

Overseas Exchange Transactions (OET)

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June 2015

Table 1

T\$m*	June 15	May 15	Apr 15	Mar 15
Overall balance	7.9	9.7	1.9	-11.2
Total inflows	58.5	53.0	36.6	39.0
Total outflows	44.9	45.0	30.9	47.3

Pick-up in economic activity as Coronation nears.

Total OET Receipts

The total OET receipts over the month of June were \$58.5 million, around 10% higher than over May and 1.6% 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 \$41.7 million, which was 8% lower than in May. This was due to official transfers in the form of aid from donor partners of around \$4 million, but despite this, transfers remain at reasonably high levels of \$25.8 million. In year ended terms the Current Account receipts rose by 3%.

Exports were 8% more than last month, with proceeds from agricultural products like vanilla, coconuts and kava rising faster than fish and other marine exports. In year ended terms, proceeds from exports were slightly

lower than last year due to warmer weather conditions caused by El Nino. This caused agricultural proceeds to fall by 34.1%.

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.

Travel receipts rose over the month by 29.3% to \$7 million, this was anticipated with festivities such as the coronation not far away. This was supported by international air arrivals figures picking up by 38.9%. In year ended terms travel receipts were slightly lower than last year by around 13%. Most tourist operators have their business accounts held abroad, therefore bookings by visitors for accommodation are not captured by our banking system. Problems with ATM's and EFTPOS machines in popular tourist spots like Vava'u also contribute to lower travel receipts. Foreign card transactions in Tonga are recorded as travel receipts, so the series is likely to be overstated.

Transfers receipts were 14% lower than last month due to official transfers in the form of aid from donor partners yet remain at reasonably high levels of \$25.8 million.¹

Financial and Capital Account Receipts

The capital account receipts, making up only 4.1% of Total OET Receipts, increased over June by 32% to \$2.4 million which was mainly private receipts. In year ended terms the receipts through Capital accounts were 6% less than last year. The total receipts in the Financial Account amounted to \$14.4 million, a pick-up of \$8.3 million from June and came mostly in the form of interbank transfers. Financial account receipts changed little over the year.

Total OET Payments

The total OET payments over the month of June were around \$45 million, the same as in May and about 11% more over the year.

Current Account Payments

The total payments in the Current Account were \$42.3 million, an increase of 3% from May and 10% more than the same period last year. Import payments, which account for over half of the Current Account payments, remained at reasonable high levels similar to that of last month.

Import payments were around \$26.6 million over the month, the second highest figure for this year supported by a rise in container registrations of 41.1%. Driving the rise were mainly payments for wholesale and retail goods and construction materials which rose by 6.2% and 13% respectively. The rise in payments for wholesale and retail goods by businesses coincides with preparation for the upcoming coronation and church conferences in July. Major construction activities in Nuku'alofa including the Retirement Fund Board and the Chinese embassy are ongoing. The construction of St George Palace is expected to begin after the coronation.

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

Financial and Capital Account Payments

There were no significant Capital Account payments for June. The Financial account amounted to \$2.6 million around 30.5% less than in May, this was due to interbank transfers and transfers from the accounts of residents to their banks abroad.

Overall Balance

The balance of OET which is the net change to foreign reserves over the month of June was a surplus of \$7.9 million, lower than the \$9.7 million surplus in May. The lower surplus in June stemmed from a net current account deficit of \$0.6 million and a net outflow of \$5.6 million of unclassified OET transactions.

Foreign reserves

Foreign reserves rose by \$7.9million over the month of June to \$289.7 million, sufficient to cover 8.2 months of imports, well above the NRBT's minimum range of 3-4 months. 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.

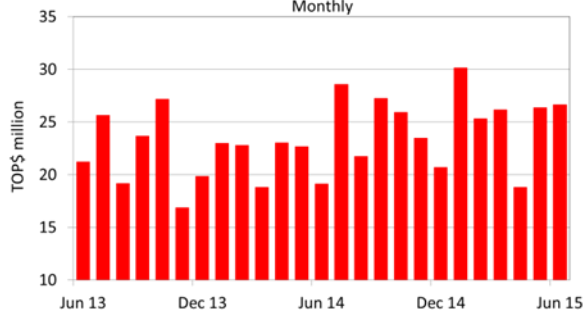
Table 2**Overseas Exchange Transactions**

TOP\$ millions

	Month Ended				Year Ended	
	Jun-15	May-15	Apr-15	Mar-15	Jun-15	Jun-14
Total Payments	44.9	45.0	30.9	47.3	506.2	454.1
Current Account	42.3	41.3	28.0	42.4	471.2	429.0
Imports	26.6	26.4	18.8	26.2	301.1	261.8
Services	10.0	9.3	7.6	9.2	109.4	108.8
Primary Income	0.6	0.8	0.4	2.8	14.1	18.3
Transfers	5.1	4.8	1.3	4.2	46.7	40.2
Official	0.0	0.0	0.0	0.0	1.3	1.5
Private	4.2	4.6	1.2	4.2	45.3	38.4
Non-Profit	0.9	0.2	0.0	0.0	0.1	0.2
Capital Account	0.0	0.0	0.1	3.0	3.7	4.4
Official	0.0	0.0	0.0	0.0	0.0	2.4
Private	0.0	0.0	0.1	3.0	3.7	2.0
Financial Account	2.6	3.7	2.7	1.9	31.2	20.7
Direct Investment	0.0	0.1	0.8	0.1	1.1	0.0
Portfolio Investment	0.0	0.0	0.0	0.0	0.0	0.0
Other Investment	2.6	3.6	2.0	1.8	30.1	20.6
Total Receipts	58.5	53.0	36.6	39.0	524.0	516.0
Current Account	41.7	45.2	29.7	31.9	407.6	397.2
Exports	1.0	1.0	0.8	1.3	15.7	15.8
Agriculture	0.2	0.2	0.1	0.1	4.7	7.2
Marines	0.4	0.5	0.4	0.9	5.3	4.0
Other	0.4	0.2	0.3	0.3	2.7	2.1
Services	13.1	11.7	8.8	7.3	107.7	124.9
Travel	7.0	5.4	5.4	4.8	69.8	80.7
Other	6.1	6.4	3.4	2.4	37.9	44.2
Primary Income	1.8	2.4	2.4	2.6	18.0	22.7
Transfers	25.8	30.1	17.8	20.7	266.2	233.8
Official	6.0	11.2	0.8	4.0	49.1	31.3
Private	17.2	17.4	13.9	14.9	192.4	183.7
Non-Profit	2.5	1.5	3.1	1.9	30.7	25.0
Capital Account	2.4	1.8	1.0	1.3	27.8	29.8
Official	1.5	1.3	0.1	0.7	6.9	10.3
Private	0.9	0.5	0.9	0.6	20.9	19.5
Financial Account	14.4	6.0	5.9	5.8	88.6	89.0
Direct Investment	0.1	0.3	0.2	0.1	3.4	12.9
Portfolio Investment	0.0	0.0	0.0	0.0	0.0	0.0
Other Investment	14.3	5.8	5.7	5.7	85.2	76.1

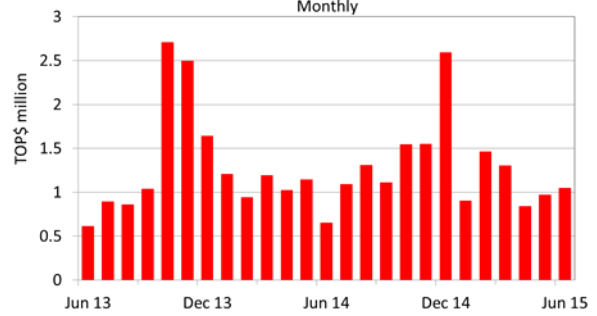
Sources: banking system; foreign exchange dealers, NRBT

Graph 1
Import Payments
Monthly



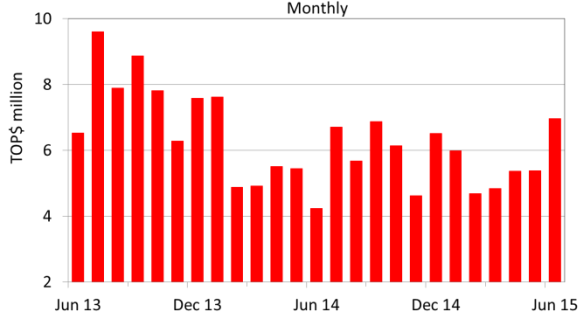
Source: Banking System; Foreign Exchange Dealers

Graph 2
Export Receipts
Monthly



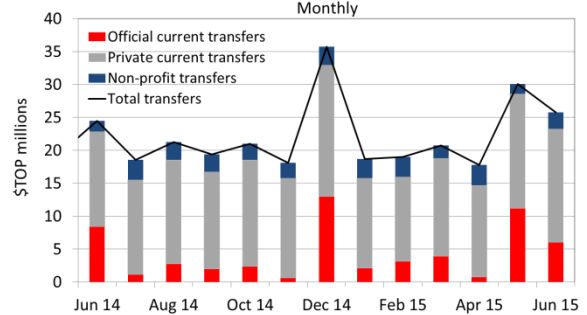
Source: Banking System; Foreign Exchange Dealers

Graph 3
Travel Receipts
Monthly



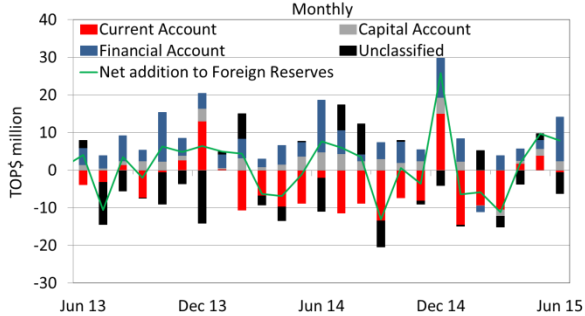
Source: Banking System; Foreign Exchange Dealers

Graph 4
Transfer Receipts
Monthly



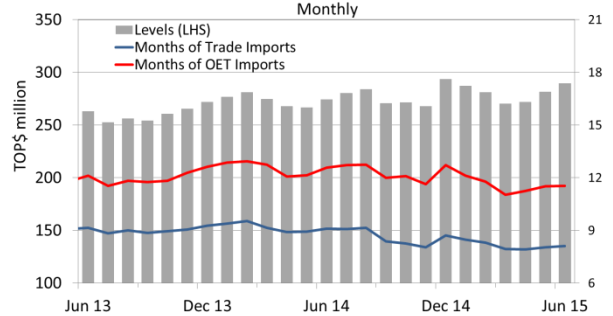
Source: Banking System; Foreign Exchange Dealers

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