

Evolution of the Foreign Exchange Market and the Foreign Exchange Balance

June 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, during June, financial institution's clients purchased USD1,438 million in the forex market, while financial institutions' purchases amounted to USD177 million. The BCRA sold USD1,490 million in the forex market, and also made net payments through the Local Currency Payment System for USD126 million.

The "Non-Financial Private Sector" was a net purchaser of foreign currency for USD1,365 million. Within this group, the "Oilseeds and Grains" sector was the main net seller with net inflows of USD791 million, down 79% on a y.o.y. comparison. June's net inflows from goods were lower as a result of the drought that has been affecting exportable goods and the sector's partial payments of commercial debts made in June under the 3rd edition of the "Export Increase Program".

The "Real Sector excluding Oilseeds and Grains" was a net purchaser of foreign currency, with a total of USD1,629 million, down 38% y.o.y., mainly explained by a lower deficit in the Goods and Services accounts, and foreign direct investment inflows.

"Natural Persons" made net purchases totaling USD537 million mainly for traveling expenses and other payments on cards to non-resident suppliers (USD334 million), and for saving purposes (USD158 million).

"Institutional Investors and Others"—both residents and non-residents—made net sales for USD11 million in June, mainly on account of net inflows from interest.

The foreign exchange current account recorded a deficit of USD1,712 million. This result was explained by the deficits recorded in Goods (USD921 million), Primary Income (USD426 million), Services (USD363 million), and Secondary Income (USD1 million).

The financial account of the "Non-Financial Private Sector" had a deficit of USD155 million in June, resulting from payments of balances in foreign currency to local institutions originated from purchases made with cards to non-resident suppliers for USD287 million (which do not involve a net demand of foreign currency in the financial account)¹; self-to-self net international transfers for USD130 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.); net outflows on account of local financial loans for USD83 million; and net payments of loans from international organizations for USD56 million. This deficit was partially offset by inflows from foreign direct investment of USD223 million, and inflows from other foreign financial debt and debt securities of USD182 million. In turn, the build-up of foreign assets retained a neutral balance.

¹ The demand of foreign currency due to purchases made with cards from foreign suppliers is recorded in a services account of the foreign exchange balance, under "Travel and Passenger Transport, and Other Expenses Paid with Cards".

The transactions carried out under the foreign exchange financial account of the “Financial Sector” recorded a deficit of USD51 million. This result was explained by the net sale of securities (USD63 million) and the payment of financial loans and lines of credit (USD38 million), which were partially offset by a decrease of USD50 million in liquid foreign assets of financial institutions’ General Exchange Position.²

In June, the transactions carried out under the foreign exchange financial account of the “General Government and the BCRA” recorded a deficit of USD2,482 million, mainly explained by repayments of principal owed to the IMF totaling USD2,683 million (SDR2,014 million).

During June, BCRA’s international reserves fell USD5,075 million, totaling USD27,926 million by the end of the month. This was mainly explained by repayments of principal owed to the IMF totaling about USD2,683 million (SDR2,014 million), and a fall in financial institution’s holdings of foreign currency by USD717 million and in the US dollar exchange rate of foreign exchange reserves by USD445 million, net sales of the BCRA in the forex market, and net payments settled by the BCRA through the Local Currency Payment System.

² 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](#).

I. Introduction

This report analyzes information on foreign exchange transactions made in June 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.³

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

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

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

Section II of this report analyzes the result of foreign exchange transactions for June; data are broken down by sector and by heading.⁴

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**

³ Communication "A" 3840, as amended.

⁴ 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](#)).⁵

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 June, financial institution's clients purchased USD1,438 million in the forex market, and financial institutions' purchases amounted to USD177 million. The BCRA sold USD1,490 million in the forex market, and also made net payments through the Local Currency Payment System for USD126 million. The National Treasury made purchases directly from the BCRA for USD2,942 million (see Table II.1).^{6 7 8}

⁵ The Central Bank's website (www.bcra.gob.ar) contains different statistical series of the Foreign Exchange Market (to access statistical series, [click here](#)), together with an annex broken down by sector and main headings (to access the Statistical Annex of the Foreign Exchange Balance [click here](#)). In addition, the "Main differences between the balance of payments and the foreign exchange balance" are available [here](#). The results in this section are broken down by the main sectors trading in the forex market in order to set net purchasers apart from net sellers.

⁶ 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](#)

⁷ Transactions in the forex market are reported according to their transaction date, except for the purchase and sale of securities payable in foreign currency.

⁸ The result by sector excludes purchases of foreign currency to pay card bills for expenses incurred abroad for an amount of USD288 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	Jun-22	Jun-23	2022 up to Jun	2023 up to Jun
BCRA - Market	-1,046	1,490	-1,890	3,481
BCRA - SML	59	126	398	568
National Treasury	-	-	2	-
Institutions	547	-177	693	34
Institutions' Clients (1 + 2 + 3)	440	-1,439	798	-4,084
1. Non-Financial Private Sector	450	-1,365	1,542	-3,708
Oilseeds and Grains	3,693	791	20,021	9,129
Real Sector Excluding Oilseeds and Grains	-2,633	-1,629	-14,731	-9,269
Natural Persons	-622	-537	-3,329	-3,014
Institutional Investors and Others	11	10	-418	-553
2. General Government (National Treasury Excluded)	17	73	-474	86
3. Institutions (Own Transactions)	-26	-147	-271	-462
National Treasury Directly with the BCRA	-253	-2,942	-2,253	-5,261

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).⁹

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](#)).

⁹ 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. June 2023.
 Equivalent in million dollars

Sector/Main Headings	Goods	Travel and Passenger Transport, and Other Expenses Paid with Cards	Remaining Services and Other Current Transfers	Foreign Assets - Banknotes	Foreign Assets - Foreign Currency	Net Self-to-Self International Transfers	Debt, FDI, Portfolio, and Other Transactions	Total
Non-Financial Private Sector	-883	-545	7	-67	67	-130	185	-1,365
Oilseeds and Grains	799	0	6	0	0	0	-14	791
Real Sector Excluding Oilseeds and Grains	-1,546	-200	-151	47	57	-62	226	-1,629
Natural Persons	-29	-334	-1	-158	-1	-14	0	-537
Institutional Investors and Others	-108	-11	154	44	12	-54	-26	10
General Government (National Treasury Excluded)	-14	0	-89	223	0	-33	-14	73
Institutions (Own Transactions)	-24	0	-22	0	0	0	-101	-147
Institutions' Result with Clients	-921	-545	-103	156	68	-163	71	-1,438
Result for Forex Transactions	-898	-662	-114	155	6	0	73	-1,438
Result for Self-to-Self International Transfers	-23	118	10	0	61	-163	-2	0

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

Source: BCRA

"Oilseeds and Grains" was the main net seller of foreign currency in the market over June. This sector recorded net inflows for USD791 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 USD799 million, down 78% against June 2022. As a result of the sector's partial payments of commercial debts made in May under the 3rd edition of the "Export Increase Program" for soybean and its byproducts, June's net inflows from goods were lower.

The "Real Sector excluding Oilseeds and Grains" was a net purchaser of foreign currency, with a total of USD1,629 million, down 38% y.o.y., mainly explained by a lower deficit in the Goods and Services accounts, and higher inflows recorded from foreign direct investments and financial debt. In this sense, the two economic sectors generating more deficit with their purchases were "Machinery and Equipment" (USD708 million) and "Chemical, Rubber and Plastic Industries" (USD455 million), while the two sectors recording the highest surplus were "Food, Beverages and Tobacco" (USD516 million) and "Mining" (USD387 million), (see Table II.3).

Table II.3 Foreign Exchange Market

Result of the Real Sector excluding Oilseeds and Grains disaggregated by main headings. June 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	525	0	-2	0	0	-11	3	516
Mining	356	0	-1	0	40	-55	48	387
Agriculture and Other Primary Activities	196	0	-3	1	0	-12	2	184
Information Technology	-24	0	135	0	0	-6	4	110
Communications	-25	0	1	43	1	-2	-14	4
Water	-1	0	0	0	0	0	0	-1
Entertainment	-3	0	8	0	1	-1	-5	-1
Gastronomy	-4	0	-1	0	0	0	2	-3
Non-Metallic Mineral Products (Cement, Ceramics and Others)	-15	0	0	0	0	0	-1	-17
Construction	-21	0	-9	0	0	-10	9	-29
Paper, Publishing and Printing Industry	-86	0	3	0	0	0	-3	-85
Textile and Leather Industries	-109	0	-1	0	0	1	-2	-111
Tourism and Accommodation Services	1	-134	4	0	0	-6	0	-135
Energy*	-182	0	-228	1	6	57	197	-149
Common Metals and their Manufacture	-133	0	-11	0	1	-5	-14	-161
Other Manufacturing Industries	-188	0	12	0	3	-2	5	-171
Transport	-19	-67	-77	1	0	-40	0	-201
Automobile Industry	-254	0	-19	0	0	31	-9	-250
Commerce	-368	0	6	0	1	-1	8	-353
Chemical, Rubber and Plastic Industries	-482	0	23	0	0	0	3	-455
Machinery and Equipment	-710	0	8	0	1	0	-8	-708
Total	-1,546	-200	-151	47	57	-62	226	-1,629

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

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

Source: BCRA

Financial institutions made net purchases with their own funds of USD147 million mainly to pay financial debt.

In turn, the “General Government” (excluding the National Treasury) made net sales in the forex market for USD73 million.

“Natural Persons” made net purchases totaling USD537 million mainly for traveling expenses and other payments on cards to non-resident suppliers (USD334 million), and for saving purposes (USD158 million).

“Institutional Investors and Others”—both residents and non-residents—made net sales for USD11 million in June, mainly on account of net inflows from interest.

III. Foreign Exchange Balance

The Foreign Exchange Balance comprises transactions carried out by institutions with their clients in the foreign exchange market (included in Section II) and those carried out by the BCRA—either on its own account or on behalf of the National Government. It is worth noting that the Foreign Exchange Balance is presented in an analytical format based on the Balance of Payments broken down by component and by institutional sector.

III. 1. Current account

Current account transactions recorded in the foreign exchange balance showed a deficit of USD1,712 million in June, explained by the deficits of all its accounts (See Table III. 1.1).¹⁰

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

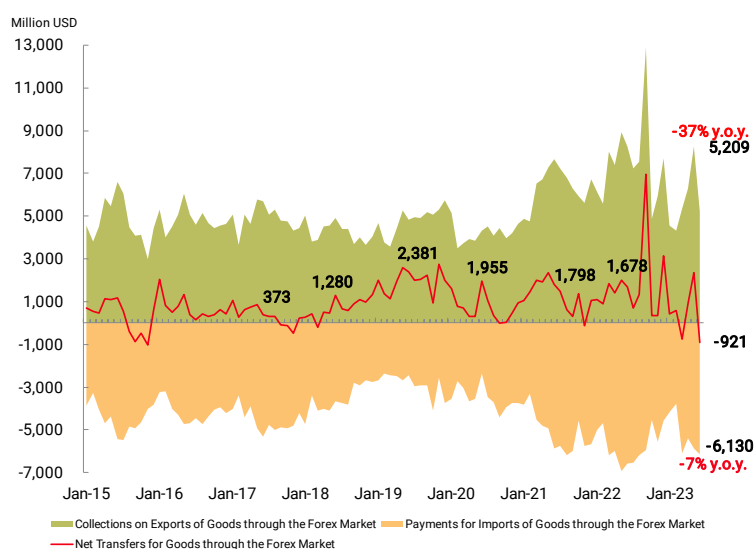
Date	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23
Foreign Exchange Current Account	522	-1,302	-572	5,478	-664	-1,201	2,220	-1,651	-1,237	-2,020	71	776	-1,712
Goods	1,678	689	1,345	6,948	363	359	3,158	414	572	-747	903	2,363	-921
Services	-896	-1,065	-1,072	-1,075	-799	-641	-473	-725	-653	-866	-506	-430	-363
Primary Income	-261	-934	-844	-387	-217	-917	-467	-1,352	-1,142	-432	-310	-1,169	-426
Secondary Income	1	8	-2	-9	-12	-3	1	12	-14	25	-15	12	-1

Source: BCRA

III.1.1 Goods

In June, transfers for “Goods” on the foreign exchange balance exhibited net outflows for USD921 million, resulting from payments of imports for USD6,130 million and collections on exports for USD5,209 million (see Chart III.1.1.1).

Chart III.1.1.1 Foreign Exchange Balance
Transfers for Goods



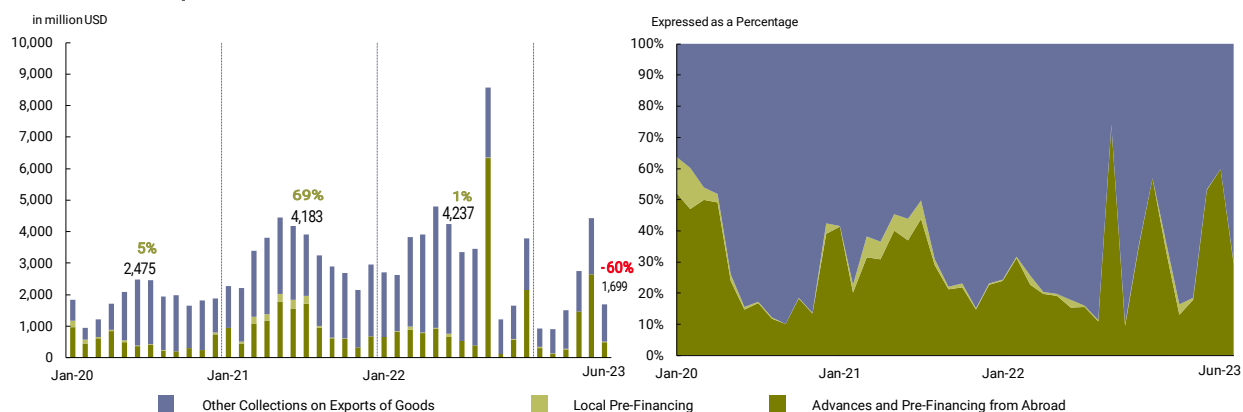
Source: BCRA

¹⁰ 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 June, the “Oilseeds and Grains” sector recorded foreign currency sales for collections on exports of goods through the forex market for USD1,699 million (-60% y.o.y.). The year-on-year drop in sales is mainly explained by losses in production caused by drought, and also by the partial payments of commercial debt made by the sector in May under the “Export Increase Program”. The sector’s FOB exports totaled USD2,309 million in June; about USD610 million above inflows from the collection on exports of goods through the forex market. This would imply that the sector made payments of commercial debt during June.

In line with this behavior, only 30% of the sector's inflows were collected ahead of time in June, 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).

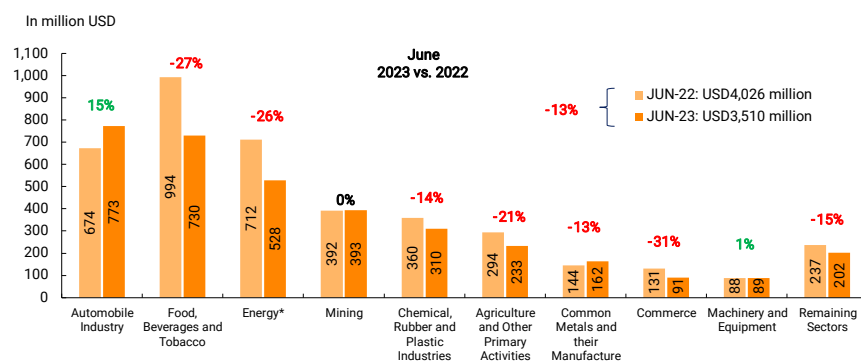
**Chart III.1.1.2 Foreign Exchange Balance
Collection on Exports of Goods from the “Oilseeds and Grains” Sector**



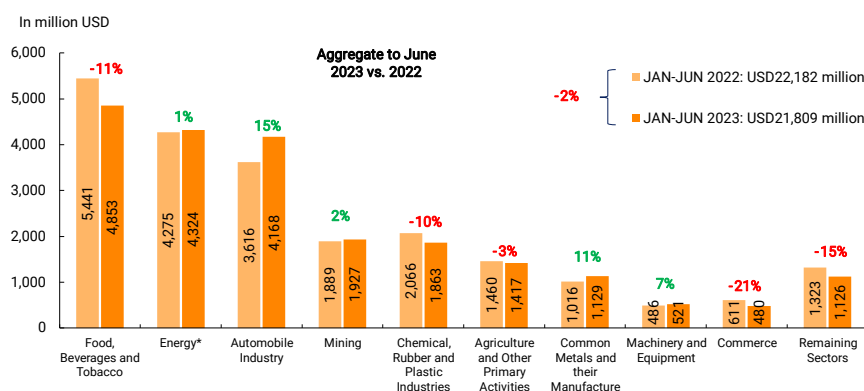
Source: BCRA

Inflows from the collections on exports of goods from the remaining sectors totaled USD3,510 million in June, decreasing 13% y.o.y., and 2% on a year-to-date basis (see Chart III.1.1.4).

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



*Note: it includes Oil, Electricity and Gas Sectors



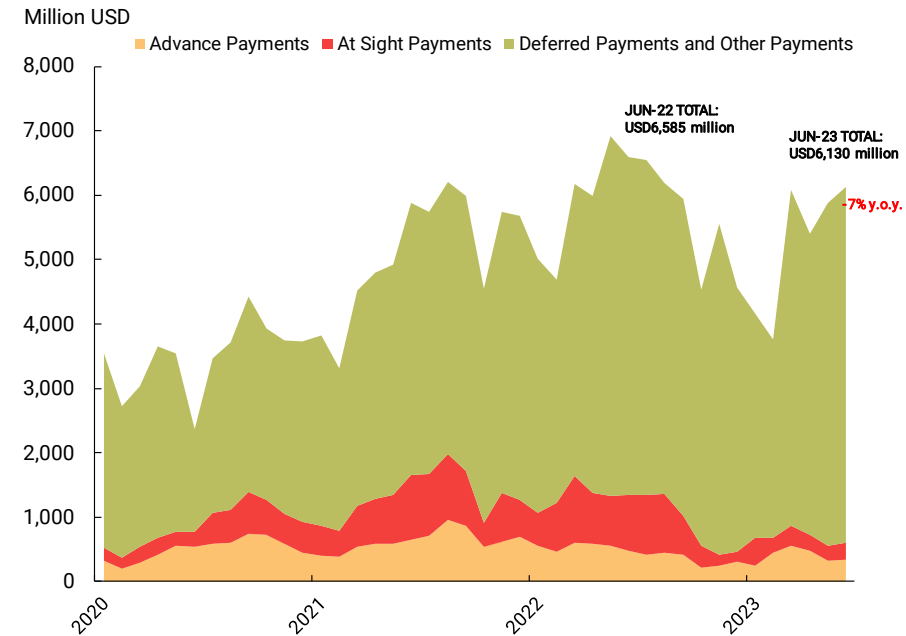
Source: BCRA

Broken down by sector, the relative dynamism of the “Automobile Industry” sector stood out during the month, with a year-on-year increase of 15%, while the rest of the sectors either decreased or evidenced a limited increase in year-on-year terms.

In June, payments of imports of goods totaled USD6,130 million, falling 7% y.o.y. and standing below June’s FOB imports (USD6,788 million). This would imply either an increase in the sector’s commercial indebtedness level or a decrease in its foreign assets due to advances.

As regards imports of goods, 90% of payments were deferred, 5% were advance payments, and the other 4% were sight payments in June (see Chart III.1.1.5).

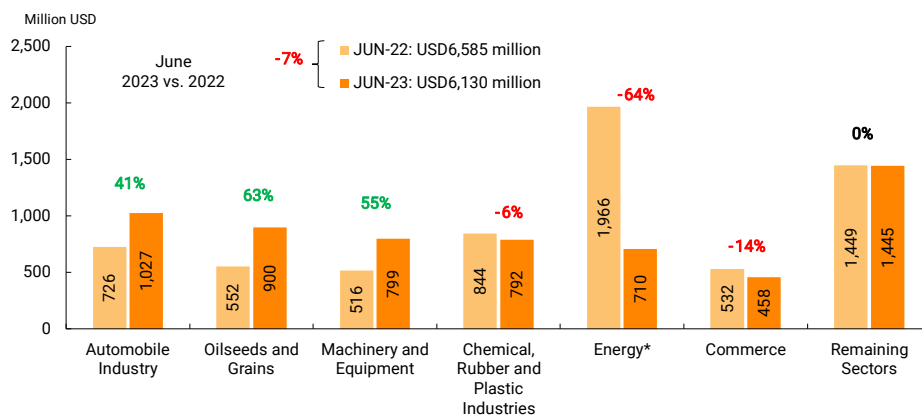
Chart III.1.1.5 Foreign Exchange Balance
Evolution of Payments for Imports of Goods by Type of Payment



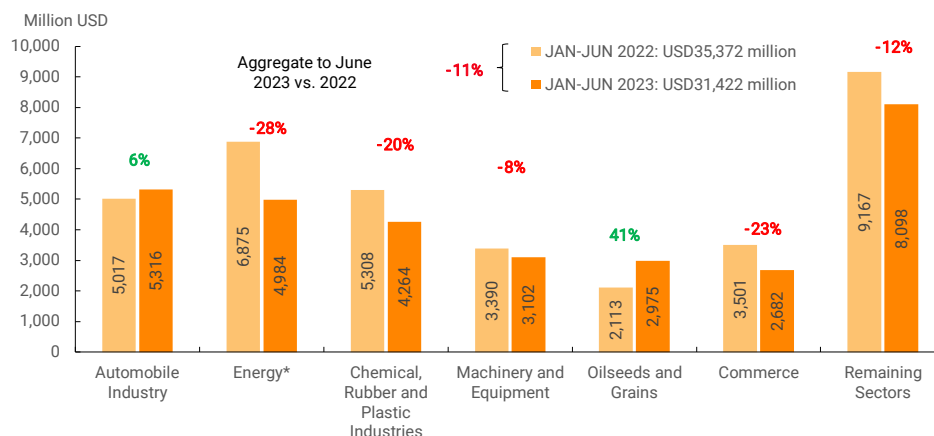
Source: BCRA

A 17% of total payments for imports of goods made in June corresponded to the “Automobile Industry” sector, followed by the “Oilseeds and Grains” sector (15%). “Oilseeds and Grains” was the sector that showed greater dynamism in June with a 63% y.o.y. increase, explained by the commodities needed by this sector to sustain activity levels and meet previously agreed commitments in a context of drought (see Chart III. 1.1.6).

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



*Note: it includes Oil, Electricity and Gas Sectors

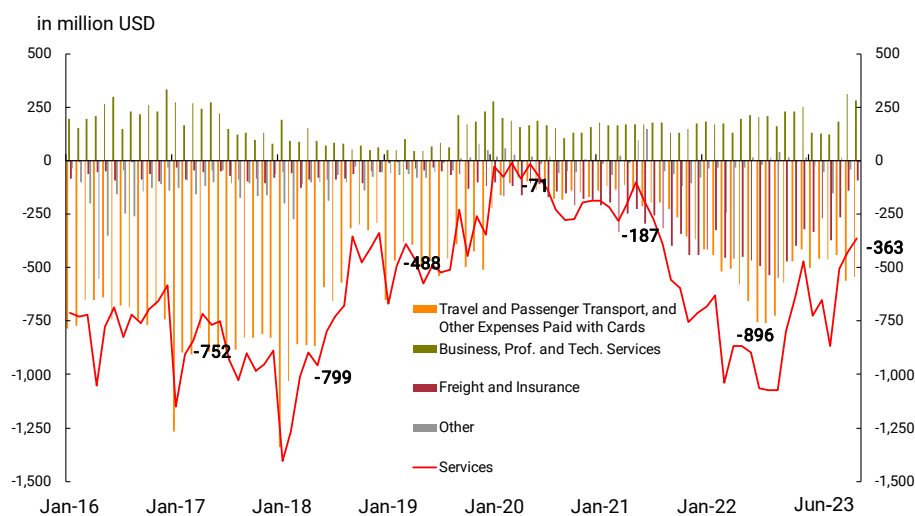


Source: BCRA

III.1.2 Services, Primary and Secondary Income

The “Services” account recorded a deficit of USD363 million in June, down 59% against the net outflows of June 2022. This improvement correlated with a fall in gross outflows for both “Freight and Insurance” (USD122 million; down 77% y.o.y.) and for “Business, Professional and Technical Services” (USD58 million, down 63% 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).

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



Source: BCRA

In June, gross inflows from Travel and Passenger Transport amounted to USD143 million (up 241% in y.o.y. terms). This increase was observed after the implementation of Communication “A” 7630, dated November 3, 2022, which set forth that any inflows arising from non-resident cards, charges of tourist services hired by non-residents and charges of non-resident passenger transport services are exempted from the requirement to settle currency in the forex market. This measure seeks to boost foreign currency inflows from inbound tourism. In addition, a higher exchange rate is charged on card consumptions of non-resident visitors.¹¹ In turn, gross outflows from Travel and Passenger Transport totaled USD688 million, down 3% against May, and 1% in y.o.y. terms.¹²

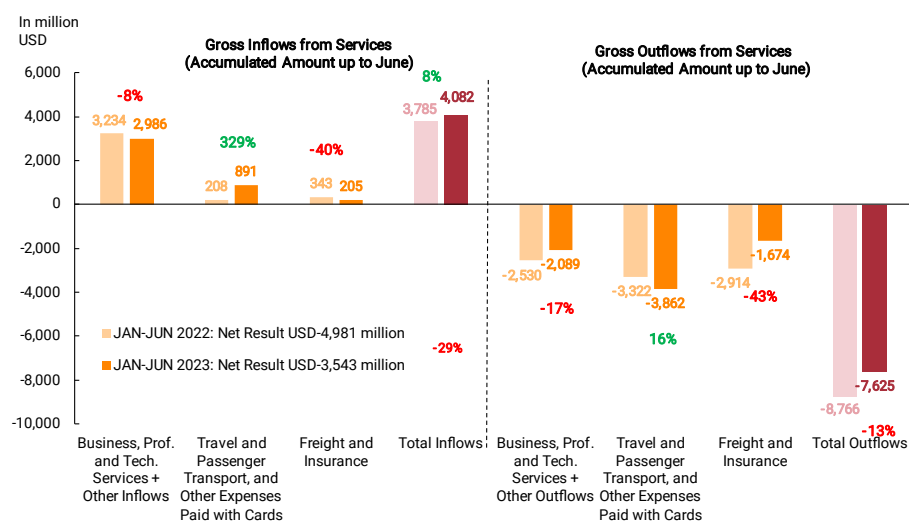
Thus, this month’s result was explained by net outflows of “Travel, Passenger and Passenger Transport, and Other Expenses Paid with Cards” (USD545 million), “Freight and Insurance” (USD91 million) and “Other Services” (USD8 million), partially offset by net inflows from “Business, Professional and Technical Services” (USD281 million).

Over the accumulated period from January up to June 2023, net outflows from the payment of services totaled USD3,543 million, down 29% against the same period in 2022 (see Chart III.1.2.2).

¹¹ 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.

¹² 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 USD426 million in June, mainly due to net payments of “Interest” for USD400 million. In addition, the “General Government and the BCRA” paid USD206 million of gross interest (including payments of USD178 million to international organizations—IMF excluded—and USD28 million of other payments). In turn, the private sector repaid USD235 million for the same heading. In addition, gross outflows of profits, dividends and other income transferred to accounts abroad amounted to USD26 million.¹³

Finally, secondary income transactions had a deficit of USD1 million.

III.2 Capital Account

In June, the capital account of the foreign exchange balance had a deficit of USD3 million.

III.3 Foreign Exchange Financial Account

In June, the transactions carried out under the foreign exchange financial account recorded a deficit of USD2,915 million. This result was explained by a deficit in the “General Government and the BCRA”

¹³ The regulations on the access to the forex market for the payment of profits and dividends set out that the companies that have exchanged foreign currency from new direct investment contributions in the forex market since January 2020 can make payments of up to 30% of the accumulated amount so exchanged since that date. In turn, non-resident shareholders will be able to access the forex market for the payment of profits and dividends on foreign direct investment contributions entered and exchanged in the forex market since November 16, 2020, and allocated to finance projects under the “Plan for the Promotion of the Argentine Natural Gas Production”. Since 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.

(USD2,482 million), in the “Other Net Transfers” account (USD227 million), and in the “Non-Financial Private Sector” (USD155 million) and “Financial Sector” (USD51 million) accounts (see Table III.3.1).¹⁴

Table III.3.1. Foreign Exchange Balance

Foreign Exchange Financial Account

Equivalent in million dollars

Date	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23
Foreign Exchange Financial Account	961	-2,998	-342	-3,793	2,241	-303	3,669	-2,219	-734	1,855	-4,091	-2,191	-2,915
Non-Financial Private Sector	-512	-719	-919	-639	-617	-660	-409	-412	-713	-675	-852	-677	-155
Financial Sector	175	372	25	-616	192	14	-1,078	878	62	198	76	-528	-51
General Government and the BCRA	1,472	-2,089	257	-2,519	2,081	80	3,945	-3,138	-218	2,815	-2,823	-786	-2,482
Other Net Transfers	-173	-562	295	-19	585	262	1,211	453	135	-484	-493	-199	-227

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 USD155 million in June, resulting from payments of balances in foreign currency to local institutions originated from purchases made with cards to non-resident suppliers for USD287 million (which do not involve a net demand of foreign currency in the financial account)¹⁵; self-to-self net international transfers for USD130 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.); net outflows on account of local financial loans for USD83 million; and net payments of loans from international organizations for USD56 million. This deficit was partially offset by inflows from foreign direct investment of USD223 million, and inflows from other foreign financial debt and debt securities of USD182 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-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23
Foreign Exchange Financial Account	-512	-719	-919	-639	-617	-660	-409	-412	-713	-675	-852	-677	-155
Non-Residents' Direct Investments	34	43	32	41	40	33	66	52	54	38	58	54	223
Non-Residents' Portfolio Investments	0	2	6	0	-1	-3	1	-1	3	-1	0	-1	-4
Financial Loans and Credit Lines	-272	-465	-629	-437	-476	-515	-130	-149	-582	-278	-456	-420	-188
Local Financial Loans	74	-22	-105	42	52	-17	-12	-28	-97	56	76	-101	-83
Other Foreign Loans and Debt Securities	-97	-75	-181	-100	-169	-235	126	107	-248	-45	-317	-81	182
Payment of Card Balance	-249	-368	-343	-379	-358	-262	-244	-228	-237	-290	-215	-237	-287
Loans from Other International Organizations and Other	-38	-54	26	31	-5	-79	-58	8	-52	-41	1	-83	-56
Buildup of Foreign Assets by the Non-Financial Private Sector	-68	-179	-186	-107	14	56	95	-81	-11	-4	-397	-83	0
Self-to-Self International Transfers	-169	-66	-170	-167	-189	-152	-381	-240	-123	-386	-56	-150	-130
Purchase and Sale of Securities	0	0	2	0	-1	-1	-1	-2	-2	-2	-2	5	0

Source: BCRA

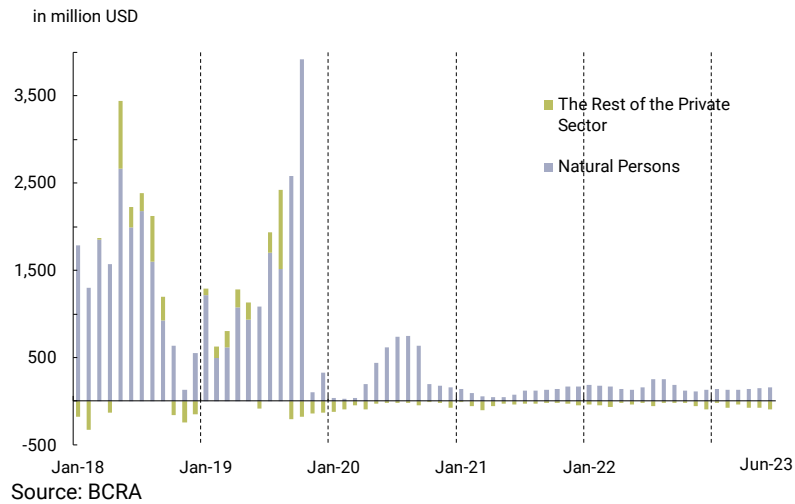
Non-financial private sector residents' foreign assets recorded a neutral result—i.e., net purchases of banknotes (USD67 million) minus net inflows of foreign currency (USD67 million).

This outcome reflects net purchases for USD158 million made by “Natural Persons”, partially offset by net sales for USD91 million made by legal persons (see Chart III.3.1.1).

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

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

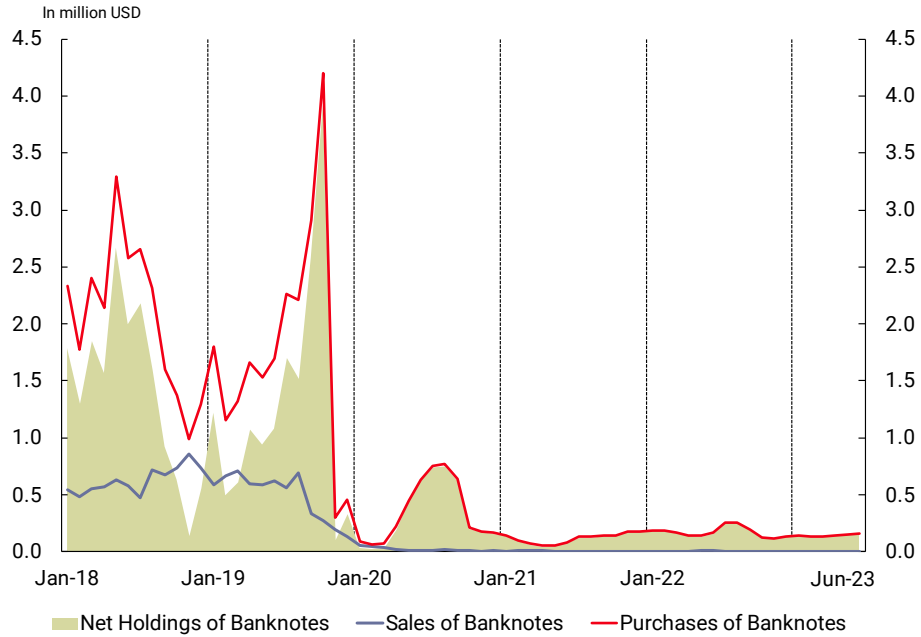
**Chart III.3.1.1 Foreign Exchange Balance
Net Purchases of Banknotes by Sector**



In June, “Natural Persons” purchased banknotes for USD161 million—up 4% against May, but down 3% y.o.y.—and sold USD3 million (see Chart III.3.1.2).¹⁶

¹⁶ 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 Federal Administration of Public Revenue (AFIP) will collect a 35% contribution in advance of income and personal property taxes from natural persons applying for foreign currency to build up foreign assets, or pay their debit and/or credit card bills (General Resolution 4815/2020).

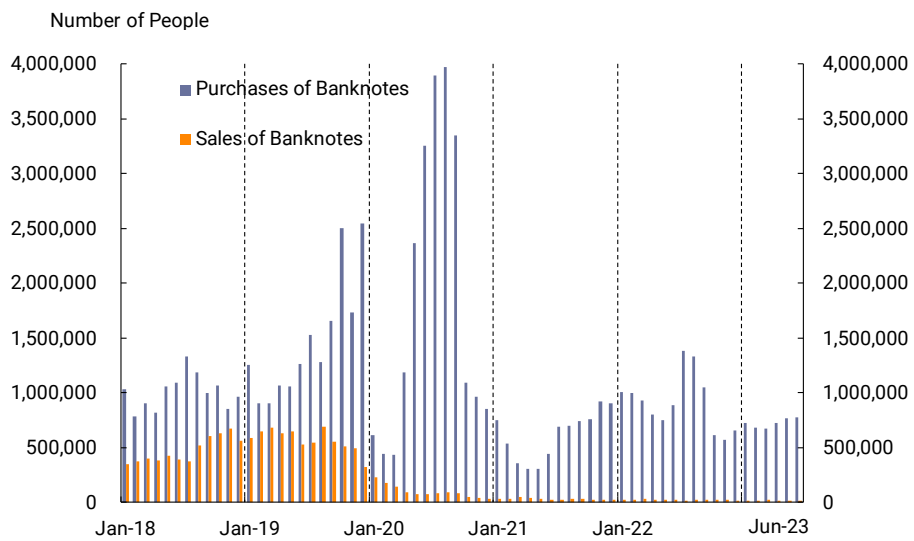
**Chart III.3.1.2 Foreign Exchange Balance
Natural Persons. Banknotes**



Source: BCRA

In terms of traders, 778,000 individuals purchased banknotes, while sellers amounted to about 19,000—per capita purchases and sales amounting to about USD200 and USD160, respectively (see Chart III.3.1.3).

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

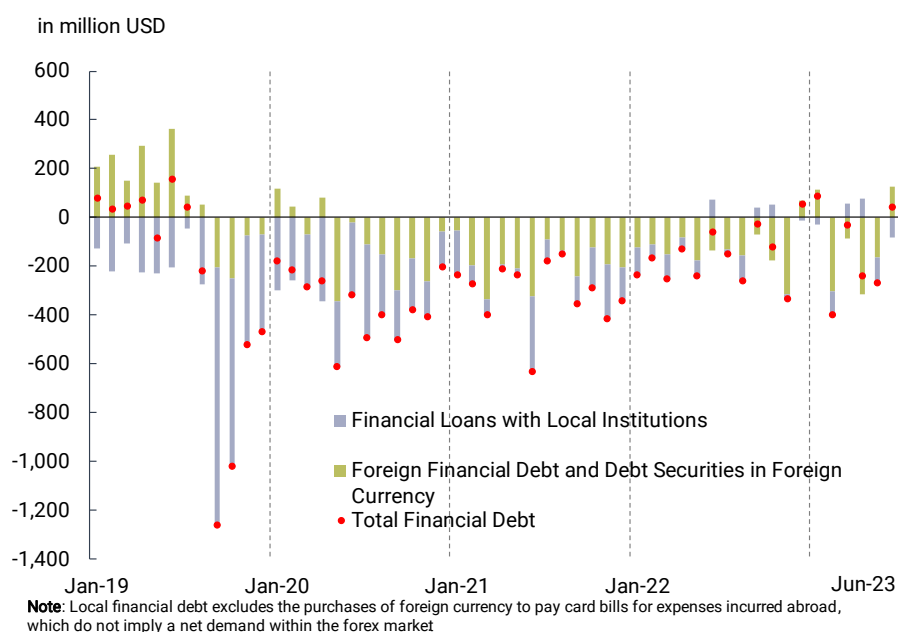


Source: BCRA

In turn, in June, this sector recorded net inflows from their own accounts abroad (USD67 million). This result is mainly explained by the net transfers received by the “Real Sector excluding Oilseeds and Grains” (USD57 million) and by “Institutional Investors and others” (USD11 million), which were partially offset by the transfers made by “Natural Persons” for USD1 million.

Net inflows of financial debts from the non-financial private sector, including loans from international organizations and local financial loans, reached USD43 million in June. This amount involves net inflows on account of financial debt held abroad, securities in foreign currency, and loans owed to international organizations (USD126 million), with inflows from the “Energy” and “Mining” sectors standing out (about USD44 million and USD31 million, respectively), which were partially offset by net payments of loans granted by local institutions (USD83 million). The total amount excludes purchases of foreign currency to pay card bills for expenses incurred abroad (USD288 million), which do not imply a net demand within the whole system, i.e., the ensemble of financial institutions and the BCRA. Instead, they were calculated under the heading “Travel, and Other Expenses Paid with Cards” at the time of the transfer abroad (see Chart III.3.1.4).¹⁷

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

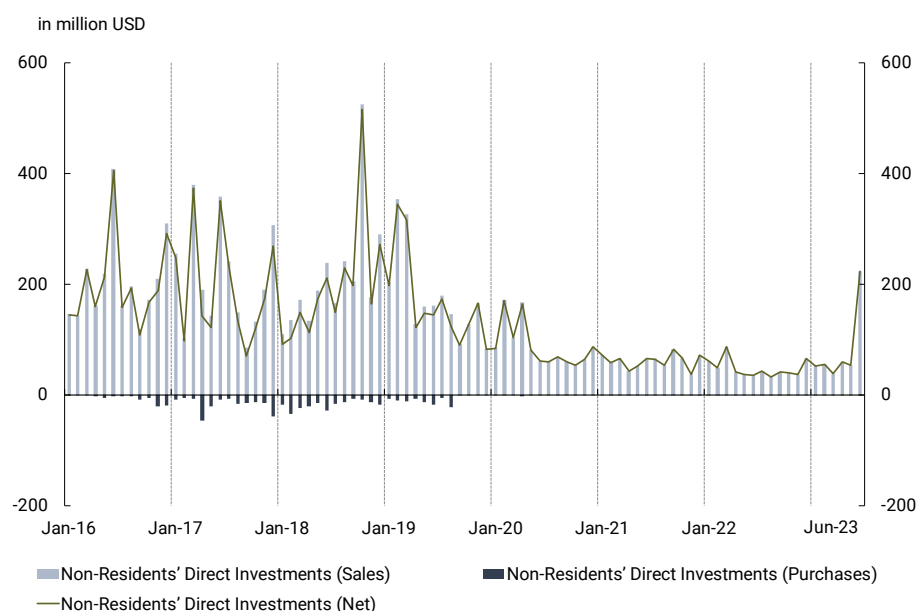


Source: BCRA

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

Direct investments made by non-residents in the private sector reached USD224 million (net inflows) in June, resulting basically from inflows from the “Energy” (about USD177 million) sector (see Chart III.3.1.5).

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



Source: BCRA

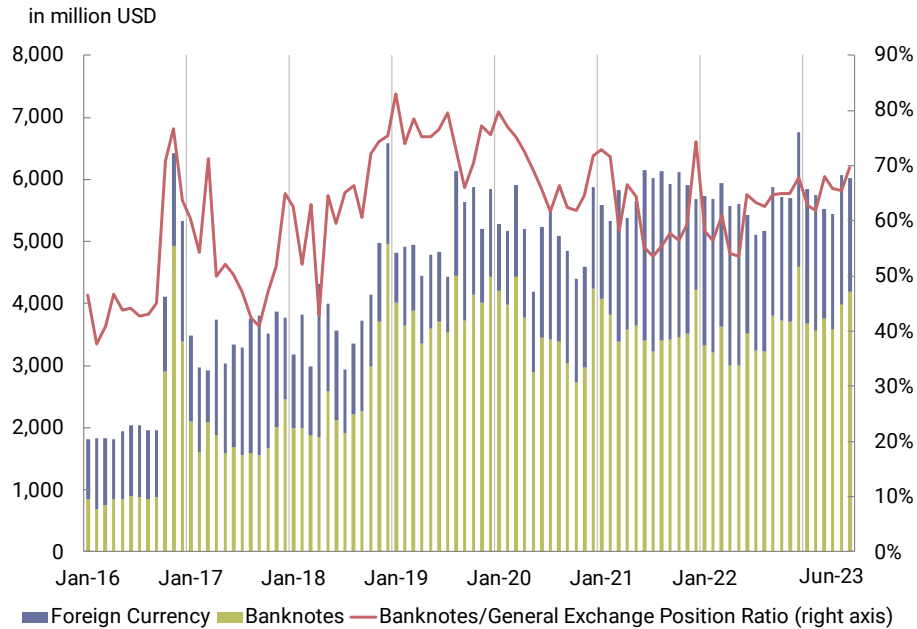
III.3.2. Foreign Exchange Financial Account of the Financial Sector

In June, the transactions carried out under the foreign exchange financial account of the “Financial Sector” recorded a deficit of USD51 million. This result was explained by the net sale of securities (USD63 million) and the payment of financial loans and lines of credit (USD38 million), which were partially offset by a decrease of USD50 million in liquid foreign assets of financial institutions’ General Exchange Position.¹⁸

Financial institutions’ General Exchange Position amounted to USD6,024 million at the end of June, down 1% against the end of May. This result was explained by a drop in holdings of foreign currency (USD267 million), which was partially offset by an increase in the holdings of banknotes (USD217 million). Holdings of foreign currency banknotes totaled USD4,193 million by the end of the month. This stock accounted for 70% of the total General Exchange Position, and it is allocated by institutions to cover local foreign currency deposit transactions and foreign exchange market needs (see Chart III.3.2.1).

¹⁸ The General Exchange Position is defined in Section C.4.7. of the [Methodology Used for Compiling Foreign Exchange Market and Foreign Exchange Balance Statistics](#).

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

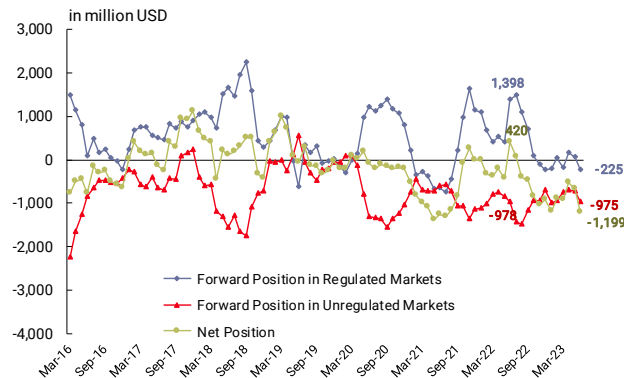


Source: BCRA

On another note, the ensemble of financial institutions ended June with a forward short position in foreign currency of USD1,199 million, intensifying their short position by about USD531 million compared to the end of May. They sold USD287 million in regulated markets and USD244 million to their clients directly (Forwards) over the month (see Chart III.3.2.2).

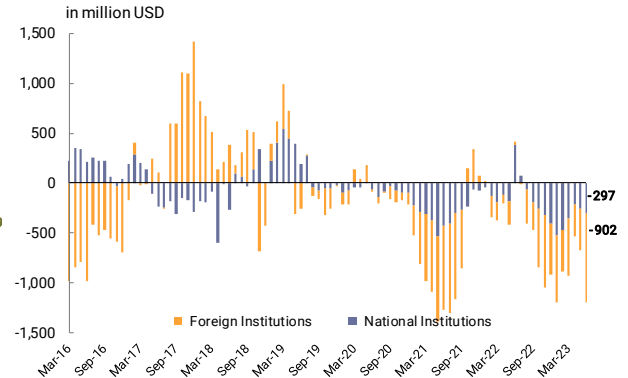
Foreign-capital institutions ended June with a net short position of USD902 million, recording an increase of USD489 million compared to May. In turn, national-capital institutions sold USD42 million, increasing their net short position of May to USD297 million (see Chart III.3.2.3).

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



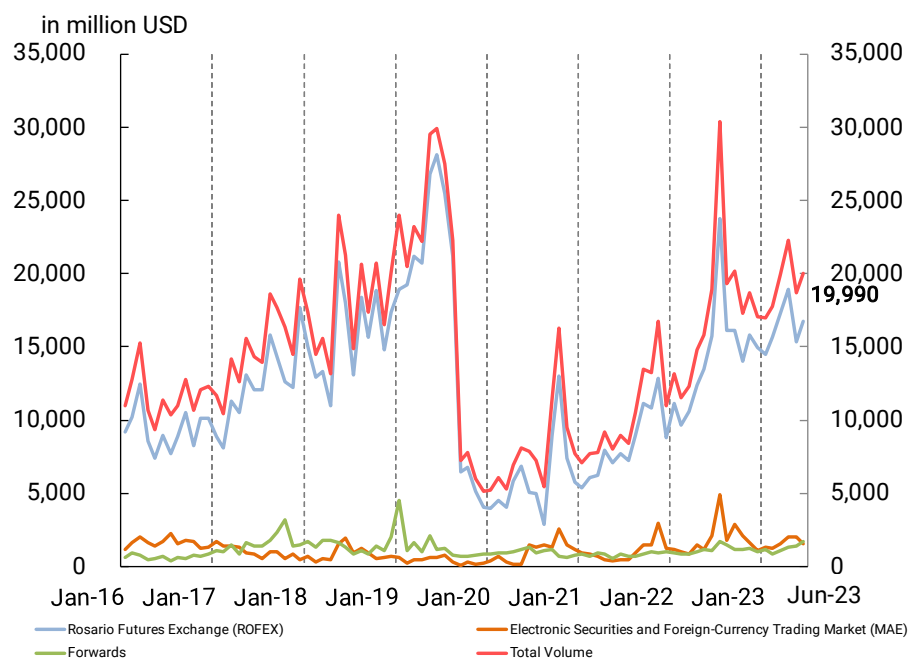
Source: BCRA

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



The volume traded in forward markets totaled USD19,990 million in June, i.e.: USD999 million daily on average. Transactions carried out in the Rosario Futures Exchange (ROFEX) continued to stand out, with an 84% share in the total volume traded in the forward market (see Chart III.3.2.4).¹⁹

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



Source: BCRA

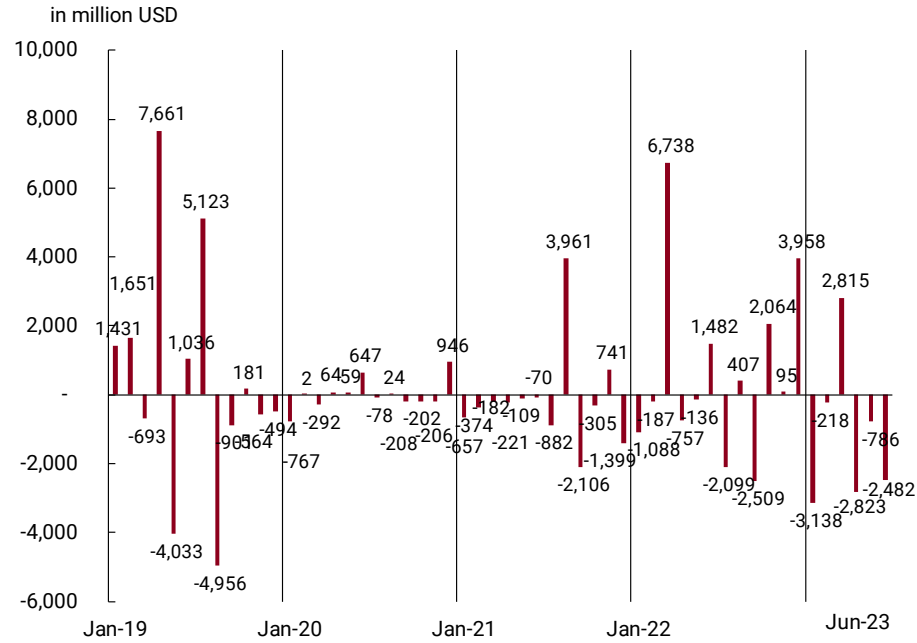
III.3.3. The Foreign Exchange Financial Account of the General Government and the BCRA

In June, the transactions carried out under the foreign exchange financial account of the “General Government and the BCRA” recorded a deficit of USD2,482 million (see Chart III.3.3.1), mainly explained by repayments of principal owed to the IMF totaling USD2,683 million (SDR2,014 million).

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

Chart III.3.3.1 Foreign Exchange Balance

Foreign Exchange Financial Account of the General Government and the BCRA

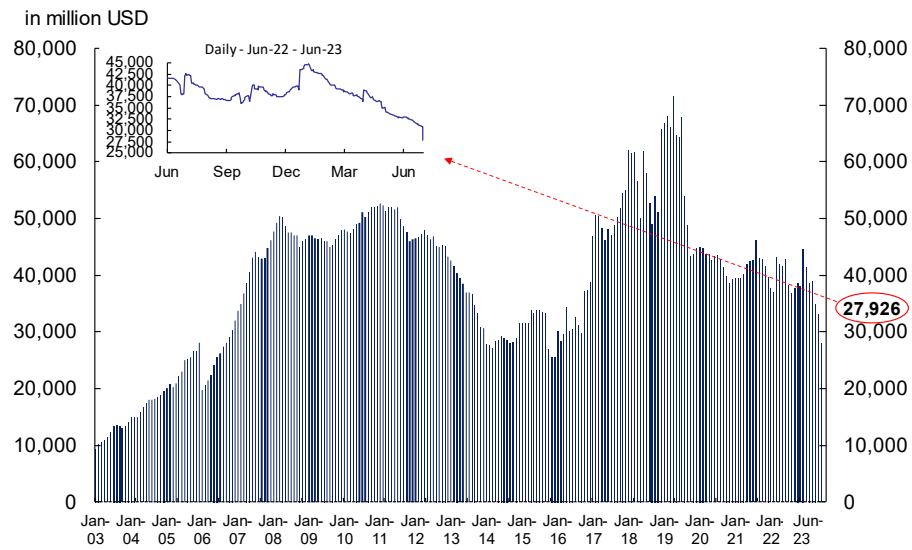


Source: BCRA

IV. BCRA's International Reserves

During June, BCRA's international reserves fell USD5,075 million, totaling USD27,926 million by the end of the month. This decrease was mainly explained by repayments of principal owed to the IMF totaling about USD2,683 million (SDR2,014 million), a fall in financial institution's holdings of foreign currency by USD717 million, a decrease in the US dollar exchange rate of foreign exchange reserves by USD445 million, net sales of the BCRA in the forex market, and net payments settled by the BCRA through the Local Currency Payment System (see Chart IV.1).

Chart IV.1 BCRA's International Reserves



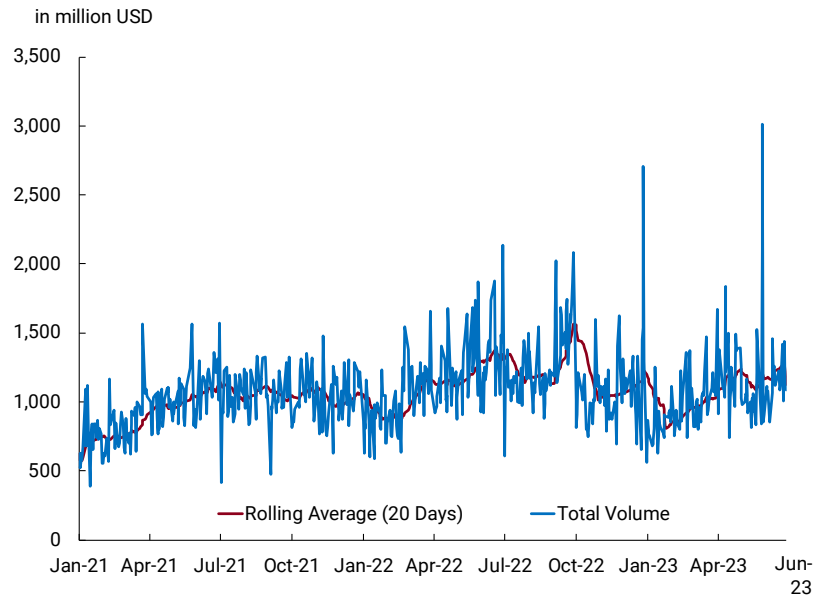
Source: BCRA

V. Volumes Traded in the Foreign Exchange Market

In June, the volume traded in the forex market totaled USD22,506 million, down 14% y.o.y. (see Chart V.1). The average daily volume traded was USD1,125 million, falling in y.o.y. terms as a result of a 16% drop in transactions between the institutions and their clients (down USD3,064 million), and a 21% drop in transactions between the institutions and the BCRA (down USD548 million).²⁰

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

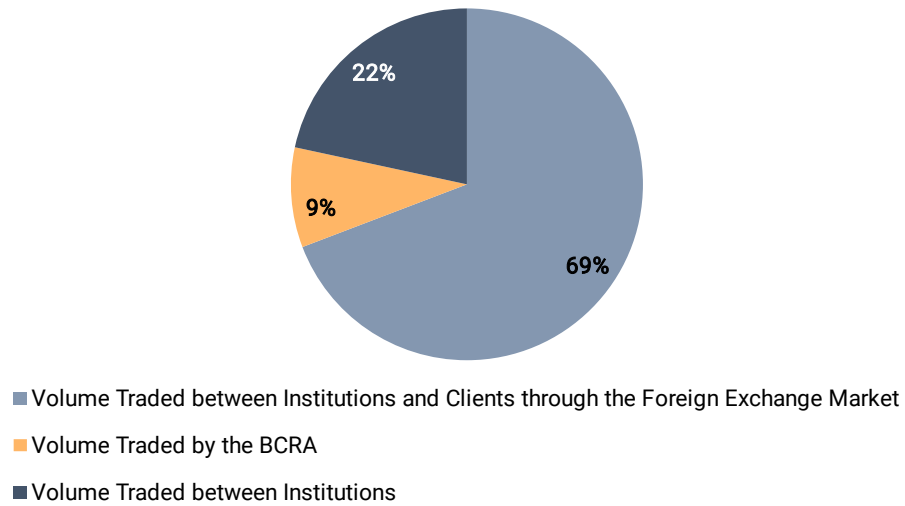
**Chart V.1 Foreign Exchange Market
Volume Traded Daily Evolution**



Foreign exchange transactions between institutions and their clients accounted for 69% of the total volume traded, while transactions between institutions—mainly through the Electronic Trading System (SIOPEL)—represented 22%; in turn, transactions between institutions and the BCRA stood for the remaining 9% (see Chart V.2).²¹

²¹ The volume traded between licensed institutions and their clients excludes the following items: the underwriting of LEBAC bills, self-to-self international transfers (around USD1,636 million), the record of deposits in foreign currency allocated for the payment of financial debt service for about USD233 million, and purchases of foreign currency to pay card bills for expenses incurred abroad (around USD288 million for the month under study).

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

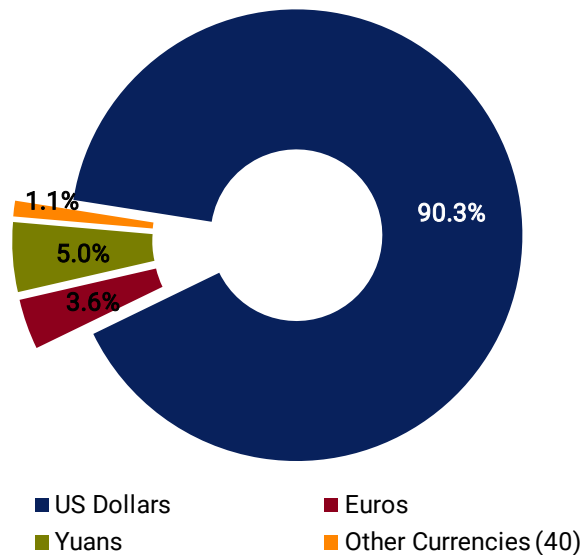


Source: BCRA

In June, 161 institutions traded in the market involving 43 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 a 90% share in the total traded with clients. However, it is worth noting that the yuan has been gaining share to rank second (5% of the total traded with clients) after surpassing the euro (4% 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 - June 2023**



Source: BCRA

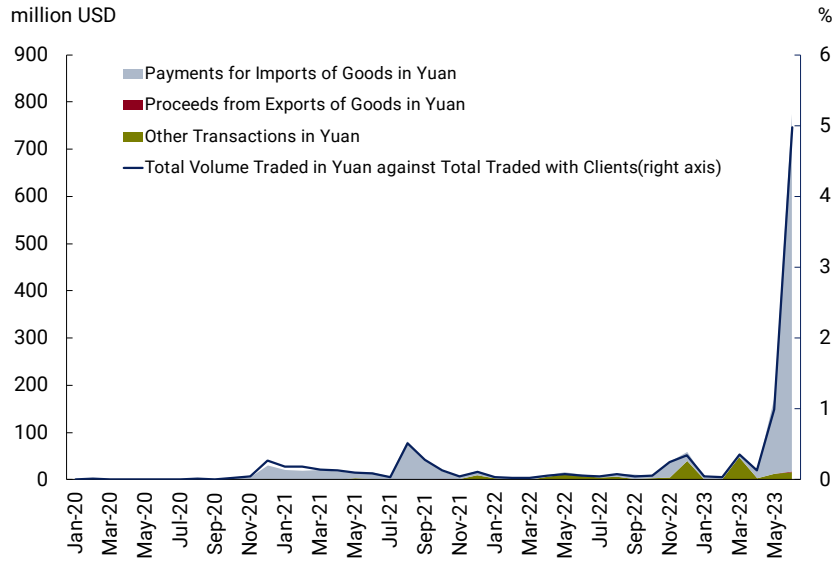
This increase is due to the growing relevance of trade and financial relations between Argentina and China. This year, the BCRA and the People’s Bank of China have signed the renewal of the currency swap agreement upon which and, particularly, due to the special activation of freely available yuan, the central banks of both countries have mutually agreed on a framework to promote the settlement of commercial and financial transactions in the Chinese currency. Along the same lines, in June the BCRA incorporated the renminbi yuan as an eligible currency for deposits in savings and current accounts. Hence, financial institutions are authorized to open bank accounts in this currency for legal persons. The measure adds to the decision of the National Securities Commission to enable the trading of securities in renminbi yuan^{22 23}

As a result, the volume traded in yuan in the forex market from January to June rose from USD50 million in 2022 to USD1,036 million in 2023 (a year-on-year increase close to 2000%) (see Chart V.4). Likewise, June witnessed a record-breaking volume traded in yuan in the forex market (USD775 million), accounting for 5% of the volume traded with clients across all currencies. This contrasts with the average of the past three years, where yuan transactions did not reach 0.1% of the total volume traded.

²² See Communication “A” 7796 ([link](#)). To view the BCRA’s press release, click this [link](#).

²³For more information on the trade and financial relation between Argentina and China, please read the “Monetary Policy Report” published in July by the BCRA, p. 48.

Chart V.4 Foreign Exchange Market
Monthly Evolution of Volume with Clients in Yuan



Source: BCRA

Finally, 87% of foreign exchange transactions between financial and foreign exchange institutions and their clients were channeled through private financial institutions, 13% through public banks, and 0.1% through foreign exchange houses and agencies.