

# Overseas Exchange Transactions

## January 2015

<i>T\$m*</i>	Jan 15	Dec 14	Nov 14	Oct 14
<b>Overall balance</b>	<b>-6.4</b>	<b>25.8</b>	<b>-3.6</b>	<b>0.6</b>
Current account	-17.4	20.2	-5.8	-7.1
Capital account	9.6	14.3	4.2	7.9
Unclassified	1.0	-8.7	-2.1	-0.2

\*Month-ended

### Overall Balance

The balance of official exchange transactions was a \$6.4 million deficit in January 2015 compared with a \$25.8 million surplus in December. The turnaround was due to higher net outflows in the current account. However, in year-ended terms the overall balance was a surplus of \$10.4 million; albeit less than the previous year. The lower surplus was mainly due to a lower capital account surplus.

### Current Account

The current account had a deficit of \$17.4 million in January, in contrast to the \$20.2 million surplus recorded in December. In year ended terms, the current account was in a \$76.7 million deficit, more than double the deficit from the previous year. These deficits are largely a result of rising import payments and falling receipts from exports, travel and remittances.

Import payments rose by 45.3% over January, largely driven by a \$9.6million increase in oil imports. This is consistent with Consumption Tax (CT) data showing a rise in CT paid on oil imports. It may also be correlated with oil importers taking advantage of falling oil prices over January. These rising import payments may be indicative of a higher consumption in the coming months. In year-ended terms, import payments are at its highest level by recent standards with an annual total of \$289.1 over the year to January which is 12.1% more than a year ago.

Exports receipts fell by 73% after peaking at \$2.6million in December. The decline was due to a fall in agricultural proceeds, most likely resulting from the end of the squash season. This decline over the month also impacted the year ended figures for export receipts which rose by 1.8%; less than the annual increase recorded in December 2014.

Travel receipts fell by 35.8% over January coinciding with the end of the Christmas and holiday season. Data for air arrivals from the ATS also shows a decrease in the number of international passenger numbers. In year-ended terms, travel receipts were approximately 28% lower than January 2014. However, all foreign card transactions and remittances made via card transactions are also recorded as travel receipts. Therefore, the series is likely to be overstated and the fall in year-ended terms may correlate to fewer foreign card transactions.

Remittances, like travel receipts, are strongly correlated with seasonal festivities. The end of the Christmas holidays resulted in a 33.1% fall over the in remittances received from all three source countries. However, in year-ended terms, remittances increased by 4.2% to \$220.5million, the highest on record.

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

The capital account recorded a net inflow of \$9.6 million over January, a reduction of \$4.7 million since December. This was caused by a reduction in official and private funds donated for construction and various capital works since December 2014.

The balance of unclassified transactions was a net inflow of \$1.0 million in January. Over the year to January 2015, unclassified transactions amounted to a net outflow of \$8.7 million.

### **Foreign Reserves**

The Gross official foreign reserves declined by 2.2% to \$287.2 million over the month of January, sufficient to cover 9.6 months of imports. This is well above the 3-4 months minimum range. Looking forward, the level of foreign reserves is anticipated to increase throughout the remainder of 2014/15 financial year due to the expected donor funds in early 2015. Although delays to the inflow of these funds will pose a risk to the outlook, even in a worst-case scenario, the level of foreign reserves is forecasted to remain comfortably above the minimum range.

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

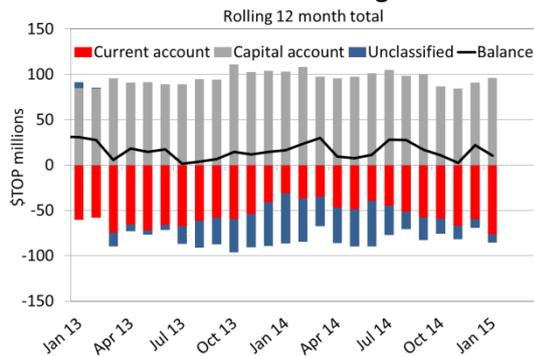
## Overseas Exchange Transactions

\$TOP millions

	Month ended			Year-ended	
	Jan-15	Dec-14	Nov-14	Jan-15	Jan-14
Overall balance	-6.4	25.8	-3.6	10.4	16.4
Current account	-17.4	20.2	-5.8	-76.7	-31.2
Merchandise trade	-30.0	-18.5	-21.7	-274.4	-243.5
Services	-4.2	1.5	-2.2	-22.4	6.3
Investment	1.7	1.1	0.7	14.2	6.9
Transfers	15.0	36.1	17.5	205.9	199.2
Official	1.4	13.7	-0.7	28.3	22.2
Private	13.6	22.4	18.2	177.6	177.0
Capital account	9.6	14.3	4.2	95.6	102.7
Unclassified	1.0	-8.7	-2.1	-8.7	-55.1

Sources: banking system; foreign exchange dealers; NRBT

### Balance of Overseas Exchange Transactions



### Import Payments

