Evolution of the Foreign Exchange Market and the Foreign Exchange Balance

June 2024

BANCO CENTRAL
DE LA REPÚBLICA ARGENTINA

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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.

Locally, a target of zero monetary financing to the National Treasury has been set for 2024, in line with the objectives and plans of monetary and foreign exchange policy announced for this year. In June, the eighth review of the IMF's Extended Fund Facility program was approved, whereby Argentina will receive SDR600 million and its new targets for reserve accumulation, fiscal balance and monetary financing will be recalibrated. The People's Bank of China and the BCRA have renewed the active tranche of the currency swap agreement for CNY35,000 million (equivalent to USD5,000 million) for 12 months.

In terms of the forex market performance for June, financial institution's clients purchased USD262 million, and financial institutions' sales amounted to USD126 million. The BCRA made net sales of USD85 million, and net payments through the Local Currency Payment System for USD52 million. The National Treasury made purchases directly from the BCRA for USD212 million.

The "Non-Financial Private Sector" was a net seller of foreign currency for USD25 million. Within that group, the "Oilseeds and Grains" sector was the main supplier of foreign currency, recording net inflows of USD1,601 million, mainly explained by the result in "Goods". "Institutional Investors and Others"—both residents and non-residents—made net sales of USD70 million. The "Real Sector excluding Oilseeds and Grains" recorded net outflows of USD1,234 million, while "Natural Persons" recorded net outflows of USD411 million, mainly for traveling expenses and other payments on cards to non-resident suppliers (net purchases reaching USD431 million).

In terms of the foreign exchange balance for June, the foreign exchange current account experienced a deficit of USD223 million. This result was explained by net outflows recorded in "Primary Income" (USD533 million), "Services" (USD368 million) and "Secondary Income" (USD117 million), which were partially offset by the surplus recorded in "Goods" (USD795 million). In June, transactions carried out under the foreign exchange financial account resulted in a surplus of USD634 million. This result was explained by the surplus recorded in "Other Net Transfers" (USD616 million) and in the "National Government and the BCRA" (USD522 million), which were partly offset by the deficit in the "Financial Sector" (USD332 million), and in the "Non-Financial Private Sector" (USD172 million).

During June, BCRA's international reserves increased USD358 million, totaling USD29,022 million by the end of the month. This increase was mainly explained by the IMF's gross disbursements of principal for USD791 million (SDR600 million), the increase in financial institution's holdings of foreign currency in the BCRA for USD204 million, which were partially offset by net payments of principal and interest to international organizations (IMF excluded) for USD469 million, the fall in the US dollar exchange rate of foreign exchange reserves for USD55 million, net payments made by the BCRA through the Local Currency Payment System for USD51 million, BCRA's settlements of net sales in the foreign exchange market for USD47 million, and net payments of interest and fees to the IMF for USD3 million (SDR2 million).

I. Introduction

This report analyzes information on foreign exchange transactions made in June 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.[1]

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".[2]

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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[1] Communication A 3840, as amended.

[2] 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 June, financial institution's clients purchased USD262 million in the forex market, and financial institutions' sales amounted to USD126 million.[3] The BCRA made net sales of USD85 million, and net payments through the Local Currency Payment System for USD52 million. The National Treasury made purchases directly from the BCRA for USD212 million (see Table II.1).[4] [5] [6]

[3] Like in recent months, financial institution's sales in June would be associated with foreign currency funds received from their clients to pay for card consumptions in foreign currency.
[4] 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
[5] Transactions in the forex market are reported according to their transaction date, except for the purchase and sale of securities payable in foreign currency.
[6] The result by sector excludes purchases of foreign currency to pay card bills for expenses incurred abroad for an amount of USD120 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-23	Jun-24	2023 up to Jun	2024 up to Jun
BCRA - Market	1,490	85	3,481	-14,303
BCRA - SML	126	52	568	188
National Treasury	-	-	-	-
Institutions	-177	126	33	974
Institutions' Clients (1 + 2 + 3)	-1,438	-262	-4,083	13,141
1. Non-Financial Private Sector	-1,365	25	-3,708	14,624
Oilseeds and Grains	791	1,601	9,129	10,126
Real Sector excluding Oilseeds and Grains	-1,629	-1,234	-9,269	6,057
Natural Persons	-537	-411	-3,014	-1,727
Institutional Investors and Others	11	70	-553	168
2. General Government (National Treasury Excluded)	73	-172	86	-729
3. Institutions (Own Transactions)	-146	-116	-462	-755
National Treasury Directly with the BCRA	-2,942	-212	-5,261	-4,838

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

In June, the "Oilseeds and Grains" sector was the main supplier of foreign currency, with net sales of USD1,601 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 USD1,582 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. June 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	846	-537	-234	94	52	-406	209	25
Oilseeds and Grains	1,582	0	-1	0	1	-13	32	1,601
Real Sector excluding Oilseeds and Grains	-679	-128	-388	42	34	-207	93	-1,234
Natural Persons	-10	-431	1	0	6	-21	43	-411
Institutional Investors and Others	-47	22	154	53	10	-164	42	70
General Government (National Treasury Excluded)	-40	-1	-35	8	0	18	-122	-172
Institutions (Own Transactions)	-12	0	-28	0	0	0	-76	-116
Institutions' Result with Clients	795	-538	-297	102	52	-388	11	-262
Result for Forex Transactions	618	-592	-354	102	7	0	-44	-262
Result for Self-to-Self International Transfers	177	54	57	0	45	-388	55	0

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

The "Real Sector excluding Oilseeds and Grains" recorded net purchases amounting to USD1,234 million, mainly explained by the result in "Goods" (net outflows of USD679 million), and "Other Services, and Primary and Secondary Inflows" (net outflows of USD388 million).

On a disaggregated basis, the economic sectors running larger surplus were “Food, Beverages and Tobacco” (USD467 million) and “Mining” (USD271 million), while “Energy” (USD525 million) and “Chemical, Rubber and Plastic Industries” (USD516 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. June 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	524	0	-3	0	0	-54	0	467
Mining	225	0	-2	0	23	-48	72	271
Agriculture and Other Primary Activities	207	0	-2	0	0	-32	24	197
Information Technology	-8	2	115	0	2	-16	7	102
Entertainment	-2	0	21	0	1	-3	3	20
Gastronomy	0	0	0	0	0	0	0	0
Water	0	0	0	0	0	0	0	0
Non-Metallic Mineral Products (Cement, Ceramics and Others)	-11	0	-1	0	0	-3	-1	-15
Construction	-11	0	-7	0	0	-6	-10	-33
Transport	-4	-41	-47	28	0	29	1	-34
Common Metals and their Manufacture	-35	0	-10	0	0	-5	-5	-55
Textile and Leather Industries	-57	0	-2	0	0	-5	-5	-68
Paper, Publishing and Printing Industry	-74	0	-1	0	0	-1	0	-77
Communications	-19	0	-30	0	0	-1	-38	-87
Tourism and Accommodation Services	-1	-89	-1	0	1	-3	0	-93
Other Manufacturing Industries	-100	0	6	0	0	-2	2	-94
Machinery and Equipment	-201	0	-1	0	2	-10	-5	-214
Automobile Industry	-230	0	-10	0	0	17	0	-223
Commerce	-260	0	5	1	1	-5	1	-258
Chemical, Rubber and Plastic Industries	-456	0	29	1	1	-24	-65	-516
Energy*	-169	0	-448	10	3	-34	113	-525
Total	**-679**	**-128**	**-388**	**42**	**34**	**-207**	**93**	**-1,234**

*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 USD411 million mainly for traveling expenses and other payments on cards to non-resident suppliers (net purchases amounting to USD431 million).

“Institutional Investors and Others”—both residents and non-residents—made net sales of USD70 million.

Financial institutions made net purchases with their own funds for USD116 million.

In turn, the “General Government” (excluding the National Treasury) made net purchases in the forex market for USD172 million.

III. Foreign Exchange Balance

III.1. Current Account

Current account transactions recorded in the foreign exchange balance showed a deficit of USD223 million in June. This result was mainly explained by the net outflows of “Primary Income” (USD533 million), “Services”

(USD368 million), and "Secondary Income" (USD117 million), which was partially offset by the surplus recorded in "Goods" (USD795 million), (see Table III.1.1).[7]

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
Foreign Exchange Current Account	-1,712	-645	-372	511	-313	47	2,962	2,344	1,575	1,804	2,277	1,161	-223
Goods	-921	985	1,292	1,406	854	1,982	3,381	3,879	3,059	2,424	2,737	2,708	795
Services	-363	-330	-412	-461	-753	-678	-20	84	-232	-158	-183	-388	-368
Primary Income	-426	-1,312	-1,251	-425	-373	-1,256	-387	-1,625	-1,264	-462	-290	-1,180	-533
Secondary Income	-1	12	-1	-10	-42	-2	-12	6	13	0	12	21	-117

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.

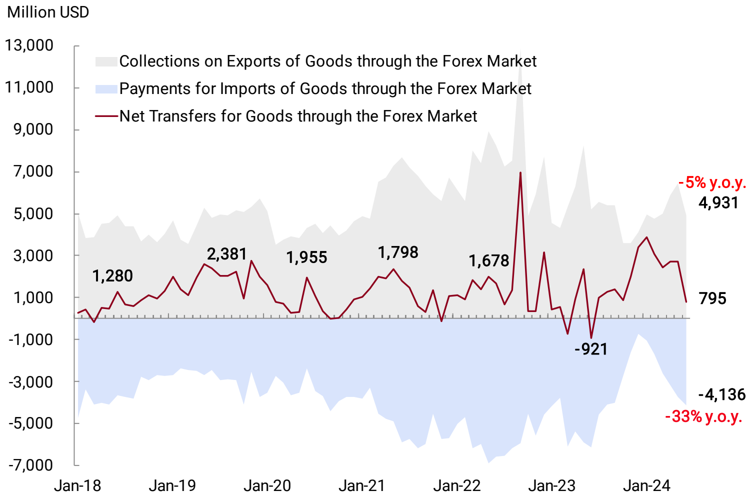
In this sense, foreign currency inflows from exports of goods and services settled through the stock market under these regulations are not recorded as collections of exports of goods and services in the foreign exchange market and foreign exchange balance statistics; except for those collections that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

III.1.1. Goods

In June, transfers for "Goods" on the foreign exchange balance exhibited net inflows for USD795 million, resulting from collections on exports for USD4,931 million, which were partially offset by payments of imports for USD4,136 million (see Chart III.1.1.1).

[7] 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.

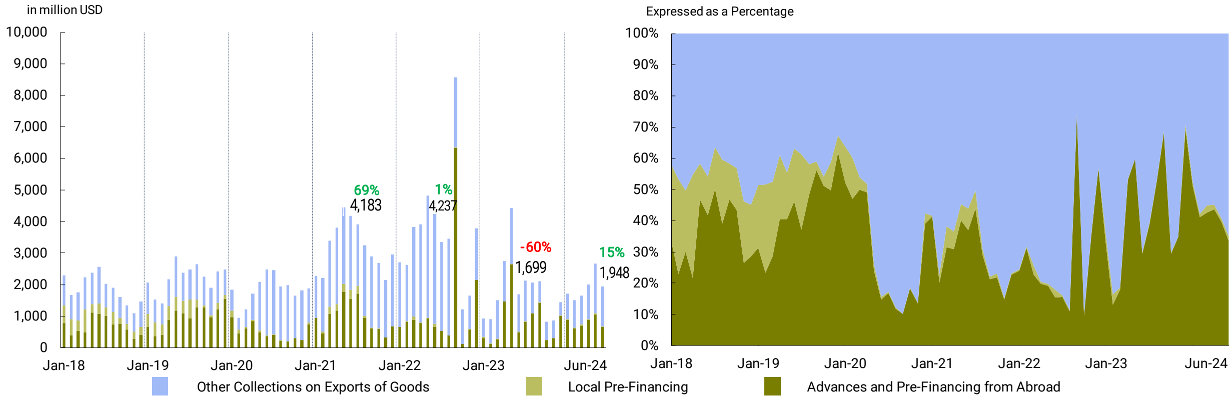
Source: BCRA

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.

Within this context, the "Oilseeds and Grains" sector sold foreign currency for USD1,948 million from collections on exports of goods. This figure represents a 15% y.o.y. increase, which is explained by the accelerated pace in the trade and export of grains, which offset the delays experienced in April and May due to heavy rainfall. The sector's FOB exports totaled USD3,036 million in June, which would imply, even considering the estimated inflows received by companies through the stock markets, a decrease in the sector's stock of commercial debt during the month.

Thirty-five percent of the sector's inflows were collected ahead of time either through advances or pre-financing (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



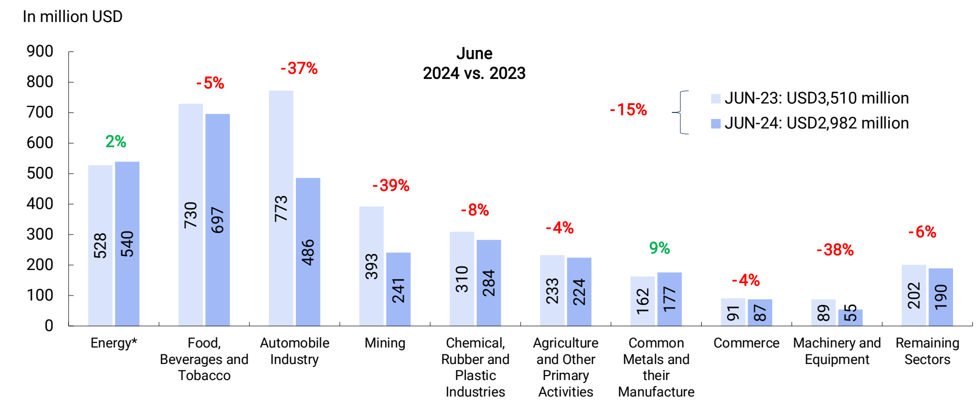
It is worth noting that, since December 2023, exporters can settle up to 20% of their exports through the stock market, thus making it impossible to conduct an accurate year-on-year comparison.

Source: BCRA

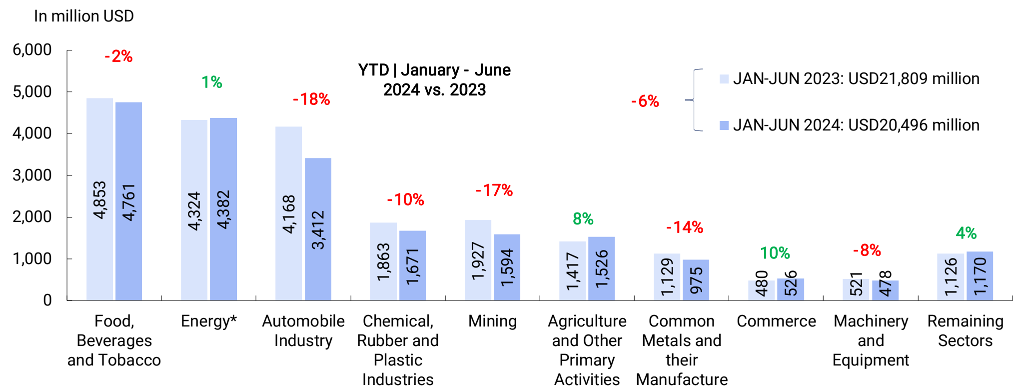
Inflows from the collections on exports of goods from the remaining sectors settled through the forex market totaled USD2,982 million in June. Should the companies' estimated revenues channeled through the stock markets also be calculated, the export revenues of these sectors would closely align with their FOB exports (USD3,554 million).

The sectors recording increases were "Common Metals and their Manufacture" (up 9% y.o.y.) and "Energy" (up 2% y.o.y.), while the other sectors showed decreases—the worst performing sectors being "Mining" (down 39% y.o.y.), "Machinery and Equipment" (down 38% y.o.y.), and "Automobile Industry" (down 37% y.o.y.). 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.

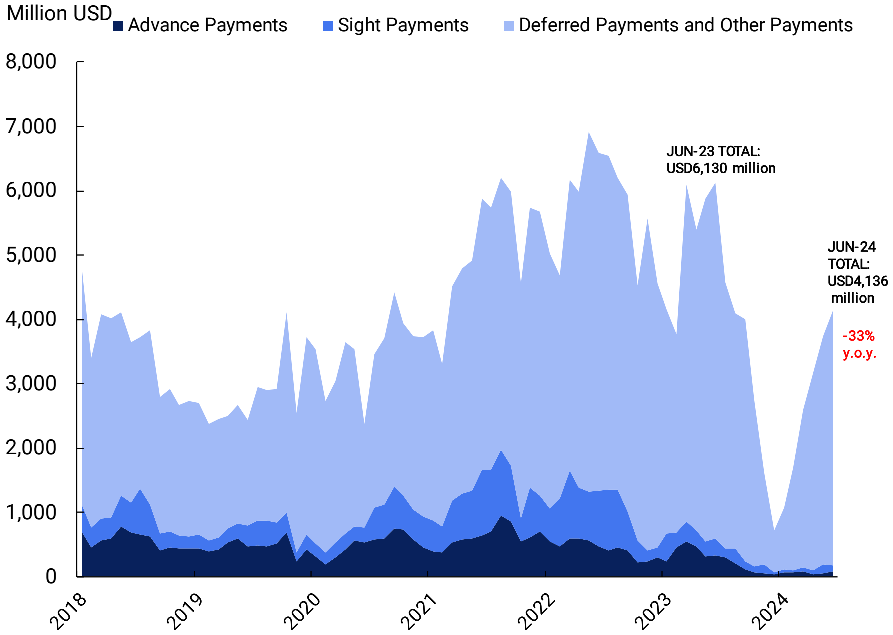
Source: BCRA

In June, payments of imports of goods through the forex market reached USD4,136 million, down 33% y.o.y., and standing below June’s FOB imports (USD4,424 million). This would imply either an increase in the sector’s commercial indebtedness level, a decrease in its foreign assets or the use of other means of payment (see Box). It is worth noting that import indebtedness has been addressed through the foreign trade and exchange regulations set out in December 2023.[8] The BCRA has provided that MSMEs may access the forex market to pay off their registered commercial debts for up to USD500,000 in a staggered manner without subscribing BOPREALs. Since the regulation became effective, MSMEs have repaid debts from imports for about USD750 million.

[8] 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”.

As regards imports of goods, 96% of payments were deferred, 2% were sight payments, and the other 2% were advance 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

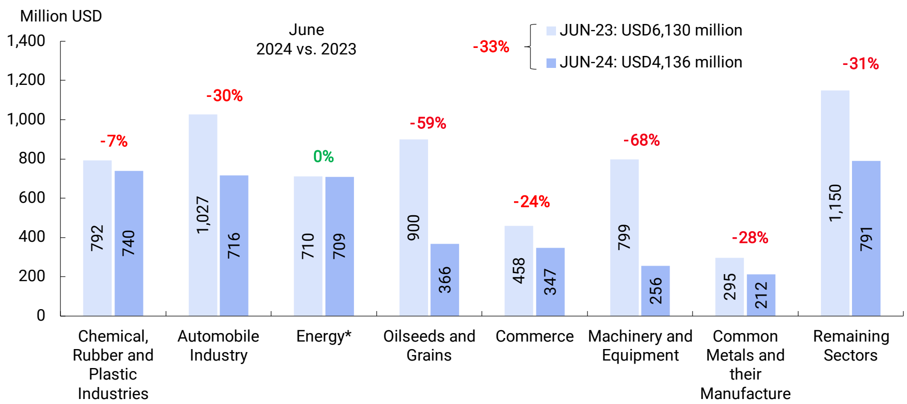
In June, payments for imports declined across all sectors on a year-on-year basis, except for "Energy", whose payments remained consistent with those recorded in June 2023 (see Chart III.1.1.6).

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[9] 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.

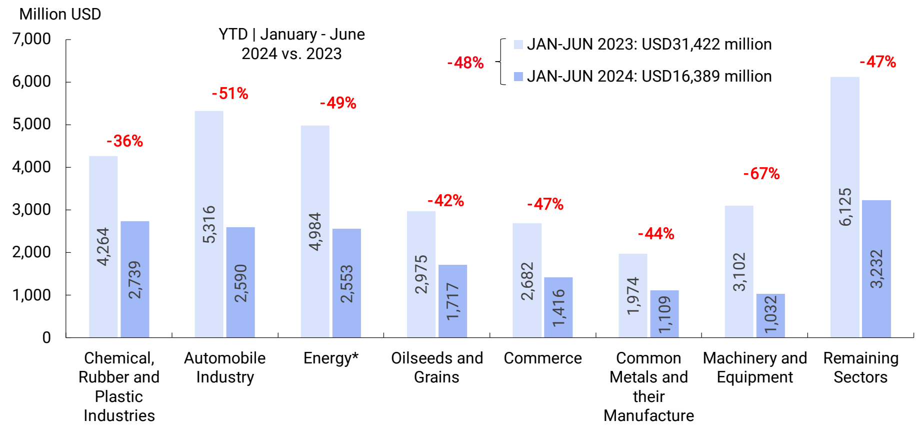
For the rest of the goods, payments will be structured into four installments, each amounting to 25% of the total value and payable at 30, 60, 90 and 120 days after customs registration. From August 1, the importers of these goods may have access to the MLC under a payment structure consisting of two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

[9] See BCRA's press release.

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

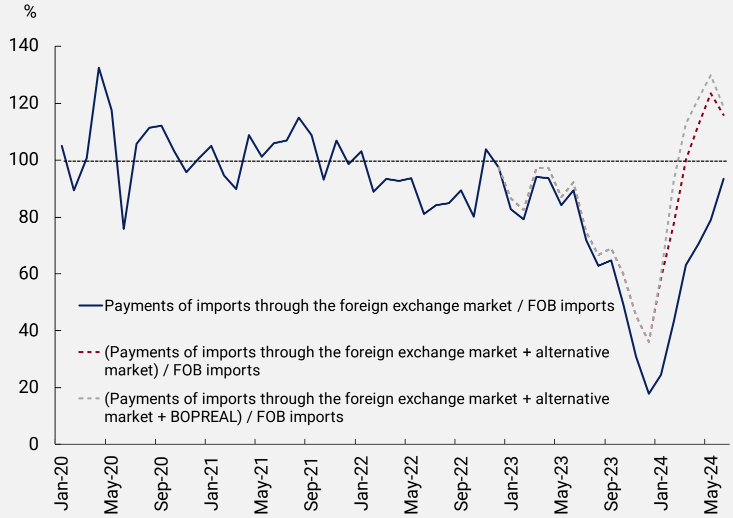
Box - External Debt and Payments for Imports of Goods in the First Half of 2024.

The difference between the evolution of imports (M) of FOB goods and the corresponding payments of imports (PM) through the foreign exchange market—i.e., M minus PM—serves as a proxy variable for estimating the change in importers' debt. In the first quarter of 2024, this differential reached around USD7,000 million, which suggests an increase in importers' debt. However, it is important to approach this interpretation with caution and seek further clarification. Under specific regulatory conditions, importers may also settle their obligations by acquiring foreign currency through alternative markets such as those involving blue chip swap (*contado con liquidación*, CCL) transactions in the stock market and, particularly in recent months, with BOPREAL bonds. None of these transactions are recorded as payments of imports in the foreign exchange market. Therefore, it is necessary to include them in the analysis to accurately estimate the evolution of external debt related to imports of goods. Moreover, foreign creditors may wave or capitalize importers' debts.

In the first quarter of 2024, estimates reveal that import payments settled with CCL dollars reached about USD 4,300 million, and with BOPREALs about USD1,200 million. This is supported by the Survey on External Assets and Liabilities, which shows that, during this period, there was an increase in debt from imports of goods of about USD1,800 million, significantly less than the previously mentioned differential.

In the second quarter of 2024, FOB imports exceeded the payments of imports recorded in the foreign exchange market by around USD2,600 million. During this period, it is estimated that importers' payments with CCL dollars were about USD5,000 million, and with BOPREALs about USD800 million. Thus, the analysis of these payment methods during the second quarter of 2024 shows that importers would have made payments in excess of the total accrued imports effectively settling their commercial debt. In conclusion, the differential observed in the specific context of the first half of 2024 was not a reliable indicator of changes in importers' debt.

Chart 1 Ratio between Payments of Imports and FOB Imports of Goods



Source: Own estimation based on data from the BCRA, INDEC and CNV.

For more information, see the Private Sector External Debt Report of the first quarter of 2024.

III.1.2. Services, Primary and Secondary Income

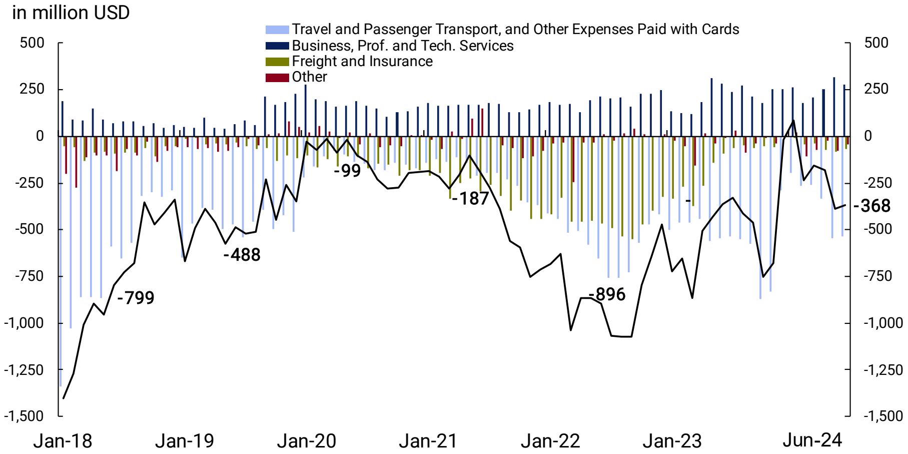
The "Services" account recorded a deficit of USD368 million in June, a figure similar to the net outflows recorded in June 2023. This month's result was explained by the net outflows of "Travel and Passenger Transport, and Other Expenses Paid with Cards"[10] (USD538 million), "Freight and Insurance" (USD68 million)

[10] 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.

and “Other” (USD42 million), which were partially offset by net inflows from “Business, Professional and Technical Services” (USD280 million) (see Chart III.1.2.1).

It is worth noting that up to 20% of exports of services can be settled through the stock market under the aforementioned 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.[11] 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 Services account is the result of a decrease in gross outflows; in particular, freight and insurance (see Chart III.1.2.2).[12]

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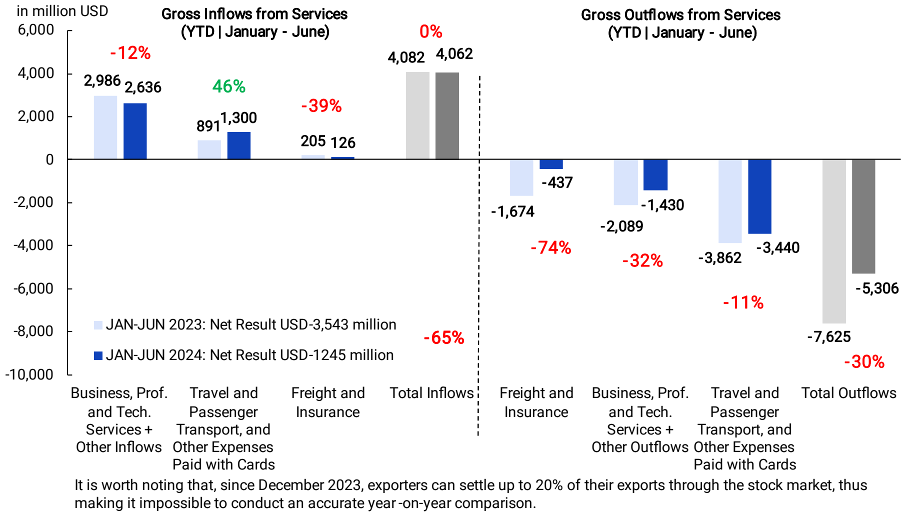
[11] These inflows were observed after the implementation of Communication A 7630, dated November 3, 2022, which set forth that any inflows arising from non-resident cards on account of charges for tourist services and passenger transport services are exempted from the requirement to settle currency 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.
[12] 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 USD533 million in June, due to net payments of interest for USD423 million, and net outflows of profits, dividends and other income transferred abroad amounting to USD110 million.

The “General Government and the BCRA” paid USD188 million of gross interest (including payments of interest to international organizations—IMF excluded—amounting to USD169 million, and USD19 million on account of other interest paid by the government). In turn, the private sector repaid USD264 million for the same heading.

Finally, secondary income transactions recorded net outflows for USD117 million.

III.2. Capital Account

In June, the capital account of the foreign exchange balance recorded a surplus of USD3 million.

III.3. Foreign Exchange Financial Account

In June, transactions carried out under the foreign exchange financial account resulted in a surplus of USD634 million. This result was explained by the surplus recorded in “Other Net Transfers” (USD616 million) and in the “National Government and the BCRA” (USD522 million), which were partly offset by the deficit in the “Financial Sector” (USD332 million), and in the “Non-Financial Private Sector” (USD172 million), (see Table III.3.1).[13]

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

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
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
Non-Financial Private Sector	-155	-948	-346	-632	-835	-1,142	-1,005	-450	-471	384	418	59	-172
Financial Sector	179	-800	403	406	-21	-128	-1,555	386	-142	297	192	-275	-332
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
Other Net Transfers	-456	-249	-455	17	-222	155	1,539	235	-160	-703	-218	32	616

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 USD172 million in June. This was the result of net self-to-self international transfers for USD406 million (mainly explained as the counterpart of the real sector's collections on exports from goods and services that had not been settled in the foreign exchange market, 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), payments of balances in foreign currency to local institutions originated from purchases made with cards to non-resident suppliers for USD118 million (which do not involve a net demand of foreign currency in the financial account), and outflows from non-residents' portfolio investments for USD3 million; partially offset by the sale of foreign assets for USD146 million, disbursements of loans from international organizations and other organizations for USD82 million, inflows from foreign direct investments for USD71 million, the net disbursement of local financial loans for USD46 million, the settlement of other financial loans held abroad and debt securities for USD5 million, and the sale of securities in foreign currency for USD5 million (see Table III.3.1.1).

Table III.3.1.1. Foreign Exchange Balance
Foreign Exchange Financial Account of the Non-Financial Private Sector
Equivalent in million dollars

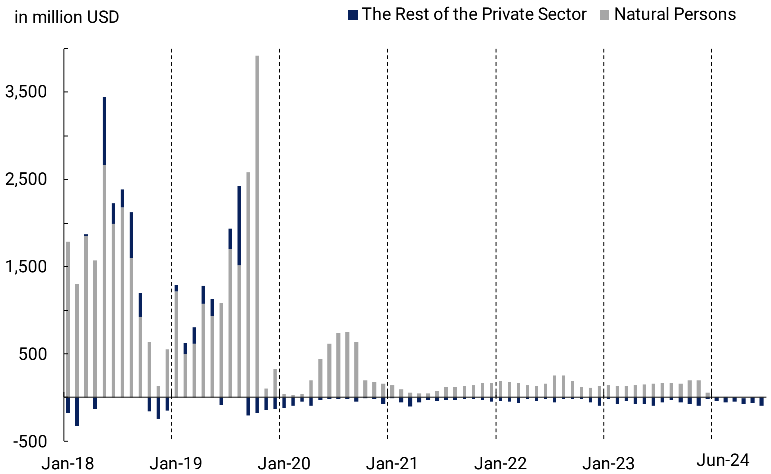
Date	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24
Foreign Exchange Financial Account	-155	-948	-346	-632	-835	-1,142	-1,005	-450	-471	384	418	59	-172
Non-Residents' Direct Investments	223	45	69	85	91	100	87	45	58	60	56	152	71
Non-Residents' Portfolio Investments	-4	0	-1	12	1	-3	0	4	1	2	8	3	-3
Financial Loans and Credit Lines	-188	-281	-525	-389	-538	-556	-396	175	-241	664	730	321	-67
Local Financial Loans	-83	-88	49	-5	-126	-149	-72	228	61	794	542	406	46
Other Foreign Loans and Debt Securities	182	76	-326	-103	-56	-89	-32	90	-156	-5	307	42	5
Payment of Card Balance	-287	-270	-248	-282	-356	-318	-292	-143	-146	-125	-118	-127	-118
Loans from Other International Organizations and Other	-56	-84	150	-15	52	-92	-121	10	-22	54	7	-34	82
Buildup of Foreign Assets by the Non-Financial Private Sector	0	-196	-91	-84	-112	5	330	-20	94	139	133	94	146
Self-to-Self International Transfers	-130	-430	54	-250	-328	-604	-909	-666	-384	-538	-534	-503	-406
Purchase and Sale of Securities	0	-3	-2	9	-1	8	5	2	21	4	16	26	5

Source: BCRA

Non-financial private sector residents' foreign assets recorded a surplus of USD146 million—i.e., net sales of banknotes (USD94 million) and net inflows of foreign currency (USD52 million).

The result was explained by net sales from legal persons (USD95 million), whereas purchases and sales made by natural persons almost offset each other (see Chart III.3.1.1).

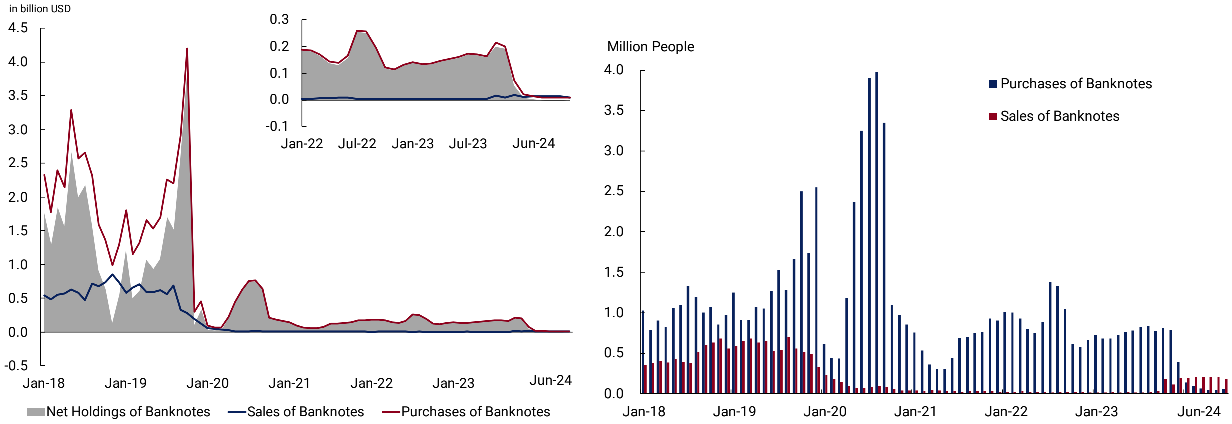
Chart III.3.1.1 Foreign Exchange Balance
Net Purchases of Banknotes by Sector



Source: BCRA

In June, "Natural Persons" sold banknotes for USD9 million and purchased USD9 million (up 10% against May and down 94% y.o.y.). In terms of traders, in June, 181,000 individuals sold banknotes, while buyers amounted to about 58,000 (see Chart III.3.1.2).[14]

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



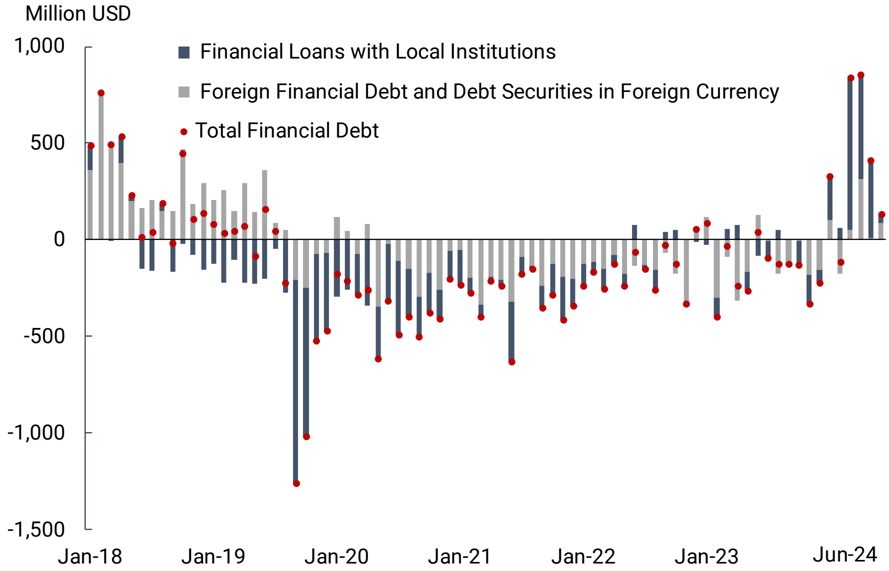
Source: BCRA

[14] 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 June, this sector recorded net inflows to their own accounts from abroad (USD52 million). This result was explained by the net inflows from the “Real Sector” (USD34 million), “Institutional Investors and Others” (USD10 million), “Natural Persons” (USD6 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 USD134 million in June—net inflows from “Energy” (about USD87 million), and “Mining” (about USD49 million) standing out. This amount involves net inflows on account of financial debt held abroad, securities in foreign currency, and loans owed to international organizations (USD87 million), as well as local loans (USD46 million). The total amount excludes purchases of foreign currency to pay card bills for expenses incurred abroad (USD118 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

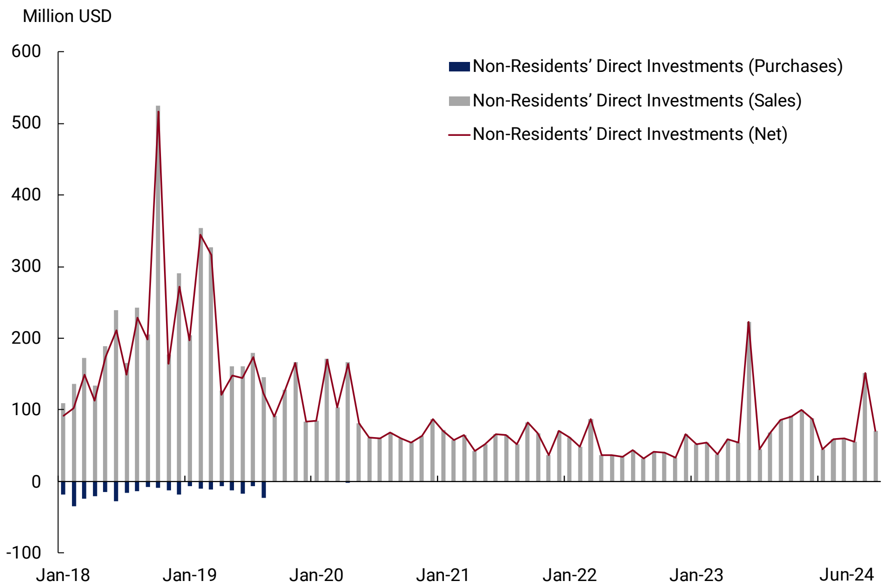


Note: Local financial debt excludes the purchases of foreign currency to pay card bills for expenses incurred abroad, which do not imply a net demand within the forex market

Source: BCRA

Direct investments made by non-residents in the non-financial private sector through the forex market reached USD71 million (net inflows) in June (see Chart III.3.1.4).

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



Source: BCRA

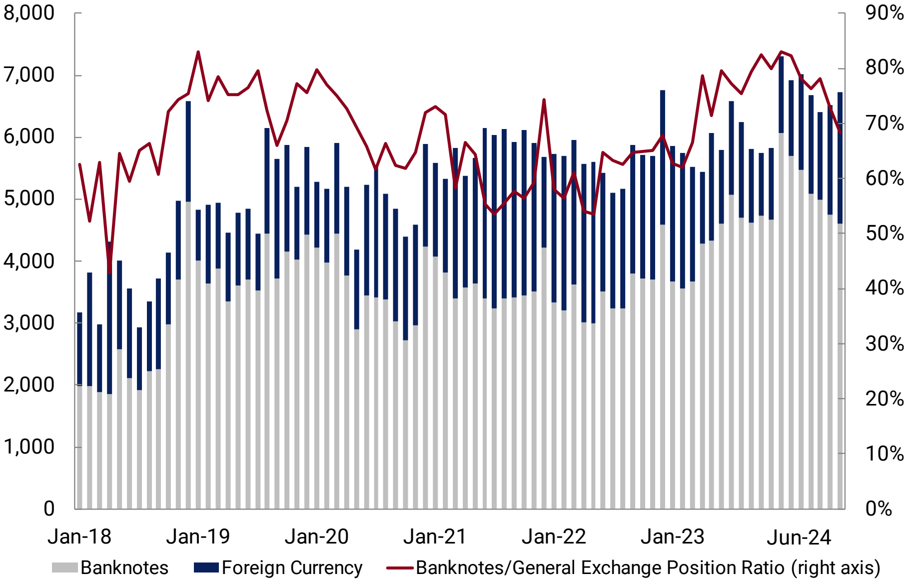
III.3.2. Foreign Exchange Financial Account of the Financial Sector

In June, the transactions carried out under the foreign exchange financial account of the "Financial Sector" recorded a deficit of USD332 million. This result was mainly explained by an increase of USD249 million in liquid foreign assets of financial institutions' General Exchange Position; net outflows from financial loans and credit lines for USD66 million; net subscription of securities for USD21 million; partially offset by net inflows from foreign direct investments for USD4 million.[15]

Financial institutions' General Exchange Position amounted to USD6,761 million at the end of June, up 4% against the end of May. This result was explained by an increase in holdings of foreign currency (USD402 million), which was partially offset by a drop in the holdings of banknotes (USD154 million). Holdings of foreign currency banknotes totaled USD4,598 million by the end of the month. This stock accounted for 68% 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).

[15] 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.

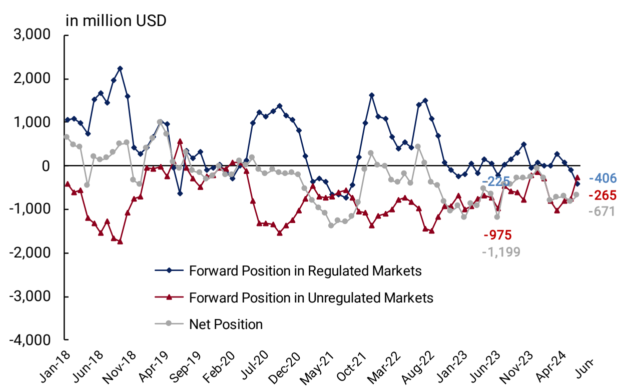
Chart III.3.2.1 Foreign Exchange Balance
Institutions' General Exchange Position

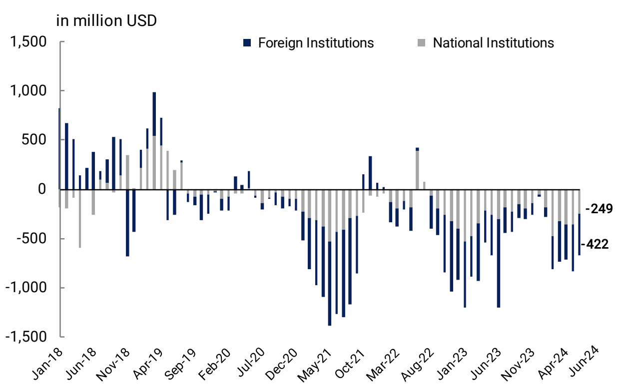


Source: BCRA

On another note, the ensemble of financial institutions ended June with a forward short position in foreign currency of USD671 million, recording a drop of about USD164 million compared to the end of May. Institutions purchased USD482 million directly from clients (Forwards) and sold USD318 million in regulated markets over June (see Chart III.3.2.2).

Foreign capital institutions ended June with a net short position of USD422 million, recording a drop of USD52 million compared to May. In turn, national capital institutions purchased USD112 million, reducing their net short position to USD249 million compared to May (see Chart III.3.2.3).

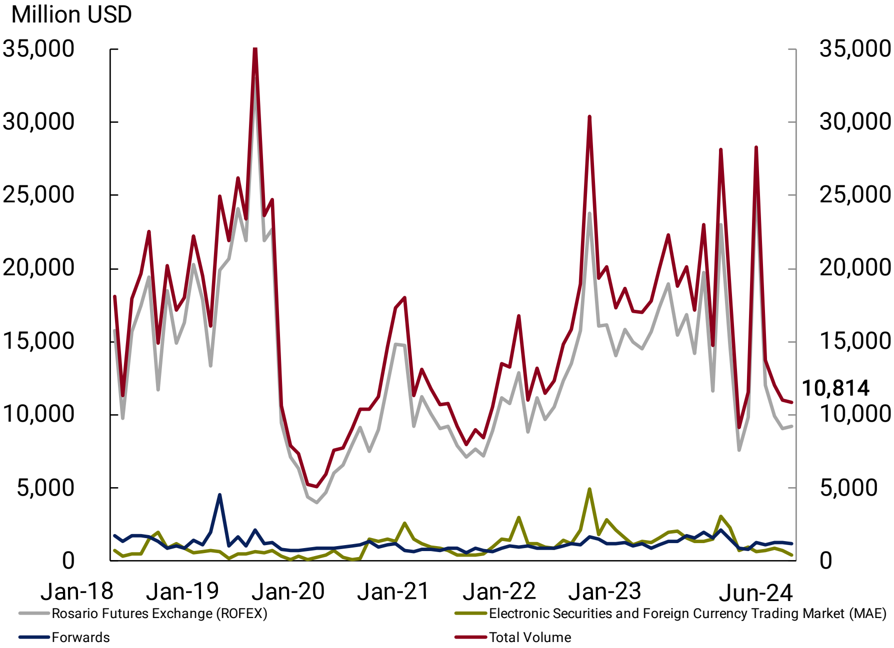




Source: BCRA

The volume traded in forward markets totaled USD10,814 million in June, i.e.: USD636 million daily on average. Transactions carried out in the Rosario Futures Exchange (ROFEX) continued to stand out, with an 85% share in the total volume traded in the forward market (see Chart III.3.2.4).[16]

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 June, the transactions carried out under the foreign exchange financial account of the "General Government and the BCRA" resulted in a surplus of USD522 million (see Chart III.3.3.1), mainly explained by gross disbursements of principal from the IMF for USD791 million (SDR600 million), partially offset by net outflows on account of loans from international organizations other than the IMF for USD250 million, and payments of other financial loans and debt securities for USD35 million.

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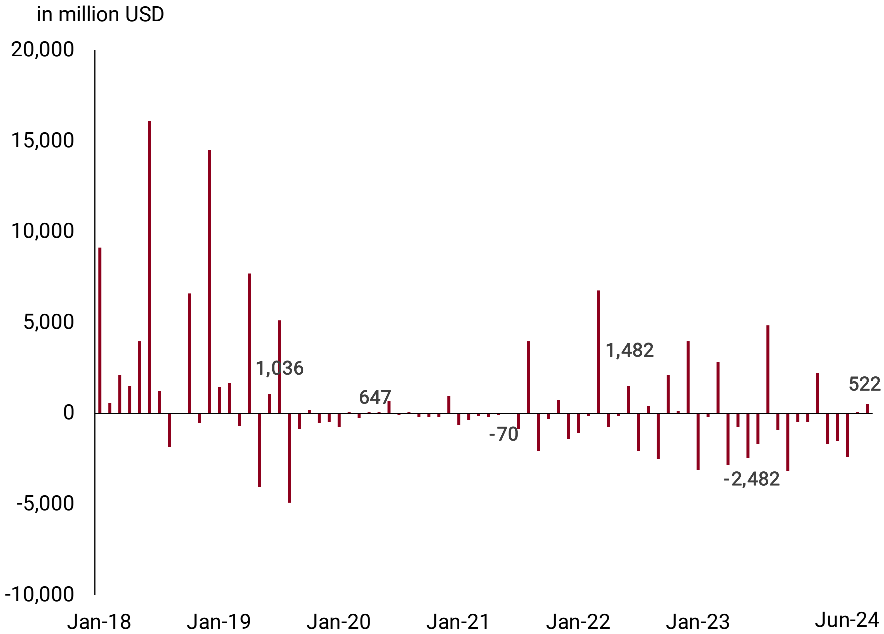
[16] The chart includes the total volume traded in the ROFEX, the transactions arranged by institutions in the Electronic Securities and Foreign Currency Trading Market (MAE), and with Forwards. This information comes from the Forward Transactions Reporting Scheme (Communication A 4196, as amended) and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



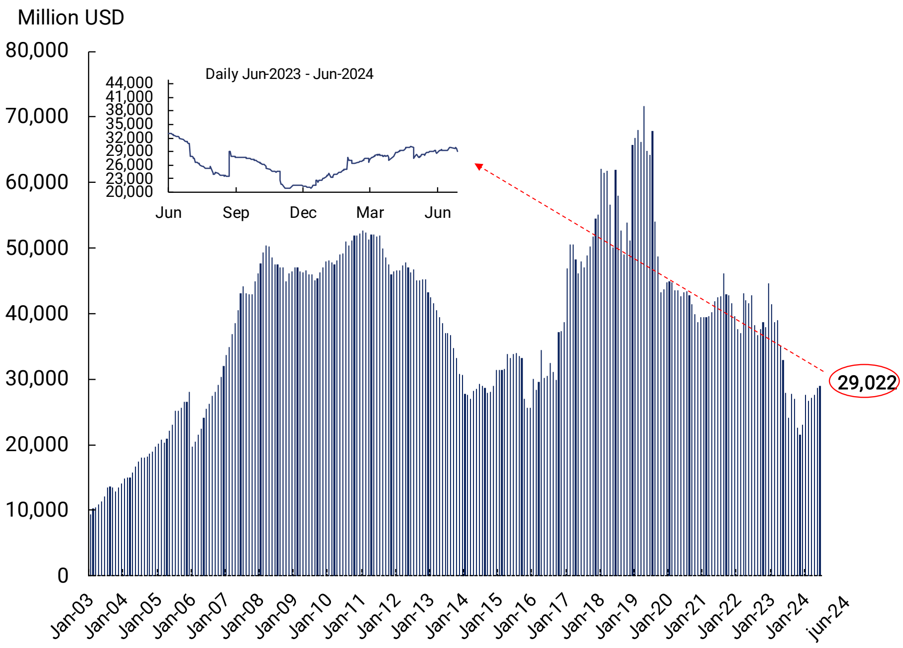
Source: BCRA

IV. BCRA's International Reserves

During June, BCRA's international reserves increased USD358 million, totaling USD29,022 million by the end of the month. This increase was mainly explained by the IMF's gross disbursements of principal for USD791 million (SDR600 million), the increase in financial institution's holdings of foreign currency in the BCRA for USD204 million, partially offset by net payments of principal and interest to international organizations (IMF excluded) of USD469 million, the fall in the US dollar exchange rate of foreign exchange reserves by USD55 million, net payments made by the BCRA through the Local Currency Payment System of USD51 million, BCRA's settlements of net sales in the foreign exchange market for USD47 million[17], and net payments of interest and fees to the IMF for USD3 million (SDR2 million), (see Chart IV.1).

[17] It should be noted that the BCRA established, in Communication B 12796, a settlement term of T+1 for wholesale transactions, seeking to align with the initiative promoted by the main international markets. Therefore, the figures resulting from BCRA's intervention in the foreign exchange market differ from those recorded in international reserves in June.

Chart IV.1 BCRA's International Reserves



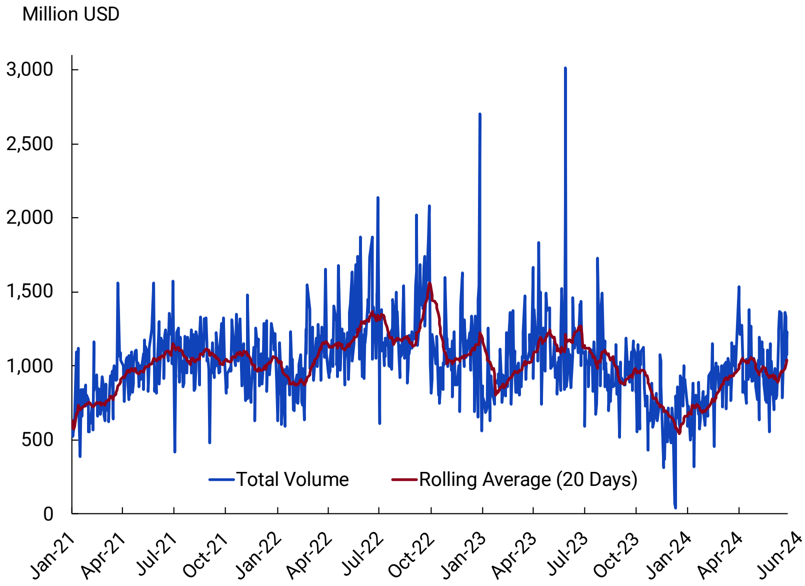
Source: BCRA

V. Volumes Traded in the Foreign Exchange Market

In June, the volume traded in the forex market totaled USD17,897 million, down 20% y.o.y. (see Chart V.1). The average daily volume traded was USD1,053 million, falling in y.o.y. terms as a result of a 52% drop in transactions between the institutions and the BCRA (down USD1,067 million), an 18% drop in transactions between the institutions and their clients (down USD2,826 million), and a 15% drop in transactions between the institutions (down USD715 million).[18]

[18] 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 23% and 6%, respectively (see Chart V.2).[19]

In June, 125 institutions traded in the market involving 40 foreign currencies. Most of the volume traded between licensed institutions and their clients was highly concentrated both at institution level (the first ten accounted for 86% 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 nearly 3% of the total, the yuan accounting for 1% and the remaining currencies concentrated the rest of the total volume traded (see Chart V.3).

[19] The volume traded between licensed institutions and their clients excludes the following items: the subscription of LEBAC bills, self-to-self international transfers (around USD1,757 million), the record of deposits in foreign currency allocated for the payment of financial debt service for about USD93 million, and purchases of foreign currency to pay card bills (around USD120 million for the month under study).

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

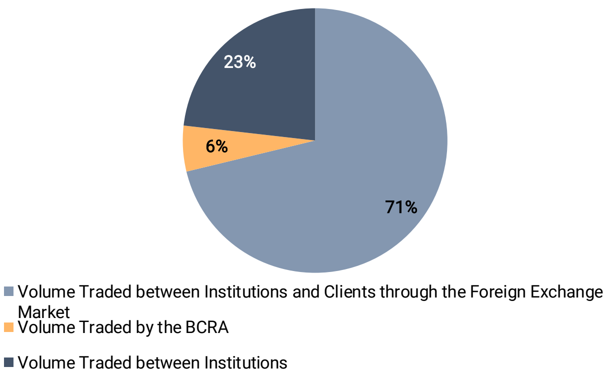
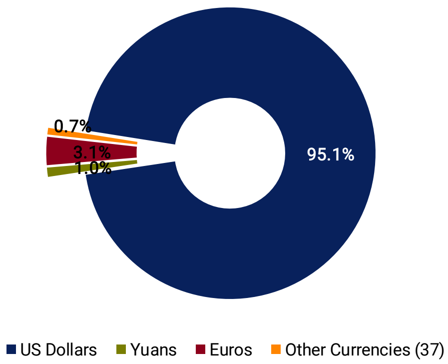


Chart V.3 Foreign Exchange Market
Volume with Clients by Currency - June 2024



Source: BCRA

Finally, 90% of foreign exchange transactions between financial and foreign exchange institutions and their clients were channeled through private financial institutions, and the remaining 10% through public banks.