

Overseas Exchange Transactions (OET)

April 2016

Release Date: 30 June 2016

Table 1

<i>T\$ m</i>	Apr 16	Mar 16	Feb 16	Jan 16
Overall balance	5.5	-11.2	2.3	-1.6
Total inflows	58.5	44.9	54.7	39.1
Total outflows	46.6	55.6	39.8	42.8
Foreign Reserves	322.9	317.3	328.5	326.3

Inflows of official transfers benefits overall surplus

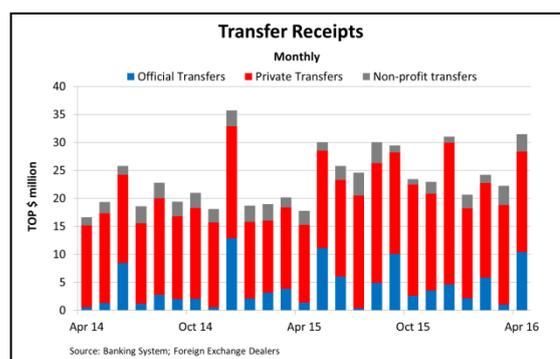
Total OET Receipts

High inflows of official transfers resulted in a significant increase in total OET receipts for the month of April 2016 to \$58.5 million, \$13.7 million (30.5%) higher than March 2016. All major accounts rose over the month with the current account rising the most. Over the year ended April 2016, total OET receipts have increased by \$116.6 million (22.9%) to \$626.5 million, driven mostly by higher transfer and services receipts. Transactions received in US dollar (USD) held the highest share in OET receipts of 44% compared to 49% last month, followed by the receipts in Australian dollar (AUD) with 23%, and the receipts in New Zealand dollar (NZD) with 10%.

Current Account Receipts

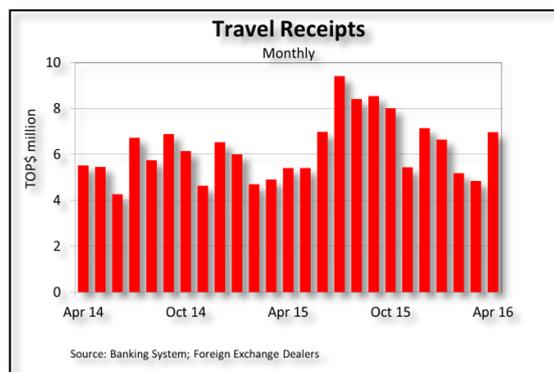
Current account receipts rose over the month by \$9.4 million (26.4%) to \$45.2 million, driving the monthly increase in total OET receipts. This owes largely to higher inflows of transfer and service receipts during the month. Over the year, receipts in the current account rose by \$106.8 million (27.9%) to \$490.2 million, driving the annual increase in total OET receipts.

Transfer receipts markedly increased in April by \$9.2 million (41.4%) to \$31.4 million. These were mostly from official transfers due to the receipt of government grants and budgetary support during the month. Private transfers slightly increased

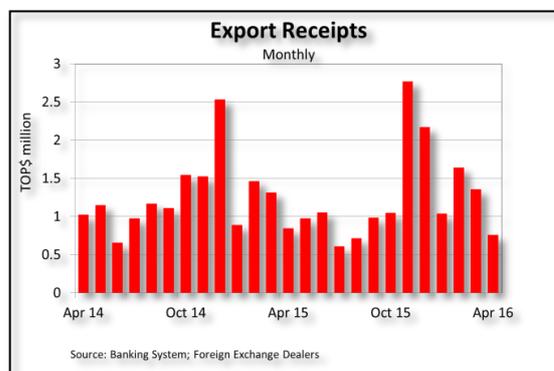


by \$0.1 million (0.9%) to \$17.9 million. Transfer receipts represent 54% of total OET receipts for the month and is the main source of inflows for the economy. Over the year, transfer receipts rose by \$59.4 million to \$315.8 million as both official and private transfers increased over the year. This reflects higher inflow of grants money for development projects, combined with the improved economic conditions of our trading partner countries.¹

Service receipts rose by \$0.7 million (6.5%) to \$11.2 million over the month, due to the rise in receipts from travel services which were mostly exchange of foreign currency over the counter from personal travel, offsetting the fall in receipts from other services such as construction services and receipt of funds to cover the operation expenses of foreign embassies here in Tonga. The higher receipts from travel services coincide with the monthly increase in international air arrivals of 8.1%. Over the year, services receipts have increased by \$43.4 million (45.7%) to \$138.5 million due to higher receipts from travel, transport, telecommunication and construction services reflecting the on-going construction projects funded by donor partners. This signals vibrant growth in the tourism, trade and construction sectors during the year.



Export receipts have declined by \$0.6 million (44.0%) over the month to \$0.8 million, due to lower proceeds from agricultural and marine products. Despite the rises in export volumes of agricultural and marine products reported for the same month, it is expected that these proceeds will be reflected on later months. Over the year export receipts have changed little as it remains at \$15 million over the year. Export receipts from agricultural and marine products have shown improvement over the year but were offset by the drop in proceeds from other exported goods.



Financial Account & Capital Account Receipts

Financial account receipts rose over the month by \$1.0 million (12.3%) to \$9.5 million and over the year by \$20.5 million (21.1%) to \$117.8 million. These were mostly transactions in the form of interbank transfers.

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

Capital account receipts also rose over the month by \$3.2 million (491.3%) to \$3.8 million. This was due to the receipt of official capital grants from donor partners and funds received by private and non-profit organizations, for capital expenditures during the month. On year ended terms however, receipt of capital transfers declined by \$10.7 million (36.6%) to \$18.5 million driven by lower receipt of funds for capital expenditures by the private sector.

Total OET Payments

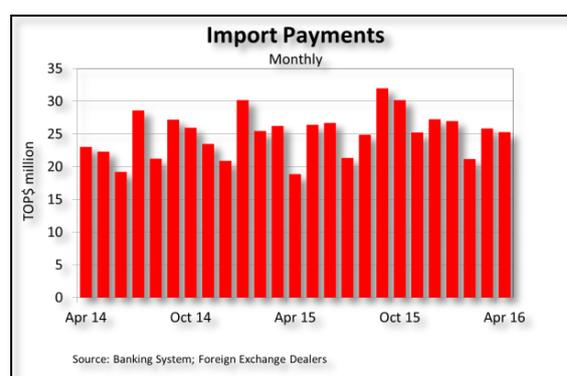
Total OET payments have declined by \$9.0 million (16.3%) to \$46.6 million over the month of April 2016. This attributes mostly to a sharp drop in financial account payments compared to the previous month. Over the year, total OET payments rose by \$54.7 million (11.0%) to \$553.9 million driven by higher import and services payments.

Current Account Payments

Current account payments slightly increased by \$0.3 million (0.6%) over April to \$44.5 million. This coincides with a rise in service payments offsetting the fall in imports and primary income payments. In year ended terms, current account payments continued to rise by \$45.5 million (9.9%) to \$505.2 million, representing 91% of total OET payments.

Services payments increased by \$2.9 million (29.6%) over the month to \$12.7 million due to higher payments made for transport and professional services. Over the year, service payments rose by \$14.5 million (14.0%) to \$117.4 million.

On the other hand, import payments fell to \$25.2 million in April, which is \$0.6 million (2.2%) lower than the previous month. This was mostly due to lower payments for imports of oil compared to the previous month. Import payments for construction, wholesale and retail goods declined over the month, but they were offset by the rise in other imported goods by the public sector. Payments for the import of motor vehicles increased slightly over the month by \$0.4 million, in line with the 29.5% rise in vehicle registration. In year ended terms, import payments rose by \$23.5 million (8.1%) to \$312.6 million, underpinned by higher payments for the imports of construction, motor vehicle, wholesale and retail goods. This also contributes to the annual rise in total OET payments.



Primary income payments also fell by \$1.6 million (48.4%) to \$1.7 million over the month, underpinned by lower interest payments made on external loans compared to last month. Over the year, primary income payments declined by \$6.2 million

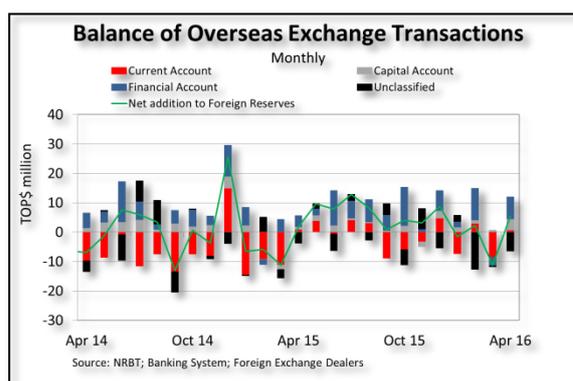
(27.2%) to \$16.5 million, driven by lower dividends and distributed profits sent abroad. Transfer payments marginally decreased over the month by \$0.5 million (8.6%) to \$5.0 million, however rose over the year by \$13.8 million (30.7%) to \$58.7 million.

Capital & Financial Account Payments

Financial account payments substantially declined over the month by \$9.3 million (82.2%) to \$2.0 million, contributing to the overall decline in total OET payments. This follows after a large one-off payment made by a resident company to its headquarter overseas in the previous month. Over the year financial account payments rose to \$46.5 million, \$11.1 million (31.3%) higher than the previous year due mostly to inter-bank transfers. There were no capital payments made this month similar to last month. This brings total capital payments over the year to \$2.1 million, which is \$1.9 million (47.5%) lower than the value last year.

Overall Balance & Foreign reserves

The balance of OET, which is equivalent to the net change to foreign reserves over the month of April 2016, was a surplus of \$5.5 million, following a deficit of \$11.2 million last month. The overall surplus reflects the improvement in the balance of the current account and financial account over the month. In year-ended terms, the overall balance was a surplus of \$50.8 million compared to only of \$4.1 million in the previous year.



Foreign reserves rose to \$322.9 million in April 2016, sufficient to cover 9.0 months of imports, well above the NRBT's minimum range of 3-4 months. The outlook for foreign reserves is considered to remain comfortably above the minimum range, given the expectation of on-going remittance receipts for the upcoming church conferences, government aid in the form of budget support and other assistance from donor partners. However, delays to the inflow of these funds may pose a risk to the outlook.

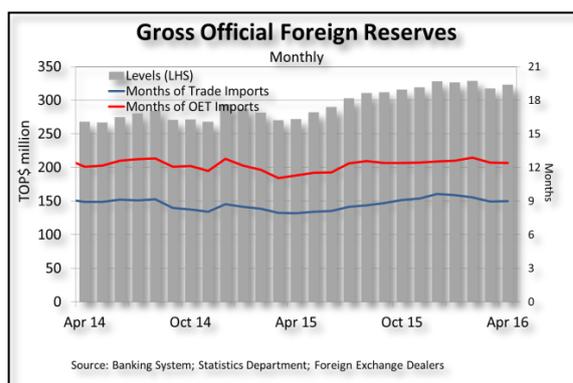


Table 2

Overseas Exchange Transactions
TOP\$ millions

	Month Ended				Year Ended	
	Apr-16	Mar-16	Feb-16	Jan-16	Apr-16	Apr-15
Total Payments	46.6	55.6	39.8	42.8	553.9	499.2
Current Account	44.5	44.2	36.5	40.1	505.2	459.7
Imports	25.2	25.8	21.1	26.9	312.6	289.2
Services	12.7	9.8	9.1	7.5	117.4	102.9
Primary Income	1.7	3.3	1.1	0.6	16.5	22.7
Transfers	5.0	5.4	5.2	5.1	58.7	44.9
Official	0.0	0.0	0.0	0.0	2.2	1.1
Private	4.8	4.8	4.9	5.1	56.3	43.8
Non-Profit	0.1	0.6	0.2	0.1	0.2	0.1
Capital Account	0.0	0.0	0.0	0.0	2.1	4.1
Official	0.0	0.0	0.0	0.0	0.0	0.0
Private	0.0	0.0	0.0	0.0	2.1	4.1
Financial Account	2.0	11.4	3.3	2.7	46.5	35.4
Direct Investment	0.0	0.4	0.4	0.2	3.1	0.3
Portfolio Investment	0.0	0.0	0.0	0.0	0.0	0.0
Other Investment	2.0	11.0	2.9	2.5	43.4	35.2
Total Receipts	58.5	44.9	54.7	39.1	626.5	509.9
Current Account	45.2	35.8	39.4	32.8	490.2	383.4
Exports	0.8	1.4	1.6	1.0	15.1	15.1
Agriculture	0.2	0.4	0.3	0.3	6.0	5.0
Marines	0.4	0.8	1.0	0.7	6.7	4.9
Other	0.2	0.2	0.3	0.1	2.4	5.2
Services	11.2	10.5	11.1	9.9	138.5	95.0
Travel	7.0	4.8	5.2	6.6	82.8	67.3
Other	4.2	5.6	5.9	3.2	55.7	27.8
Primary Income	1.8	1.7	2.5	1.3	20.9	16.9
Transfers	31.4	22.2	24.2	20.6	315.8	256.3
Official	10.4	1.0	5.8	2.2	62.7	41.6
Private	17.9	17.8	16.9	16.0	225.3	184.6
Non-Profit	3.1	3.4	1.4	2.4	27.7	30.1
Capital Account	3.8	0.7	1.1	1.7	18.5	29.2
Official	2.2	0.0	0.3	0.3	10.3	6.3
Private	1.7	0.7	0.8	1.4	8.2	22.9
Financial Account	9.5	8.5	14.1	4.6	117.8	97.3
Direct Investment	0.0	0.0	0.0	0.1	1.1	12.3
Portfolio Investment	0.0	0.0	0.0	0.0	0.0	0.0
Other Investment	9.5	8.5	14.1	4.5	116.7	85.0

Sources: banking system; foreign exchange dealers, NRBT