Evolution of the Foreign Exchange Market and the Foreign Exchange Balance

November 2023

BANCO CENTRAL
DE LA REPÚBLICA ARGENTINA

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Executive Summary

Global economy has been marked, throughout the year, by low growth rates and high inflation, particularly core inflation. In this scenario, monetary authorities of advanced economies have maintained, and even raised, interest rates, giving way to some price contraction. The outlook for 2024 is lower inflation at a global level, which would pave the way to reduced monetary policy rates.

Moreover, under Executive Order 549/2023 of Monday, October 23, a new “Export Increase Program” was introduced, covering the whole exporting sector. This program covered both goods and services and, in addition, it allowed exporters to settle 70% of their foreign currency at the official exchange rate, and channel the remaining 30% through purchase and sale transactions of securities purchased in foreign currency and sold in local currency. This program was effective until November 17. Executive Order 597/2023 (published on November 21) extended the Export Increase Program, whereby 50% of foreign currency could be settled through the forex market and the remaining 50% through the stock market. This program was effective until December 10.

Financial institution’s clients sold USD420 million in the forex market during November. On the buyer’s side, the BCRA purchased USD364 million and financial institutions, USD59 million. The BCRA also made net payments through the Local Currency Payment System for USD3 million.

The “Non-Financial Private Sector” was a net seller of foreign currency for USD608 million. Within this group, the “Real Sector excluding Oilseeds and Grains” became the main net seller of foreign currency in the market, recording an amount of USD742 million, mainly explained by less payments of imports of goods (see Section III.1.1). In turn, the “Oilseeds and Grains” sector recorded net inflows of USD522 million, down 62% against November 2022. November's net inflows from exports of goods were lower on two grounds: the drought that has been affecting exportable goods; and the fact that a portion of exports was not settled in the forex market, but through the stock market under the aforementioned “Export Increase Program” (see Section II).

“Natural Persons” made net purchases totaling USD688 million mainly for traveling expenses and other payments on cards to non-resident suppliers (USD481 million), and for saving purposes (USD192 million).

“Institutional Investors and Others”—both residents and non-residents—made net sales for USD32 million in November.

The foreign exchange current account had a surplus of USD58 million in November, as a result of the surplus recorded in the Goods (USD1,982 million) account, which was partially offset by the deficits recorded in the Primary Income (USD1,244 million), Services (USD678 million), and Secondary Income (USD2 million) accounts.

The financial account of the “Non-Financial Private Sector” had a deficit of USD1,142 million in November, resulting from net self-to-self international transfers for USD604 million; payments of balances in foreign currency to local institutions originated from purchases made with cards to non-resident suppliers for USD318 million (which do not involve a net demand of foreign currency in the financial account); net outflows from local financial loans for USD149 million; net outflows from loans granted by other international organizations for USD92 million; and net outflows from other financial debt held abroad and debt securities for USD89 million. This deficit was partially offset by inflows from foreign direct investments for USD100 million; inflows from the sale of securities for USD8 million; and net inflows from foreign assets for USD5 million.

The transactions carried out under the foreign exchange financial account of the “Financial Sector” recorded a deficit of USD182 million. This outcome was mainly explained by an increase of USD144 million in liquid foreign assets of financial institutions’ General Exchange Position; net outflows from foreign direct investments for USD50 million; net purchases of securities for USD15 million; and net payments of loans to international organizations for USD6 million, which were partially offset by net inflows from financial loans for USD32 million.

The transactions carried out under the foreign exchange financial account of the “General Government and the BCRA” recorded a deficit of USD510 million, mainly explained by repayments of principal owed to the IMF totaling USD796 million (SDR608 million), and net payments of financial loans for USD29 million, partially offset by net inflows from loans from international organizations (IMF excluded) for USD260 million, and net inflows from sales of foreign assets by the public sector and securities for about USD72 million.

During November, BCRA’s international reserves fell USD1,046 million, totaling USD21,513 million by the end of the month. This decrease was mainly explained by repayments of charges, interest and fees to the IMF for USD867 million (SDR658 million) and repayments of principal owed to such organization for USD796 million (SDR608 million); a fall in financial institution’s holdings of foreign currency; and net payments settled by the BCRA through the Local Currency Payment System, which were partially offset by the increase in the US dollar exchange rate of foreign exchange reserves by USD544 million; net purchases made by the BCRA in the forex market; and inflows net of principal and interest from international organizations (IMF excluded) and other financial debt incurred by the National Treasury for USD139 million.

I. Introduction

This report analyzes information on foreign exchange transactions made in November 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.[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 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 November; data are broken down by sector and by heading.[2]

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**

[1] Communication "A" 3840, as amended.
[2] 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).[3]

Section IV deals with the stock of international reserves by the end of the period and their evolution.

Finally, Section V deals with information on the amount traded in the foreign exchange market. This amount stands for transactions made by institutions with their clients—both gross purchases and gross sales—transactions between institutions, and those carried out among institutions and the BCRA.

II. Result by Sector in the Foreign Exchange Market

Global economy has been marked, throughout the year, by low growth rates and high inflation, particularly core inflation. In this scenario, monetary authorities of advanced economies have maintained, and even raised, interest rates, giving way to some price contraction. The outlook for 2024 is lower inflation at a global level, which would pave the way to reduced monetary policy rates.

Moreover, Executive Order 549/2023,[4] laid down on October 23, launched a new “Export Increase Program”, including the whole exporting sector. This program covered both goods and services and allowed exporters to settle 70% of their foreign currency at the official exchange rate, and channel the remaining 30% through purchase and sale transactions of securities purchased in foreign currency and sold in local currency. This program was effective until November 17. Executive Order 597/2023[5] (published on November 21) extended the Export Increase Program, whereby 50% of foreign currency could be settled through the forex market and the remaining 50% through the stock market. This program was effective until December 10.

Financial institution’s clients sold USD420 million in the forex market during November. On the buyer’s side, the BCRA purchased USD364 million and financial institutions, USD59 million. The BCRA also made net payments through the Local Currency Payment System for USD3 million (see Table II.1).[6] [7] [8]

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[3] 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.
[4] To see Executive Order 549/2023, click here.
[5] To see Executive Order 597/2023, click here.
[6] 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
[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 USD319 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	Nov-22	Nov-23	2022 up to Nov	2023 up to Nov
BCRA - Market	**628**	**-364**	**-3,734**	**2,118**
BCRA - SML	**72**	**3**	**735**	**812**
National Treasury	**2**	**-**	**4**	**-**
Institutions	**223**	**-59**	**-407**	**-43**
Institutions' Clients (1 + 2 + 3)	**-926**	**420**	**3,403**	**-2,887**
1. Non-Financial Private Sector	**-793**	**608**	**4,138**	**-2,127**
Oilseeds and Grains	1,365	522	35,935	14,535
Real Sector Excluding Oilseeds and Grains	-1,783	742	-24,978	-10,116
Natural Persons	-406	-688	-6,418	-6,138
Institutional Investors and Others	31	32	-401	-408
2. General Government (National Treasury Excluded)	**-67**	**87**	**-499**	**493**
3. Institutions (Own Transactions)	**-65**	**-275**	**-236**	**-1,254**
National Treasury Directly with the BCRA	**-**	**-745**	**-5,896**	**-7,430**

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. November 2023.
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	2,179	-833	108	-97	102	-604	-248	608
Oilseeds and Grains	586	0	1	0	1	-28	-38	522
Real Sector Excluding Oilseeds and Grains	1,593	-357	-18	5	60	-342	-199	742
Natural Persons	0	-481	4	-192	11	-30	1	-688
Institutional Investors and Others	0	5	121	90	30	-203	-11	32
General Government (National Treasury Excluded)	-14	0	-96	256	1	-20	-40	87
Institutions (Own Transactions)	-183	0	-45	0	0	0	-46	-275
Institutions' Result with Clients	1,982	-833	-34	160	103	-623	-334	420
Result for Forex Transactions	1,637	-955	-112	159	11	0	-320	420
Result for Self-to-Self International Transfers	346	122	78	0	92	-623	-14	0

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

In November, the "Real Sector excluding Oilseeds and Grains" became the main net seller of foreign currency in the market, recording an amount of USD742 million, mainly explained by the result in "Goods" (collections on exports net of payments for imports), with net sales amounting to USD1,593 million.

In this context, the two economic sectors generating more surplus were "Automobile Industry" (USD442 million) and "Food, Beverages and Tobacco" (USD397 million), while the two sectors recording the highest deficit with their purchases were "Transport" (USD225 million) and "Tourism and Accommodation Services" (USD189 million), (see Table II.3).

Table II.3 Foreign Exchange Market
Result of the Real Sector excluding Oilseeds and Grains disaggregated by main headings. November 2023.
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
Automobile Industry	407	0	-7	0	0	40	3	442
Food, Beverages and Tobacco	569	0	-15	0	4	-132	-29	397
Mining	194	0	0	0	41	-55	3	183
Chemical, Rubber and Plastic Industries	163	0	23	0	2	-39	-37	113
Agriculture and Other Primary Activities	159	0	0	0	0	-43	-34	83
Information Technology	-3	1	86	0	1	-14	6	77
Common Metals and their Manufacture	31	0	-3	0	0	-7	41	62
Other Manufacturing Industries	6	0	2	0	5	-5	0	8
Textile and Leather Industries	17	0	-1	0	0	-10	-2	5
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)	4	0	-1	0	0	-4	0	-1
Entertainment	0	0	2	0	1	-3	-4	-3
Communications	-15	0	13	0	4	2	-8	-4
Paper, Publishing and Printing Industry	1	0	-1	0	0	-3	-4	-7
Construction	-3	0	-3	0	1	-2	-20	-26
Machinery and Equipment	-13	0	5	0	1	-12	-13	-32
Energy*	160	0	-94	4	1	-24	-83	-36
Commerce	-81	0	0	-1	0	-15	-8	-105
Tourism and Accommodation Services	0	-173	0	0	0	-16	0	-189
Transport	-3	-185	-26	0	0	0	-12	-225
Total	1,593	-357	-18	5	60	-342	-199	742

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

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

The “Oilseeds and Grains” sector recorded net sales of USD522 million, mainly explained by the headings included in “Goods”, with a net result of USD586 million.

Financial institutions made net purchases with their own funds for USD275 million.

In turn, the “General Government” (excluding the National Treasury) made net sales in the forex market for USD87 million.

“Natural Persons” made net purchases totaling USD688 million mainly for traveling expenses and other payments on cards to non-resident suppliers (USD481 million), and for saving purposes (USD192 million).

“Institutional Investors and Others”—both residents and non-residents—made net sales for USD32 million in November.

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 surplus of USD58 million in November. This result was mainly explained by a surplus in “Goods” (USD1,982 million), which was partially offset by the deficit in “Primary Income” (USD1,244 million), “Services” (USD678 million) and “Secondary Income” (USD2 million), (see Table III.1.1).[10]

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

Date	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23
Foreign Exchange Current Account	-1,201	2,220	-1,651	-1,237	-2,020	71	776	-1,712	-645	-372	511	-313	58
Goods	359	3,158	414	572	-747	903	2,363	-921	985	1,292	1,406	854	1,982
Services	-641	-473	-725	-653	-866	-506	-430	-363	-330	-412	-461	-753	-678
Primary Income	-917	-467	-1,352	-1,142	-432	-310	-1,169	-426	-1,312	-1,251	-425	-373	-1,244
Secondary Income	-3	1	12	-14	25	-15	12	-1	12	-1	-10	-42	-2

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.

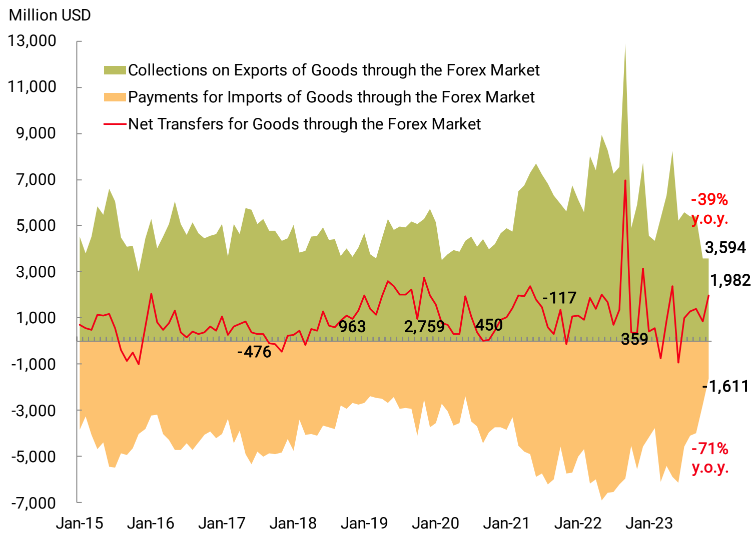
On Monday, October 23, Executive Order 549/2023[11] introduced a new "Export Increase Program", including the whole exporting sector. This program covered both goods and services and, in addition, it allowed exporters to settle 70% of their foreign currency at the official exchange rate, and channel the remaining 30% through purchase and sale transactions of securities purchased in foreign currency and sold in local currency. This program was effective until November 17. Executive Order 597/2023[12] (published on November 21) extended the Export Increase Program, whereby 50% of foreign currency could be settled through the forex market and the remaining 50% through the stock market. This program was effective until December 10.

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 are called self-to-self international transfers).

III.1.1 Goods

In November, transfers for "Goods" on the foreign exchange balance exhibited net inflows for USD1,982 million, resulting from collections on exports for USD3,594 million, which were partially offset by payments of imports for USD1,611 million (see Chart III.1.1.1).

Chart III.1.1.1 Foreign Exchange Balance Transfers for Goods



In addition, it is estimated that more than USD793 million were collections on exports under the "Export Increase Program" through the stock market during the month. When adding up collections on exports

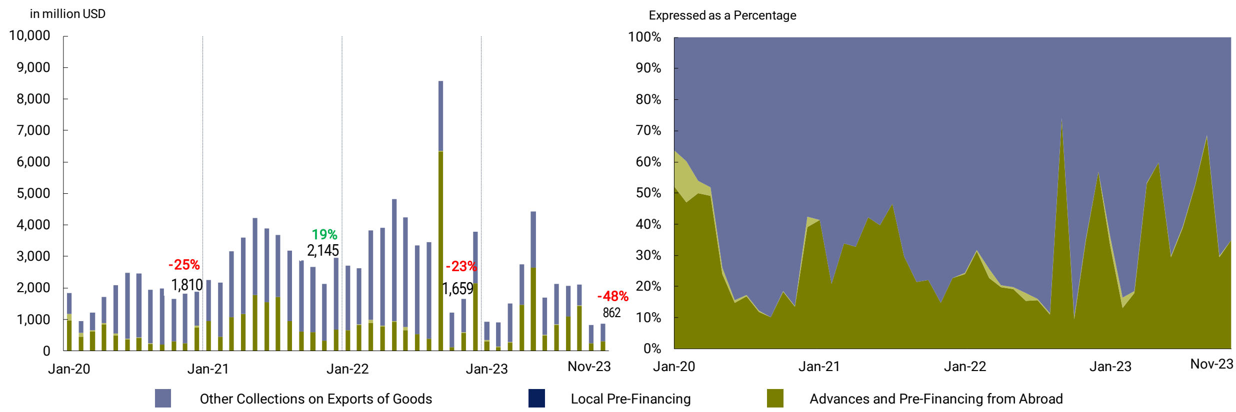
[11] To see Executive Order 549/2023, click here.
[12] To see Executive Order 597/2023, click here.

settled through the foreign market and those settled through the stock market, the result amounts to USD4,387 million.

In November, the "Oilseeds and Grains" sector recorded foreign currency sales for collections on exports of goods through the forex market for USD862 million (-48% y.o.y.). Taking into account the estimated USD180 million that the sector transferred through the stock market,[13] total inflows from collections on exports totaled about USD1,042 million. It is estimated that the sector's FOB exports totaled USD1,350 million in November, which would imply a decrease in the stock of commercial debt during November.

In line with this behavior, only 35% of the sector's inflows were collected ahead of time in November, 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

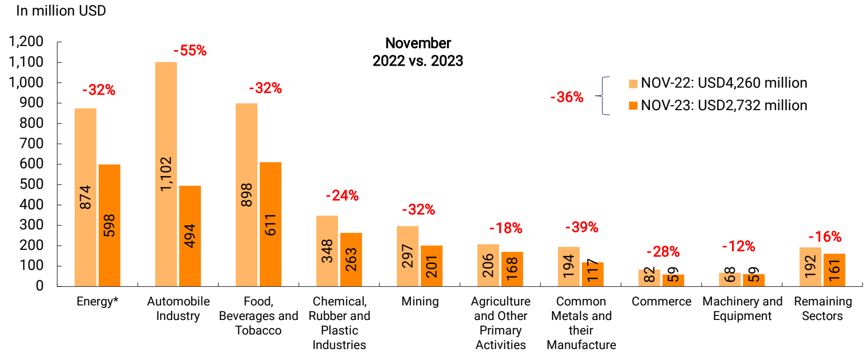


Source: BCRA

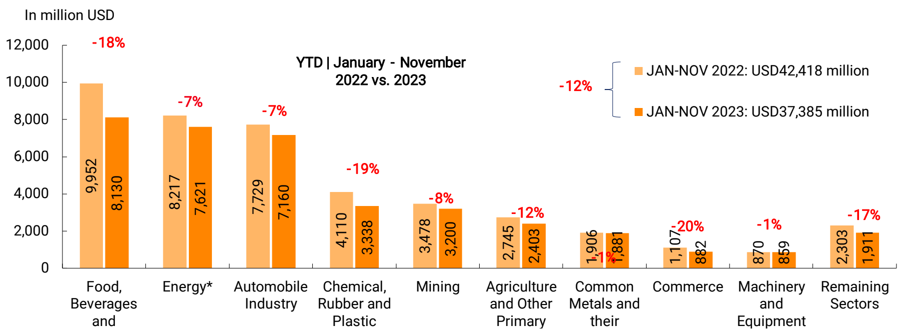
Inflows from the collections on exports of goods from the remaining sectors through the forex market totaled USD2,732 million in November, decreasing 36% y.o.y., and 12% on a year-to-date basis. In turn, proceeds from the collection of exports through the stock market were estimated at about USD600 million. November was marked by setbacks in the collections on exports on a year-on-year basis for all sectors (see Chart III.1.1.4), even when including inflows recorded through the stock market.

[13] It is worth noting that inflows from the collections of exports through the stock market 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).

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



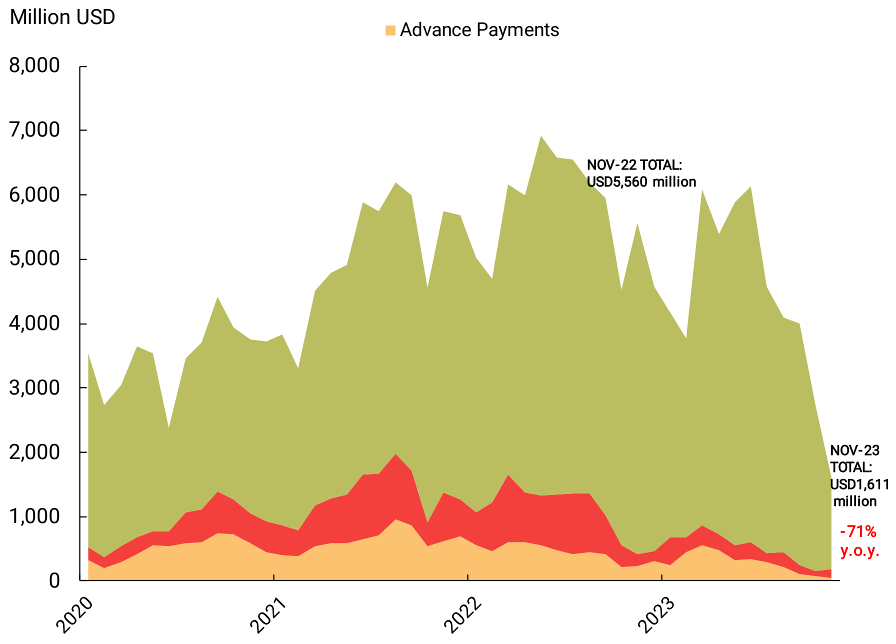
***Note:** it includes Oil, Electricity and Gas Sectors



In November, payments of imports of goods totaled USD1,611 million, down 71% against November 2022, and standing below November's FOB imports (USD5,206 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, 88% of payments were deferred, 9% were sight payments, and the other 3% were advance payments in November (see Chart III.1.1.5).

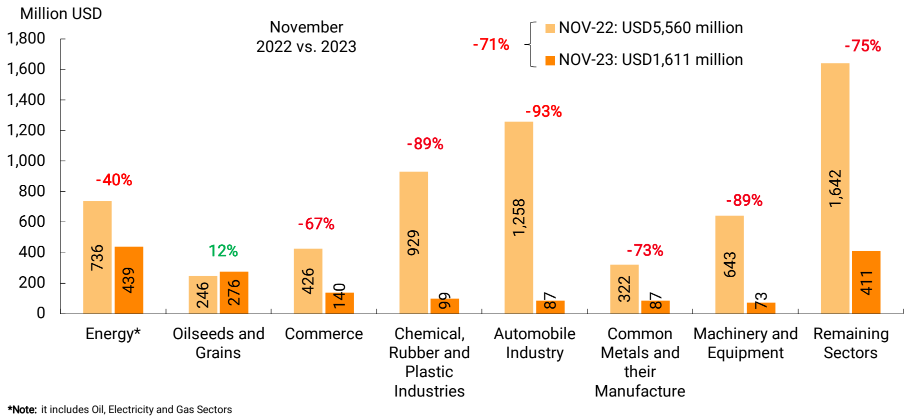
Chart III.1.1.5 Foreign Exchange Balance
Evolution of Payments for Imports of Goods by Type of Payment

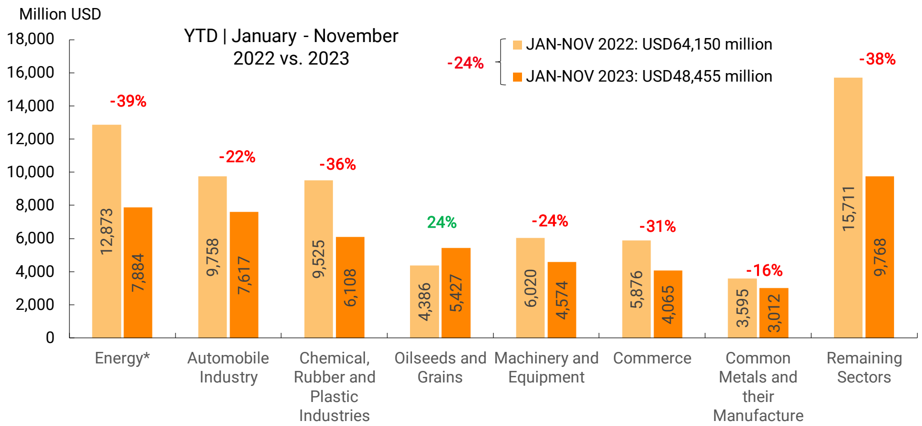


Source: BCRA

A 27% of total payments for imports of goods made in November corresponded to the "Energy" sector, followed by the "Oilseeds and Grains" (17%) and the "Commerce" (9%) sectors. In year-on-year terms, there was a fall in payments for imports across all sectors during November, with the exception of "Oilseeds and Grains", which recorded a 12% y.o.y. increase (see Chart III.1.1.6).

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





Source: BCRA

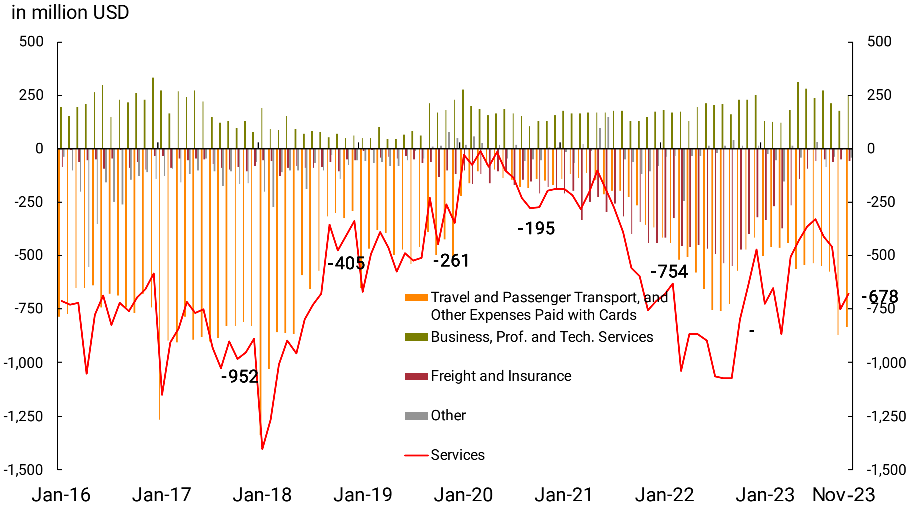
III.1.2 Services, Primary and Secondary Income

The “Services” account run a deficit of USD678 million in November, up 6% against the net outflows of November 2022. This increase was mainly explained by the higher gross outflows recorded by Travel and Passenger Transport, which reached USD975 million, up 84% against November 2022 (see Chart III.1.2.1). In addition, inflows from Services amounted to USD9 million. They were settled in the stock market under the aforementioned “Export Increase Program”.

It should be noted that AFIP's General Resolution 5450/2023,[14] published on November 23, raised from 45% to 100% the contribution in advance of income tax for payments of card bills. Therefore, the exchange rate applicable to card charges is composed as follows: the official exchange rate plus 100% (income tax), 30% (PAIS tax), and 25% (personal property tax).

[14] To see General Resolution 5450/2023 click here.

Chart III.1.2.1 Foreign Exchange Balance
Net Inflows from Services



Source: BCRA

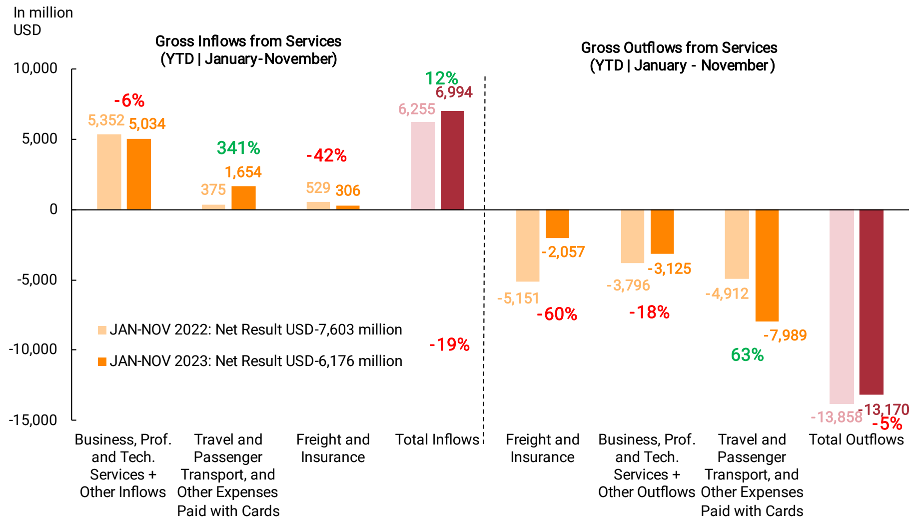
In November, gross inflows from Travel and Passenger Transport amounted to USD142 million (up 133% against November 2022). This increase was observed after the implementation of Communication "A" 7630, dated November 3, 2022, which set forth that any inflows arising from non-resident cards, charges of tourist services hired by non-residents and charges of non-resident passenger transport services are exempted from the requirement to settle currency in the forex market. This measure seeks to boost foreign currency inflows from inbound tourism. In addition, a higher exchange rate is charged on card consumptions of non-resident visitors.[15 16]

This month's result was explained by net outflows of "Travel and Passenger Transport, and Other Expenses Paid with Cards" (USD833 million), "Freight and Insurance" (USD59 million), and "Other Services" (USD40 million), partially offset by net inflows from "Business, Professional and Technical Services" (USD253 million).

Net outflows for the payment of services totaled USD6,176 million on a year-to-date basis (January - November), down 19% against the same period in 2022 (see Chart III.1.2.2).

[15] 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.
[16] In terms of the "Travel and Passenger Transport, and Other Expenses Paid with Cards" account, it is worth pointing out that the transfers made to international credit card issuers involve both purchases made during travels abroad and those made on a remote basis. In turn, inflows also include non-resident remote purchases made with cards to Argentine suppliers. For more information on the changes implemented to the regulations that have an impact on the comparison of the flows reported in the headings included under "Services", among others, see Section B.5. Important Regulatory Provisions that Have an Impact on Foreign Exchange Statistics of the Methodology Used for Compiling Foreign Exchange Market and Foreign Exchange Balance Statistics available at BCRA's website.

Chart III.1.2.2 Foreign Exchange Balance
Net Inflows from Services



Source: BCRA

Primary income transactions recorded net outflows amounting to USD1,244 million in November, mainly due to net payments of interest for USD1,218 million.

The "General Government and the BCRA" paid USD1,083 million of gross interest, out of which USD798 million (SDR607 million) were channeled to the IMF, USD209 million to other international organizations, and USD77 million to "Other Interest Payments". In turn, private sector repayments amounted to USD156 million. In addition, gross outflows of profits, dividends and other income transferred to accounts abroad amounted to USD29 million.[17]

Finally, secondary income transactions had a deficit of USD2 million.

III.2 Capital Account

In November, the capital account of the foreign exchange balance had a deficit of USD5 million.

[17] The regulations on the access to the forex market for the payment of profits and dividends set out that the companies that have exchanged foreign currency from new direct investment contributions in the forex market since January 2020 can make payments of up to 30% of the accumulated amount so exchanged since that date. In turn, non-resident shareholders will be able to access the forex market for the payment of profits and dividends on foreign direct investment contributions entered and exchanged in the forex market since November 16, 2020, and allocated to finance projects under the "Plan for the Promotion of the Argentine Natural Gas Production". As of June 2021, exporters of goods that registered an increase in their external sales over the previous year, will be able to access the forex market for the payment of profits and dividends from closed and audited balance sheets, for a percentage of that increase. See Communications "A" 6869, "A" 7168 and "A" 7301.

III.3 Foreign Exchange Financial Account

In November, transactions carried out under the foreign exchange financial account recorded a deficit of USD1,642 million. This result was explained by the deficit recorded in the "Non-Financial Private Sector" (USD1,142 million), in the "National Government and the BCRA" (USD510 million), and in the "Financial Sector" (USD182 million), partially offset by the surplus recorded in "Other Net Transfers" (see Table III.3.1).[18]

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

Date	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23
Foreign Exchange Financial Account	-303	3,669	-2,219	-734	1,855	-4,091	-2,191	-2,915	-3,676	4,409	-1,132	-4,254	-1,642
Non-Financial Private Sector	-660	-409	-412	-713	-675	-852	-677	-155	-948	-346	-632	-835	-1,142
Financial Sector	14	-1,078	878	62	198	76	-696	179	-800	403	406	-21	-182
General Government and the BCRA	80	3,944	-3,139	-218	2,815	-2,823	-787	-2,482	-1,678	4,807	-923	-3,176	-510
Other Net Transfers	263	1,212	454	135	-484	-493	-31	-456	-249	-455	17	-222	192

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 USD1,142 million in November, resulting from net self-to-self international transfers for USD604 million; payments of balances in foreign currency to local institutions originated from purchases made with cards to non-resident suppliers for USD318 million (which do not involve a net demand of foreign currency in the financial account)[19]; net outflows on account of local financial loans for USD149 million; net outflows on account of loans from other international organizations for USD92 million; and net outflows from other financial debt held abroad and debt securities for USD89 million. This deficit was partially offset by inflows from foreign direct investments for USD100 million; inflows from the sale of securities for USD8 million; and net inflows from foreign assets 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	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23
Foreign Exchange Financial Account	-660	-409	-412	-713	-675	-852	-677	-155	-948	-346	-632	-835	-1,142
Non-Residents' Direct Investments	33	66	52	54	38	58	54	223	45	69	85	91	100
Non-Residents' Portfolio Investments	-3	1	-1	3	-1	0	-1	-4	0	-1	12	1	-3
Financial Loans and Credit Lines	-515	-130	-149	-582	-278	-456	-420	-188	-281	-525	-389	-538	-556
Local Financial Loans	-17	-12	-28	-97	56	76	-101	-83	-88	49	-5	-126	-149
Other Foreign Loans and Debt Securities	-235	126	107	-248	-45	-317	-81	182	76	-326	-103	-56	-89
Payment of Card Balance	-262	-244	-228	-237	-290	-215	-237	-287	-270	-248	-282	-356	-318
Loans from Other International Organizations and Other	-79	-58	8	-52	-41	1	-83	-56	-84	150	-15	52	-92
Buildup of Foreign Assets by the Non-Financial Private Sector	56	95	-81	-11	-4	-397	-83	0	-196	-91	-84	-112	5
Self-to-Self International Transfers	-152	-381	-240	-123	-386	-56	-150	-130	-430	54	-250	-328	-604
Purchase and Sale of Securities	-1	-1	-2	-2	-2	-2	5	0	-3	-2	9	-1	8

Source: BCRA

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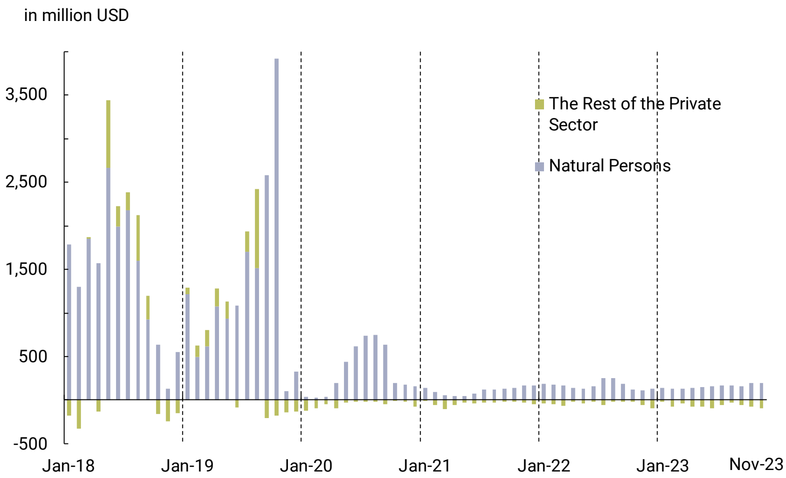
[18] For more information on the "Other Net Transfers" account of the foreign exchange balance, see Section C.4.11. of the Methodology Used for Compiling Foreign Exchange Market and Foreign Exchange Balance Statistics.
[19] The demand of foreign currency due to purchases made with cards from foreign suppliers is recorded in a services account of the foreign exchange balance, under "Travel and Passenger Transport, and Other Expenses Paid with Cards".

Non-financial private sector residents' foreign assets recorded a surplus of USD5 million—i.e., net inflows of foreign currency (USD102 million) which were partially offset by net purchases of banknotes (USD97 million).

This outcome reflects net purchases for USD192 million made by “Natural Persons”, partially offset by net sales for USD95 million made by legal persons (see Chart III.3.1.1).

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



Source: BCRA

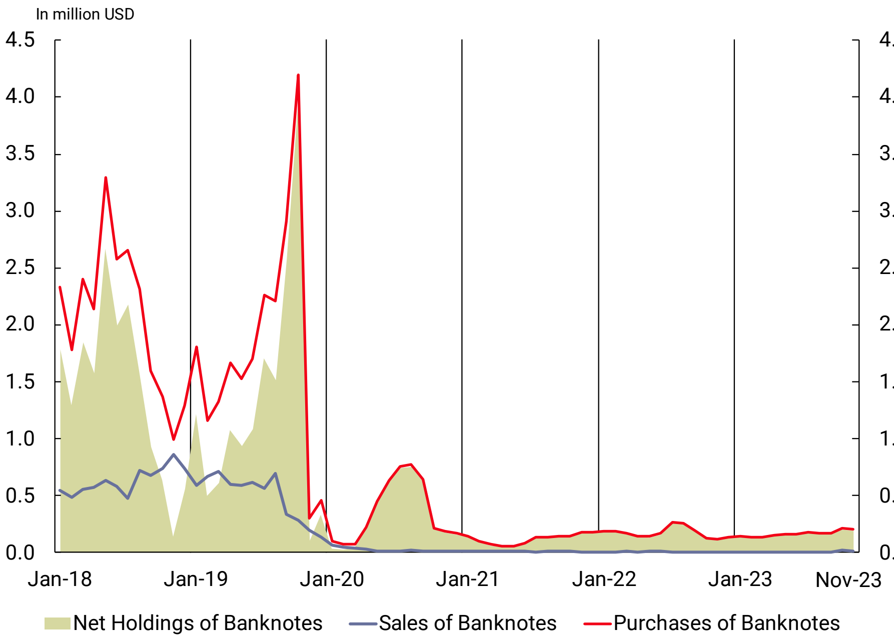
In November, “Natural Persons” purchased banknotes for USD200 million–down 7% against October, but up 76% y.o.y.–and sold USD8 million (see Chart III.3.1.2).[20]

It should be noted that AFIP's General Resolution 5450/2023[21], published on November 23, raised from 45% to 100% the contribution in advance of income tax for the purchase of dollars for saving purposes. Therefore, the exchange rate applicable to purchases of dollars for saving purposes is composed as follows: the official exchange rate plus 100% (income tax), 30% (PAIS tax), and 25% (personal property tax).

[20] These transactions were made in the context of the regulatory changes introduced in mid-September 2020, as under Communication “A” 7105 (introducing controls and monitoring mechanisms for ensuring that clients’ financial and income capacity make them eligible to open savings accounts in foreign currency; as well as limits to co-owners’ access to purchase foreign currency for building up foreign assets), and Communication “A” 7106 (establishing that any payments made in foreign currency on credit or debit cards will count as part of the USD200 monthly quota per person, and that beneficiaries under paragraph 4 of Communication “A” 6949, as supplemented, and/or Section 2 of Executive Order 319/20 may not access the forex market until benefits are over). As from September 16, 2020, the AFIP will collect a 35% contribution in advance of income and personal property taxes from natural persons applying for foreign currency to build up foreign assets, or pay their debit and/or credit card bills (General Resolution 4815/2020). As of July 25, 2023, the AFIP increased by 10 p.p. the contribution in advance of income tax for the purchase of foreign currency for saving purposes, bringing it to 45% (General Resolution 5393/2023).

[21] To see General Resolution 5450/2023 click here.

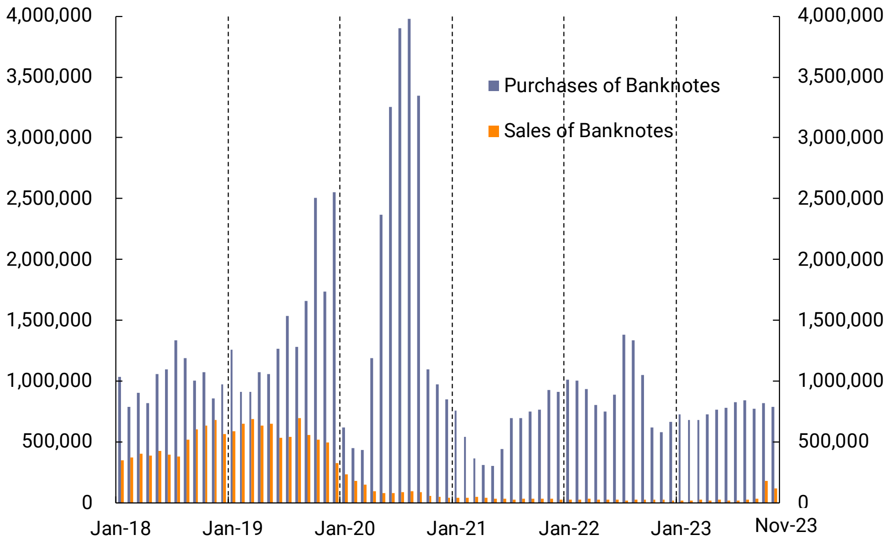
Chart III.3.1.2 Foreign Exchange Balance
Natural Persons. Banknotes



Source: BCRA

In terms of traders, 789,000 individuals purchased banknotes, while sellers amounted to about 114,000 (see Chart III. 3.1.3).

Chart III.3.1.3 Foreign Exchange Balance
Natural Persons. Number of People

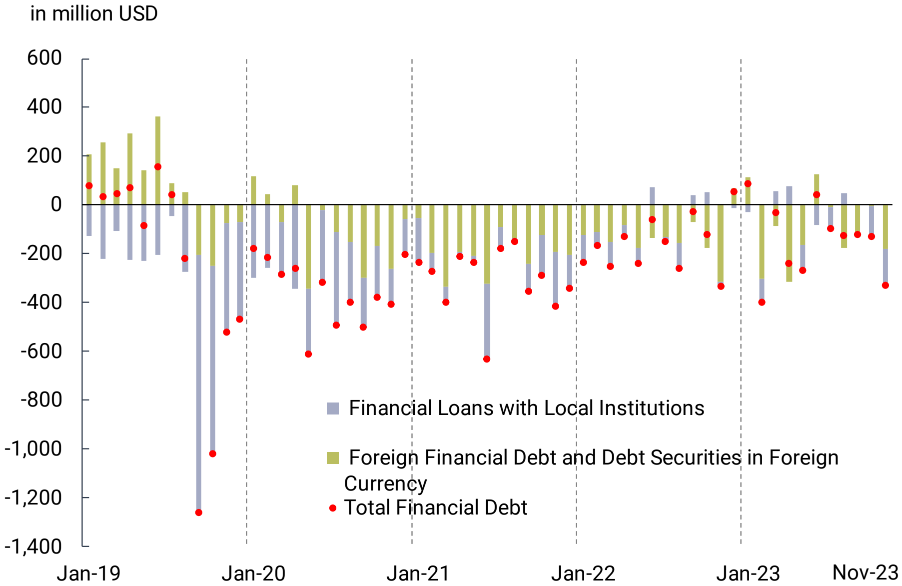


Source: BCRA

In turn, in November, this sector recorded net inflows from their own accounts abroad (USD102 million). This result is mainly explained by the net transfers received by the "Real Sector excluding Oilseeds and Grains" (USD60 million), "Institutional Investors and Others" (USD30 million), "Natural Persons" (USD11 million), and "Oilseeds and Grains" (USD1 million).

Net outflows of financial debt from the non-financial private sector, including loans from international organizations and local financial loans, reached USD330 million in November—net outflows from "Energy" (USD145 million) standing out. This amount involves net outflows on account of financial debt held abroad, securities in foreign currency, and loans owed to international organizations (USD181 million), and net outflows from local loans (USD149 million). The total amount excludes purchases of foreign currency to pay card bills for expenses incurred abroad (USD318 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).[22]

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



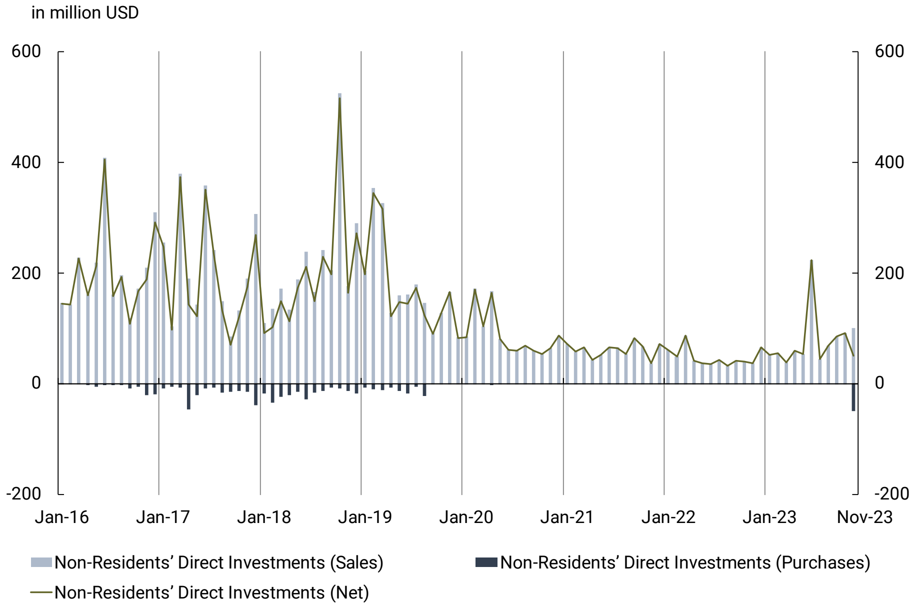
Note: Local financial debt excludes the purchases of foreign currency to pay card bills for expenses incurred abroad, which do not imply a net demand within the forex market

Source: BCRA

Direct investments made by non-residents in the private sector through the forex market reached USD50 million (net inflows) in November (see Chart III.3.1.5).

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

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



Source: BCRA

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

In November, the transactions carried out under the foreign exchange financial account of the "Financial Sector" recorded a deficit of USD182 million. This outcome was mainly explained by an increase of USD144 million in liquid foreign assets of financial institutions' General Exchange Position; net outflows from foreign direct investments for USD50 million; net purchases/subscription of securities for USD15 million; and net payments of loans to international organizations for USD6 million. All these outflows of international reserves were partially offset by net inflows from financial loans for USD32 million.[23]

Financial institutions' General Exchange Position amounted to USD5,882 million at the end of November, up 3% against the end of October. This result was explained by an increase in holdings of foreign currency (USD212 million), which was partially offset by a drop in the holdings of banknotes (USD68 million). Holdings of foreign currency banknotes totaled USD4,663 million by the end of the month. This stock accounted for 79% 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).

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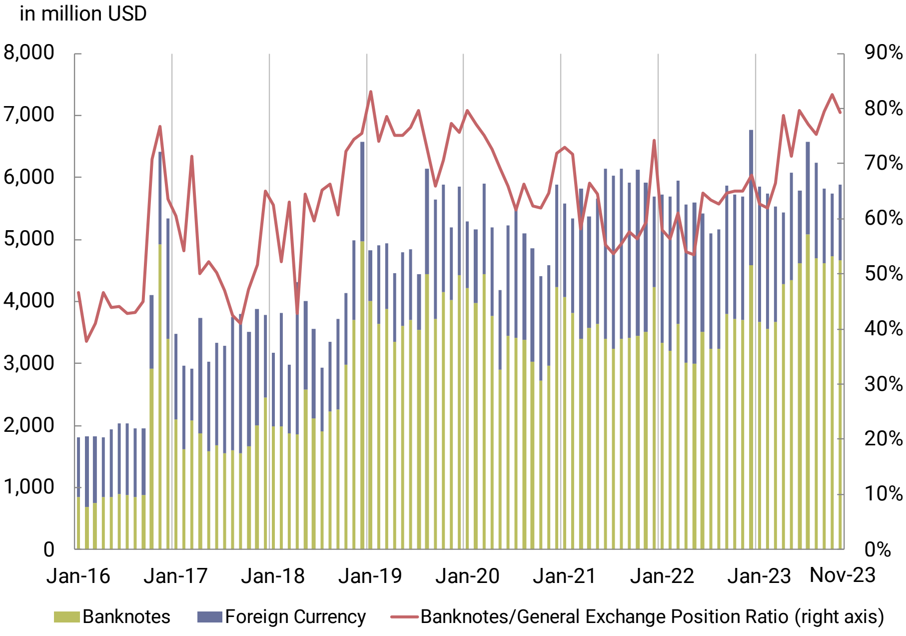
[23] The General Exchange Position is defined in Section C.4.7. of the Methodology Used for Compiling Foreign Exchange Market and Foreign Exchange Balance Statistics.

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



Source: BCRA

On another note, the ensemble of financial institutions ended November with a forward short position in foreign currency of USD259 million, recording a drop of USD43 million against the end of October. Institutions purchased USD568 million directly from clients (Forwards) and sold USD525 million in regulated markets over November (see Chart III.3.2.2).

Foreign capital institutions ended November with a net short position of USD119 million, recording an increase of USD13 million compared to October. In turn, national capital institutions purchased USD56 million, reducing their net short position of October to USD140 million (see Chart III.3.2.3).

Chart III.3.2.2 Forward Market EOM Institutions' Forward Position

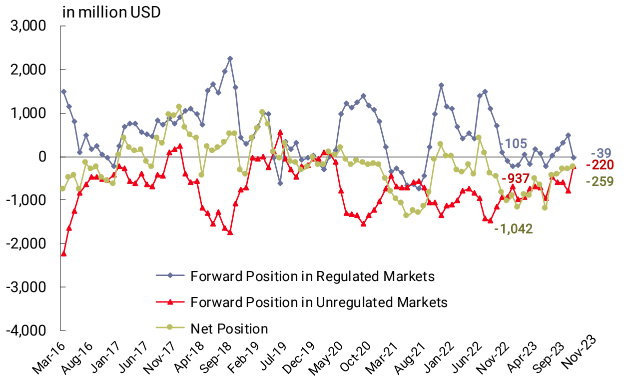
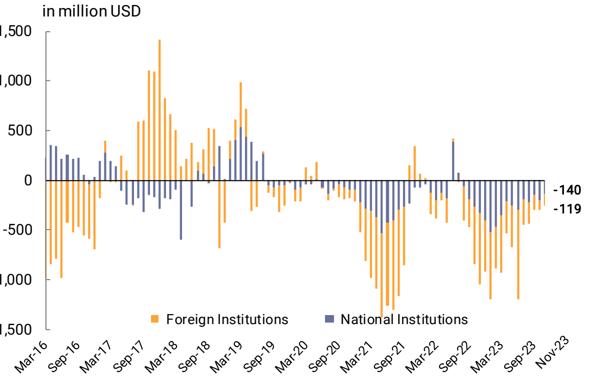


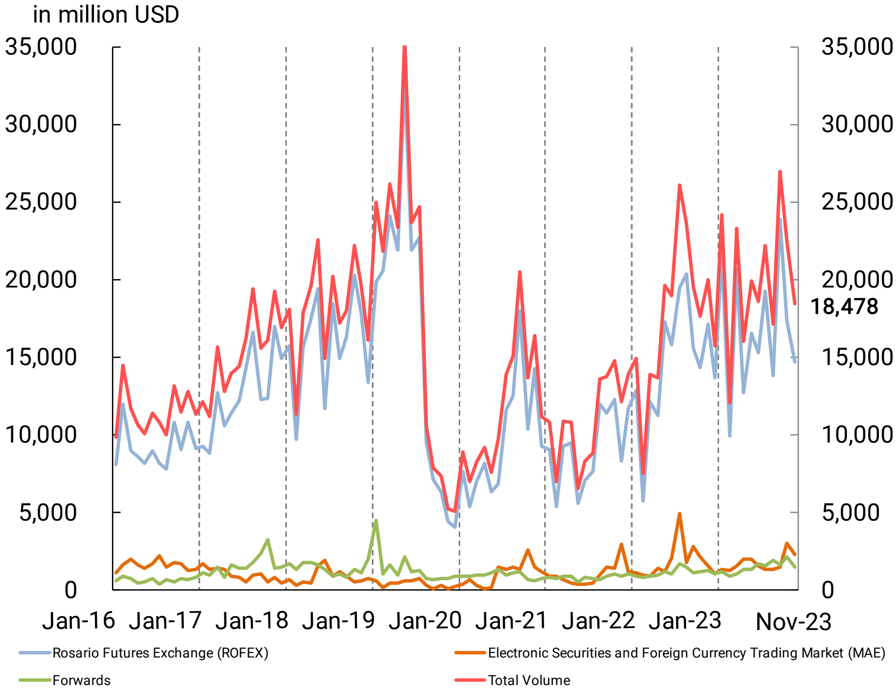
Chart III.3.2.3 Forward Market EOM Institutions' Forward Position



Source: BCRA

The volume traded in forward markets totaled USD18,478 million in November, i.e.: USD924 million daily on average. Transactions carried out in the Rosario Futures Exchange (ROFEX) continued to stand out, with an 80% share in the total volume traded in the forward market (see Chart III.3.2.4).[24]

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



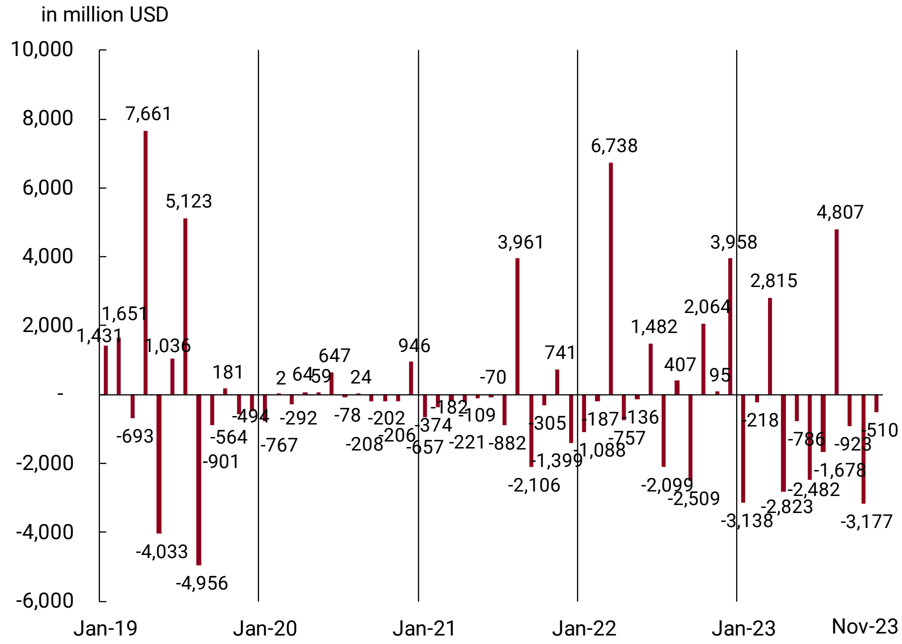
Source: BCRA

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

In November, the transactions carried out under the foreign exchange financial account of the "General Government and the BCRA" recorded a deficit of USD510 million (see Chart III.3.3.1), mainly explained by repayments of principal owed to the IMF totaling USD796 million (SDR608 million) and net payments of financial loans for USD29 million, partially offset by net inflows from loans from international organizations (IMF excluded) for USD260 million and net inflows from sales of foreign assets by the public sector and securities for about USD72 million.

[24] 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

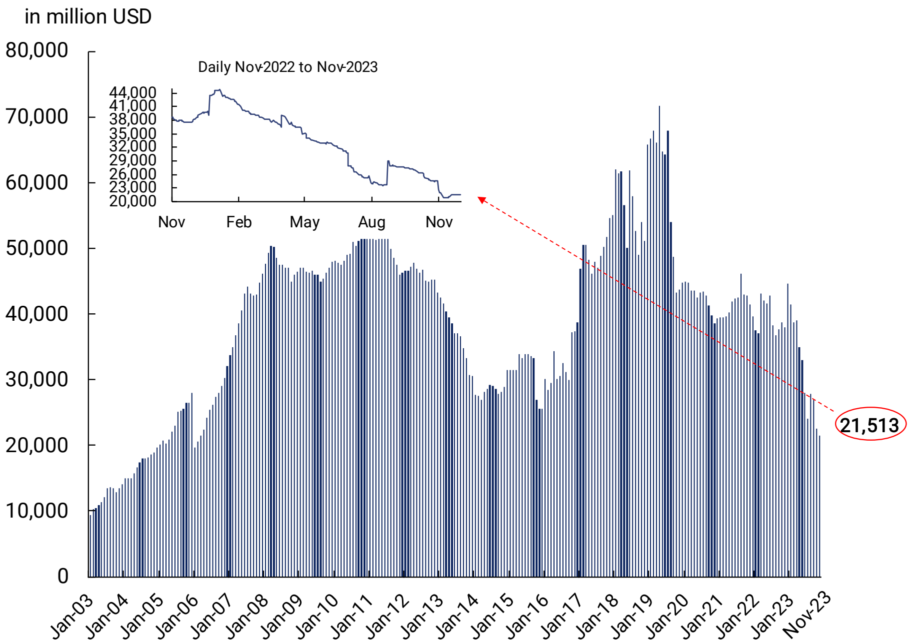


Source: BCRA

IV. BCRA's International Reserves

During November, BCRA's international reserves fell USD1,046 million, totaling USD21,513 million by the end of the month. This decrease was mainly explained by repayments of charges, interest and fees to the IMF for USD867 million (SDR658 million) and repayments of principal owed to such organization for USD796 million (SDR608 million); a fall in financial institution's holdings of foreign currency; and net payments settled by the BCRA through the Local Currency Payment System, which were partially offset by the increase in the US dollar exchange rate of foreign exchange reserves by USD544 million; net purchases made by the BCRA in the forex market; and net inflows of principal and interest from international organizations (IMF excluded) and other financial debt incurred by the National Treasury for USD139 million (see Chart IV.1).

Chart IV.1 BCRA's International Reserves



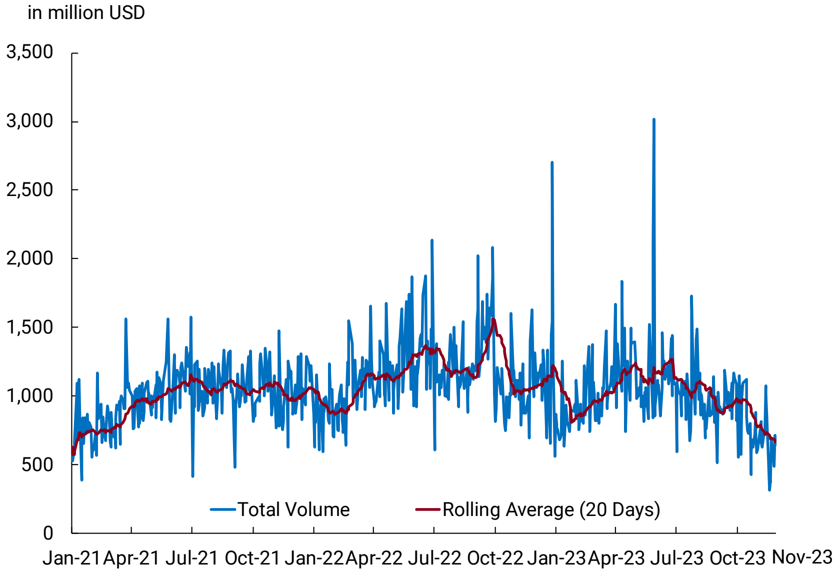
Source: BCRA

V. Volumes Traded in the Foreign Exchange Market

In November, the volume traded in the forex market totaled USD13,391 million, down 40% against November 2022 (see Chart V.1). The average daily volume traded was USD670 million, falling in y.o.y. terms as a result of a 51% drop in transactions between the institutions and the BCRA (down USD847 million), a 45% drop in transactions between the institutions and their clients (down USD6,911 million), and a 23% drop in transactions between the institutions (down USD1,233 million).[25]

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

Chart V.1 Foreign Exchange Market Volume Traded Daily Evolution

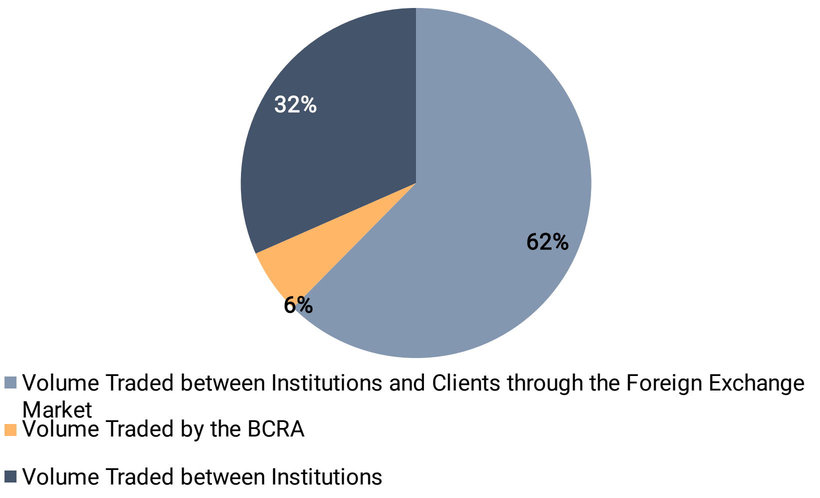


Source: BCRA

Foreign exchange transactions between institutions and their clients accounted for 62% of the total volume traded, while transactions between institutions—through the Electronic Trading System (SIOPEL)—represented 32%; in turn, transactions between institutions and the BCRA stood for the remaining 6% (see Chart V.2).[26]

[26] The volume traded between licensed institutions and their clients excludes the following items: the subscription of LEBAC bills, self-to-self international transfers (around USD1,854 million), the record of deposits in foreign currency allocated for the payment of financial debt service for about USD379 million, and purchases of foreign currency to pay card bills (around USD319 million for the month under study).

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

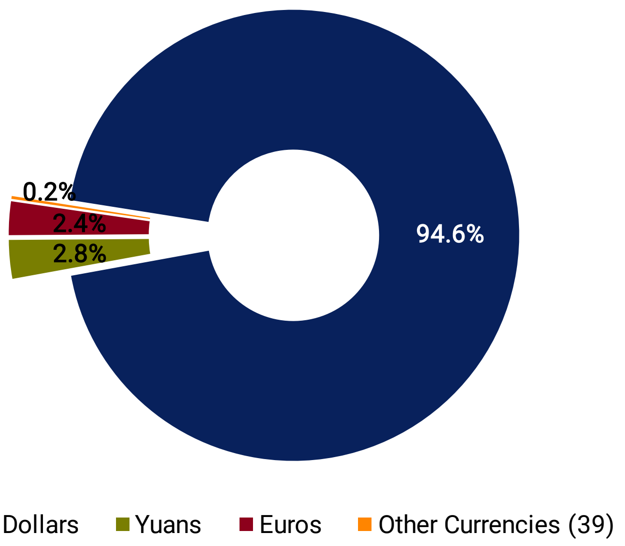


Source: BCRA

In November, 140 institutions traded in the market involving 42 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 83% of such volume) and in terms of the currency used, USD-denominated transactions having a 95% share in the total traded with clients. The yuan ranked second (about 3% of the total traded with clients) surpassing the euro (2% of the total). The remaining currencies concentrated less than 1% of the total volume traded (see Chart V.3).

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



Source: BCRA

Finally, 83% of foreign exchange transactions between financial and foreign exchange institutions and their clients were channeled through private financial institutions, 17% through public banks, and the remaining 0.1% through foreign exchange houses and agencies.