

Overseas Exchange Transactions (OET)

January 2017

Release Date: 21 June 2017

Table 1

<i>T\$ m</i>	Jan 17	Dec 16	Nov 16	Oct 16
Overall balance	2.1	17.8	-6.1	3.3
Total inflows	57.5	92.3	51.8	61.3
Total outflows	42.8	51.2	51.5	52.2
Foreign Reserves	380.8	378.8	360.9	367.0

Lower transfer receipts lowered the overall surplus

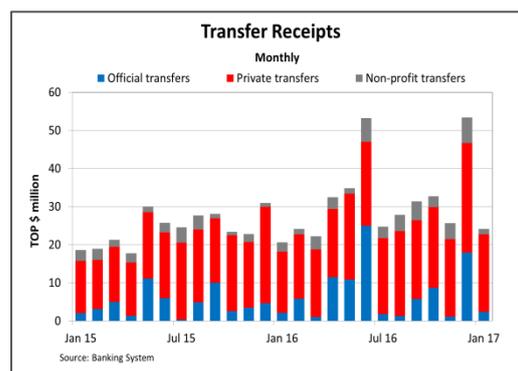
Total OET Receipts

January 2017 recorded a decline in total OET receipts over the month by \$34.8 million (37.7%) to \$57.5 million, following the peak in December 2016. This was mainly due to a significant decrease in the current account receipts which is largely owed to lower transfer receipts. However, over the year, total OET receipts rose by \$170.9 million (29.7%) to \$745.8 million, supported by higher transfer and services inflows during the year. Majority of the receipt transactions were denominated in US dollar (USD).

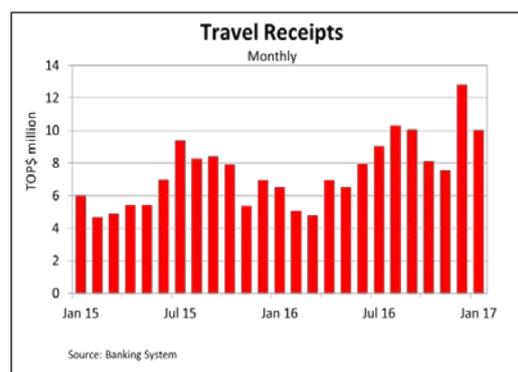
Current Account Receipts

Current account receipts started off the year 2017 at \$41.6 million for the month of January, \$35.1 million (45.7%) lower than the previous month, and representing 72% of total OET receipts. All major components declined over the month with transfer receipts declining the most by \$29.3 million (54.8%) to \$24.1 million, attributed mainly to lower receipts of official grants and remittances. Over the year, current account receipts were 30.3% higher than a year ago, driven mostly by strong growth in transfer and service receipts.

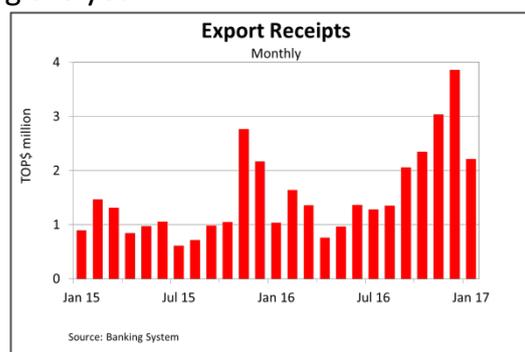
Transfer receipts fell over the month of January 2017 by \$29.3 million (54.8%), after peaking in December 2016 at \$53.4 million. This was driven by \$15.6 million drop in official transfers to only \$2.4 million and a \$8.4 million drop in private transfers to \$20.4 million, due to the end of the Christmas festivities last month. Over the year ended January 2017, transfer receipts rose to \$387.0 million, which was 32.4% higher than the previous year.



Service receipts also fell over the month by \$3.8 million (20.8%) to \$14.4 million as both travel and other services declined by \$2.8 million (21.9%) and \$1.0 million (18.3%) respectively. This coincided with a fall in international arrivals by 38.7% marking the end of the Christmas holidays. Over the year ended January 2017, service receipts rose by \$34.8 million (26.9%) to \$164.1 million reflecting a strong services sector during the year.



Export receipts also declined over the month of January by \$1.6 million (42.6%) to \$2.2 million, with agricultural export proceeds falling by \$1.7 million (58.3%) and receipts from other exported goods falling by \$0.1 million (33.7%). Proceeds from the export of fisheries and other marine products however, rose by \$0.2 million (27.6%) over the month. On year ended terms, export receipts rose by \$7.2 million (48.5%) to \$22.2 million, attributed mainly to a rise in proceeds from the export of agricultural, fisheries and other marine products. The more favourable weather conditions during the year supported the improvement in export receipts.



Financial Account & Capital Account Receipts

Contributing to the lower OET receipts was the decline in capital account receipts which fell by \$0.8 million over the month to \$1.1 million, largely due to lower official and private grants for investment purposes. Financial account receipts however, on the other hand, slightly rose by \$1.1 million (8.2%) to \$14.8 million mainly due to non-resident direct investment in resident enterprises and Tongan residents' higher withdrawal of funds from their foreign currency accounts overseas. Over the year, capital account receipts rose by 82.8% due mainly to higher private capital transfers

while financial account receipts declined by 1.2% to \$112.3 million, attributed largely to the purchase of shares in resident enterprises.

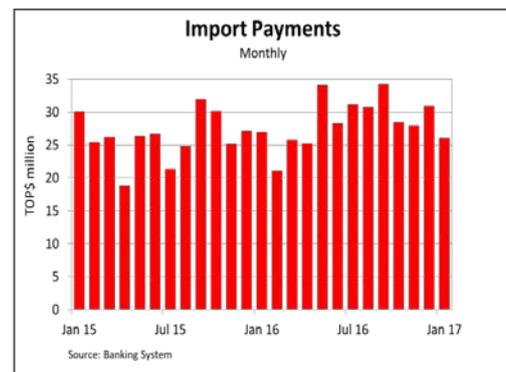
Total OET Payments

Total OET payments fell by \$8.4 million (16.4%) in January 2017 to \$42.8 million, driven mostly by lower import payments compared to the previous month. In year ended terms however, total OET payments continued to rise by \$74.4 million (13.9%) to \$610.8 million due mainly to higher import and service payments.

Current Account Payments

Current account payments were \$7.2 million (14.7%) lower in January 2017 compared with the previous month, falling to \$41.5 million and representing 93.5% of total OET payments. Lower import and service payments for the month drove the overall decline in current account payments. Over the year, current account payments increased by \$80.9 million (16.5%) to \$570.8 million owing to higher import payments.

Import payments for January 2017 fell by \$4.9 million (15.8%) to \$26.0 million. All categories of import payments declined except for payments for importing of vehicles. Wholesale and retail import payments decreased the most by \$3.4 million, oil payments fell by \$1.0 million which were partly offset by the slight increase in payments of vehicle imports. In year-ended terms, import payments rose by \$33.2 million (10.7%) at the end of January 2017 to \$344.1 million, and accounted for 56.3% of total OET payments. This was largely contributed by higher payments for construction materials imports which coincided with the on-going construction works that are in progress, and supported by the tax exemption in some of the constructions materials. The rise in payments for imported vehicles corresponded with the increase in vehicle registrations' by 783 registrations and the rise in payments for wholesale and retail goods was consistent with the increase in container registration's by 1,049 registrations.



Service payments fell by \$2.2 million (18.1%) to \$10.0 million over the month, underpinned by lower payments for government and professional business services. Over the year, service payments were \$29.9 million (27.3%) higher than the previous year due mainly to higher payments for professional and travel services.

Primary income payments slightly declined over the month of January 2017 by \$0.3 million (32.3%) to \$0.6 million attributed mainly to lower payments of employees'

compensations and other primary income. However, over the year it rose to \$24.2 million by \$8.0 million (49.0%).

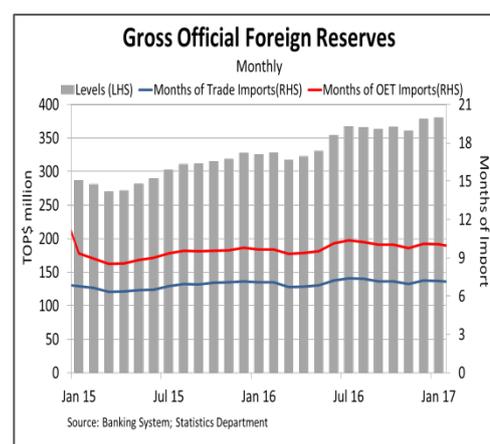
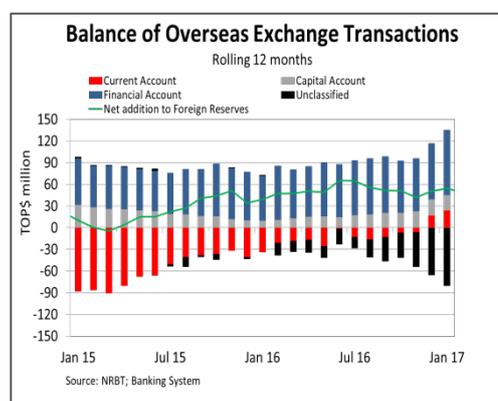
On the other hand, transfer payments slightly increased by \$0.2 million (4.2%) over the month of January 2017 to \$0.6 million attributed mainly to lower payments of non-profit transfers. Over the year, it rose to \$63.1 million by \$9.8 million (18.5%).

Capital & Financial Account Payments

Capital payments for January 2017 slightly rose by \$0.2 million compared to NIL capital payments in the previous month, underpinned by residents purchasing property overseas. However, over the year it dropped by \$2.9 million (50.7%) to \$2.8 million. Financial account payments fell by \$1.4 million (54.2%) over the month to \$1.1 million due mainly to less external loan payments. Over the year, it declined also by \$3.5 million due mainly to lower loan repayments which were partly offset by a rise in direct investment payments.

Overall Balance & Foreign reserves

The overall balance of OET for January 2017 was a surplus of \$2.1 million, \$15.7 lower than the large surplus of \$17.8 million in the previous month. This resulted in a rise in the foreign reserves to \$380.8 million in January 2017, sufficient to cover 7.2¹ months of imports, and well above the NRBT's minimum range of 3-4 months of imports. The outlook for foreign reserves is to remain comfortably above the minimum range, given the expectation of ongoing remittance receipts and other assistance from donor partners. However, delays to the inflow of these funds may pose a risk to the outlook.



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	
	Jan-17	Dec-16	Nov-16	Oct-16	Jan-17	Jan-16
Total Payments	42.8	51.2	51.5	52.2	610.8	536.3
Current Account	41.5	48.7	45.1	50.2	570.8	489.9
Imports	26.0	30.9	27.9	28.5	344.1	311.0
Services	10.0	12.2	11.1	10.5	139.3	109.4
Primary Income	0.6	0.9	1.3	6.5	24.2	16.3
Transfers	4.9	4.7	4.7	4.8	63.1	53.2
Official	0.0	0.0	0.0	0.0	3.6	2.2
Private	4.8	4.3	4.7	4.5	59.2	50.9
Non-Profit	0.1	0.4	0.1	0.2	0.2	0.2
Capital Account	0.2	0.0	2.1	0.3	2.8	5.7
Official	0.0	0.0	0.0	0.0	0.0	0.0
Private	0.2	0.0	2.1	0.3	2.8	5.7
Financial Account	1.1	2.5	4.3	1.7	37.2	40.7
Direct Investment	0.0	0.3	2.8	0.0	5.9	2.5
Portfolio Investment	0.0	0.0	0.0	0.0	0.0	0.0
Other Investment	1.1	2.2	1.5	1.7	31.3	38.2
Unclassified Payments	0.0	0.0	0.0	0.0	0.0	0.0
Total Receipts	57.5	92.3	51.8	61.3	745.8	574.9
Current Account	41.6	76.7	42.4	50.0	594.9	456.4
Exports	2.2	3.9	3.0	2.3	22.2	14.9
Agriculture	1.2	2.9	2.0	1.6	10.8	5.7
Marines	0.8	0.6	0.9	0.4	8.6	6.6
Other	0.2	0.3	0.2	0.3	2.9	2.7
Services	14.4	18.2	12.3	13.4	164.1	129.3
Travel	10.0	12.8	7.6	8.1	99.1	80.1
Other	4.4	5.4	4.7	5.3	65.0	49.2
Primary Income	0.9	1.3	1.4	1.5	21.6	19.9
Transfers	24.1	53.4	25.7	32.7	387.0	292.3
Official	2.4	17.9	1.1	8.7	93.2	55.0
Private	20.4	28.8	20.3	21.2	250.7	210.3
Non-Profit	1.4	6.7	4.2	2.8	43.2	27.0
Capital Account	1.1	1.9	2.8	2.3	24.5	15.7
Official	0.3	0.4	0.7	0.3	5.5	9.3
Private	0.8	1.5	2.1	2.1	19.0	6.3
Financial Account	14.8	13.7	6.6	9.0	126.5	102.8
Direct Investment	7.1	0.0	0.7	0.8	22.1	1.4
Portfolio Investment	0.0	0.0	0.0	0.0	0.0	0.0
Other Investment	7.7	13.7	5.9	8.2	104.3	101.4
Unclassified Receipts	0.0	0.0	0.0	0.0	0.0	0.0

Sources: banking system; NRBT