

# Overseas Exchange Transactions (OET)

March 2016

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**Table 1**

<i>T\$ m</i>	Mar 16	Feb 16	Jan 16	Dec 15
<b>Overall balance</b>	<b>-11.2</b>	<b>2.3</b>	<b>-1.6</b>	<b>8.8</b>
Total inflows	44.9	54.7	39.1	59.5
Total outflows	55.6	39.8	42.8	44.7
<b>Foreign Reserves</b>	<b>317.3</b>	<b>328.5</b>	<b>326.3</b>	<b>327.8</b>

## Higher interbank transfer and import bill drive the overall deficit

### Total OET Receipts

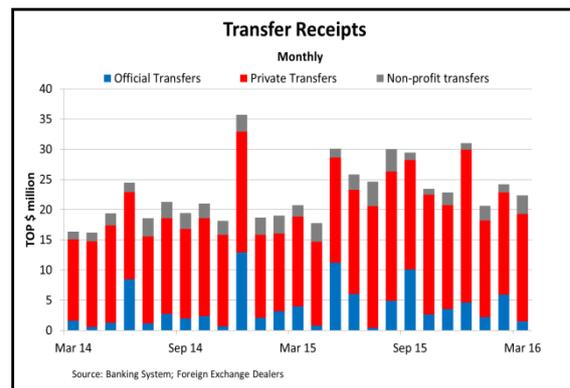
Lower OET receipts were reported for the month of March 2016, as it declined by \$9.8 million (17.9%) to \$44.9 million. This was due mainly to lower receipts in the financial and current accounts over the month. Over the year to March, OET receipts have reached \$604.5 million, \$95.0 million (18.6%) higher than the previous year, and is the first time for annual total receipts to reach \$600 million. The US dollar (USD) remained as the major currency for receipt transactions over the month with a share of 49% (\$21.9 million), lower than the share of 53% (\$29.1 million) last month reflecting the weaker USD. The total receipts in Australian dollar (AUD), on the other hand, rose from a share of 15% (\$8.4 million) last month to 19% (\$8.4 million) in March.

### Current Account Receipts

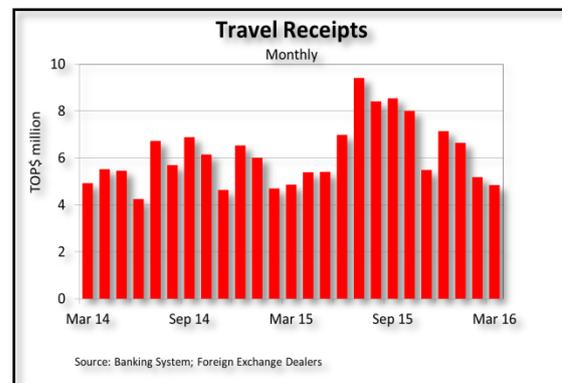
Receipts in the current account declined by \$3.7 million (9.3%) over the month to \$35.8 million. All receipts in the major categories of the current account declined over the month with transfer receipts declining the most. Current account receipts represented 80% (\$35.8 million) of total OET receipts for March. Over the year, receipts in the current account rose by \$95.8 million (25.3%) to \$474.8 million, driving the annual increase in total OET receipts.

Transfer receipts fell over the month by \$1.9 million (7.7%) to \$22.3 million. While increases were noted in the transfers received by private and non-profit organizations, these were offset by a \$4.4 million (75.2%) decrease in the receipt of

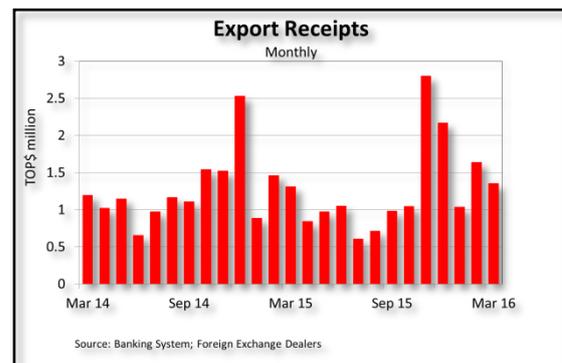
official transfers. This follows after the receipt of government grants in February. Private transfers rose to \$17.8 million in March which was \$0.9 million (5.1%) higher than it was in February. Over the year, transfer receipts was a total of \$302.2 million, \$49.6 million (19.7%) higher than last year. It also represented 50% of total OET receipts. Improvement in the economic conditions in Tonga's major trading partner countries during the year contributed to the higher transfer receipts.<sup>1</sup>



Service receipts also fell by \$0.7 million (6.3%) over the month to \$10.4 million. Travel receipts declined by \$0.3 million (6.4%), coinciding with the fall in international arrivals by 4070 passengers (35.5%) in March. Other services receipts also declined by \$0.4 million (6.2%), owing mostly to lower receipts for transport and telecommunication services. Over the year, service receipts rose by \$41.4 million (43.8%) to \$136.0 million indicating promising outcomes from the services sector.



Exports receipts for March slightly dropped to \$1.4 million which is \$0.3 million (17.3%) less than that of the previous month. This drop follows a rise of \$0.6 million (58.2%) last month. Agricultural export proceeds rose slightly by \$0.1 million (9.1%) to \$0.4 million, in line with the rise in volumes of agricultural exports by 15.3 tonnes (4.7%) in March. However, proceeds from export of fish and marine products declined over the month by \$0.3 million (24.2%) to \$0.8 million, supported by the fall in marine export volumes of 166 metric tonnes (55.5%) during the month. Total export receipts have little changed over the year as it remained at \$15 million. Although there is noted improvement in the proceeds from agricultural, fisheries and other marine



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

products, these were offset by the fall in proceeds from other exported goods over the year.

### **Financial Account & Capital Account Receipts**

Financial account receipts for March 2016 was \$8.5 million which was \$5.6 million (40.0%) less than it was a month ago, contributing to the overall decline in OET receipts. These were mostly transactions for interbank transfers. In year ended terms, financial account receipt has increased by \$16.2 million (16.5%) to \$114.2 million driven by higher interbank transfers.

There were no receipts of official capital transfers in March, thus reducing total capital receipts by \$0.5 million (43.2%) to \$0.7 million. On a yearly basis, capital account receipt has declined by \$16.7 million (51.7%) to \$15.6 million. This owes largely to a \$19.7 million (72.6%) fall in receipts of private grants for capital expenditures.

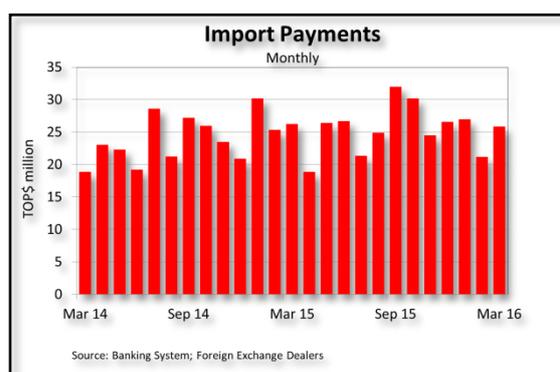
### **Total OET Payments**

A substantial increase of \$15.9 million (39.9%) in total OET payments was reported for March 2016. This was largely attributed to higher payments in the current account and financial account. Over the year ending March 2016, the total OET payments reached \$536.8 million, which is \$29.6 million (5.8%) higher than the same period of last year. Higher import payments and interbank transfers drove the annual rise in OET payments.

### **Current Account Payments**

Higher current account payments of \$44.2 million were recorded in March, which was \$7.8 million (21.3%) more than it was in February. This was driven by higher import payments over the month. In year ended terms, current account payments increased by \$19.0 million (4.1%) to \$487.4 million, representing 91% of total OET payments.

Import payments rose to \$25.8 million in March, \$4.7 million (22.1%) higher than the previous month, in contrast to the fall observed last month of \$5.8 million (21.6%). This coincided with the rise in container registrations in March by 375 registrations. Increases were noted in payments for the import of oil by \$2.5 million and wholesale & retail trade by \$1.7 million. Higher payments for imports of construction materials and motor vehicles also supported the rise in import payments. In year-ended terms, import payments rose by \$11.6 million (4.0%) to \$304.9 million,



and accounted for 57% of total OET payments.

Primary income payment rose by \$2.2 million (195.5%) to \$3.3 million over the month due to interest payments made on external loans. Over the year it declined by \$6.9 million (31.1%) to \$15.2 million, driven by lower dividends and distributed profits sent abroad compared to the previous year. Services and transfer payments also rose by \$0.7 million (7.5%) and \$0.3 million (5.2%) respectively over the month, supporting the rise in current account receipts. Similar patterns are also seen in their yearly movements as service payments rose by \$6.8 million (6.5%) to \$112.3 million, whilst transfer payments also increased by \$7.4 million (15.6%) to \$55.0 million over the year.

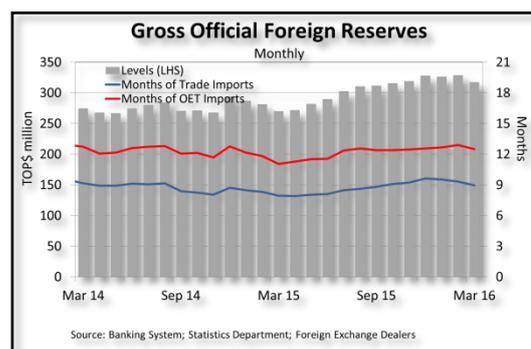
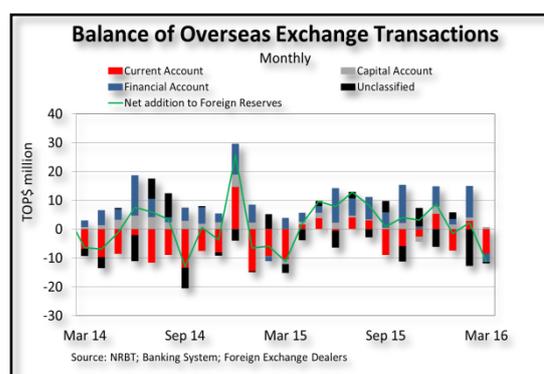
### Capital & Financial Account Payments

Financial account payments markedly increased over the month by \$8.1 million (245.1%) to \$11.4 million. This is the highest monthly record for financial payments and was due mostly to inter-bank transfers, contributing to the high OET payments for the month. This monthly increase also contributes to the annual rise of \$8.8 million from the previous year. Similar to last month, there was no capital payments reported for March. During the year to March 2016, capital account payments fell by \$1.7 million (43.1%) to \$2.3 million, mostly due to lower offshore investments.

### Overall Balance & Foreign reserves

The balance of OET, which is equivalent to the net change to foreign reserves over the month of March 2016, was a deficit of \$11.2 million, the highest monthly deficit recorded since September 2014. The gap between Tonga's export receipts and import payments for the month had widened leading to the high deficit balance in the current account of \$8.5 million. This combined with the decrease in the balance of the financial accounts resulted in the higher deficit in the overall balance for the month. In year-ended terms, the overall balance was a surplus of \$47.2 million compared to a deficit of \$4.6 million in the previous year.

Foreign reserves fell to \$317.3 million in March 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, government aid in the form of budget support, other assistance from donor partners and the upcoming church conferences. 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	
	Mar-16	Feb-16	Jan-16	Dec-15	Mar-16	Mar-15
<b>Total Payments</b>	<b>55.6</b>	<b>39.8</b>	<b>42.8</b>	<b>44.7</b>	<b>536.8</b>	<b>507.3</b>
<b>Current Account</b>	<b>44.2</b>	<b>36.5</b>	<b>40.1</b>	<b>41.6</b>	<b>487.4</b>	<b>468.3</b>
Imports	25.8	21.1	26.9	26.6	304.9	293.3
Services	9.8	9.1	7.5	9.1	112.2	105.4
Primary Income	3.3	1.1	0.6	1.0	15.2	22.1
Transfers	5.4	5.2	5.1	5.0	55.0	47.6
Official	0.0	0.0	0.0	0.0	2.1	0.7
Private	4.8	4.9	5.1	4.9	52.7	46.8
Non-Profit	0.6	0.2	0.1	0.1	0.2	0.0
<b>Capital Account</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.1</b>	<b>2.3</b>	<b>4.0</b>
Official	0.0	0.0	0.0	0.0	0.0	0.0
Private	0.0	0.0	0.0	0.1	2.3	4.0
<b>Financial Account</b>	<b>11.4</b>	<b>3.3</b>	<b>2.7</b>	<b>3.0</b>	<b>47.2</b>	<b>34.9</b>
Direct Investment	0.4	0.4	0.2	0.3	3.9	0.2
Portfolio Investment	0.0	0.0	0.0	0.0	0.0	0.0
Other Investment	11.0	2.9	2.5	2.7	43.3	34.7
<b>Total Receipts</b>	<b>44.9</b>	<b>54.7</b>	<b>39.1</b>	<b>59.5</b>	<b>604.5</b>	<b>509.6</b>
<b>Current Account</b>	<b>35.8</b>	<b>39.4</b>	<b>32.8</b>	<b>46.9</b>	<b>474.8</b>	<b>379.0</b>
Exports	1.4	1.6	1.0	2.2	15.2	15.3
Agriculture	0.4	0.3	0.3	1.2	6.0	5.1
Marines	0.8	1.0	0.7	0.5	6.7	4.8
Other	0.2	0.3	0.1	0.4	2.5	5.4
Services	10.4	11.1	9.9	12.0	136.0	94.6
Travel	4.8	5.2	6.6	7.1	81.3	67.3
Other	5.6	5.9	3.2	4.9	54.7	27.3
Primary Income	1.7	2.5	1.3	1.8	21.4	16.6
Transfers	22.3	24.2	20.6	31.0	302.2	252.5
Official	1.5	5.9	2.2	4.6	53.8	41.3
Private	17.8	16.9	16.0	25.3	221.2	182.5
Non-Profit	3.1	1.4	2.4	1.1	27.1	28.7
<b>Capital Account</b>	<b>0.7</b>	<b>1.1</b>	<b>1.7</b>	<b>2.7</b>	<b>15.6</b>	<b>32.6</b>
Official	0.0	0.3	0.3	2.3	8.2	5.6
Private	0.7	0.8	1.4	0.4	7.4	26.9
<b>Financial Account</b>	<b>8.5</b>	<b>14.1</b>	<b>4.6</b>	<b>9.9</b>	<b>114.2</b>	<b>98.0</b>
Direct Investment	0.0	0.0	0.1	0.0	1.3	14.0
Portfolio Investment	0.0	0.0	0.0	0.0	0.0	0.0
Other Investment	8.5	14.1	4.5	9.9	112.9	84.0
<b>Unclassified Receipts</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Sources: banking system; foreign exchange dealers, NRBT