

Overseas Exchange Transactions (OET)

October 2016

Release Date: 3 April 2017

Table 1

T\$ m	Oct 16	Sept 16	Aug 16	July 16
Overall balance	3.3	-2.5	-1.2	12.6
Total inflows	61.3	62.7	61.0	57.0
Total outflows	52.2	61.3	52.8	52.3
Foreign Reserves	367.0	363.7	366.3	367.4

Lower import payments escaped the overall deficit

Total OET Receipts

Total OET receipts remained high at \$61.3 million in October despite falling by \$1.4 million (2.2%) over the month. This largely owed to the inflow of government budget support funds during the month. In year ended terms, total OET receipts rose by \$107.8 million (18.7%) to \$683.5 million, which was attributed to higher remittance receipts and foreign aid.

United States Dollar (USD) continued to be the dominant currency in OET receipts representing 39% of the total OET receipts, declining from 43% in the previous month. Tongan Pa'anga (TOP) followed with 21%, slight increase from 20% last month, underpinned by overseas banks funding their local accounts. Australian Dollar (AUD) receipts was at 16% of the total OET receipts, decreasing from 21% in the previous month whereas the Euro Dollar (EUR) receipts rose to 10% from 1%, underpinned by an official receipt of budget support for the Government from donor partners.

Current Account Receipts

Receipts in the current account slightly fell by \$1.3 million (2.6%) to \$50.0 million in October. This was largely due to a decline in travel related receipts of \$1.9 million (19.3%), particularly personal travel. The current account receipts represented 82% (\$50 million) of total OET receipts in October 2016. Over the year, current account receipts rose by \$106.9 million (24.1%) to \$550.7 million, driven mostly by strong growth in transfers and services receipts, which also contributed the bulk of the annual rise in total OET receipts.

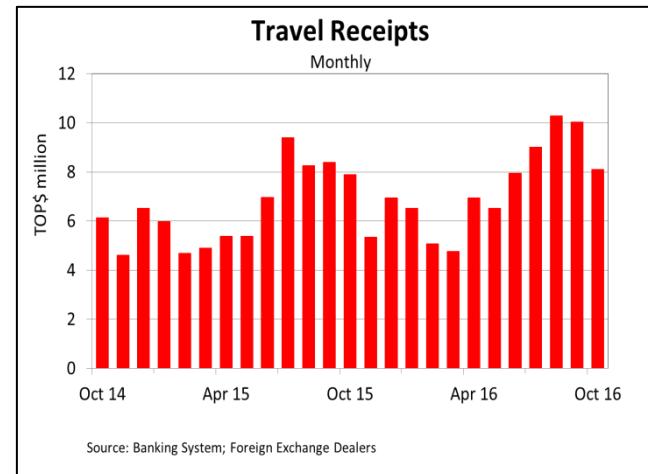
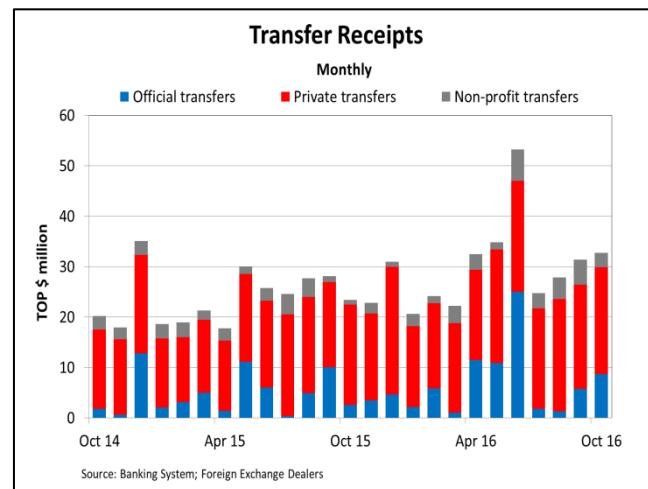
Transfer receipts rose further in October 2016 to \$32.7 million, \$1.3 million (4.2%) higher than the previous month. This was a result of a \$2.9 million (49.9%) rise in official transfers, reflecting the receipt of government budget support funds during the month. Private transfer receipts also increased by \$0.5 million (2.7%) contributing to the monthly growth. However, receipts by non-profit institutions, mostly funds to local churches fell by \$2.1

million (42.5%) to \$2.8 million. In year ended terms, transfer receipts rose by \$68.7 million (23.7%) to \$358.3 million, due to increase in all categories, largely attributed to higher private remittance receipts¹ and foreign aid.

Service receipts decreased over the month by \$2.6 million (16.3%), as both travel and other service receipts fell by \$1.9 million (19.3%) and \$0.7 million (11.3%) respectively. The lower receipts for personal travel and non-profit organization's receipts for operation expenses drove the monthly fall. Over the year, service receipts rose by \$28.8 million (23.6%) to \$150.8 million, which were mainly receipts for telecommunication, construction and installation services.

In October 2016, proceeds from exports slightly rose by \$0.3 million (14.0%) to \$2.3 million, underpinned by a \$0.8 million (86.0%) rise in agricultural export receipts mostly from squash exports. The proceeds for agricultural exports are expected to continue to increase in the near term due to squash season. Proceeds from fisheries and other marine products, on the other hand, fell by \$0.5 million (50.7%) to \$0.4 million.

As reported in September, there was a pick-up the volume of yam and taro exports whereas the marine exports continued to fall reflecting the lag effect in proceeds. Over the year, export receipts rose by \$5.1 million (36.9%), mainly due to higher proceeds from the export of agricultural, fisheries and other marine products which coincided with the rise in the volume of agricultural and marine exports.



¹ Further information on remittances can now be found on our Remittances Data flash, available on the NRBT website.

Financial Account & Capital Account Receipts

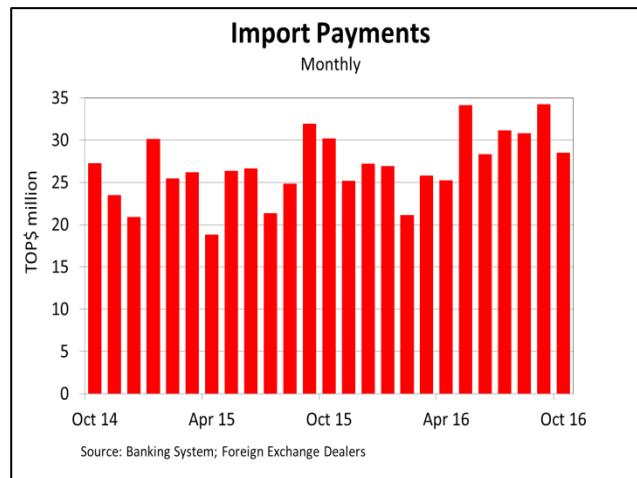
Financial account receipts rose by \$0.7 million (8.9%) to \$9.0 million mostly driven by receipt from intercompany lending funds, as a local business branch loan from its branch overseas. Capital account receipts, on the other hand, fell by \$0.8 million (25.2%) to \$2.3 million due to lower receipts of capital grants by private corporations. In year ended terms, however, capital account receipts rose by \$3.7 million (18.4%), whilst financial account receipts declined by \$2.8 million (2.5%). This resulted from higher inflows of grants for private corporations and lower receipts of intercompany lending funds.

Total OET Payments

Total OET payments fell to around \$52.2 million in October 2016 from a very high level of \$61.3 million in September 2016. Payments for imports of goods and services significantly fell by \$9.4 million in all major categories driving the lower OET payments. Over the year, total OET payments rose by \$74.9 million (14.3%) to \$598.3 million underpinned by higher import and services payments.

Current Account Payments

In October 2016, current account payments fell by \$7.9 million (13.7%) to \$50.2 million, representing 96% of total OET payments. Lower payments for imports and services largely contributed to the trend. In year ended terms, current account payments continued to increase by \$77.8 million (16.2%) to \$557.8 million driven by imports of construction materials.



Import payments during the month fell by \$5.8 million (16.8%), as all categories of imports decreased with other imports (mainly public enterprises importing machinery and equipment), recording the largest decline of \$2.7 million (73.4%). Over the year, import payments increased by \$32.4 million (10.6%) to \$338.5 million, which was mainly attributed to higher construction, vehicle and wholesale and retail import payments. These were supported by an increase in the motor vehicle and container registrations.

Service payments also fell over the month by \$3.7 million (25.8%) to \$10.5 million, underpinned by lower payments for consulting and other professional services. However, it rose over the year by \$23.4 million (21.7%) to \$131.5 million, due mainly to higher payments for consulting, professional and other business services.

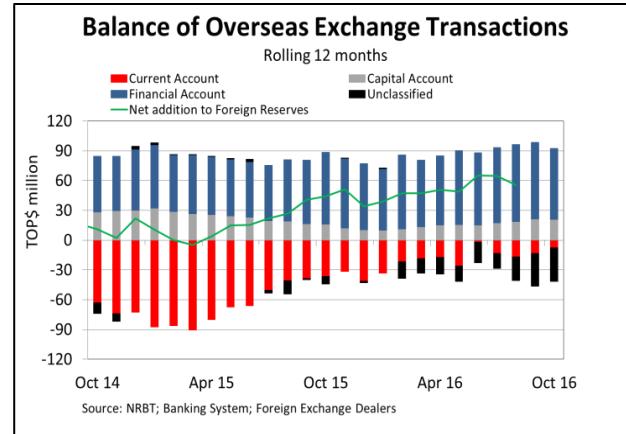
There were minimal changes to the transfer payments as it slightly rose over the month by \$0.05 million (1.0%). It also rose by \$14.7 million (29.8%) over the year,

mainly due to individuals sending funds to own account and gifts to support family and friends abroad.

Payments of primary income rose by \$1.4 million (28.2%) over the month to \$6.5 million, largely owed to dividend payments to foreign investors in local companies. It rose over the year as well by \$7.3 million (44.0%) to \$24.0 million, again due to dividend sent abroad.

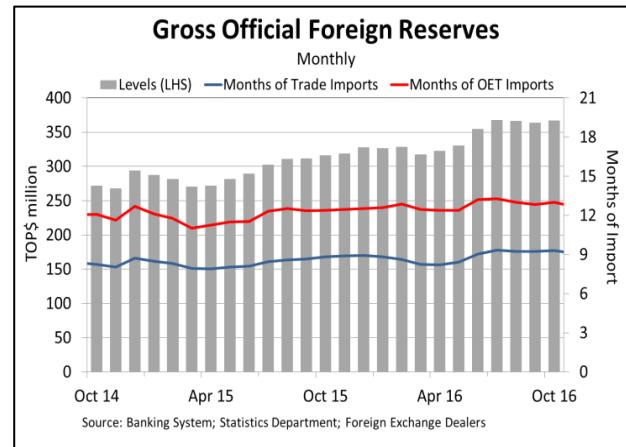
Capital & Financial Account Payments

Capital payments rose to \$0.3 million in October 2016 from \$0.03 million last month, and declined over the year by \$1.0 million (26.8%). The movement in the capital payments over the month and year resulted from the private grants for capital expenditures and investment projects. Financial account payments, on the other hand, fell by \$1.4 million (45.3%) over the month and over the year by \$2.2 million (5.6%) underpinned by lower interbank transfers.



Overall Balance & Foreign reserves

The overall balance of OET recorded a surplus of \$3.3 million, compare to a \$2.5 million deficit in September. This was equivalent to an increase in the foreign reserves to \$367.0 million in October 2016, sufficient to cover 9.3 months of imports, well above the NRBT's minimum range of 3-4 months.



The outlook for foreign reserves is considered to remain comfortably above the minimum range, given the expectation of high remittance receipts for the upcoming Christmas festivities and other assistance from donor partners. However, delays to the inflow of these funds may pose a risk to the outlook.

Table 2

Overseas Exchange Transactions
TOP\$ millions

	Month Ended				Year Ended	
	Oct-16	Sep-16	Aug-16	Jul-16	Oct-16	Oct-15
Total Payments	52.2	61.3	52.8	52.3	598.3	523.4
Current Account	50.2	58.2	51.4	50.2	558.1	480.0
Imports	28.5	34.2	30.8	31.1	338.5	306.1
Services	10.5	14.2	12.7	13.4	131.5	108.1
Primary Income	6.5	5.0	1.7	0.8	24.0	16.7
Transfers	4.8	4.7	6.2	4.8	64.1	49.1
Official	0.0	0.0	0.0	0.0	3.4	2.3
Private	4.5	4.7	6.1	4.8	60.4	46.7
Non-Profit	0.2	0.0	0.2	0.0	0.2	0.1
Capital Account	0.3	0.0	0.0	0.0	2.6	3.6
Official	0.0	0.0	0.0	0.0	0.0	0.0
Private	0.3	0.0	0.0	0.0	2.6	3.6
Financial Account	1.7	3.1	1.4	2.1	37.5	39.7
Direct Investment	0.0	0.5	0.5	0.9	4.5	0.9
Portfolio Investment	0.0	0.0	0.0	0.0	0.0	0.0
Other Investment	1.7	2.6	0.9	1.2	33.0	38.8
Unclassified Payments	0.0	0.0	0.0	0.0	0.0	0.0
 Total Receipts	61.3	62.7	61.0	57.0	683.5	575.7
Current Account	50.0	51.3	48.7	43.0	550.7	443.8
Exports	2.3	2.1	1.3	1.3	19.1	13.9
Agriculture	1.6	0.9	0.3	0.4	8.4	4.2
Marines	0.4	0.9	0.8	0.5	8.0	5.9
Other	0.3	0.3	0.2	0.4	2.7	3.9
Services	13.4	16.0	17.1	15.0	150.8	122.0
Travel	8.1	10.0	10.3	9.0	87.6	78.4
Other	5.3	5.9	6.8	6.0	63.3	43.6
Primary Income	1.5	1.9	2.4	2.0	22.6	18.3
Transfers	32.7	31.4	27.9	24.8	358.3	289.6
Official	8.7	5.8	1.3	1.8	82.1	60.2
Private	21.2	20.7	22.3	19.9	238.3	199.9
Non-Profit	2.8	5.0	4.3	3.1	36.5	29.4
Capital Account	2.3	3.1	1.5	2.9	23.5	19.8
Official	0.3	0.6	0.2	1.2	6.8	7.7
Private	2.1	2.6	1.3	1.8	16.7	12.1
Financial Account	9.0	8.2	10.9	11.1	109.3	112.1
Direct Investment	0.8	0.5	5.0	6.8	14.6	2.6
Portfolio Investment	0.0	0.0	0.0	0.0	0.0	0.0
Other Investment	8.2	7.7	5.9	4.3	94.7	109.5

Sources: banking system; foreign exchange dealers, NRBT