

Overseas Exchange Transactions (OET)

May 2015

Table 1

T\$m*	May 15	Apr 15	Mar 15	Feb 15
Overall balance	9.7	1.9	-11.2	-5.8
Total inflows	61.8	36.6	37.6	34.0
Total outflows	45.0	31.0	47.3	46.2

Strong surplus driven by a rise in Current Account inflows

Total OET Receipts

The total OET receipts over the month of May were \$61.8 million, an increase of 69% from April and 9.2% over the 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 \$54.0 million, an increase of 82% since April 2015. This was due to an increase in exports, services and transfers. However in annual terms, current account receipts decreased by 8% over the year due to a reduction in receipts from services and primary income.

Export receipts, at approximately \$1million, were 15% higher than last month due to an increase in agricultural and marine export proceeds. Agricultural export volumes were 23.2% higher in May driven by root crops, particularly; yam, sweet potato and cassava.

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.

In year ended terms, exports receipts were slightly lower than a year ago by 3%, coinciding with agricultural exports volume falling by 14.9% over the year to May 2015.

Travel services receipts fell slightly over May, in line with data from the Department of Statistics which saw a fall in visitor numbers by 8%. On the other hand, receipts for transport services increased from approximately \$400,000 to over \$2million in May. These receipts were for air fares, sea transport services and auxiliary support services at docks and airports. This indicates further tourism action in the coming months despite low visitor numbers in May.

Transfers increased significantly over May, more than doubling to \$38.8million. Official transfers increased by over \$10million due to the receipt of a government aid. Likewise, private transfers in the form of gifts and family support increased by 25% to \$17.4million. This comes as no surprise with celebration of White Sunday, Mother's day and Father's day over May. Over the year, total transfers grew by approximately 7% to \$242million.¹

Capital Account Receipts

The capital account receipts, making up only 3% of Total OET Receipts, increased over May to \$1.8million and to \$30.2million over the year. Although private capital receipts decreased over the month, official capital receipts increased to \$1.3million due to the receipt of an official grant for public enterprises.

Financial Account Receipts

The total receipts in the Financial Account increased by 3% over the month of May to \$6.0 million. This is approximately 17.4% more than the same period last year. Driving this rise were receipts in the form of interbank transfers.

Total OET Payments

The total OET payments over the month of May were \$45 million, an increase of 46% from April and 17% more over the year. The majority of payments were Current Account payments denominated in the US dollar. Private Corporations accounted for \$24.2million worth of total payments.

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

Current Account Payments

The total payments in the Current Account were \$41.2 million, an increase of 52% since the previous month and an annual rise of 4%. Import payments, which account for over half the Current Account payments, rose significantly causing the higher Current Account payments.

Import payments rose by around 44% to \$26.4 million over the month, supported by a rise in container registrations of 11%. Higher import payments for oil contributed to the higher outflow in May. In year-ended terms, imports remain at relatively high levels of around \$286.7 million over the year to May, 8.7% more than a year ago.

Capital Account Payments

There were no capital account payments for official or private grants recorded over the month of May.

Financial Account Payments

The total payments in the Financial Account over the month of May were \$3.7 million. This was an increase of 84% over the month and almost double over the year. Driving the rise in payments in the Financial account were payments in the form of interbank transfers.

Overall Balance

The balance of Overseas Exchange Transactions over the month of May was a surplus of \$9.7 million, well above the surplus of \$1.8 million in April. The high surplus in the overall balance stemmed particularly from a surplus in the Current Account. In year-ended terms, the overall balance was also in surplus of \$15.0million, around twice the size of the surplus for the year ended May 2014.

Foreign reserves

Foreign reserves rose by \$9.7million over the month of May to \$281.8 million, sufficient to cover 7.7 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.

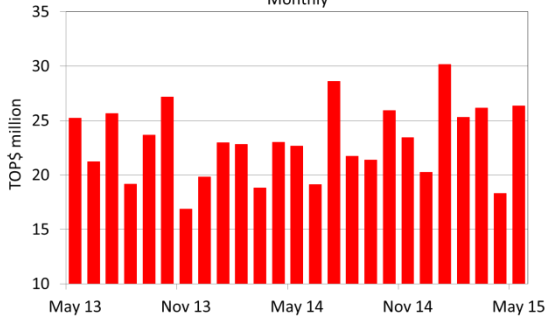
Table 2**Overseas Exchange Transactions**

TOP\$ millions

	Month Ended				Year Ended	
	May-15	Apr-15	Mar-15	Feb-15	May-15	May-14
Total Payments	45.0	31.0	47.3	46.2	525.3	450.7
Current Account	41.2	28.0	42.4	38.8	450.6	428.4
Imports	26.4	18.8	26.2	25.3	287.2	263.9
Services	9.3	7.6	9.2	7.6	104.1	110.7
Primary Income	0.8	0.4	2.8	1.6	13.4	15.3
Transfers	4.8	1.3	4.2	4.3	45.9	38.5
Official	0.0	0.0	0.0	0.0	0.9	1.2
Private	4.5	1.2	4.2	4.2	44.9	37.1
Non-Profit	0.2	0.0	0.0	0.1	0.1	0.2
Capital Account	0.0	0.1	3.0	0.4	3.7	4.4
Official	0.0	0.0	0.0	0.0	0.0	2.4
Private	0.0	0.1	3.0	0.4	3.7	2.0
Financial Account	3.7	2.9	1.9	6.9	35.3	16.9
Direct Investment	0.1	0.8	0.1	0.0	1.1	0.0
Portfolio Investment	0.0	0.0	0.0	0.0	0.0	0.0
Other Investment	3.6	2.1	1.8	6.9	34.2	16.9
Unclassified Payments	0.0	0.0	0.0	0.0	35.7	1.0
Total Receipts	61.8	36.6	37.6	34.0	542.4	496.9
Current Account	54.0	29.7	30.5	28.3	365.6	393.4
Exports	1.0	0.8	1.3	1.5	15.3	15.8
Agriculture	0.2	0.1	0.1	0.3	4.7	7.2
Marines	0.5	0.4	0.9	0.8	5.1	5.0
Other	0.2	0.3	0.3	0.3	2.7	2.1
Services	11.7	8.8	5.9	6.7	84.7	128.4
Travel	5.4	5.4	3.5	3.5	52.2	81.1
Other	6.4	3.4	2.4	3.2	32.5	47.3
Primary Income	2.4	2.4	2.6	1.1	17.7	23.0
Transfers	38.8	17.8	20.7	19.0	247.9	226.1
Official	11.2	0.8	4.0	3.2	25.8	22.7
Private	26.2	13.9	14.9	12.9	198.3	184.1
Non-Profit	1.5	3.1	1.9	3.0	29.7	25.7
Capital Account	1.8	1.0	1.3	0.3	30.2	26.5
Official	1.3	0.1	0.7	0.0	7.0	9.4
Private	0.5	0.9	0.6	0.3	23.2	17.1
Financial Account	6.0	5.9	5.8	5.4	97.9	76.2
Direct Investment	0.3	0.2	0.1	0.0	12.1	4.1
Portfolio Investment	0.0	0.0	0.0	0.0	0.0	0.0
Other Investment	5.8	5.7	5.7	5.4	85.8	72.1
Unclassified Receipts	0.0	0.0	0.0	0.0	48.8	0.9

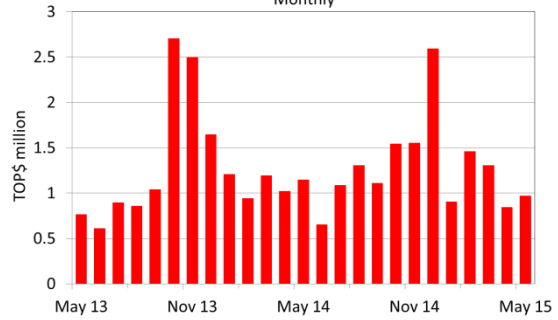
Sources: banking system; foreign exchange dealers, NRBT

Graph 1
Import Payments
Monthly



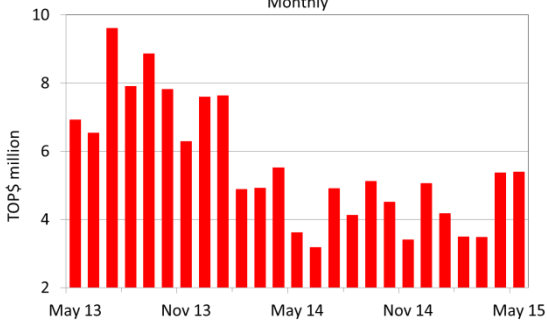
Source: Banking System; Foreign Exchange Dealers

Graph 2
Export Receipts
Monthly



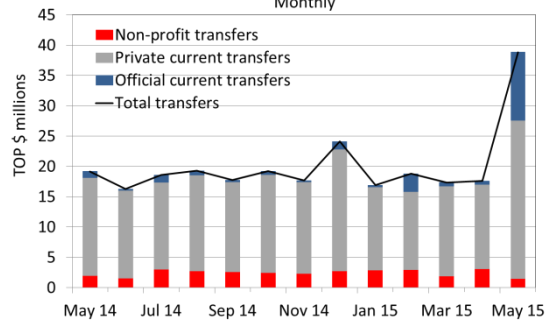
Source: Banking System; Foreign Exchange Dealers

Graph 3
Travel Receipts
Monthly



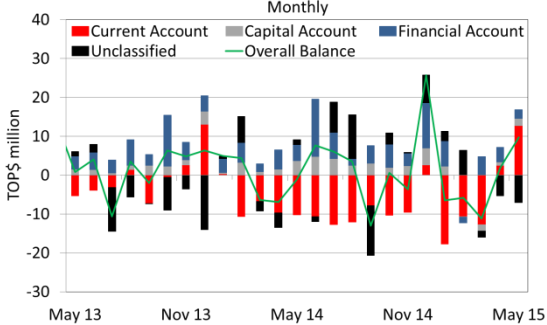
Source: Banking System; Foreign Exchange Dealers

Graph 4
Transfer Receipts
Monthly



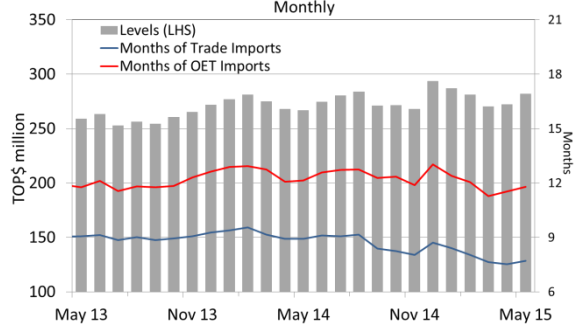
Source: Banjub System; Foreign Exchange Dealers

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