

Overseas Exchange Transactions (OET)

January 2020

Release Date: 21 July 2020

Overseas Exchange Transactions						
Net Change to Foreign Reserves (TOP\$ millions)						
	Month Ended				Year Ended	
	Jan-20	Dec-19	Nov-19	Oct-19	Jan-20	Jan-19
Overall Balance	-4.6	-2.1	0.2	-1.5	3.9	54.9
Net Current Account	-8.7	-2.2	-1.2	6.9	-18.9	24.6
Net Capital Account	2.0	3.1	1.9	1.2	31.3	34.7
Net Financial Account	2.1	-3.0	-0.5	-9.7	-8.5	-4.4
Foreign Reserve Levels	482.9	487.4	489.5	489.3	482.9	478.9

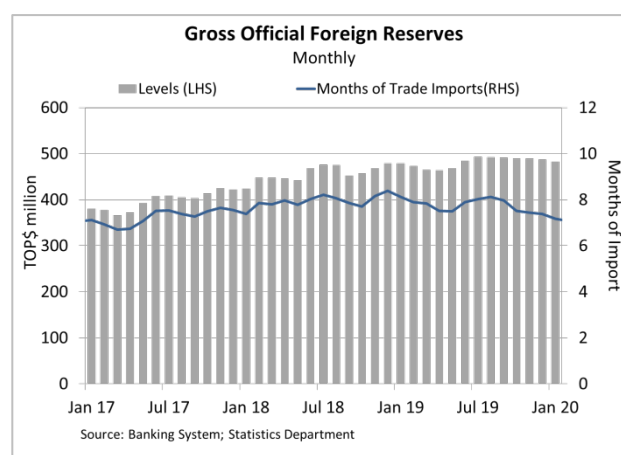
Sources: Banking System; NRBT

Sharp drop in transfer receipts for January

Overall Balance & Foreign Reserves

The overall OET balance recorded a deficit of \$4.6 million in January 2020, a higher deficit compared to \$2.1 million last month. The total receipts fell by \$19.1 million over the month, owing mostly to respective declines in private and interbank transfers. Total payments also declined during the month largely driven by lower service payments. In the year to January 2020, the overall balance surplus fell by \$50.9 million to \$3.9 million. Total OET payments increased by \$19.0 million for investments, interbank transfers, and primary income mostly dividend payments. Total receipts fell significantly by \$71.4 million in the year due mainly to lower official transfer, services and other financial investment receipts.

The official foreign reserves was at \$482.9 million in January 2020 equivalent to 7.2 months of import cover. The monthly decline was due mainly to payments made during the month for oil imports, transfer of profits offshore, and other business import payments for both goods and services. This is higher by \$4.0 million compared to \$478.9 million in January 2019 and is attributed to receipts of budget support, grants, and project funds from development partners.



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 downside risks to these expectations. Additionally, the new coronavirus pandemic also

poses a risk to the level of foreign as it weighs on consumer demand, business sentiments, and investments.

Current Account

Current Account (TOP\$ millions)						
	Month Ended				Year Ended	
	Jan-20	Dec-19	Nov-19	Oct-19	Jan-20	Jan-19
Net Current Account	-8.7	-2.2	-1.2	6.9	-18.9	24.6
Merchandise Trade	-34.9	-32.5	-31.3	-33.9	-410.4	-412.6
Services	4.7	0.2	3.6	-0.2	27.7	23.8
Income	-1.2	1.6	1.6	-0.1	2.0	7.1
Transfers	22.7	28.5	24.9	41.0	361.8	406.3

Sources: Banking System; NRBT

The current account deficit widened by \$6.5 million to an \$8.7 million deficit in January 2020. The merchandise trade deficit increased and is attributed largely to higher import payments which increased by \$1.2 million, coupled with the \$1.1 million decline in export receipts. Payment for oil imports rose by \$4.9 million whilst export proceeds from marine and agriculture declined.

The income account also recorded a deficit of \$1.2 million after recording a surplus last month. This was largely driven by higher income payments for dividends offshore of \$3.0 million.

Similarly, the transfers account surplus decreased by \$5.8 million to \$22.7 million, due mainly to a \$5.9 million decrease in private transfer receipts reflecting the decline in remittances. Official transfer receipts also declined by \$0.9 million in January 2020. These movements had offset an increase of \$0.7 million in transfer receipts for non-profit organisations. Transfer payments, on the other hand, declined by \$0.3 million owing mostly to lower private transfers.

Meanwhile, the service account surplus improved in January 2020 by \$4.5 million to \$4.7 million. This was underpinned mainly by a \$6.1 million decrease in service payments, owing mostly to professional & management services, and travel allowances. Services receipts also fell over the month, driven mainly by lower receipts from construction services, and insurance claims.

Annually, the current account recorded a deficit of \$18.9 million compared to a surplus of \$25.3 million deficit in January 2019. Although the merchandise trade deficit improved and the services account surplus increased in the year, the significant declines in surpluses of the transfers and income accounts had outweighed these positive movements.

Payments for import of construction materials, oil, and motor vehicles decreased over the year, yet still higher than the level of export proceeds. The transfer receipts also fell by \$40.5 million, solely driven by a \$45.8 million decline in official transfer receipts which outweighed the increase in both private and non-profit transfer receipts. However, total transfer receipts still exceeds total transfer payments. Meanwhile, service payments decreased by \$2.3 million and outweighed the \$1.7 million rise in service receipts from higher travel receipts, resulting in the lower surplus. Furthermore, the lower surplus in the income account stems from the \$5.5 million rise in income payments while income receipts marginally rose by only \$0.4 million.

Capital Account

Capital Account (TOP\$ millions)						
	Month Ended				Year Ended	
	Jan-20	Dec-19	Nov-19	Oct-19	Jan-20	Jan-19
Net Capital Account	2.0	3.1	1.9	1.2	31.3	34.7
Official	1.0	1.7	0.5	0.7	18.8	15.2
Private	1.0	1.4	1.4	0.5	12.5	19.4

Sources: Banking System; NRBT

The capital account surplus decreased by \$1.1 million over the month to \$2.0 million, as both official and private capital receipts declined. The private capital payments also decreased and supported the monthly movement.

Similarly, over the year, the capital account surplus lowered by \$3.4 million to \$31.3 million. Capital account receipts fell by \$3.5 million mainly from a \$7.0 million decline in private capital receipts outweighing the \$3.4 million increase in official capital receipts. The fall in both official and private capital payments also coincided with the annual decline.

Financial Account

Financial Account (TOP\$ millions)						
	Month Ended				Year Ended	
	Jan-20	Dec-19	Nov-19	Oct-19	Jan-20	Jan-19
Net Financial Account	2.1	-3.0	-0.5	-9.7	-8.5	-4.4
Direct Investment	0.2	-0.5	1.2	0.6	-2.8	-0.6
Portfolio Investment	0.0	0.0	0.0	-11.2	-22.4	0.3
Other Investment	1.9	-2.5	-1.6	0.9	16.8	-4.0

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

Sources: Banking System; NRBT

In January 2020, the financial account recorded a surplus of \$2.1 million after recording a deficit last month. This was mostly driven by lower interbank payments supported by a decline in offshore investments. Over the year, the deficit in the financial account widened by \$4.1 million to \$8.5 million, due mainly to higher transfers for investment offshore. Direct investment transfers also rose and coincided with the annual deficits.

Overseas Exchange Transactions

TOP\$ millions

	Month Ended				Year Ended		Monthly Change	Annual Change	Shares of totals*
	Jan-20	Dec-19	Nov-19	Oct-19	Jan-20	Jan-19			
	Total Payments	60.6	67.5	56.6	74.9	763.3			
Current Account	59.2	61.4	53.1	60.8	704.4	699.7	-3.6%	0.7%	92.3
Imports	35.9	34.7	33.1	36.0	429.9	433.0	3.6%	-0.7%	56.3
Services	13.5	19.5	13.4	17.0	177.8	180.1	-31.0%	-1.3%	23.3
Primary Income	3.3	0.3	0.2	1.6	23.3	17.8	940.0%	30.9%	3.1
Transfers	6.5	6.8	6.4	6.3	73.4	68.7	-4.6%	6.8%	9.6
Official	0.0	0.0	0.1	0.0	5.0	4.9	0.0%	1.8%	0.7
Private	5.8	6.3	5.9	6.1	68.0	63.5	-7.2%	7.1%	8.9
Non-Profit	0.7	0.5	0.4	0.2	0.3	0.2	25.4%	31.8%	0.0
Capital Account	0.0	0.2	0.4	0.0	1.7	1.8	-100.0%	-5.8%	0.2
Official	0.0	0.0	0.3	0.0	0.4	0.5	0.0%	-18.6%	0.1
Private	0.0	0.2	0.1	0.0	1.3	1.3	-100.0%	-1.0%	0.2
Financial Account	1.5	5.9	3.0	14.1	57.2	42.8	-74.7%	33.9%	7.5
Direct Investment	0.0	1.1	0.0	0.6	7.3	1.7	-100.0%	321.8%	1.0
Portfolio Investment	0.0	0.0	0.0	11.2	22.4	0.0	0.0%	0.0%	2.9
Other Investment	1.5	4.7	3.0	2.2	27.6	41.0	-68.5%	-32.8%	3.6
Total Receipts	54.7	73.7	63.2	76.6	802.1	874.2	-25.9%	-8.3%	100%
Current Account	50.5	59.1	51.9	67.8	685.5	725.0	-14.6%	-5.4%	92%
Exports	1.1	2.2	1.7	2.1	19.4	20.5	-51.1%	-5.0%	1.9%
Agriculture	0.4	0.8	0.7	0.9	8.1	11.4	-57.8%	-29.3%	1%
Marines	0.6	1.2	0.9	1.1	9.7	6.6	-53.3%	47.7%	1%
Other	0.2	0.1	0.2	0.1	1.4	2.2	8.2%	-38.3%	0%
Services	18.2	19.8	17.1	16.8	205.6	203.9	-8.0%	0.8%	33%
Travel	11.2	11.8	10.7	12.4	134.8	119.6	-5.5%	12.7%	20%
Other	7.0	7.9	6.3	4.3	70.7	84.3	-11.8%	-16.1%	13%
Primary Income	2.0	1.9	1.8	1.6	25.3	24.9	9.0%	1.6%	4%
Transfers	29.2	35.3	31.3	47.3	435.2	475.7	-17.4%	-8.5%	53%
Official	0.4	1.3	0.4	13.1	66.0	111.7	-69.2%	-41.0%	1%
Private	24.3	30.2	27.1	27.5	318.7	317.1	-19.5%	0.5%	44%
Non-Profit	4.5	3.8	3.9	6.7	50.5	46.8	17.5%	7.8%	8%
Capital Account	2.0	3.4	2.3	1.2	33.0	36.5	-41.0%	-9.7%	4%
Official	1.0	1.7	0.8	0.7	19.2	15.7	-44.2%	21.9%	2%
Private	1.0	1.7	1.5	0.5	13.8	20.8	-37.7%	-33.6%	2%
Financial Account	2.2	11.2	9.0	7.6	83.6	112.7	-80.3%	-25.9%	4%
Direct Investment	0.2	0.6	1.2	1.3	4.4	1.1	-68.8%	302.4%	0%
Portfolio Investment	0.0	0.0	0.0	0.0	0.0	0.3	0.0%	-99.3%	0%
Other Investment	2.0	10.6	7.8	6.4	79.1	111.4	-80.9%	-28.9%	4%

Sources: Banking System; NRBT