

Overseas Exchange Transactions (OET)

April 2020

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Overseas Exchange Transactions Net Change to Foreign Reserves (TOP\$ millions)						
	Month Ended				Year Ended	
	Apr-20	Mar-20	Feb-20	Jan-20	Apr-20	Apr-19
Overall Balance	17.7	-22.4	-3.0	-4.6	10.9	18.3
Net Current Account	24.0	2.6	4.1	-7.8	37.4	-3.8
Net Capital Account	1.0	2.1	1.6	2.0	29.8	34.4
Net Financial Account	-7.3	-27.1	-8.7	1.2	-56.3	-12.2
Foreign Reserve Levels	475.1	457.5	479.8	482.9	475.1	464.2

Sources: Banking System; NRBT

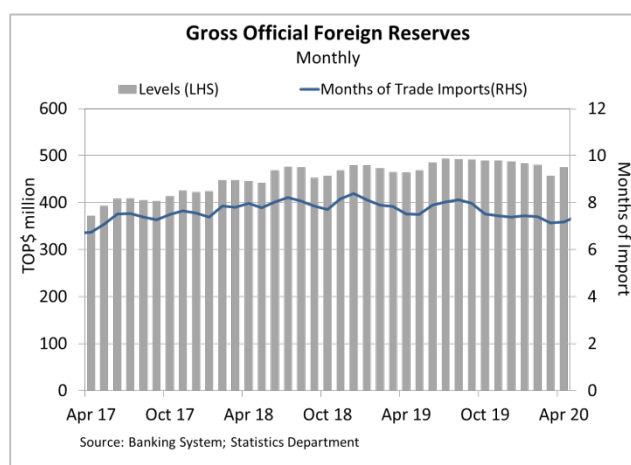
Foreign reserves recovers on higher inflow of official receipts

Overall Balance & Foreign Reserves

The overall OET balance recorded a \$17.7 million surplus in April 2020 after four consecutive months of overall deficit balances. Higher surplus over the month was attributed mainly to the inflow of official receipts from development partners to assist with the COVID-19 pandemic. Total payments, however, declined over the month underpinned by declines in loan repayments and imports. Annually, the overall balance surplus also fell by \$7.4 million as the rise in OET payments outweighed the increase in OET receipts. Total OET payments rose by \$8.6 million mainly for primary income, transfers, and offshore investments. Total receipts also increased by \$6.8 million as receipts from travel, official transfers, and non-profit transfers rose over the year.

The official foreign reserves was at \$475.1 million in April 2020 equivalent to 7.2 months of import cover. This increase is \$10.9 million higher compared to \$464.2 million in April 2019, and is attributed to the improvement in the merchandise trade deficit from lower import payments, and higher official transfers to the Government.

On the outlook, the Reserve Bank continues to expect the level of foreign reserves to remain at comfortable levels, and above 3 months of import cover. However, external debt repayments, implementation of infrastructure projects, and expected transfer of offshore investments pose a risk to the foreign reserves outlook. Global uncertainties and the negative impacts of coronavirus pandemic on the economy, and shocks in global oil and commodity prices are downside risks to the outlook.



Current Account

Current Account (TOP\$ millions)						
	Month Ended				Year Ended	
	Apr-20	Mar-20	Feb-20	Jan-20	Apr-20	Apr-19
Net Current Account	24.0	2.6	4.1	-7.8	37.4	-3.8
Merchandise Trade	-30.2	-32.5	-30.1	-34.9	-402.8	-423.8
Services	-2.3	6.7	4.4	5.6	31.9	22.4
Income	-2.0	-0.9	1.5	-1.2	-1.6	8.2
Transfers	58.6	29.3	28.3	22.7	409.9	389.4

Sources: Banking System;NRBT

The current account recorded a surplus of \$24.0 million, higher than the \$2.6 million surplus in the previous month. This was mostly driven by the \$29.9 million increase in total receipts primarily for the inflow of official transfers.

The official transfer receipts increased over the month by \$35.1 million and was partially offset by the decline in both non-profit and private transfer receipts by \$3.8 million and \$3.0 million respectively. The inflow of official transfer receipts were mostly budget support, grants, and additional funds from donor partners to assist with the COVID-19 preparations. Total transfer payments, however, fell over the month by \$1.0 million.

The merchandise trade deficit improved over the month by \$2.2 million to a \$30.2 million deficit. Import payments fell over the month by \$2.6 million, with the majority of the import categories declining except for motor vehicle and oil imports. Meanwhile, total export proceeds fell by \$0.4 million and were due to lower proceeds from marine exports.

The income account recorded a higher deficit of \$2.0 million in April 2020 compared to a deficit of \$0.9 million in March 2020. This was largely due to a \$1.6 million increase in income payments primarily for dividends offsetting the \$0.5 million increase in income receipts.

Following a surplus in the previous month, the services account recorded a deficit of \$2.3 million, owing mostly to higher payments of \$5.9 million which outweighed the decline in receipts by \$3.1 million. Higher service payments were mostly payments for professional services, freight, and computer services. Service receipts decreased for travel (both personal and business) whilst other services mainly Government, Professional, and Telecommunication services rose over the month. The lower travel receipts are in line with the lower international air arrivals due to the lockdown of Tonga's borders from the COVID-19 pandemic.

In year ended terms, the current account improved by \$41.2 million to a \$37.4 million surplus. This was mainly driven by a lower deficit in merchandise trade and a higher surplus in the transfers account and services account. However, the income account declined over the year.

The merchandise trade deficit improved by \$21.1 million to \$402.8 million driven mostly by lower import payments, which declined by \$22.8 million due to lower payments for all imports except for oil import payments which rose over the year. Meanwhile, export proceeds decreased by \$1.7

million, which resulted from lower agriculture and other export proceeds. The surplus in the transfer accounts rose by \$20.5 million to \$409.9 million driven mostly by higher official transfer receipts. The \$31.9 million surplus in the services account, was \$9.5 million higher than the surplus recorded in the previous year due to the rise in travel receipts. Furthermore, the income account recorded a deficit of \$1.6 million compared to a surplus of \$8.2 million in April 2019, driven by the increase in income payments by \$9.4 million, mostly for payment of dividends abroad.

Capital Account

Capital Account (TOP\$ millions)						
	Month Ended				Year Ended	
	Apr-20	Mar-20	Feb-20	Jan-20	Apr-20	Apr-19
Net Capital Account	1.0	2.1	1.6	2.0	29.8	34.4
Official	0.2	0.7	0.6	1.0	16.3	16.3
Private	0.7	1.4	1.1	1.0	13.5	18.1

Sources: Banking System;NRBT

In April 2020, the capital account recorded a lower surplus of \$1.0 million. This resulted from declines in both private and official capital receipts by \$0.7 million and \$0.4 million respectively. There were no capital payments recorded for the month.

Similarly, the capital account surplus declined by \$4.6 million to \$29.8 million over the year to April 2020, owing mostly to lower private capital account receipts. Additionally, the capital account payments decreased by \$1.3 million, mostly for private capital transfers.

Financial Account

Financial Account (TOP\$ millions)						
	Month Ended				Year Ended	
	Apr-20	Mar-20	Feb-20	Jan-20	Apr-20	Apr-19
Net Financial Account	-7.3	-27.1	-8.7	1.2	-56.3	-12.2
Direct Investment	0.0	-0.6	0.0	0.2	-3.5	-0.7
Portfolio Investment	0.0	0.0	0.0	0.0	-22.4	0.3
Other Investment	-7.4	-26.5	-8.7	1.0	-30.3	-11.8

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 deficit in the financial account narrowed to \$7.3 million in April 2020. This was driven mainly by other investments which are mostly interbank transfers.

Over the year, the financial account recorded a deficit of \$56.3 million, which is lower than the \$12.2 million deficit in the previous year. This largely owes to higher net payments from the portfolio and direct investment accounts, mainly for offshore investments.

Overseas Exchange Transactions									
TOP\$ millions									
	Month Ended				Year Ended		Monthly Change	Annual Change	Shares of totals*
	Apr-20	Mar-20	Feb-20	Jan-20	Apr-20	Apr-19			
Total Payments	58.6	60.3	49.6	60.6	760.9	752.3	-2.8%	1.1%	100.0
Current Account	56.2	52.3	48.0	59.2	696.7	707.0	7.6%	-1.4%	91.6
Imports	30.9	33.5	31.3	35.9	421.4	444.3	-7.8%	-5.1%	55.4
Services	15.9	10.0	11.2	13.5	176.3	177.9	59.2%	-0.9%	23.2
Primary Income	4.6	3.0	0.2	3.3	27.0	17.6	52.5%	53.2%	3.5
Transfers	4.8	5.7	5.4	6.5	72.0	67.2	-16.8%	7.2%	9.5
Official	0.1	0.0	0.2	0.0	4.9	2.5	0.0%	91.0%	0.6
Private	4.6	5.5	4.8	5.8	66.9	64.4	-16.7%	4.0%	8.8
Non-Profit	0.1	0.2	0.4	0.7	0.2	0.3	-46.1%	-16.9%	0.0
Capital Account	0.0	0.0	0.0	0.0	1.1	2.4	0.0%	-54.4%	0.1
Official	0.0	0.0	0.0	0.0	0.4	0.5	0.0%	-22.2%	0.1
Private	0.0	0.0	0.0	0.0	0.7	1.9	0.0%	-63.2%	0.1
Financial Account	2.4	8.0	1.6	1.5	63.1	42.9	-70.5%	47.0%	8.3
Direct Investment	0.0	0.6	0.0	0.0	7.9	1.7	0.0%	355.8%	1.0
Portfolio Investment	0.0	0.0	0.0	0.0	22.4	0.0	0.0%	0.0%	2.9
Other Investment	2.4	7.4	1.6	1.5	32.8	41.2	-68.2%	-20.4%	4.3
Total Receipts	93.4	63.5	58.4	55.6	853.2	845.5	47.1%	0.9%	100%
Current Account	80.3	54.9	52.1	51.4	734.1	703.1	46.2%	4.4%	86%
Exports	0.7	1.0	1.1	1.1	18.7	20.4	-35.0%	-8.6%	0.7%
Agriculture	0.5	0.4	0.3	0.4	8.1	10.9	22.9%	-25.6%	1%
Marines	0.1	0.6	0.8	0.6	9.1	7.6	-81.2%	19.9%	0%
Other	0.0	0.0	0.0	0.2	1.2	1.7	-23.6%	-27.0%	0%
Services	13.6	16.7	15.5	19.1	208.2	200.3	-18.5%	3.9%	15%
Travel	7.7	12.0	9.9	12.1	140.8	124.5	-35.5%	13.0%	8%
Other	5.9	4.7	5.6	7.0	67.5	75.8	25.0%	-11.0%	6%
Primary Income	2.6	2.1	1.7	2.0	25.4	25.8	24.1%	-1.7%	3%
Transfers	63.4	35.1	33.7	29.2	481.9	456.6	80.7%	5.5%	68%
Official	40.5	5.4	6.6	0.4	113.7	94.4	651.3%	20.4%	43%
Private	20.6	23.6	22.8	24.3	315.6	316.8	-12.7%	-0.4%	22%
Non-Profit	2.3	6.1	4.3	4.5	52.8	45.4	-61.7%	16.5%	3%
Capital Account	1.0	2.1	1.6	2.0	30.9	36.8	-54.3%	-16.2%	1%
Official	0.2	0.7	0.6	1.0	16.7	16.8	-65.0%	-0.5%	0%
Private	0.7	1.4	1.1	1.0	14.2	20.0	-49.3%	-29.3%	1%
Financial Account	12.2	6.5	4.7	2.2	88.2	105.6	88.0%	-16.5%	13%
Direct Investment	0.0	0.0	0.0	0.2	4.3	1.0	0.0%	326.6%	0%
Portfolio Investment	0.0	0.0	0.0	0.0	0.0	0.3	0.0%	-99.3%	0%
Other Investment	12.1	6.5	4.7	2.0	83.9	104.3	87.7%	-19.6%	13%

Sources: Banking System; NRBT