

Overseas Exchange Transactions (OET)

September 2015

Release Date: 27 January 2016

Table 1

<i>T\$ m</i>	Sep 15	Aug 15	Jul 15	Jun 15
Overall balance	0.9	8.3	12.9	7.9
Total inflows	54.6	55.1	49.2	58.5
Total outflows	57.5	44.0	38.5	44.9

Escalating Import payments further lowers surplus

Total OET Receipts

The total OET receipts over the month of September still remained high at \$54.6 million, although 1.0% lower compared to the previous month. In year ended terms, OET receipts increased by 9.2% to \$563.1 million, compared to \$515.5 million in the previous year. Total receipts were largely comprised of transfer and service receipts, received by businesses and denominated in the US dollar (USD).

Current Account Receipts

Total Current Account receipts were \$44.8 million in September 2015, an increase of 2.0% from August 2015 as a result of higher exports and services receipts over the month. In year ended terms, current account receipts increased by 14.0% to \$443.0 million due to increasing values of service and transfer receipts recorded.

Export receipts rose by \$0.3 million over the month, a 38.3% rise from last month caused by an increase in marine export proceeds. In year ended terms however, export receipts fell by 12.1% coinciding with agricultural exports volume falling by 29.9% over the year to September 2015. The declining receipts from agricultural exports are largely related to the adverse weather conditions observed throughout Tonga during the year.

Service receipts rose to \$13.1 million by the end of September, accounting for 29% of total current account receipts. This was a 10.8% increase over the month, and 8.3% increase in year ended terms. Dominating services is travel services which slightly increased over the month by \$0.1 million. Movement were also seen in Other

services namely insurance, construction and professional and business services which rose by \$1.2 million over the month.

Transfer receipts slightly declined over September by 1.7% to \$29.5 million which represents 66% of total current account receipts. Official transfers increased by \$5.2 million due to government receiving funds for budget support. However this was offset by a reduction in both private and non-profit transfers amounting to more than \$5.7 million. Over the year, total transfers grew by 19.8% to \$291.0 million.¹

Capital Account & Financial Account Receipts

No significant changes were identified in the capital account receipts for September. Financial account receipts decreased over the month by 14.7% to \$9.2 million, due to a fall in other financial investments which are mostly in the form of interbank transfers.

Total OET Payments

The total OET payments over the month of September 2015 were \$57.5 million, the highest level recorded for the year, which is a 30.5% increase from August 2015 and an 8.9% increase over the year. Majority of payments were for imports and services paid by businesses and denominated in the US dollar.

Current Account Payments

The total payments in the Current Accounts were \$53.6 million, making up 93% of the total OET payments. Over September 2015, the Current account payments increased by 31.4% reflecting higher payments made for imports, services and primary income. Over the year, total current account payments increased by 6.7% to \$474.6 million which again reflects higher imports and transfer payments.

Import payments rose by 28.4% to \$31.9 million over the month, the highest monthly payment recorded since November 2007, and coinciding with a 24.1% rise in container registrations. Contributing to the high import payments was an increase in wholesale and retail imports, supported by the opening of the new Adiloa Store and Spare Part Zone (Tonga) Ltd shop. In year-ended terms, imports remained at relatively high level of around \$301.6 million over the year to September, 11.4% more than a year ago.

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

Service payments also increased over the month by 15.4% to \$12.1 million due to increase in payments for transport services and private services. However, not much change is observed over the year.

Primary income payments also increased by \$4.4 million to \$5.0 million over the month of September, due mainly to payments of interest on external loans and dividends abroad. Over the year, primary income payments decreased by 22.0% to \$15.9 million.

Capital & Financial Account Payments

There were no capital account payments for official or private grants recorded over the month of September. The total payments in the Financial Account over the month of September were \$3.8 million. This was an increase of 19.2% over the month and 52.9% over the year, which were mainly payments in the form of interbank transfers and loan repayments.

Overall Balance and Foreign Reserves

The balance of Overseas Exchange Transactions, which is equivalent to the net change to foreign reserves over the month of September, was a surplus of \$0.9 million, which was significantly lower than the \$8.3 million surplus in August. The lower surplus reflects the \$8.8 million current account deficit compared to a surplus of \$3.1 million in the previous month. In year-ended terms, the overall balance was a surplus of \$40.8 million compared to \$16.7 million in the same period last year.

Foreign reserves reached a record high of \$311.7 million over the month of September, sufficient to cover 8.8 months of imports, well above the NRBT's minimum range of 3-4 months. In the previous months foreign reserves have consistently exceeded the upper reference range. Looking forward, the level of foreign reserves is still expected to pick up largely as a result of on-going aid in the form of budget support from donor partners and higher export receipts anticipated for the squash season. 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.

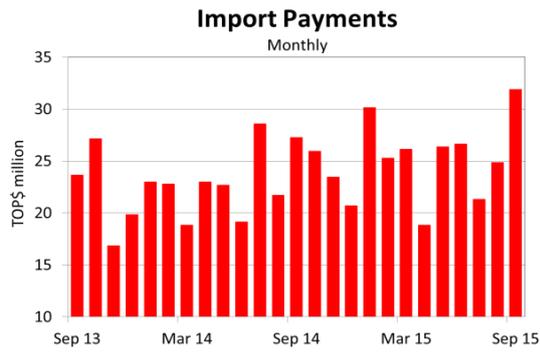
Table 2**Overseas Exchange Transactions**

TOP\$ millions

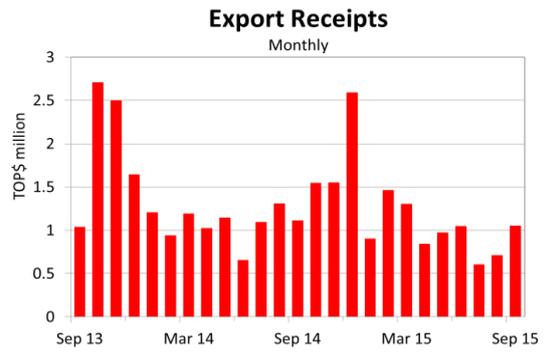
	Month Ended				Year Ended	
	Sep-15	Aug-15	Jul-15	Jun-15	Sep-15	Sep-14
Total Payments	57.5	44.0	38.5	44.9	515.0	472.9
Current Account	53.6	40.8	34.9	42.3	474.6	444.9
Imports	31.9	24.8	21.3	26.6	301.6	270.9
Services	12.1	10.5	9.2	10.0	109.1	109.4
Primary Income	5.0	0.6	0.4	0.6	15.9	20.4
Transfers	4.6	4.9	3.9	5.1	47.9	44.3
Official	0.0	0.0	0.0	0.0	1.7	1.5
Private	4.5	4.5	3.9	4.2	46.2	42.6
Non-Profit	0.1	0.3	0.1	0.9	0.1	0.2
Capital Account	0.0	0.0	0.0	0.0	3.8	4.1
Official	0.0	0.0	0.0	0.0	0.0	2.3
Private	0.0	0.0	0.0	0.0	3.8	1.8
Financial Account	3.8	3.2	3.6	2.6	36.7	24.0
Direct Investment	0.3	0.0	0.0	0.0	1.4	0.0
Portfolio Investment	0.0	0.0	0.0	0.0	0.0	0.0
Other Investment	3.5	3.2	3.6	2.6	35.3	24.0
Total Receipts	54.6	55.1	49.2	58.5	563.1	515.5
Current Account	44.8	43.9	39.1	41.7	443.0	388.5
Exports	1.0	0.7	0.6	1.0	14.5	16.5
Agriculture	0.2	0.2	0.3	0.2	4.5	7.1
Marines	0.7	0.4	0.2	0.4	5.7	4.1
Other	0.1	0.1	0.1	0.4	1.6	2.8
Services	13.1	11.8	12.4	13.1	118.4	109.3
Travel	8.5	8.4	9.4	7.0	76.9	73.6
Other	4.6	3.4	3.0	6.1	41.5	35.7
Primary Income	1.2	1.4	1.4	1.8	19.1	19.8
Transfers	29.5	30.0	24.6	25.8	291.0	242.9
Official	10.1	4.9	0.4	6.0	58.6	36.8
Private	18.1	21.4	20.2	17.2	207.6	183.8
Non-Profit	1.2	3.7	4.1	2.5	31.3	27.6
Capital Account	0.5	0.4	0.6	2.4	19.6	35.2
Official	0.4	0.3	0.0	1.5	5.8	10.8
Private	0.2	0.1	0.6	0.9	13.8	24.4
Financial Account	9.2	10.8	9.5	14.4	100.5	91.8
Direct Investment	0.0	0.0	0.5	0.1	2.4	14.3
Portfolio Investment	0.0	0.0	0.0	0.0	0.0	0.0
Other Investment	9.2	10.8	9.1	14.3	98.1	77.5

Sources: banking system; foreign exchange dealers, NRBT

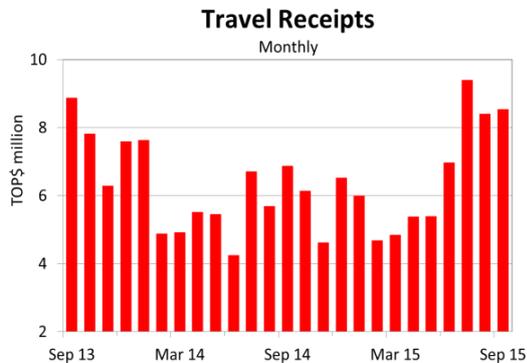
Graph 1



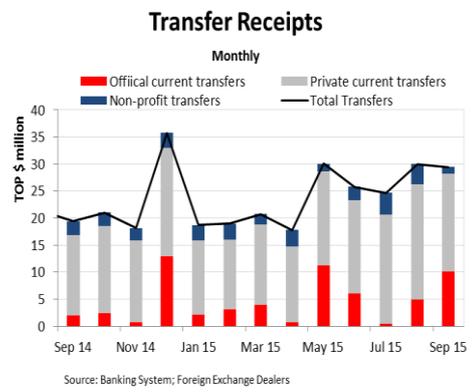
Graph 2



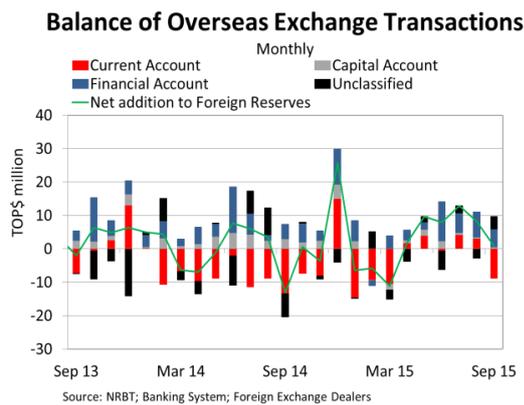
Graph 3



Graph 4



Graph 5



Graph 6

