

Overseas Exchange Transactions (OET) December 2017

Release Date: 19 March 2018

Table 1

<i>T\$ m</i>	Dec 17	Nov 17	Oct 17	Sep 17
Overall balance	-2.3	11.2	10.5	-2.0
Total inflows	69.3	55.1	69.7	58.8
Total outflows	63.7	52.8	54.9	67.4
Foreign Reserves	422.5	424.8	413.6	403.0

Higher import payments leads to deficit in overall balance.

Total OET Receipts

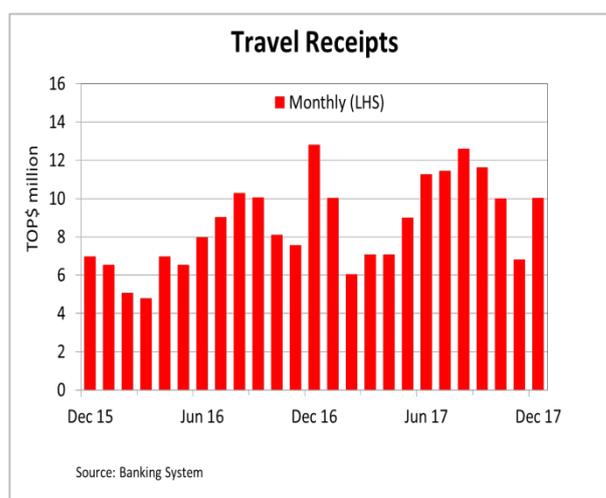
In December 2017, the total Overseas Exchange Transaction (OET) receipts rose by \$14.2 million (25.89%) to \$69.3 million. This was attributed mainly to higher remittances and private capital transfer receipts. In addition, financial account receipts, travel receipts and non-profit transfer receipts increased. In year ended terms, the total OET receipts rose by \$19.1 million (2.6%) to \$746.8 million driven by higher inflows of private remittance and travel receipts.

The US dollar (USD) remained as the dominant currency in OET receipts with a share of 47% of the total OET receipts, compared to 45% in November 2017. The receipts in Australian dollar (AUD) and New Zealand dollar (NZD) followed with a share of 19% and 17% respectively, compared to a share of 26% and 14% in the previous month. The rise in the OET share of the New Zealand dollars (NZD) was coincided with the strengthening of the New Zealand dollar (NZD) against the Tongan Pa'anga (TOP).

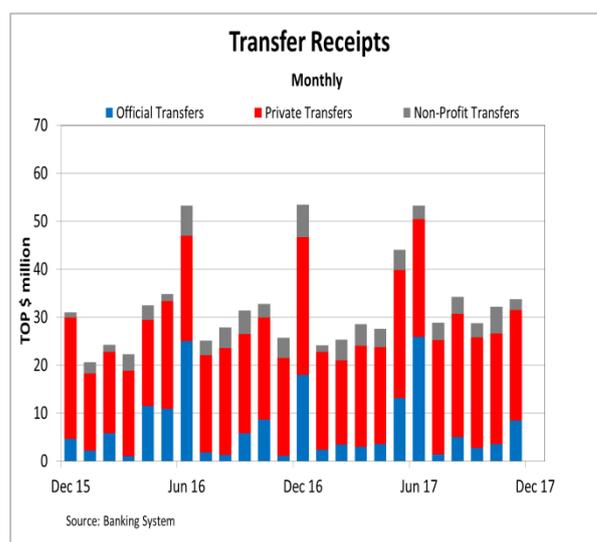
Current Account Receipts

In December 2017, current account receipts slightly rose by \$3.0 million (6.1%) to \$51.7 million. This was mainly driven by higher private remittances, supported by higher travel and non-profit transfer receipts. In year ended terms, current account receipts rose by \$29.4 million (5.0%) to \$616.0 million, driven mainly by higher private transfer and travel receipts. Current account receipts accounted for 75% of the total OET receipts in December 2017.

Service receipts rose over the month by \$2.6 million (24.0%) to \$13.3 million. This was driven by a \$3.2 million rise in travel receipts particularly personal travels. The receipts from other services however declined, particularly telecommunication services. Over the year, service receipts rose by \$20.3 million (12.7%) to \$180.1 million, of which 62.7% were from travel receipts and the remaining 37.3% were from the other services.

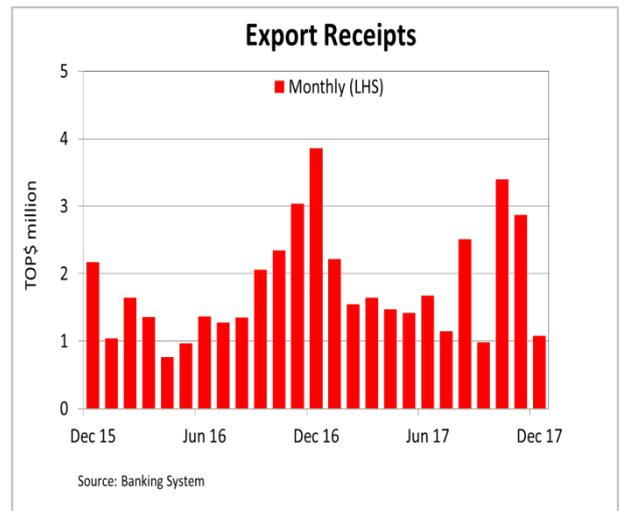


Transfer receipts also rose by \$2.0 million (6.0%) to \$35.8 million. Both private and non-profit transfer receipts rose over the month by \$5.7 million and \$3.2 million respectively. Higher private remittance receipts were mostly family supports during the Christmas & festive season whereas receipts for non-profit organisations were mostly assistance for schools and churches. Official transfer receipts on the other hand, fell by \$5.7 million mainly Government grants. Transfer receipts accounted for 52% of the total OET receipts. In year ended terms, total transfer receipts rose by \$12.6 million (3.3%) to \$396.4 million, driven by higher private transfers, particularly receipts for family support.



Primary income receipts slightly rose by \$0.2 million over the month, due mainly to higher receipts of wages of residents working overseas. In year ended terms, receipts fell by \$4.4 million due to lower receipts of wages of residents working overseas.

On the other hand, the export proceeds declined over the month by \$1.8 million, due mainly to lower receipts from agricultural exports, indicating the end of squash season. Other export proceeds supported the trend while marine export proceeds was slightly increase over the month. Over the year, the total export proceeds slightly rose by \$0.9 million, mainly other exports.



Financial Account & Capital Account Receipts

Both Financial account receipts and Capital account receipts rose over the month of December 2017 by \$3.9 million and \$7.3 million respectively. Higher interbank transfers drove the rise in financial account while higher private grants for investment projects or capital expenditures drove the increase in capital account receipts. These bring out a total of \$7.9 million for the financial account and \$9.7 million for the capital account. In year ended terms, financial account receipts declined by \$32.1 million to \$83.9 million while the receipts on the capital account rose by \$21.8 million to \$47.0 million.

Total OET Payments

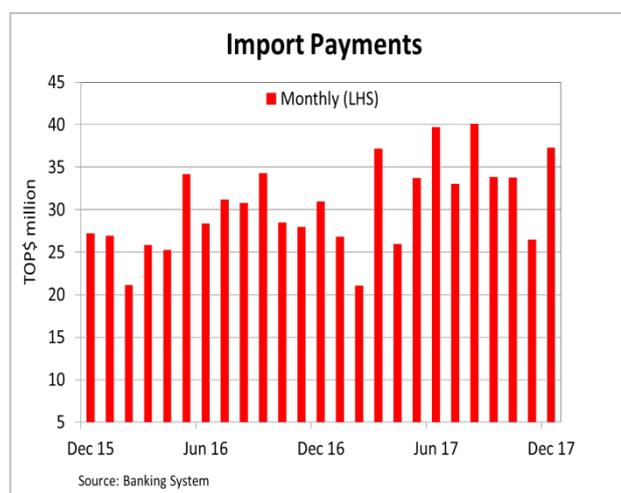
In December 2017, the total OET payments rose by \$10.9 million (20.6%) to \$63.7 million, primarily due to import payments. In year ended term, total OET payments rose by \$69.0 million (11.3%) to \$679.7 million, again driven by higher import payments, particularly for wholesale & retail goods.

The USD remained the top currency for OET payments, despite the decline in its share from 58% in November to 53% this month. The payments in NZD and FJD followed with a share of 25% and 11% respectively.

Current Account Payments

Current account payments rose over the month by \$9.0 million (18.0%) to \$58.9 million, driven mainly by higher import payments and supported also by the slight increase in service receipts. Both primary income payments and transfer payments declined over the month. Over the year, the total current account payments rose by \$69.0 million (11.3%) to \$679.7 million, due to higher import and primary income payments. Current account payments accounted for 92.9% of the total OET payments.

Total import payments rose by \$10.8 million from \$26.5 million last month to \$37.3 million. All categories of import payments rose with wholesale & retail goods payments rose the most by \$5.8 million. Payments for imports of oil followed with a rise of \$3.8 million and Government import payments also rose by \$0.8 million. Both construction and motor vehicle imports rose by \$0.2 million and \$0.1 million respectively.



Over the year, total import payments rose by \$43.7 million to \$388.7 million, driven mainly by higher wholesale & retail import payments which rose by \$76.0 million. This coincided with the rise in container registrations over the year by 13.3%.

Service payments slightly rose over the month by \$2.8 million to \$15.8 million, reflecting higher payments of professional, management consulting and other business services. In year ended terms, service payments rose by 7.7% to \$147.4 million due to higher sea freight payments.

On the other hand, transfer payments declined by \$4.0 million (42.3%) to \$5.4 million. Both official and non-profit transfer payments fell by \$4.1 million and \$0.1 million respectively while private payments slightly rose over the month by \$0.2 million. In year ended terms, total transfer payments declined by \$3.3 million, due to lower private transfer payments particularly gifts sent to families and relatives abroad. This outweighed the higher official and non-profit transfer payments.

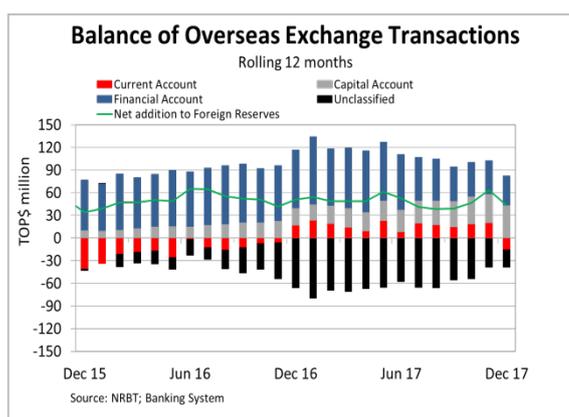
Primary income payments slightly fell by \$0.6 million over the month however rose by \$10.9 million (44.9%) to \$35.1 million in year ended terms. Payments of dividend explained both the monthly and yearly movements.

Capital & Financial Account Payments

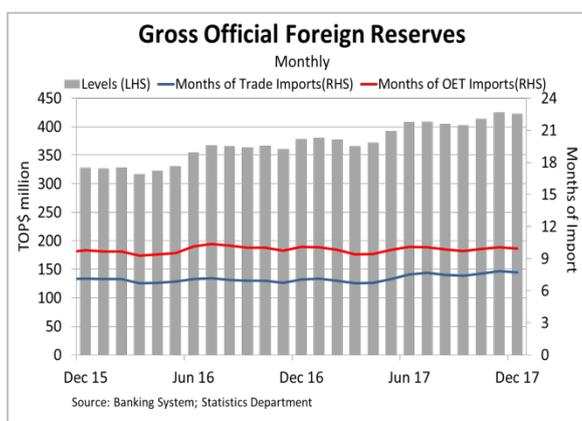
Financial account payments for the month of December 2017 slightly fell by \$0.3 million to \$2.3 million, mainly due to lower direct investment payments. Other investment payments on the other hand slightly rose by \$0.7 million while portfolio investment continued to record no payments in December 2017. Capital account payments rose over the month by \$2.2 million due to rise in private capital transfer payments whereas official capital transfer payments continued to record no payments. Over the year to December 2017, financial account payments rose by \$6.6 million to \$45.4 million and capital account payments slightly rose by \$0.6 million to \$3.2 million.

Overall Balance & Foreign reserves

The balance of Overseas Exchange Transactions recorded a deficit of \$2.3 million for the month of December 2017, declining from a surplus of \$11.2 million in November 2017. This contributed to the decline in the official foreign reserves to \$422.5 million in December 2017, sufficient to cover 7.7¹ months of imports, which is well above the Reserve Bank’s minimum range of 3-4 months of imports.



The foreign reserves is anticipated to remain comfortably above the minimum range of 3 – 4 months of imports cover, supported by expected higher receipts of remittance and anticipated Government receipts of budget support and grant funds from development partners. This will be partly offset by the projected rise in import payments.



¹ Method of calculation changed in February 2017 to include imports of both goods and services (previous method used imports of goods only)

Table 2

Overseas Exchange Transactions
TOP\$ millions

	Month Ended				Year Ended	
	Dec-17	Nov-17	Oct-17	Sep-17	Dec-17	Dec-16
Total Payments	63.7	52.8	54.9	67.4	679.7	610.8
Current Account	58.9	49.9	53.4	57.5	631.1	569.4
Imports	37.3	26.5	33.7	33.8	388.7	345.0
Services	15.8	12.9	11.0	13.5	147.4	136.9
Primary Income	0.4	1.1	4.0	6.6	35.1	24.2
Transfers	5.4	9.4	4.7	3.5	60.0	63.3
Official	0.0	4.1	0.0	0.0	6.5	3.6
Private	5.3	5.1	4.5	3.5	53.1	59.5
Non-Profit	0.2	0.2	0.2	0.0	0.5	0.2
Capital Account	2.5	0.2	0.0	0.2	3.2	2.6
Official	0.0	0.0	0.0	0.0	0.1	0.0
Private	2.5	0.2	0.0	0.2	3.1	2.6
Financial Account	2.3	2.6	1.5	9.7	45.4	38.7
Direct Investment	0.0	1.1	0.1	6.9	18.4	6.1
Portfolio Investment	0.0	0.0	0.0	0.0	0.0	0.0
Other Investment	2.3	1.5	1.4	2.9	26.9	32.6
Total Receipts	69.3	55.1	69.7	58.8	746.8	727.7
Current Account	51.7	48.8	56.7	48.0	616.0	586.6
Exports	1.1	2.9	3.4	1.0	21.9	21.0
Agriculture	0.3	2.0	2.4	0.3	8.9	9.9
Marines	0.7	0.6	0.6	0.5	7.9	8.5
Other	0.1	0.3	0.3	0.2	5.1	2.7
Services	13.3	10.7	19.1	16.0	180.1	159.8
Travel	10.0	6.8	10.0	11.6	112.9	95.6
Other	3.3	3.9	9.1	4.4	67.2	64.2
Primary Income	1.6	1.4	2.1	2.3	17.6	22.0
Transfers	35.8	33.7	32.1	28.7	396.4	383.9
Official	1.5	8.4	3.5	2.7	74.0	93.0
Private	28.7	23.0	23.1	23.0	277.7	243.7
Non-Profit	5.5	2.3	5.6	2.9	44.7	44.2
Capital Account	9.7	2.4	4.9	4.9	47.0	25.1
Official	3.0	0.7	1.1	2.0	16.5	5.5
Private	6.7	1.8	3.7	2.9	30.5	19.6
Financial Account	7.9	4.0	8.2	5.9	83.9	115.9
Direct Investment	0.3	0.2	0.1	0.2	8.6	15.1
Portfolio Investment	0.0	0.0	0.0	0.0	0.0	0.0
Other Investment	7.6	3.8	8.1	5.7	75.3	100.8

Sources: banking system; NRBT