

Overseas Exchange Transactions (OET)

July 2016

Release Date: 9 November 2016

Table 1

<i>T\$ m</i>	July 16	June 16	May 16	Apr 16
Overall balance	12.6	24.2	7.8	5.5
Total inflows	57.0	84.8	59.5	58.5
Total outflows	52.3	49.7	55.1	46.6
Foreign Reserves	367.4	354.9	330.7	322.9

Lower government receipts in July drives the narrowing of the overall surplus

Total OET Receipts

Total OET receipts remain high at \$57.0 million in July, but lower by \$27.8 million (32.8%) in comparison to the previous month. The decline over the month was mainly due to a drop in official transfer by \$23.2 million (92.9%). Over the year ended July 2016, total OET receipts rose by \$136.6 million (25.8%) to \$666.3 million, mostly remittances and official grants receipts by Government.

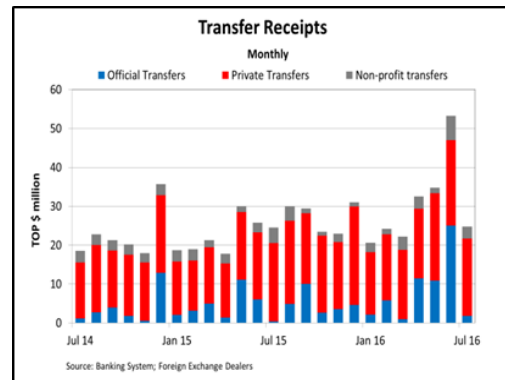
Majority of the receipt transactions in July were denominated in US Dollar (USD), representing 44% of the total receipts, declining from 60% of the previous month. This was followed by receipts in New Zealand Dollars (NZD) of 23%, increasing from 11% last month while Australian dollar (AUD) transactions represented 18% of total receipts, increasing from 12% in June. 12% were transacted in Tongan Pa'anga (TOP).

Current Account Receipts

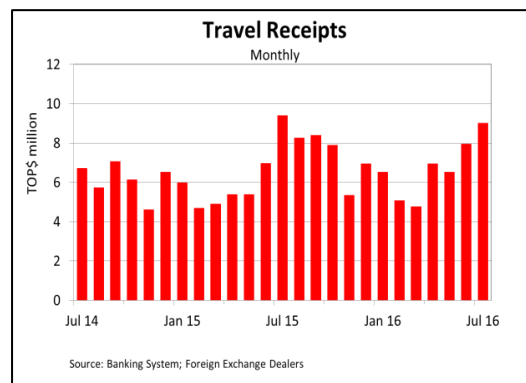
Current account receipts fell to \$43.0 million in July, \$27.6 million (39.1%) lower than the previous month. This was largely due to a decline in official transfer, mostly lower receipts of government grants and budget support, contrast to the large inflows last month before the closing of the fiscal year.

Over the year, current account receipts rose by \$111.3 million (26.7%) to \$527.9 million, largely owing to higher inflows from remittances, official grants, construction and telecommunication over the year.

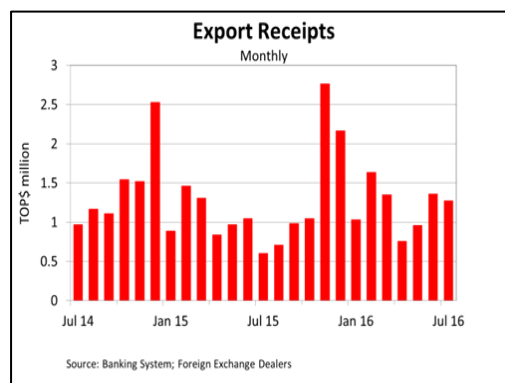
Transfer receipts fell by \$28.4 (53.4%) to \$24.8 million in July. A \$23.2 million (92.9%) drop in official grant receipts for technical assistant and projects by Government departments largely contributed to the trend and also triggered the overall decline in the total OET receipts. This follows a significant rise in June as Tonga’s donor partners directed funds to assist with Tonga’s budget prior to the closing of fiscal year. Transfers received by non-profit institutions which were mostly funds to local churches also fell by 50% to \$3.1 million. Private transfers, which are largely remittance receipts¹, was at \$19.9 million, \$2.1 million (9.6%) lower than the previous month. Bringing an end of catering to major events in June including the Queen Mother’s birthday, Tupou College 150th anniversary and annual church conferences largely attributed to the lower private transfer receipts in July. In the year ended terms, total transfer receipts rose by \$74.1 million (26.9%) to \$349.2 million, as both official and private transfer receipts continued to rise.



Services receipts improved over the month by \$1.0 million (7.0%) to \$15.0 million. This was mainly due to an increase in travel receipts, particularly from personal travel. Although the international arrivals recorded a decline of 25.8% for the same period, the individuals buying Tongan pa’anga and spending on travel related expenses including accommodation and other related expenses rose. The whale watching season has largely contributed to this increase. Services other than travel fell by \$0.1 million (1.3%) to \$5.9 million, underpinned by a decline in receipts for professional, management consulting and other business services. In year ended terms, service receipts increased by \$ 31.9 million (29.2%) to \$141.2 million. This reflects higher receipts for all categories but majority is from construction & installation services and travel. This also indicates positive performance from the tourism, construction and other service sectors.



Export proceeds slightly fell to \$1.3 million in July, \$0.09 million (6.3%) lower than the amount received in June. Export of marine products declined by \$0.3 million (42.2%) to \$0.5 million over the month representing 35% of total export proceeds. The marine exports however recorded an increase of 199.7 metric tonnes (274.4%) over the month, its proceeds may probably be reflected in the following months’ reports. Export of agricultural products, on the other hand, slightly rose by \$0.1 million (54.5%) to



¹ Further information on remittances can now be found on our Remittances Data flash, available on the NRBT website.

\$0.4 million over the month, representing 31% of the total export proceeds. This may coincide with the highest volume recorded for agricultural products in July 2016. Export receipts rose by \$1.1 million (7.0%) over the year to \$16.0 million, underpinned by an increase in proceeds from the export of fisheries products. Higher exports of tuna over the year supported the above mentioned trend, as reflected in the Marine exports report for July.

Financial Account & Capital Account Receipts

Over the month, financial account receipts slightly fell by \$1.3 million (10.2%) to \$11.1 million. This resulted from a \$6.7 million (60.9%) drop in other investments mostly interbank transfers, which were partially offset by a \$5.4 million rise in foreign direct investment. Capital account receipts, on the other hand, rose by \$1.1 million (60.1%) to \$2.9 million underpinned by a receipt of official grant for capital projects. Over the year, financial account receipts rose by \$28.7 million (31.8%), while capital account receipts fell by \$3.4 million (14.7%).

Total OET Payments

Total OET payments rose by \$2.6 million (5.3%) in July 2016 to \$52.3 million, driven mostly by higher import payments compared to the previous month. On year ended terms, OET payments rose by \$79.7 million (15.9%) to \$582.4 million, attributed to higher payments made for imports and services.

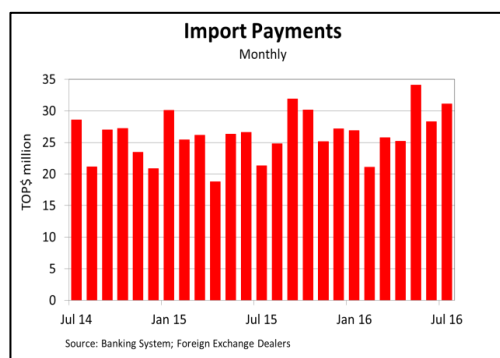
Current Account Payments

Current account payments were at \$50.2 million in July, \$2.8 million (6.0%) higher than the previous month. This represents 96% of total OET payments and higher import payments attributed largely to the trend. Over the year, current account payments rose by \$72.4 million (15.6%) to \$537.4 million again underpinned by higher payments for import.

Import payments rose by \$2.8 million (9.9%) to \$31.1 million. This was largely attributed to higher imports of oil and construction materials by \$2.3 million and \$0.8 million respectively. Wholesale & retail trade imports and other imports, on the other hand, fell by \$2.3 million and \$2.1 million respectively. In year ended terms, import payments were \$37.2 million (12.6%) higher than the previous year. This resulted from higher payments for the imports of construction materials, motor vehicles, wholesale and retail imports.

Services payments were at \$13.4 million in July, \$0.7 million (5.1%) higher than the previous month and \$20.2 million (19.1%) higher than the previous year. Subscription and contributions to International organizations largely contributed to these trends.

Transfer payments, on the other hand, decreased by \$0.7 million (13.2%) over the month to \$4.8 million due mainly to lower private transfers; the majority were transfers to own accounts, and



non-profit transfer. In year ended terms, transfer payments were recorded at \$62.7 million, increasing by \$16.2 million (35%) from the previous year.

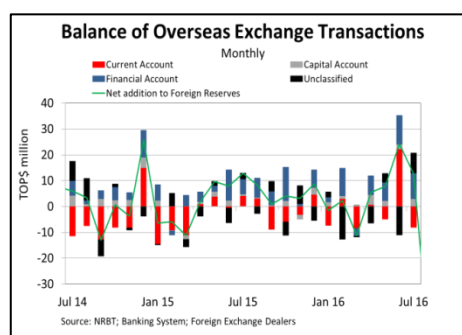
Payments of primary income were at \$0.8 million, \$0.1 million (15.3%) higher than the previous month but declined by \$1.3 million (7.0%) over the year to \$16.9 million.

Capital & Financial Account Payments

Financial account payments declined by \$0.2 million (8.5%) over the month to \$2.1 million, while increasing by \$8.7 million (25.5%) over the year underpinned by higher interbank transfers. On the other hand, there were no capital payments made during the month similar to last month, but fell by \$1.3 million (36.0%) over the year.

Overall Balance & Foreign reserves

The balance of OET, which is equivalent to the net change to foreign reserves over the month of July 2016, recorded a surplus of \$12.6 million, which is \$11.6 million (48%) lower than the surplus in June. This resulted from a deficit recorded in the current account in July after recording a surplus in June, due mainly to lower transfer receipts during the month. In year-ended terms the overall balance was a surplus \$64.9 million compared with \$22.1 million last year.



Foreign reserves rose to \$367.4 million in July, sufficient to cover 10.4 months of imports, well above the NRBT's minimum range of 3-4 months. The outlook for the foreign reserves is considered to remain comfortably above the minimum range, given the on-going remittance receipts, upcoming preparation for the Pacific Games and other assistance from donor partners. However, delays to the inflow of these funds as well as the rise in imports will pose a risk to the outlook.

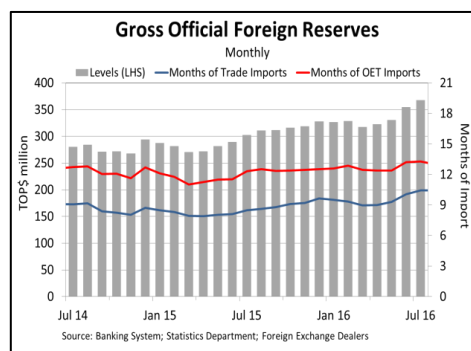


Table 2**Overseas Exchange Transactions**

TOP\$ millions

	Month Ended				Year Ended	
	Jul-16	Jun-16	May-16	Apr-16	Jul-16	Jul-15
Total Payments	52.3	49.7	55.1	46.6	582.4	502.7
Current Account	50.2	47.3	53.2	44.5	537.4	465.1
Imports	31.1	28.3	34.1	25.2	331.9	294.7
Services	13.4	12.8	11.0	12.7	126.0	105.8
Primary Income	0.8	0.7	0.7	1.7	16.9	18.2
Transfers	4.8	5.6	7.4	5.0	62.7	46.4
Official	0.0	0.0	1.8	0.0	3.7	1.7
Private	4.8	5.1	5.4	4.8	58.8	44.5
Non-Profit	0.0	0.4	0.3	0.1	0.2	0.1
Capital Account	0.0	0.0	0.2	0.0	2.3	3.6
Official	0.0	0.0	0.0	0.0	0.0	0.0
Private	0.0	0.0	0.2	0.0	2.3	3.6
Financial Account	2.1	2.3	1.7	2.0	42.7	34.0
Direct Investment	0.9	0.1	0.0	0.0	4.0	0.3
Portfolio Investment	0.0	0.0	0.0	0.0	0.0	0.0
Other Investment	1.2	2.3	1.6	2.0	38.6	33.7
Total Receipts	57.0	84.8	59.5	58.5	662.6	527.6
Current Account	43.0	70.7	48.3	47.2	524.3	414.5
Exports	1.3	1.4	1.0	0.8	16.0	15.0
Agriculture	0.4	0.2	0.3	0.2	6.3	4.6
Marines	0.5	0.9	0.6	0.4	7.5	5.3
Other	0.4	0.2	0.0	0.2	2.3	5.1
Services	15.0	14.0	10.4	12.1	141.2	109.3
Travel	9.0	8.0	6.5	7.0	83.7	72.8
Other	6.0	6.0	3.9	5.1	57.6	36.5
Primary Income	2.0	2.1	2.1	1.8	21.4	17.1
Transfers	24.8	53.2	34.8	32.5	345.5	273.0
Official	1.8	25.0	10.9	11.4	83.9	51.1
Private	19.9	22.0	22.5	17.9	231.3	190.3
Non-Profit	3.1	6.2	1.4	3.1	30.3	31.6
Capital Account	2.9	1.8	2.4	2.8	19.7	23.1
Official	1.2	0.3	0.2	1.1	8.1	6.7
Private	1.8	1.5	2.2	1.7	11.7	16.4
Financial Account	11.1	12.3	8.8	8.6	118.6	90.0
Direct Investment	6.8	1.3	0.0	0.0	8.4	2.6
Portfolio Investment	0.0	0.0	0.0	0.0	0.0	0.0
Other Investment	4.3	11.0	8.8	8.6	110.2	87.3

Sources: banking system; foreign exchange dealers, NRBT