

Overseas Exchange Transactions (OET)

March 2019

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Overseas Exchange Transactions						
Net Change to Foreign Reserves (TOP\$ millions)						
	Month Ended				Year Ended	
	Mar-19	Feb-19	Jan-19	Dec-18	Mar-19	Mar-18
Overall Balance	-8.5	-5.5	0.4	9.8	17.3	81.6
Net Current Account	-11.3	-12.6	-9.7	6.7	-8.6	25.6
Net Capital Account	2.2	1.3	8.8	1.9	34.5	42.7
Net Financial Account	0.6	5.8	1.4	1.2	-8.6	13.3
Foreign Reserve Levels	465.0	473.5	478.9	478.5	465.0	447.7

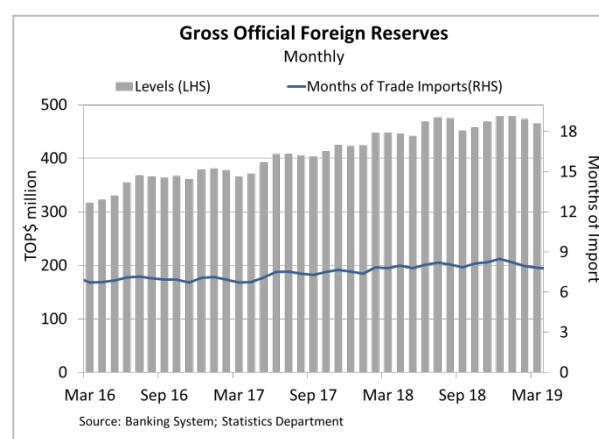
Sources: Banking System; NRBT

Payment of Government debt lowered the official foreign reserves

Overall Balance & Foreign Reserve

Although the deficit in the current account improved and the capital account surplus increased over the month of March 2019, the financial account surplus contracted considerably. This widened the deficit in the overall balance over the month. Hence, the official foreign reserves declined to \$465.0 million equivalent to 7.8 months of import cover.

Annually, the overall balance surplus contracted to \$17.3 million and was attributed mainly to a deficit in the current and financial account compared to surpluses in the previous year. The official foreign reserves increased over the year by 3.9% to \$465.0 million. The annual growth resulted from higher receipts of budget support, grants, and cyclone relief funds from development partners.



Despite the monthly decline in foreign reserves, the Reserve Bank continues to expect the level of foreign reserves will remain at comfortable levels and above 3 months of imports cover in the upcoming months. However, delays to the inflow of aid and budget support from development partners, and expected transfer of offshore investments, may pose a risk to the foreign reserves outlook. Global uncertainties in oil and commodities prices are also risks to the expectations above.

Current Account

The current account deficit improved over the month of March 2019 due to a higher increase in receipts compared to the rise in payments. Total current account receipts rose by \$5.1 million attributed to higher receipts in services and private transfers. Current account payments, on the other hand, also rose by \$3.8 million mainly for income, followed by services and import payments.

Current Account (TOP\$ millions)						
	Month Ended				Year Ended	
	Mar-19	Feb-19	Jan-19	Dec-17	Mar-19	Mar-18
Net Current Account	-11.3	-12.6	-9.7	6.7	-8.6	25.6
Merchandise Trade	-34.7	-34.3	-32.3	-31.8	-422.7	-379.3
Services	1.1	-2.3	1.1	3.5	16.5	46.3
Income	-0.2	1.5	1.5	1.6	8.3	-17.2
Transfers	22.6	22.6	20.0	33.5	389.3	375.8

Sources: Banking System; NRBT

The services account rose by \$3.4 million and recorded a \$1.1 million surplus compared to a deficit last month. Total services receipts were higher by \$4.3 million, which was mainly receipts for construction services and travel receipts. These outweighed the rise in payments for airfares over the month. Overall performance in the transfers account remained unchanged compared to that of last month at a surplus of \$22.6 million. Private transfers receipts rose over the month by \$2.2 million due to higher remittances received, while official transfers also rose slightly by \$0.4 million. The merchandise trade deficit continued to widen due to higher oil import payments by \$2.1 million. On the contrary, export receipts remained constant at \$1.2 million over the month reflecting a \$0.1 million increase in marine export receipts which was offset by the decline in other exports (excluding agricultural export).

Moreover, the income account recorded a \$0.2 million deficit in March 2019 compared to a surplus in the previous month. The higher payment was for interest on government loans abroad, which was a total payment of \$2.4 million and outweighed a rise in total primary income by \$0.5 million to a total \$2.3 million. Nonetheless, higher income receipts over the month included an increase in receipts for compensation of employees under the Recognized Seasonal Employees (RSE) and Seasonal Workers' Programme (SWP) scheme.

Over the year to March 2019, the current account balance recorded an \$8.6 million deficit compared to a surplus in the previous year. More specifically, the merchandise trade deficit and higher services payments have outweighed the rise in income and transfers receipts. The trade deficit widened over the year as import payments increased by \$43.5 million. Higher import payments was recorded for all import categories led by wholesale & retail and government imports, followed by motor vehicles, construction materials, and oil imports. Higher service payments were noted for freight services, travel related services (airfares & travel allowances), professional services, and maintenance & repair services.

Net income account rose by \$25.4 million and recorded an \$8.3 million surplus compared to a deficit recorded in the previous year. The fall in income payments by \$19.9 million and the \$5.5 million increase in income receipts over the year, contributed to this surplus. A \$5.0 million rise in wages paid under the RSE and SWP scheme contributed to the increase in income receipts. The transfers account surplus was higher by \$13.5 million due to higher transfer receipts, which was greater than the rise in transfer payments. Official transfer receipts increased by \$7.9 million, mainly for government projects, aid, and budget support funds. Private transfer receipts also rose by \$5.7

million due to the increase in remittances for family support from abroad. Receipts by non-profit organizations also contributed to the yearly surplus, which rose by \$2.5 million.

Capital Account

Capital Account (TOP\$ millions)						
	Month Ended				Year Ended	
	Mar-19	Feb-19	Jan-19	Dec-18	Mar-19	Mar-18
Net Capital Account	2.2	1.3	8.8	1.9	34.5	42.7
Official	1.3	0.7	0.3	1.2	15.8	16.0
Private	0.9	0.6	8.5	0.7	18.8	26.7

Sources: Banking System; NRBT

The surplus in the capital account rose by \$0.9 million as both official and private capital receipts increased over the month. These receipts are mainly for investment projects and capital expenditures. Official capital receipts rose by \$0.6 million to a total of \$1.3 million, mostly funds for the upgrade of Fua'amotu International Airport. Private capital receipts rose by \$0.4 million, mostly receipts for private household construction purposes.

However, the capital account surplus dropped over the year by \$8.2 million mainly due to a \$7.9 Million fall in private capital receipts, official capital receipts also declined by \$0.3 million. Despite on-going project works funded by multi-national donors, the decline in the capital account surplus over the year may reflect the delay in aid and other budget support receipts.

Financial Account

Financial Account (TOP\$ millions)						
	Month Ended				Year Ended	
	Mar-19	Feb-19	Jan-19	Dec-18	Mar-19	Mar-18
Net Financial Account	0.6	5.8	1.4	1.2	-8.6	13.3
Direct Investment	0.1	0.0	0.1	0.0	-0.4	-11.5
Portfolio Investment	0.0	0.0	0.0	0.0	0.1	0.0
Other Investment	0.5	5.7	1.3	1.2	-8.4	24.8

Note: The Net Financial Account figures incorporate also the net reconciliation items which is not reflected in the table below

Sources: Banking System; NRBT

The surplus in the financial account was considerably lower over the month was the result of higher interbank payments by commercial banks to settle foreign exchange deals for their underlying customers. Consequently, the financial account recorded an \$8.6 million deficit over the year compared to a surplus in the previous year. The Government China loan principal repayment and higher inter-bank payments contributed to the yearly deficit. Although, the Government China principal loan repayment grace period was extended for another 5 years in November 2018.

Overseas Exchange Transactions
TOP\$ millions

	Month Ended				Year Ended		Monthly Change	Annual Change
	Mar-19	Feb-19	Jan-19	Dec-18	Mar-19	Mar-18		
Total Payments	62.8	59.5	57.5	59.0	759.0	696.1	5.5%	9.0%
Current Account	58.8	55.0	55.5	56.1	707.3	652.4	6.9%	8.4%
Imports	35.9	35.5	33.8	35.0	442.9	399.5	1.1%	10.9%
Services	14.5	13.6	15.2	14.9	179.6	150.9	6.6%	19.1%
Primary Income	2.5	0.4	0.3	0.5	17.4	37.3	599.1%	-53.4%
Transfers	5.8	5.5	6.3	5.8	67.3	64.8	5.8%	4.0%
Official	0.0	0.1	0.2	0.1	2.3	8.9	-100.0%	-74.6%
Private	5.5	5.0	5.9	5.4	64.8	55.4	8.4%	17.0%
Non-Profit	0.4	0.4	0.2	0.2	0.3	0.5	-12.3%	-48.0%
Capital Account	0.1	0.0	0.0	0.2	1.8	4.1	0.0%	-54.5%
Official	0.0	0.0	0.0	0.0	0.5	0.8	0.0%	-36.4%
Private	0.1	0.0	0.0	0.2	1.3	3.3	0.0%	-58.9%
Financial Account	3.9	4.5	2.0	2.7	49.9	39.7	-12.8%	25.7%
Direct Investment	0.0	0.0	0.0	0.0	1.6	13.0	0.0%	-87.5%
Portfolio Investment	0.0	0.0	0.0	0.0	0.2	0.0	0.0%	22260.4%
Other Investment	3.9	4.5	2.0	2.7	48.2	26.7	-12.8%	80.6%
Total Receipts	57.8	48.1	57.4	77.3	845.2	807.9	20.1%	4.6%
Current Account	47.5	42.4	45.8	62.8	698.7	678.0	12.0%	3.0%
Exports	1.2	1.2	1.5	3.2	20.3	20.2	0.9%	0.7%
Agriculture	0.5	0.5	1.0	1.9	11.0	9.2	-4.7%	19.4%
Marines	0.7	0.6	0.5	0.9	7.0	6.4	31.5%	9.0%
Other	0.0	0.1	0.1	0.4	2.0	4.2	-93.0%	-52.8%
Services	15.6	11.3	16.3	18.4	196.1	197.2	37.8%	-0.5%
Travel	8.5	7.6	11.7	12.2	122.8	113.3	11.9%	8.5%
Other	7.1	3.8	4.5	6.2	73.3	83.9	89.9%	-12.7%
Primary Income	2.3	1.8	1.8	2.1	25.6	20.1	25.8%	27.4%
Transfers	28.4	28.1	26.3	39.2	456.6	440.6	1.1%	3.6%
Official	2.1	1.7	0.1	5.2	95.8	88.0	24.0%	8.9%
Private	24.1	21.8	22.7	30.0	315.1	309.5	10.3%	1.8%
Non-Profit	2.2	4.6	3.5	4.0	45.7	43.1	-51.2%	5.9%
Capital Account	2.3	1.3	8.8	2.1	36.4	46.8	71.6%	-22.2%
Official	1.3	0.7	0.3	1.2	16.3	16.8	78.4%	-3.4%
Private	1.0	0.6	8.5	0.9	20.1	29.9	63.3%	-32.8%
Financial Account	8.0	4.4	2.8	12.4	110.2	83.2	82.5%	32.5%
Direct Investment	0.1	0.0	0.1	0.0	1.2	1.5	471.1%	-17.9%
Portfolio Investment	0.0	0.0	0.0	0.0	0.3	0.0	0.0%	0.0%
Other Investment	7.9	4.4	2.7	12.4	108.7	81.7	80.7%	33.1%

Sources: Banking System; NRBT