

Overseas Exchange Transactions (OET)

July 2015

Table 1

T\$m	July 15	June 15	May 15	Apr 15
Overall balance	12.9	7.9	9.7	1.9
Total inflows	49.2	58.5	53.0	36.6
Total outflows	38.5	44.9	45.0	30.9

End of festive events sees slight decline in economic activity

Total OET Receipts

The total OET receipts over the month of July were \$49.2 million, around 16% lower than over June and 3.2% more than the same period last year. The majority of the transactions were Current Account receipts, denominated in the US dollar and received by private corporations.

Current Account Receipts

The total receipts in the Current Account were \$39.1 million, which was 6% lower than in June with the slowing of economic indicators such as exports, travel and transfer receipts and private income. In year ended terms, the Current Account receipts rose by 7%.

Total export receipts were 42% less than in June, arising from fewer proceeds for marine exports. This is despite proceeds from agricultural exports being relatively high and in line with the rise in agricultural export volumes. In year ended terms, proceeds from exports were slightly lower than last year. Lower proceeds are likely due to the

A change in methodology

Tonga has transitioned into a new coding system endorsed by the International Monetary Fund (IMF) for all overseas exchange transactions. Under the new codes found in *Balance of Payments and International Investment Position Manual 6 (BPM6)*, the classification of certain transactions will change to provide more specific information about the foreign exchange deal.

As of May 2015, the NRBT reports all OET transactions according to these new codes. This transition will not change the calculation of the overall balance or Gross Foreign Reserves figures.

warmer climate or El Nino, media reports expect this to be constant for the remainder of the year and felt in other Pacific countries as well.

Travel receipts rose over the month by 35% to \$9.4 million. Although air arrivals decreased, departures increased signalling the end of the coronation and visitors returning to their home countries. In year ended terms, travel receipts were slightly lower than last year by 7%. Foreign card transactions in Tonga are recorded as travel receipts, so the series is likely to be overstated.

Transfers were 4% lower than in June yet remain at reasonably high levels of \$24.6 million.¹ In year ended terms, transfer receipts rose by 16% which is attributed to stronger growth in our key source countries.

Financial and Capital Account Receipts

The Capital account receipts for July were \$0.6 million and were mainly private capital transfers. The total receipts in the Financial Account amounted to \$9.5 million, 34% less than in June and came mostly in the form of interbank transfers.

Total OET Payments

The total OET payments over the month of July amounted to \$38.5 million, 14% less than in June and about 10% more in year-ended terms.

Current Account Payments

The total payments in the Current Account were \$34.9 million, a decrease of 18% from June although was 8% more than the same period last year. Import payments, which account for over half the Current Account payments, were lower than in June.

Import payments were around \$21.3 million over the month, around \$5 million less than the past two months. The higher imports in the two preceding months may have been due to the preparation for the coronation, held in the first week of July. With the end of festive occasions, import payments for wholesale, retail and other goods slowed. A fall in oil payments over the month also contributed to lower import payments.

Financial and Capital Account Payments

As usual, there were no significant capital account payments in July. The Financial account payments amounted to \$3.6 million, 38% more than in June. This was due to

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

interbank transfers and transfers from the accounts of residents to their bank accounts abroad.

Foreign reserves and Overall Balance

The balance of Overseas Exchange Transactions over the month of July was a surplus of \$12.9 million. This is also equivalent to the net change to foreign reserves over the month, which is much higher than the surplus in June. The outcome stemmed from a current account surplus as a result of lower net outflows in the merchandise trade balance. The foreign reserves therefore rose to \$302.6 million at the end of July, sufficient to cover 8.6 months of imports, well above the NRBT's minimum range. Looking forward, the level of foreign reserves is expected to pick up largely as a result of on-going aid in the form of budget support from donor partners. Although delays to the inflow of these funds will pose a risk to the outlook, the level of foreign reserves is likely to remain comfortably above the minimum range.

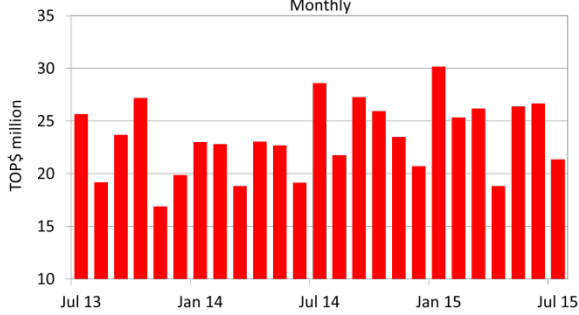
Table 2**Overseas Exchange Transactions**

TOP\$ millions

	Month Ended				Year Ended	
	Jul-15	Jun-15	May-15	Apr-15	Jul-15	Jul-14
Total Payments	38.5	44.9	45.0	30.9	502.8	455.5
Current Account	34.9	42.3	41.3	28.0	465.0	430.0
Imports	21.3	26.6	26.4	18.8	293.9	264.7
Services	9.2	10.0	9.3	7.6	110.3	106.0
Primary Income	0.4	0.6	0.8	0.4	14.1	18.3
Transfers	3.9	5.1	4.8	1.3	46.7	40.9
Official	0.0	0.0	0.0	0.0	1.4	1.5
Private	3.9	4.2	4.6	1.2	45.2	39.3
Non-Profit	0.1	0.9	0.2	0.0	0.1	0.2
Capital Account	0.0	0.0	0.0	0.1	3.7	4.3
Official	0.0	0.0	0.0	0.0	0.0	2.3
Private	0.0	0.0	0.0	0.1	3.7	2.0
Financial Account	3.6	2.6	3.7	2.7	34.1	21.2
Direct Investment	0.0	0.0	0.1	0.8	1.1	0.0
Portfolio Investment	0.0	0.0	0.0	0.0	0.0	0.0
Other Investment	3.6	2.6	3.6	2.0	32.9	21.2
Total Receipts	49.2	58.5	53.0	36.6	532.1	515.8
Current Account	39.1	41.7	45.2	29.7	416.9	389.9
Exports	0.6	1.0	1.0	0.8	15.2	16.0
Agriculture	0.3	0.2	0.2	0.1	4.6	7.2
Marines	0.2	0.4	0.5	0.4	5.3	4.0
Other	0.1	0.4	0.2	0.3	2.3	2.3
Services	12.4	13.1	11.7	8.8	111.3	117.5
Travel	9.4	7.0	5.4	5.4	72.5	77.8
Other	3.0	6.1	6.4	3.4	38.8	39.7
Primary Income	1.4	1.8	2.4	2.4	18.1	21.6
Transfers	24.6	25.8	30.1	17.8	272.3	234.7
Official	0.4	6.0	11.2	0.8	48.4	32.3
Private	20.2	17.2	17.4	13.9	198.3	182.9
Non-Profit	4.1	2.5	1.5	3.1	31.8	25.4
Capital Account	0.6	2.4	1.8	1.0	24.2	33.4
Official	0.0	1.5	1.3	0.1	6.0	11.3
Private	0.6	0.9	0.5	0.9	18.2	22.1
Financial Account	9.5	14.4	6.0	5.9	91.0	92.5
Direct Investment	0.5	0.1	0.3	0.2	2.5	14.2
Portfolio Investment	0.0	0.0	0.0	0.0	0.0	0.0
Other Investment	9.1	14.3	5.8	5.7	88.5	78.3

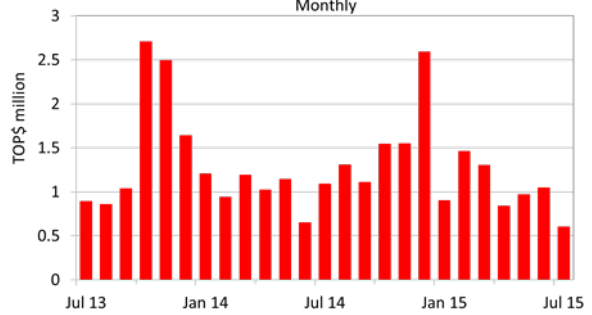
Sources: banking system; foreign exchange dealers, NRBT

Graph 1
Import Payments
Monthly



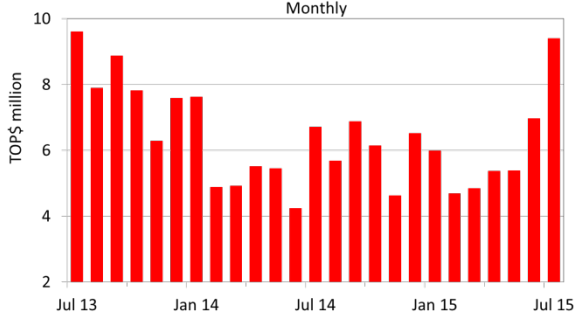
Source: Banking System; Foreign Exchange Dealers

Graph 2
Export Receipts
Monthly



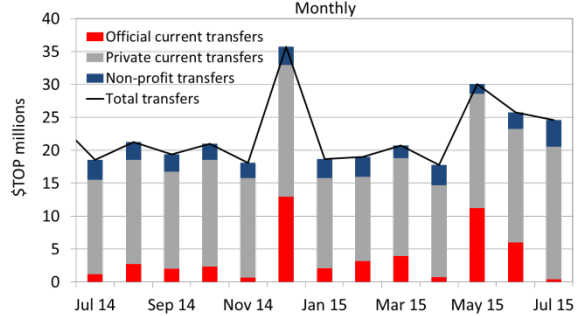
Source: Banking System; Foreign Exchange Dealers

Graph 3
Travel Receipts
Monthly



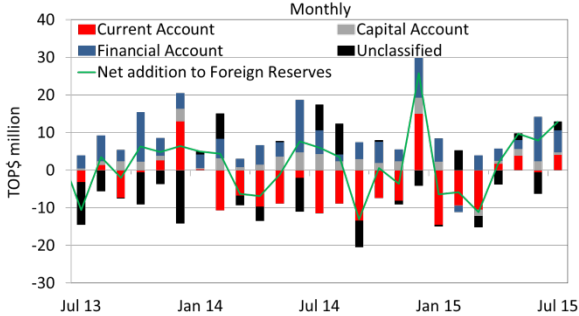
Source: Banking System; Foreign Exchange Dealers

Graph 4
Transfer Receipts
Monthly



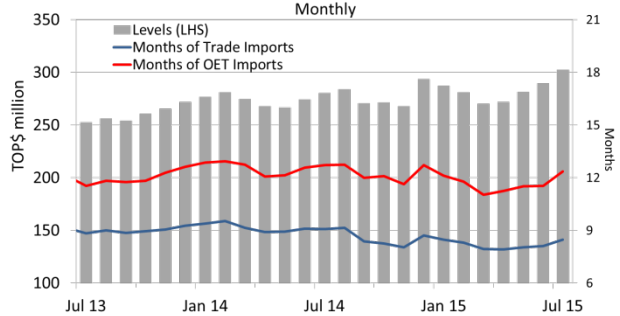
Source: Banking System; Foreign Exchange Dealers

Graph 5
Balance of Overseas Exchange Transactions
Monthly



Source: NRBT; Banking System; Foreign Exchange Dealers

Graph 6
Gross Official Foreign Reserves
Monthly



Source: Banking System; Statistics Department; Foreign Exchange Dealers