

# Overseas Exchange

## Transactions

### November 2014

T\$m*	Nov 14	Oct 14	Sept 14	Aug 14
<b>Overall balance</b>	<b>-3.6</b>	<b>0.6</b>	<b>-13.0</b>	<b>3.5</b>
Current account	-5.8	-7.1	-15.2	-8.1
Capital account	4.2	7.9	7.8	4.0
Unclassified	-2.1	-0.2	-5.7	7.6

\*Month-ended

#### Overall Balance

The overall balance on Overseas Exchange Transactions deteriorated from a surplus of \$0.6 million in October to a deficit of \$3.6 million in November 2014. The change resulted from higher unclassified outflows and lower capital account inflows. In year-ended terms the overall balance was in surplus of \$2.5 million, lower than the \$11.6 million surplus in the previous year. The significant decline in the overall surplus reflected lower net inflows in the capital account and higher net outflows in the current account.

#### Current Account

The current account had a lower net outflow over the month compared to October. Import payments continue to fall over the month by 0.6%. This is comparatively less than the fall of 22.0% recorded in October 2014 due to fewer payments for construction materials and motor vehicles. In year-ended terms, import payments increased by 8.1% reflecting a 5.3% rise in oil imports.

Export receipts increased over the month by 20.8% mainly from proceeds of squash. This due to Tonga's exports being seasonal and usually peaking closer to the end of the year. However, in year ended terms, export receipts fell by 2.8% due to lower agricultural proceeds, mainly squash.

Travel receipts picked up over the month by 9.9%. High receipts from foreign cards and two cruise ship visits to Vava'u and Tofua Islands most likely contributed to this growth. In year-ended terms, travel receipts fell by 20.5%. This fall can be attributed to the classification of data. All foreign card transactions and remittances made via

card transactions are recorded as travel receipts. Therefore, the fall in year-ended terms would most likely correlate to fewer foreign card transactions.

Remittances increased over the month by 16.6%. This was derived from increased remittances from all three major source countries, with low unemployment and a weaker Pa'anga contributing to the growth. In year-ended terms, remittances increased by 3.4% to \$215.6million.

### **Capital Account and Unclassified Transactions**

The lower net capital account inflow over the month resulted from a fall in private capital receipts.

The balance of unclassified transactions was a net outflow of \$2.1 million in November. For the year ended November 2014, unclassified transactions amounted to a net outflow of \$14.4million compared to a net outflow of \$36.4 million for the year ended November 2013.

### **Foreign Reserves**

Gross official foreign reserves fell over November by \$3.6 million to T\$267.9 million sufficient to cover 8.8 months of imports, well above the 3-4 months benchmark. Looking forward, the level of foreign reserves is anticipated to increase throughout the remainder of financial year 2014/15 due to the receipt of budget support and donor funds for on-going projects. However, delays to the inflows of these funds will pose a risk to the outlook. However, even in a worst-case scenario the level of foreign reserves is forecast to remain comfortably above the benchmark.

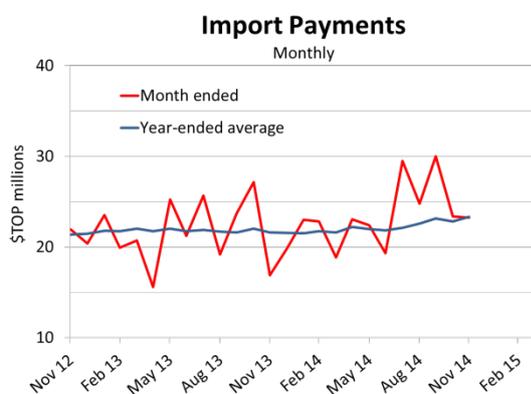
While economic rationale broadly supports continued monetary stimulus, foreign reserves remain at high levels and the NRBT is closely monitoring this. The NRBT's expansionary monetary policy stance therefore remains.

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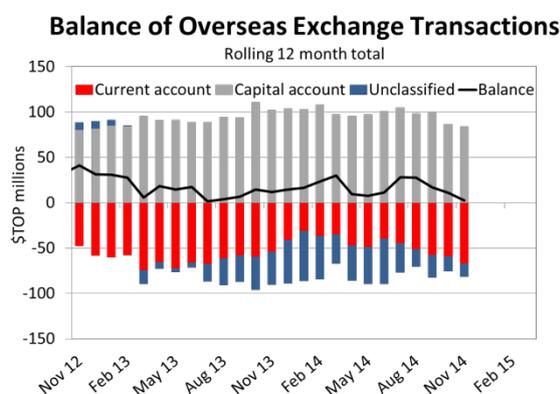
\$TOP millions

	Month ended			Year-ended	
	Nov-14	Oct-14	Sep-14	Nov-14	Nov-13
Overall balance	-3.6	0.6	-13.0	2.5	11.6
Current account	-5.8	-7.1	-15.2	-67.4	-54.1
Merchandise trade	-21.7	-22.1	-28.8	-265.9	-244.4
Services	-2.2	-3.0	0.1	-19.7	6.5
Investment	0.7	3.2	-0.4	12.4	6.7
Transfers	17.5	14.9	13.9	205.8	177.1
Official	-0.7	0.2	0.9	32.0	3.2
Private	18.2	14.6	13.1	173.8	173.9
Capital account	4.2	7.9	7.8	84.3	102.2
Unclassified	-2.1	-0.2	-5.7	-14.4	-36.5

Sources: banking system; foreign exchange dealers; NRBT



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