organizations and Other	-56	-84	150	-15	52	-92	-121	10	-22	54	7	-34	82	12
Buildup of Foreign Assets by the Non-Financial Private Sector	0	-196	-91	-84	-112	5	330	-20	94	139	133	94	146	166
Self-to-Self International Transfers	-130	-430	54	-250	-328	-604	-909	-666	-384	-538	-534	-503	-406	-644
Purchase and Sale of Securities	0	-3	-2	9	-1	8	5	2	21	4	16	26	5	24

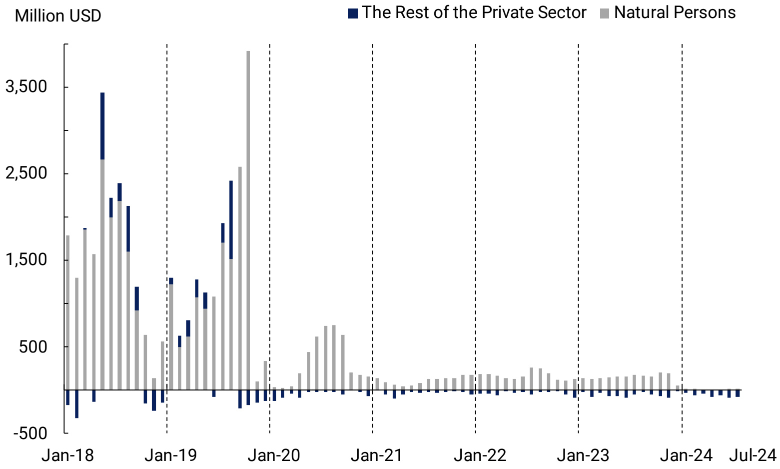
Source: BCRA

Non-financial private sector residents' foreign assets recorded a surplus of USD166 million—i.e., net inflows of foreign currency (USD92 million) and net sales of banknotes (USD74 million).

[17] In July, these transfers were mainly explained as the counterpart of the real sector's collections on exports from goods and services that had not been settled in the foreign exchange market, but were deposited in local accounts, inflows from purchases made by non-resident tourists with cards, and inflows from residents' foreign assets deposited in local accounts, together with inflows of freely available foreign assets from abroad deposited in local accounts.

This outcome reflects net sales for USD79 million made by legal persons, partially offset by net purchases for USD5 million made by “Natural Persons” (see Chart III.3.1.1).

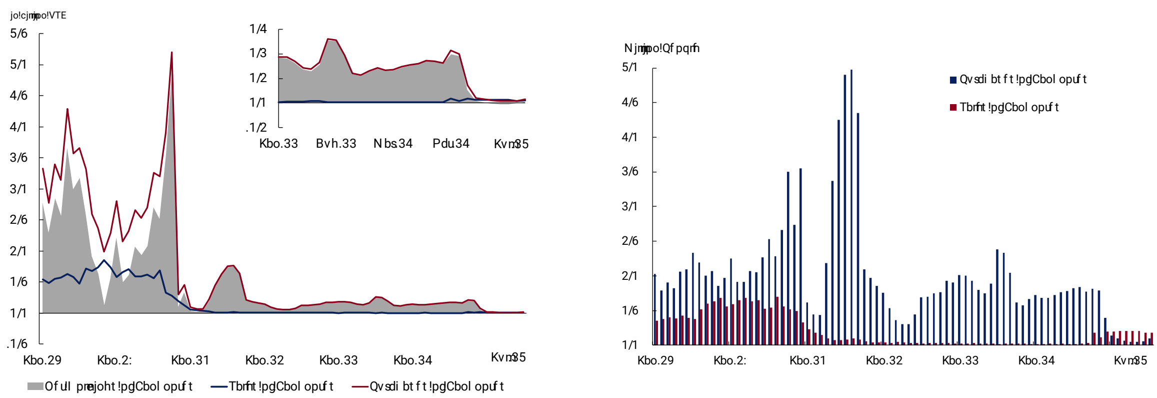
Chart III.3.1.1 Foreign Exchange Balance
Net Purchases of Banknotes by Sector



Source: BCRA

In July, “Natural Persons” purchased banknotes for USD16 million and sold USD11 million. In terms of traders, in July, 177,000 individuals sold banknotes, while buyers amounted to about 97,000 (see Chart III.3.1.2).[18]

Chart III.3.1.2 Foreign Exchange Balance
Natural Persons. Banknotes. Amount (left) and Number of People (right)



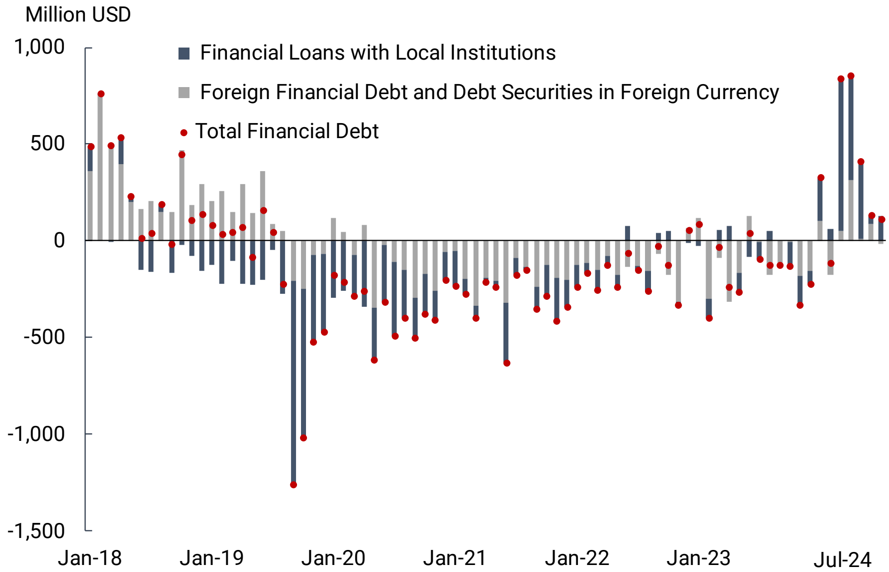
Source: BCRA

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

In turn, in July, this sector recorded net inflows to their own accounts from abroad (USD92 million). This result was explained by net inflows from “Institutional Investors and Others” (USD45 million), “Real Sector” (USD30 million), “Natural Persons” (USD16 million), and “Oilseeds and Grains” (USD1 million).

Net inflows from the non-financial private sector's financial debt, including loans from international organizations and local financial loans, reached USD112 million in July—net inflows from “Energy” (about USD127 million), and “Mining” (about USD40 million) standing out. This amount involves net inflows arising from loans granted by local institutions (USD129 million), partially offset by net outflows on account of financial debt held abroad, securities in foreign currency, and loans owed to international organizations (USD16 million). The total amount excludes purchases of foreign currency to pay card bills for expenses incurred abroad (USD146 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.3.1.3).

Chart III.3.1.3 Foreign Exchange Balance
Non-Financial Private Sector. Financial Debt

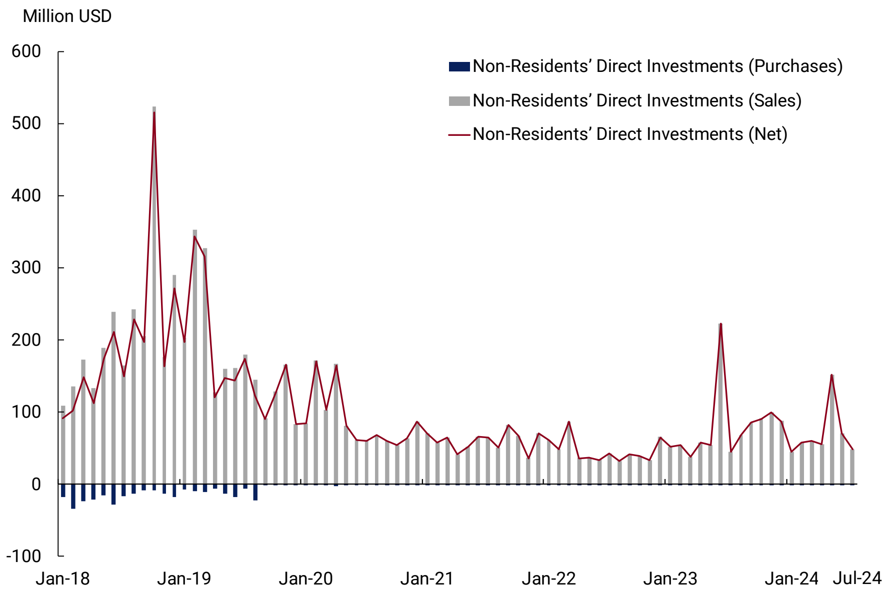


Note: Local financial debt excludes the purchases of foreign currency to pay card bills for expenses incurred abroad, which do not imply a net demand within the forex market

Source: BCRA

Direct investments made by non-residents in the non-financial private sector through the forex market reached USD49 million (net inflows) in July (see Chart III.3.1.4).

Chart III.3.1.4 Foreign Exchange Balance
Non-Residents' Direct Investments. Non-Financial Private Sector



Source: BCRA

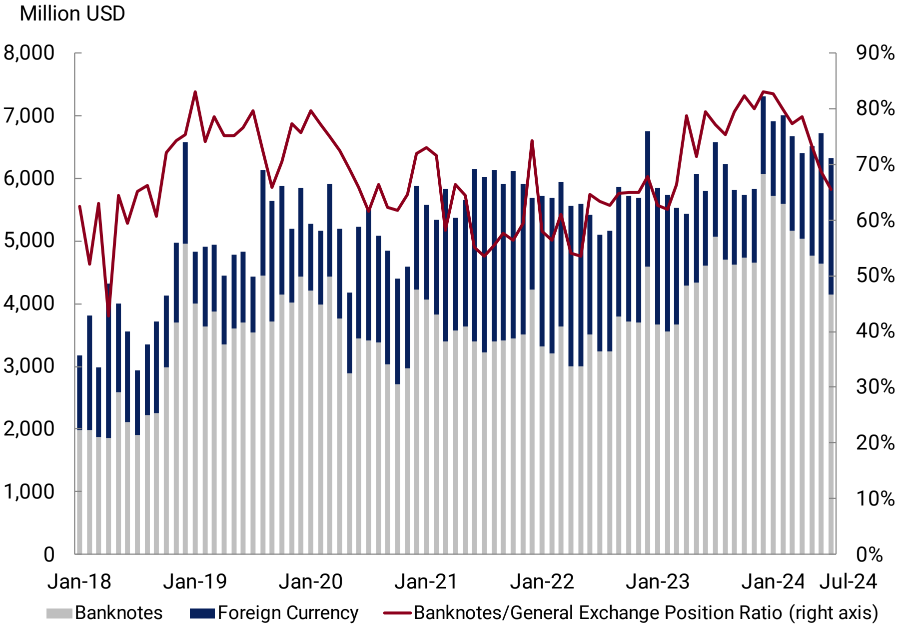
III.3.2. Foreign Exchange Financial Account of the Financial Sector

In July, the transactions carried out under the foreign exchange financial account of the "Financial Sector" resulted in a surplus of USD385 million. This result was mainly explained by a fall of USD400 million in liquid foreign assets of financial institutions' General Exchange Position, and by net inflows from financial loans and credit lines for USD28 million; which were partially offset by the net subscription of securities in foreign currency for USD43 million.[19]

Financial institutions' General Exchange Position amounted to USD6,331 million at the end of July, down 6% against the end of June. This result was explained by a drop in holdings of banknotes (USD482 million), which was partially offset by an increase in the holdings of foreign currency (USD82 million). Holdings of foreign currency banknotes totaled USD4,152 million by the end of the month. This stock accounted for 66% of the total General Exchange Position, and it is allocated by institutions to cover local foreign currency deposit transactions and foreign exchange market needs (see Chart III.3.2.1).

[19] 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.

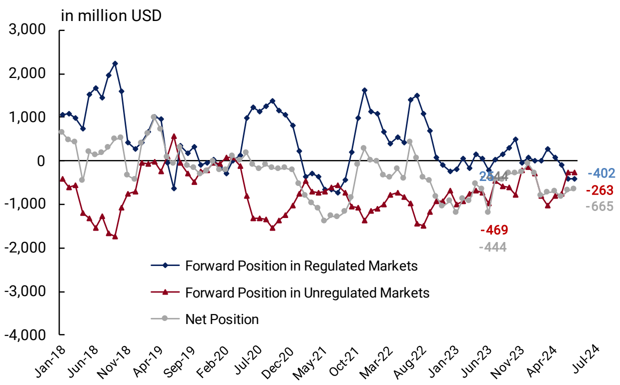
Chart III.3.2.1 Foreign Exchange Balance
Institutions' General Exchange Position

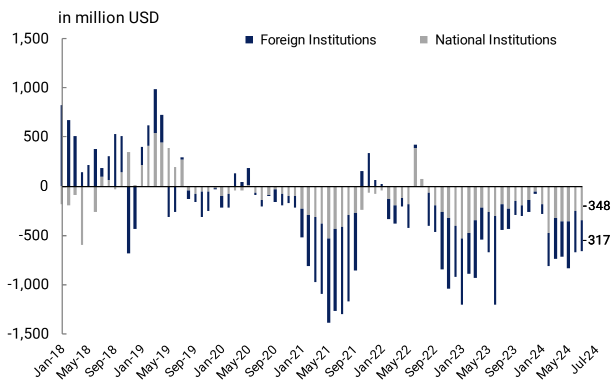


Source: BCRA

On another note, the ensemble of financial institutions ended July with a forward short position in foreign currency of USD665 million, recording a drop of about USD6 million compared to the end of July. They purchased USD4 million in regulated markets and USD3 million from their clients directly (Forwards) over the month (see Chart III.3.2.2).

Foreign capital institutions ended July with a net short position of USD317 million, recording a drop of USD105 million compared to June. In turn, national capital institutions' short position went up by USD99 million against June, reaching USD348 million (see Chart III. 3.2.3).

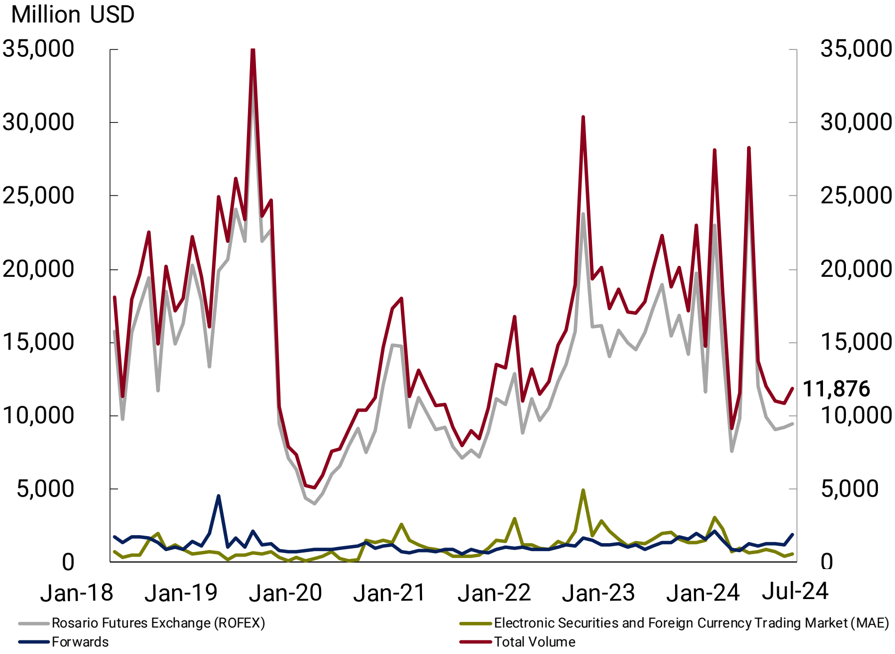




Source: BCRA

The volume traded in forward markets totaled USD11,876 million in July, USD540 million daily on average. Transactions carried out in the Rosario Futures Exchange (ROFEX) continued to stand out, with an 80% share in the total volume traded in the forward market (see Chart III.3.2.4).[20]

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



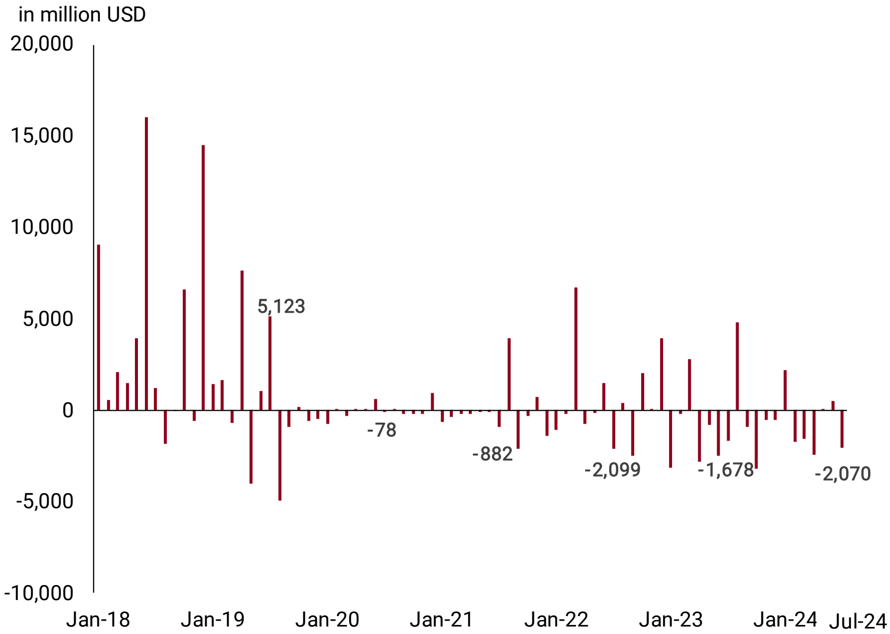
Source: BCRA

III.3.3. 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 BCRA" recorded a deficit of USD2,070 million (see Chart III.3.3.1). This is mainly explained by payments of principal of sovereign bonds and other public debt (USD1,660 million); gross payments of principal to the IMF (USD646 million; SDR487 million); and payments of other financial loans (USD 35 million), which were partially offset by net inflows from international organizations' loans (IMF excluded) for USD277 million.

[20] 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

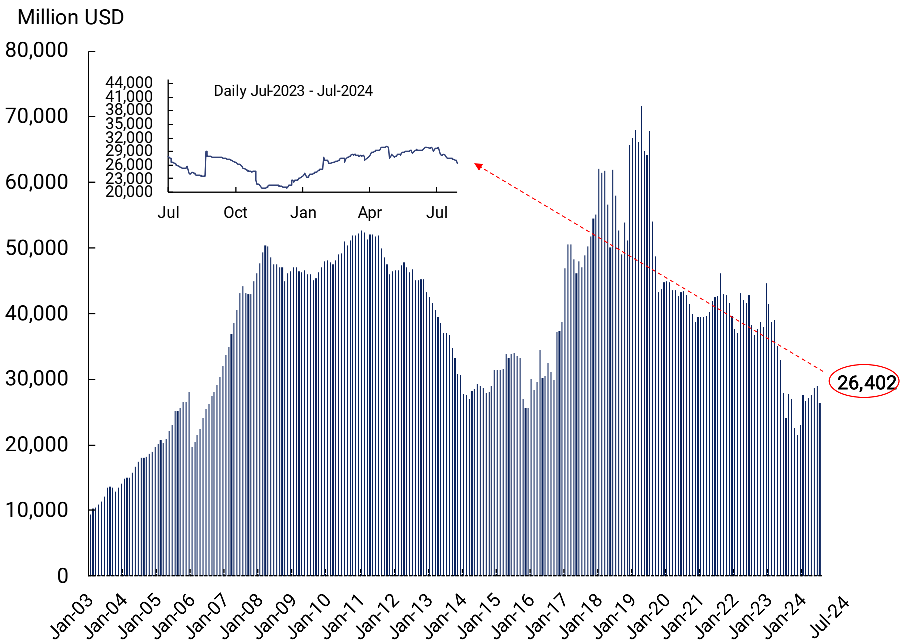


Source: BCRA

IV. BCRA's International Reserves

During July, BCRA's international reserves fell USD2,620 million, totaling USD26,402 million by the end of the month. This fall was mainly the result of outflows from payments of principal and interest of sovereign bonds and other public debt (USD2,653 million), gross payments of principal to the IMF (USD646 million; SDR487 million), BCRA's settlements of net sales in the foreign exchange market (USD138 million), net payments of principal and interest to international organizations—IMF excluded—(USD93 million), and net payments made by the BCRA through the Local Currency Payment System (USD64 million); which were partially offset by the increase in financial institution's holdings of foreign currency in the BCRA (USD1,265 million), and the increase in the US dollar exchange rate of foreign exchange reserves (USD82 million) (see Chart IV.1).

Chart IV.1 BCRA's International Reserves



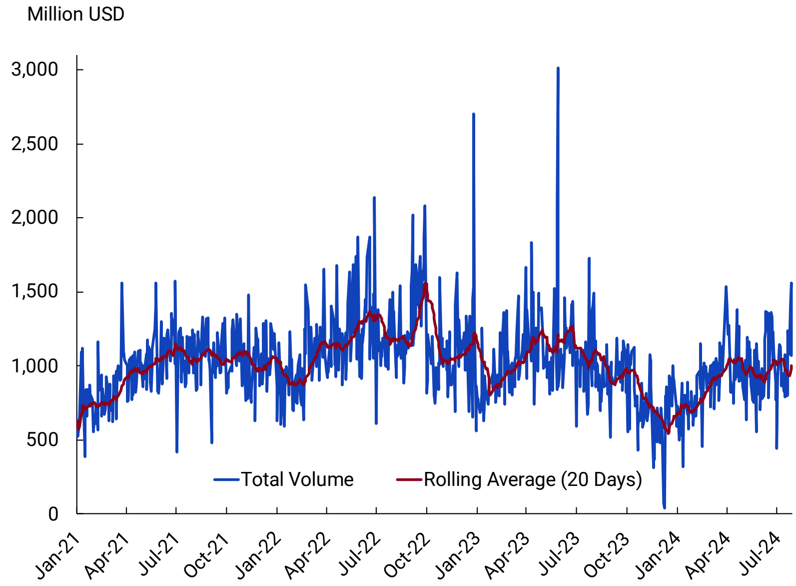
Source: BCRA

V. Volumes Traded in the Foreign Exchange Market

In July, the volume traded in the forex market totaled USD21,672 million, remaining virtually unchanged compared to July 2023 (see Chart V.1). However, a closer breakdown reveals a 66% y.o.y. drop in transactions between the institutions and the BCRA[21] (down USD1,868 million), while transactions between the institutions rose by 20% (up USD889 million), and transactions between the institutions and their clients rose by 7% (up USD1,041 million).

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

Chart V.1 Foreign Exchange Market Volume Traded Daily Evolution



Source: BCRA

Foreign exchange transactions between institutions and their clients accounted for 71% of the total volume traded; transactions between institutions, and transactions between institutions and the BCRA—through the Electronic Trading System (SIOPEL)—represented 24% and 5%, respectively (see Chart V.2).[22]

In July, there were 119 trading institutions, conducting transactions in 38 different currencies. Most of the volume traded between licensed institutions and their clients was highly concentrated both at institution level (the first ten accounted for 88% of such volume) and in terms of the currency used, USD-denominated transactions having a 95% share in the total traded with clients, followed by euros, which accounted for just over 3% of the total, the yuan accounting for about 1% and the remaining currencies concentrated the rest of the total volume traded (see Chart V.3).

[22] The volume traded between licensed institutions and their clients excludes the following items: the subscription of LEBAC bills, self-to-self international transfers (around USD1,946 million), the record of deposits in foreign currency allocated for the payment of financial debt service for about USD161 million, and purchases of foreign currency to pay card bills (around USD148 million for the month under study).

Chart V.2 Foreign Exchange Market
Total Volume and Share - July 2024

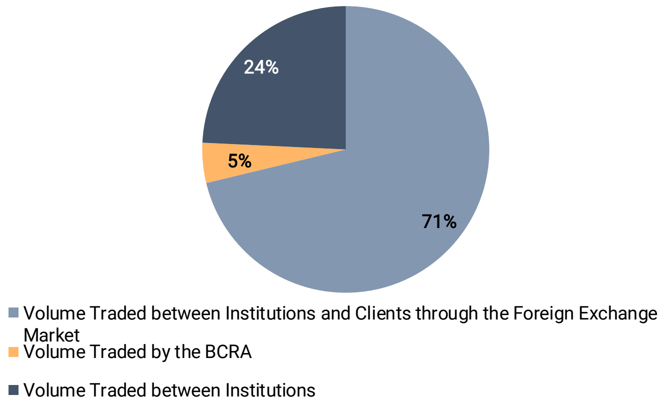
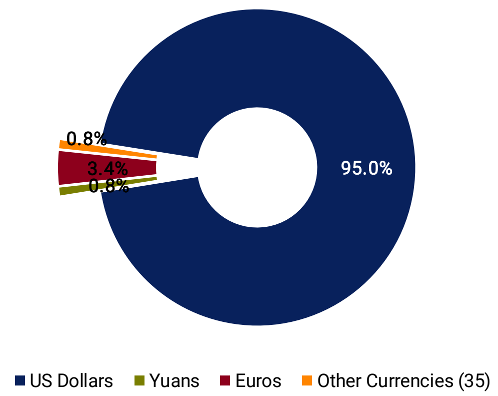


Chart V.3 Foreign Exchange Market
Volume with Clients by Currency - July 2024



Source: BCRA

Finally, 91% of foreign exchange transactions between financial and foreign exchange institutions and their clients were channeled through private financial institutions, and the remaining 9% through public banks.