

Overseas Exchange Transactions (OET)

May 2016

Release Date: 10 August 2016

Table 1

T\$ m	May 16	Apr 16	Mar 16	Feb 16
Overall balance	7.8	5.5	-11.2	2.3
Total inflows	59.5	58.5	44.9	54.7
Total outflows	55.1	46.6	55.6	39.8
Foreign Reserves	330.7	322.9	317.3	328.5

Overall Surplus maintained despite rising import payments

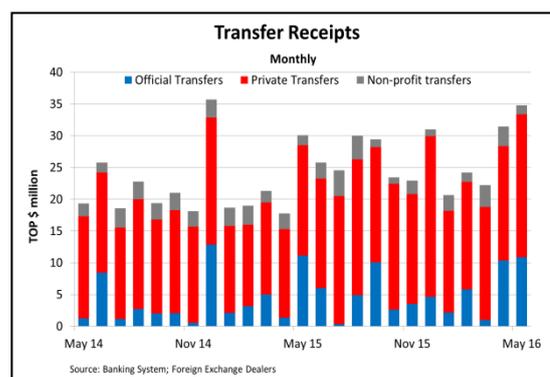
Total OET Receipts

Total OET receipts continued to remain at high levels reaching \$59.5 million at the end of May 2016, which is \$1.0 million (1.7%) higher than April 2016, which attributed to increasing remittance receipts. Over the year ended May 2016, total OET receipts increased by \$109.8 million (21.0%) to \$633.0 million, driven by rising remittances, travel and other services receipts. Receipts denominated in US Dollar (USD) is still dominant over other currencies as 46% of all receipt transactions for the month were received in USD rising from 44% in April, followed by the Australian Dollar (AUD) with 26% again rising from 23% in April. Compared to the same month last year, the total receipts denominated in USD still leads but at a much lower proportion of 38% whilst the AUD closely followed with 35%.

Current Account Receipts

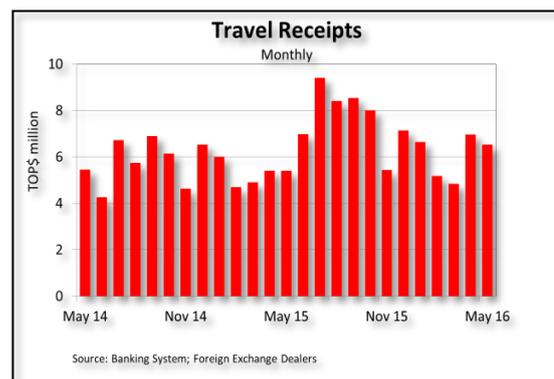
Receipts in the current account continued to rise over the month by \$3.1 million (6.8%) to \$48.3 million, due mostly to a rise in remittance receipts. Higher export receipts and primary income also contributed to the rise in current account receipts. Over the year, current account receipts rose by \$94.6 million (23.7%) to \$493.3 million, largely owing to higher transfer and services receipts over the year.

Transfer receipts rose further in May 2016 to \$34.8 million, \$3.4 million (10.7%) higher than the previous month, driving the overall

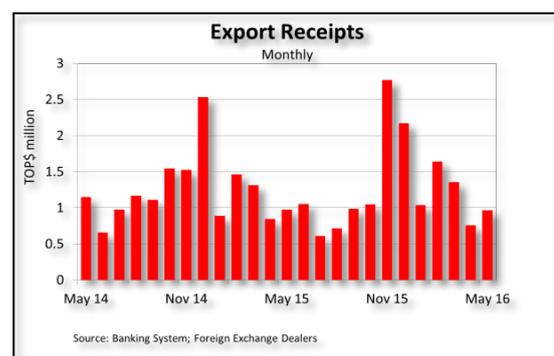


rise in OET receipts. This was a result of growth in private transfers over the month by \$4.6 million (25.4%) to \$22.5 million and a \$0.5 million (4.7%) rise in official transfers to \$10.9 million. Similar to the previous month, high inflow of official transfers were mostly government grants and budgetary support. The higher private transfers were mostly receipts of family support. May is normally a high season month for remittance receipts in relation to the usual celebration of Mother’s Day, Father’s Day and White Sunday¹. Private transfers represented 38% of total OET receipts for the month and is the largest source of inflow for Tonga. In year ended terms, transfer receipts rose by \$51.2 million (19.0%) to \$320.5 million reflecting higher receipts of both official and private transfers. Improvement in the economic conditions of our major trading partner countries, and the strengthening of other currencies against the Tongan Pa’anga contributed to the upward trend in transfer receipts.

Service receipts slightly fell over the month by \$0.7 million (6.6%) to \$10.4 million, due to a decrease in travel service receipts particularly personal travel, and other services notably in the receipt of funds to cover the operation expenses of foreign embassies here in Tonga. This is in line with the 14.2% fall in international air arrivals reported for the month. Over the year, services receipts increased by \$ 39.3 million (40.2%) to \$137.2 million due to higher receipts from travel, transport, telecommunication and construction services. This reflected the positive impact of on-going donor funded capital projects in the kingdom. It also indicated growth in the tourism, trade and construction sectors during the year.



Export proceeds slightly improved in May, rising by \$0.2 million (27.1%) to \$1.0 million. Both agricultural and marine export proceeds rose over the month by \$0.1 million and \$0.2 million respectively, whereas proceeds from other exported goods declined by \$0.1 million. This is consistent with the rise in export volumes reported in the previous month. Over the year, export receipts have changed little as it remains at \$15 million over the year. However improvement is noted in the proceeds from agricultural and marine products due to more favourable weather conditions observed during the current year.



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

Financial Account & Capital Account Receipts

Financial account receipts fell over the month by \$0.7 million (7.0%) to \$8.8 million as a result of lower interbank transfers. Capital account receipts also fell over the month by \$1.4 million to \$2.4 million due to lower receipts of official capital grants, offsetting a \$0.5 million rise in receipts by private and non-profit organizations for capital expenditures and investment projects. In year ended terms however, financial account receipts rose by \$23.9 million (24.7%), whilst capital account receipts declined by \$8.7 million (31.3%).

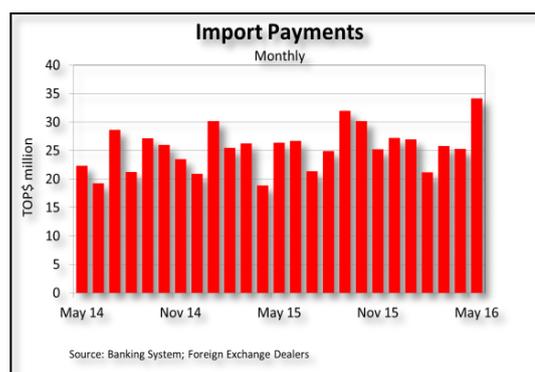
Total OET Payments

Total OET payments markedly increased over the month of May 2016 by \$8.5 million (18.3%) to \$55.1 million following a decrease in the previous month of \$9.0 million (16.3%). This monthly increase was due largely to a rise in current account payments during the month which were mainly higher import payments. Over the year, total OET payments rose by \$59.2 million (11.7%) to \$564.0 million driven by higher import, services and transfer payments.

Current Account Payments

Current account payments rose by \$8.7 million (19.6%) in May to \$53.2 million driven by higher import payments. Transfer payments also rose but were offset by the declining service and primary income payments. In year ended terms, current account payments continued to rise by \$54.5 million (11.8%) to \$517.2 million.

Import payments rose sharply in May by \$8.9 million (35.3%) to \$34.1 million. Payments for import of oil drove the higher import payments supported by a rise in the payments for the import of motor vehicles, construction materials, and wholesale and retail goods. This coincides with the container registrations increasing over the month by 8.5% and vehicle registrations rising by 44.0%. The high imports payments reflected high demand during the May celebrations and preparation for the upcoming events in June. In year ended terms, import payments rose further by \$25.9 million (8.8%) to \$320.4 million, underpinned by higher payments for the imports of construction, motor vehicles, and wholesale and retail goods.



Transfer payments also rose over the month by \$2.4 million (49.1%) to \$7.4 million and over the year by \$15.4 million (33.5%) to \$61.3 million. Majority of these transfer payments were for family support.

Services payments declined by \$1.7 million (13.3%) over the month to \$11.0 million due to lower payments made for personal travel and professional services. Primary income payments also fell by \$0.9 million (55.6%) to \$0.7 million over the month,

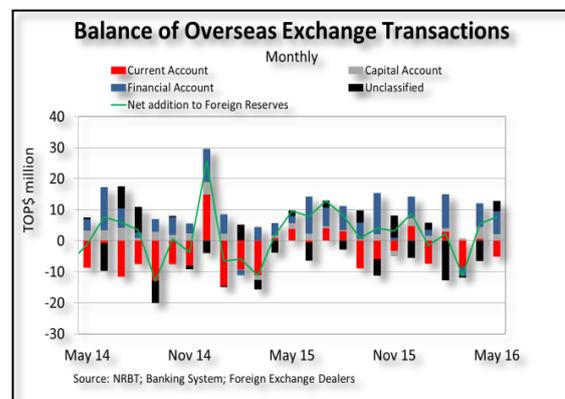
due to lower payments of dividends and distributed profits to foreign investors. Over the year, service payments rose by \$17.6 million (17.4%) to \$119.0 million, whereas primary income payments declined by \$4.5 million (21.4%) to \$16.5 million.

Capital & Financial Account Payments

Financial account payments slightly declined over the month by \$0.3 million (17.3%) to \$1.7 million, but rose over the year by \$6.1 million (15.9%) to \$44.4 million due mostly to inter-bank transfers. Capital payments of \$0.2 million were made this month for the purchase of fixed assets abroad. Over the year, capital account payments fell to \$2.3 million, which is \$1.4 million (37.6%), which is 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 May 2016, was a surplus of \$7.8 million, which is \$2.3 million higher than the surplus last month. Despite the higher deficit balance of the trade account, improved data collection enabled the capture of the exchange of foreign currencies supporting higher remittance activities and contributing to the overall surplus. In year-ended terms, the overall balance was a surplus of \$48.9 million compared to a surplus of \$15.0 million in the previous year.



Foreign reserves rose to \$330.7 million in May 2016, sufficient to cover 9.3 months of imports, well above the NRBT’s minimum range of 3-4 months. The outlook for foreign reserves is projected to remain comfortably above the minimum range, given the expectation of on-going remittance receipts for the upcoming church conferences, school anniversary, 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.

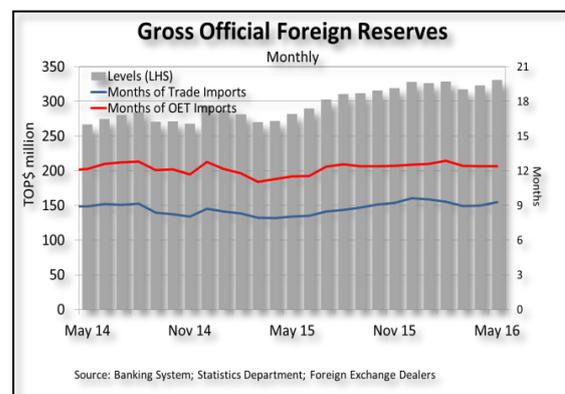


Table 2**Overseas Exchange Transactions**

TOP\$ millions

	Month Ended				Year Ended	
	May-16	Apr-16	Mar-16	Feb-16	May-16	May-15
Total Payments	55.1	46.6	55.6	39.8	564.0	504.7
Current Account	53.2	44.5	44.2	36.5	517.2	462.7
Imports	34.1	25.2	25.8	21.1	320.4	294.5
Services	11.0	12.7	9.8	9.1	119.0	101.4
Primary Income	0.7	1.7	3.3	1.1	16.5	21.0
Transfers	7.4	5.0	5.4	5.2	61.3	45.8
Official	1.8	0.0	0.0	0.0	4.0	1.3
Private	5.4	4.8	4.8	4.9	57.1	44.4
Non-Profit	0.3	0.1	0.6	0.2	0.2	0.1
Capital Account	0.2	0.0	0.0	0.0	2.3	3.7
Official	0.0	0.0	0.0	0.0	0.0	0.0
Private	0.2	0.0	0.0	0.0	2.3	3.7
Financial Account	1.7	2.0	11.4	3.3	44.4	38.4
Direct Investment	0.0	0.0	0.4	0.4	3.1	0.3
Portfolio Investment	0.0	0.0	0.0	0.0	0.0	0.0
Other Investment	1.6	2.0	11.0	2.9	41.4	38.0
Total Receipts	59.5	58.5	44.9	54.7	633.0	523.2
Current Account	48.3	45.2	35.8	39.4	493.3	398.7
Exports	1.0	0.8	1.4	1.6	15.1	15.0
Agriculture	0.3	0.2	0.4	0.3	6.1	4.7
Marines	0.6	0.4	0.8	1.0	6.7	5.1
Other	0.0	0.2	0.2	0.3	2.2	5.2
Services	10.4	11.2	10.5	11.1	137.2	97.8
Travel	6.5	7.0	4.8	5.2	84.0	67.4
Other	3.9	4.2	5.6	5.9	53.2	30.4
Primary Income	2.1	1.8	1.7	2.5	20.6	16.6
Transfers	34.8	31.4	22.2	24.2	320.5	269.3
Official	10.9	10.4	1.0	5.8	62.5	54.2
Private	22.5	17.9	17.8	16.9	230.4	185.4
Non-Profit	1.4	3.1	3.4	1.4	27.5	29.6
Capital Account	2.4	3.8	0.7	1.1	19.1	27.8
Official	0.2	2.2	0.0	0.3	9.1	7.8
Private	2.2	1.7	0.7	0.8	9.9	20.0
Financial Account	8.8	9.5	8.5	14.1	120.6	96.7
Direct Investment	0.0	0.0	0.0	0.0	0.8	12.2
Portfolio Investment	0.0	0.0	0.0	0.0	0.0	0.0
Other Investment	8.8	9.5	8.5	14.1	119.8	84.5

Sources: banking system; foreign exchange dealers, NRBT