

Overseas Exchange Transactions (OET)

September 2018

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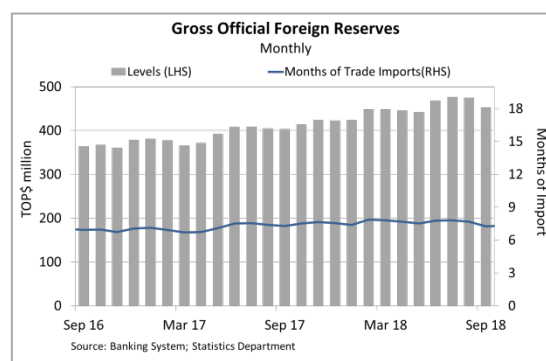
Overseas Exchange Transactions						
Net Change to Foreign Reserves (TOP\$ millions)						
	Month Ended				Year Ended	
	Sep-18	Aug-18	Jul-18	Jun-18	Sep-18	Sep-17
Overall Balance	-22.8	-1.5	7.7	26.8	49.1	39.3
Net Current Account	-16.9	-5.7	0.8	27.8	1.7	41.1
Net Capital Account	2.9	2.4	3.8	3.5	37.9	34.1
Net Financial Account	-8.8	1.8	3.1	-4.4	9.5	-35.9
Foreign Reserve Levels	452.2	475.0	476.5	468.7	452.2	403.0

Sources: Banking System; NRBT

Foreign Reserves remains comfortable despite Government Debt and Oil import payments

Overall Balance & Foreign Reserve

Foreign reserves dived in September by \$22.8 million resulting in the highest monthly OET overall balance deficit recorded. Commencing of the principal government loan repayment to the Export-Import (EXIM) Bank of China, coupled with large oil import payments during the month brought official foreign reserves down by 5% from the previous month to \$452.2 million equivalent to 7.2 months of imports cover.



Over the year, the overall surplus expanded by \$9.8 million to \$49.1 million stemming mostly from improved performance in the financial account deficit.

The outlook for foreign reserves in the near term is expected to remain at comfortable levels above 3 months of import cover. This is supported by on-going inflows of remittances and foreign aid expected for the upcoming months. However, delays to the inflow of aid and budget support from development partners, and Tonga's vulnerability to natural disasters pose a risk to the outlook.

Current Account

Current Account (TOP\$ millions)						
	Month Ended				Year Ended	
	Sep-18	Aug-18	Jul-18	Jun-18	Sep-18	Sep-17
Net Current Account	-16.9	-5.7	0.8	27.8	1.7	41.1
Merchandise Trade	-40.9	-36.7	-36.7	-35.3	-398.2	-354.7
Services	0.4	2.2	5.9	-2.2	20.1	39.8
Income	-1.0	1.9	1.9	-3.4	1.4	-21.5
Transfers	24.6	27.0	29.7	68.6	378.4	377.5

Sources: Banking System; NRBT

Current account deficit widened in September as current payment rise by 6.9% whilst current receipts declined by 12.2%. The improvement in marine export receipts was offset by the higher import payments for oil resulting in the higher merchandise trade deficit. Additionally, net primary income downgraded from a surplus to a deficit due to the interest payment of government loan to the EXIM Bank of China and other international agencies. Net transfer receipts also fell mostly from lower remittances receipts. Services payment declined by \$1.6 million over the month, however services receipts declined more by \$3.4 million particularly from travel receipts leading to the lower net services receipts.

Over the year, the surplus in the current account deteriorated by \$39.4 million to \$1.7 million. This was due yet again to the widening deficits in the merchandise trade as import payments continue to rise while export receipts declined. Net services receipts also declined by \$19.7 million as rising service payments outpaced the rise in service receipts. This outweighed the improvement of the income deficit over the year resulting from lower payments of dividend earnings offshore supported by the steady growth of primary income particularly compensation of employees. Meanwhile, net transfer receipts remain on a steady level over the year.

Capital Account

Capital Account (TOP\$ millions)						
	Month Ended				Year Ended	
	Sep-18	Aug-18	Jul-18	Jun-18	Sep-18	Sep-17
Net Capital Account	2.9	2.4	3.8	3.5	37.9	34.1
Official	2.2	1.1	2.9	2.4	17.5	13.0
Private	0.6	1.2	0.9	1.0	20.4	21.1

Sources: Banking System; NRBT

Receipt of government project funds for capital expenditures and construction projects supported the positive performance of the capital account during the month. In year-ended terms, the capital account continued to maintain its position of holding the highest surplus in overall OET balance steadily rising by \$3.9 million. This reflects various donor funded government investment projects and capital expenditures that are currently in the pipeline such as the Tonga Transport Sector Consolidation road maintenance projects, the renovation works at Fua'amotu Airport under the Pacific Aviation Investment Program and individuals and private companies' renovation works after TC Gita.

Financial Account

Financial Account (TOP\$ millions)						
	Month Ended				Year Ended	
	Sep-18	Aug-18	Jul-18	Jun-18	Sep-18	Sep-17
Net Financial Account	-8.8	1.8	3.1	-4.4	9.5	-35.9
Direct Investment	-0.3	-0.7	-0.1	0.2	-2.0	-10.8
Portfolio Investment	-0.1	0.0	0.3	0.0	0.1	0.0
Other Investment	-8.5	2.5	3.0	-4.6	11.4	-25.1

Sources: Banking System; NRBT

Financial account balance rapidly declined in September reflecting the initial principal payment of the government loan to the EXIM Bank of China commencing this month. This further contributed to the overall balance deficit in the month. Contrastingly, the financial account noted a surplus over the year as interbank services continue to support the performance of the financial account.

Overseas Exchange Transactions

TOP\$ millions

	Month Ended				Year Ended	
	Sep-18	Aug-18	Jul-18	Jun-18	Sep-18	Sep-17
Total Payments	79.2	66.9	61.6	67.6	732.9	663.3
Current Account	66.6	62.3	57.5	64.4	686.7	612.9
Imports	42.5	38.1	38.0	37.4	418.2	378.5
Services	15.7	17.3	13.6	16.5	174.2	141.5
Primary Income	3.1	0.3	0.3	5.9	23.4	38.2
Transfers	5.3	6.6	5.6	4.6	70.9	54.6
Official	0.0	0.0	0.0	0.0	9.0	2.5
Private	5.3	6.2	5.5	4.4	61.6	51.7
Non-Profit	0.0	0.4	0.1	0.2	0.3	0.5
Capital Account	0.8	0.0	0.0	0.0	4.6	3.0
Official	0.2	0.0	0.0	0.0	1.0	0.1
Private	0.6	0.0	0.0	0.0	3.6	2.9
Financial Account	11.9	4.6	4.1	3.1	41.5	47.4
Direct Investment	0.3	0.8	0.1	0.1	3.6	20.2
Portfolio Investment	0.1	0.0	0.0	0.0	0.2	0.0
Other Investment	11.5	3.8	4.0	3.0	37.9	27.2
Total Receipts	66.7	66.1	73.2	118.2	845.8	784.1
Current Account	49.7	56.7	58.3	92.2	688.4	654.0
Exports	1.6	1.4	1.3	2.1	20.0	23.8
Agriculture	0.7	0.8	0.4	1.1	11.3	10.7
Marines	0.8	0.5	0.7	0.6	6.1	8.0
Other	0.0	0.0	0.1	0.4	2.3	4.7
Services	16.1	19.5	19.5	14.4	194.3	181.3
Travel	10.7	12.7	12.2	9.5	111.0	115.1
Other	5.5	6.8	7.3	4.9	83.3	66.2
Primary Income	2.1	2.2	2.2	2.4	24.7	16.8
Transfers	30.0	33.6	35.3	73.3	449.3	432.1
Official	0.5	1.4	5.3	41.3	89.1	88.3
Private	24.9	28.5	27.2	27.4	313.8	298.7
Non-Profit	4.5	3.6	2.8	4.5	46.4	45.2
Capital Account	3.7	2.4	3.8	3.5	42.6	37.0
Official	2.4	1.1	2.9	2.4	18.6	13.1
Private	1.2	1.2	0.9	1.0	24.0	24.0
Financial Account	13.3	7.1	11.0	22.5	114.9	93.1
Direct Investment	0.0	0.1	0.0	0.3	1.5	9.4
Portfolio Investment	0.0	0.0	0.3	0.0	0.3	0.0
Other Investment	13.3	7.0	10.8	22.2	113.1	83.6

Sources: Banking System; NRBT