

Overseas Exchange Transactions (OET) September 2019

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Overseas Exchange Transactions Net Change to Foreign Reserves (TOP\$ millions)						
	Month Ended				Year Ended	
	Sep-19	Aug-19	Jul-19	Jun-19	Sep-19	Sep-18
Overall Balance	-0.9	-1.1	8.6	16.0	38.7	49.1
Net Current Account	-12.7	-1.4	0.4	19.8	5.3	1.7
Net Capital Account	1.7	1.2	0.2	9.1	36.1	37.9
Net Financial Account	10.1	-0.9	8.0	-12.9	-2.7	9.5
Foreign Reserve Levels	490.8	491.8	492.9	484.3	490.8	452.2

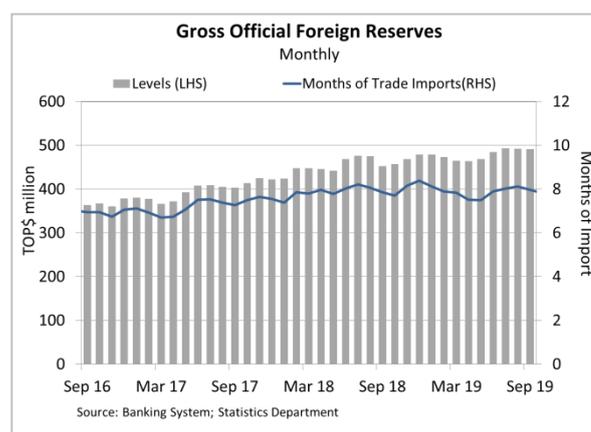
Sources: Banking System; NRBT

Lower receipts following high level of transfers receipts last month

Overall Balance & Foreign Reserves

The balance of Overseas Exchange Transactions recorded a deficit of \$0.9 million in September 2019, slightly improving from a \$1.1 million deficit in August 2019. The monthly movement was attributed to a significant decline in total receipts by \$13.5 million (19.5%) to \$55.9 million. Total payments also fell by \$1.8 million (2.7%) to \$63.2 million which is higher than the total receipts during September 2019. In year ended terms, the overall balance surplus fell by \$10.5 million to \$38.7 million in September 2019. Total OET payments increased by \$10.4 million for imports and offshore investments, coupled with lower total receipts by \$26.9 million driven by the fall in receipts for inter-bank transfers, professional services, and both official and private capital receipts.

The official foreign reserves was at \$490.8 million in September 2019 equivalent to 8.0 months of imports cover. A \$1.0 million decline over the month was due mainly to payments of external debts. Annually, foreign reserves increased by \$38.6 million as a result of higher receipts of budget support, grants, and project funds from development partners. Furthermore, remittance receipts from family and friends abroad also contributed to the higher foreign reserves.



On the outlook, the Reserve Bank continues to expect the level of foreign reserves to remain at comfortable levels, and above 3 months of imports cover in the upcoming months. However, external debt repayments, implementation of infrastructure projects, and expected transfer of offshore investments pose a risk to the foreign reserves outlook. Global uncertainties in oil and commodity prices are also risks to these expectations.

Current Account

Current Account (TOP\$ millions)						
	Month Ended				Year Ended	
	Sep-19	Aug-19	Jul-19	Jun-19	Sep-19	Sep-18
Net Current Account	-12.7	-1.4	0.4	19.8	5.3	1.7
Merchandise Trade	-35.4	-36.2	-33.9	-35.5	-415.6	-398.2
Services	2.0	1.7	6.0	4.0	33.3	20.1
Income	-2.0	0.8	1.2	-4.8	5.9	1.4
Transfers	22.8	32.4	27.1	56.1	381.7	378.4

Sources: Banking System; NRBT

The current account deficit widened in September 2019 following the high level of private transfer receipts last month for remittances and funds to non-profit organizations. Total current account receipts declined by \$13.4 million as receipts for exports, services, income and transfers all fell over the month. In addition, income payments rose for interest payments on government loans contributing to the current account deficit.

The income account recorded a \$2.0 million deficit over the month was attributed to higher payments, a total of \$3.6 million whilst income receipts was a total \$1.5 million. The monthly rise in income payments were for interest on government loans, a total of \$3.3 million. The transfers account surplus declined by \$9.6 million mainly due to lower receipts by \$10.8 million during the month. Both private and official transfer receipts fell by \$9.0 million and \$1.8 million respectively. These were due to lower remittance receipts, donations to non-profit organizations, and government funds for budget support and project funds. Transfers payments also declined over the month by \$1.2 million.

On the other hand, the merchandise trade deficit improved by \$0.8 million due to a \$2.1 million fall in import payments over the month. Payments for wholesale & retail goods declined the most by \$3.3 million followed by motor vehicle and construction material import payments. However, payments for oil and government imports rose by \$1.7 million and \$1.4 million, respectively. Total export proceeds also lowered over the month by \$0.1 million as a consequence of lower proceeds from both agricultural exports and marine exports which outweighed a \$0.2 million rise in receipts from other exports.

The service account surplus slightly increased by \$0.3 million in September 2019 as services payments declined by \$2.0 million, more than the \$1.8 million fall in services receipts. Lower service payments were mainly for freight and travel allowance. Service receipts fell over the month led by a \$1.8 million decline in travel receipts coinciding with a 7.6% (795 passengers) decline in international air arrivals.

In year ended terms, the surplus in the current account increased by \$3.6 million to \$5.3 million. Although the merchandise trade deficit widened over the year, this was outweighed by the improvement in the surpluses recorded for the services, income, and transfer accounts. The services account surplus increased by \$13.2 million due mainly to higher travel receipts by \$23.4 million. The income account surplus improved by \$4.5 million due to the decline in income payments by \$4.0 million. Payments for dividends and profits to overseas investors fell by \$3.2 million (24.6%), while payments for other wages and salaries also declined by \$1.0 million (34.9%) over the year.

Moreover, the transfers account surplus slightly grew by \$3.3 million (0.9%) and was attributed mainly to the official transfers account surplus which rose over the year by \$5.8 million, as the official transfer payments fell by \$4.9 million. Private transfer receipts (including private remittances & non-profit organizations) rose by \$2.2 million, annually. Meanwhile payments for family support and transfers to own account rose by \$4.7 million. However, the payments for imported government goods, wholesale & retail goods, motor vehicles, and oil altogether rose by \$18.5 million driving the higher merchandise trade deficit. This coincided with a rise in business container registrations recording an increase of 1,697 containers (26.4%) indicating growth in the trade sector.

Capital Account

Capital Account (TOP\$ millions)						
	Month Ended				Year Ended	
	Sep-19	Aug-19	Jul-19	Jun-19	Sep-19	Sep-18
Net Capital Account	1.7	1.2	0.2	9.1	36.1	37.9
Official	1.1	0.1	0.3	6.8	17.2	17.5
Private	0.6	1.1	0.0	2.3	18.9	20.4

Sources: Banking System; NRBT

The surplus in the capital account slightly rose by \$0.5 million over the month mainly driven by the higher surplus in the official capital account. Official capital receipts increased by \$0.9 million to \$1.1 million with no official capital payment recorded for the month. The private capital receipts declined by \$0.4 million coupled with a \$0.1 million rise in payments has lowered the private capital account surplus by \$0.5 million to \$0.6 million. These transactions are for government-funded projects and households construction purposes by individuals (including non-profit organizations).

Annually, the capital account surplus lowered by \$1.9 million to \$36.1 million, holding the highest surplus in the overall OET balance. The lower surplus was due to a decline in receipts by Government for investment projects and capital expenditures (for construction purposes), and private capital transfers over the year to September 2019.

Financial Account

Financial Account (TOP\$ millions)						
	Month Ended				Year Ended	
	Sep-19	Aug-19	Jul-19	Jun-19	Sep-19	Sep-18
Net Financial Account	10.1	-0.9	8.0	-12.9	-2.7	9.5
Direct Investment	0.3	0.2	-2.0	0.2	-4.6	-2.1
Portfolio Investment	0.0	0.0	0.0	-11.2	-11.2	0.3
Other Investment	9.9	-1.1	10.0	-1.9	13.0	11.4

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

Sources: Banking System; NRBT

After a \$0.9 million deficit recorded in the financial account last month, a \$10.1 million surplus was noted in September 2019. This was driven mainly by movements in other investment which are mainly interbank transfers. Direct investment receipts slightly rose by \$0.1 million while portfolio investments continued to record no receipts.

Over the year, the financial account recorded a \$2.7 million deficit compared to a surplus in the previous year. This was largely owed to lower inter-bank receipts, offshore investment transfers and the principal repayment of the Government loan to EXIM Bank of China.

Overseas Exchange Transactions

TOP\$ millions

	Month Ended				Year Ended		Monthly Change	Annual Change	Shares of totals*
	Sep-19	Aug-19	Jul-19	Jun-19	Sep-19	Sep-18			
Total Payments	63.2	64.9	60.7	77.3	743.2	732.9	-2.7%	1.4%	100.0
Current Account	61.0	63.1	57.3	62.8	697.3	686.7	-3.3%	1.5%	93.8
Imports	37.5	38.4	35.7	36.6	436.7	418.2	-2.4%	4.4%	58.8
Services	14.2	16.2	14.6	13.6	170.5	174.2	-12.6%	-2.1%	22.9
Primary Income	3.6	1.5	0.9	7.2	19.4	23.4	137.4%	-17.1%	2.6
Transfers	5.7	6.9	6.1	5.3	70.7	70.9	-17.6%	-0.3%	9.5
Official	0.2	0.6	0.0	0.1	4.1	9.0	-60.7%	-54.4%	0.6
Private	5.5	6.3	6.1	4.2	66.4	61.6	-13.8%	7.8%	8.9
Non-Profit	0.0	0.0	0.0	1.0	0.2	0.3	-13.9%	-36.6%	0.0
Capital Account	0.1	0.0	0.2	0.0	2.0	4.6	170.8%	-57.4%	0.3
Official	0.0	0.0	0.0	0.0	0.3	1.0	-100.0%	-66.8%	0.0
Private	0.1	0.0	0.2	0.0	1.6	3.6	0.0%	-54.7%	0.2
Financial Account	2.1	1.8	3.2	14.5	43.9	41.5	14.0%	5.8%	5.9
Direct Investment	0.0	0.0	2.4	0.0	5.8	3.7	0.0%	59.7%	0.8
Portfolio Investment	0.0	0.0	0.0	11.2	11.2	0.0	-100.0%	0.0%	1.5
Other Investment	2.1	1.8	0.7	3.3	26.9	37.9	14.5%	-29.0%	3.6
Total Receipts	56.0	69.5	66.3	100.9	818.9	845.8	-19.4%	-3.2%	100%
Current Account	48.3	61.7	57.8	82.5	702.6	688.4	-21.7%	2.1%	86%
Exports	2.1	2.2	1.8	1.2	21.1	20.0	-4.9%	5.4%	4%
Agriculture	0.9	1.2	0.8	0.4	10.6	11.3	-23.4%	-6.2%	2%
Marines	0.9	1.0	0.7	0.6	8.6	6.1	-6.0%	41.8%	2%
Other	0.2	0.0	0.2	0.1	1.6	2.3	531.8%	-32.2%	0%
Services	16.2	17.9	20.6	17.6	203.9	194.3	-9.8%	4.9%	29%
Travel	12.0	13.5	15.1	11.3	134.4	111.0	-10.9%	21.0%	21%
Other	4.2	4.4	5.5	6.3	69.5	83.3	-6.5%	-16.6%	7%
Primary Income	1.5	2.3	2.1	2.4	25.3	24.7	-32.2%	2.2%	3%
Transfers	28.5	39.3	33.3	61.4	452.4	449.3	-27.5%	0.7%	51%
Official	1.7	3.5	0.4	33.5	90.0	89.1	-51.6%	1.0%	3%
Private	24.7	30.4	29.9	24.0	316.4	313.8	-18.9%	0.8%	44%
Non-Profit	2.1	5.3	3.0	3.8	46.0	46.4	-61.1%	-0.8%	4%
Capital Account	1.8	1.2	0.5	9.1	38.0	42.6	44.8%	-10.6%	3%
Official	1.1	0.2	0.3	6.8	17.5	18.6	593.6%	-5.7%	2%
Private	0.7	1.1	0.2	2.3	20.5	24.0	-36.8%	-14.4%	1%
Financial Account	5.9	6.6	8.1	9.3	78.2	114.9	-9.8%	-31.9%	11%
Direct Investment	0.3	0.2	0.4	0.2	1.3	1.5	28.9%	-16.5%	0%
Portfolio Investment	0.0	0.0	0.0	0.0	0.0	0.3	0.0%	-99.3%	0%
Other Investment	5.7	6.4	7.7	9.1	76.9	113.1	-10.9%	-32.0%	10%

Sources: Banking System; NRBT