

Overseas Exchange Transactions (OET)

September 2016

Release Date: 28 March 2017

Table 1

<i>T\$ m</i>	Sept 16	Aug 16	July 16	June 16
Overall balance	-2.5	-1.2	12.6	24.2
Total inflows	62.7	61.0	57.0	84.8
Total outflows	61.3	52.8	52.3	49.7
Foreign Reserves	363.7	366.3	367.4	354.9

High current account payments widened overall deficit

Total OET Receipts

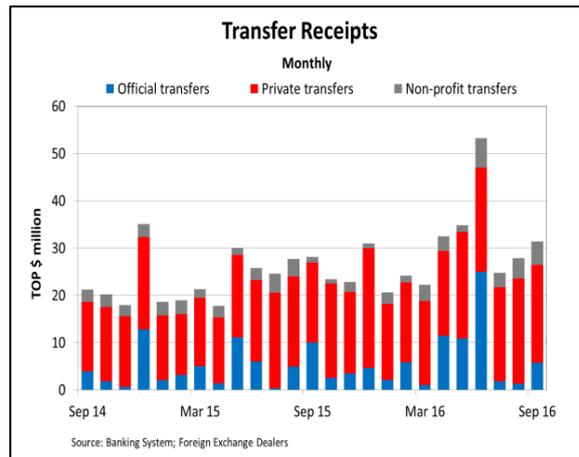
In September 2016, the total OET receipts continued to rise by \$1.7 million (2.7%) to \$62.7 million, owing largely to the receipt of government grants during the month. In year ended terms, total OET receipts rose by \$122.8 million (22%) to \$680.5 million driven mostly by remittance receipts and foreign aid.

United States Dollar (USD) continued to be the dominant currency in OET receipts representing 43% of the total OET receipts, declining from 51% in the previous month, whereas Australian Dollar (AUD) followed with 21% increasing from 18%. This was mainly due to receipts of government grants during the month which was denominated in AUD. The share of the Tongan Pa'anga (TOP) rose to 20% from 15% last month. This was mainly due to higher inflows of TOP for non-profit organisations mainly grants for technical assistance and other current expenditures, local withdrawal of foreign credit cards and overseas banks funding their local account compared to the previous months.

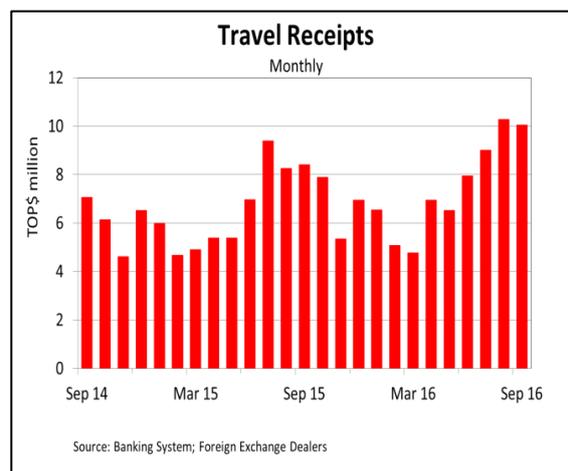
Current Account Receipts

Current account receipts rose to \$51.3 million in September, \$2.6 million (5.4%) higher than the previous month. This was largely due to an increase in official transfers by \$4.5 million (352.4%). Over the year, current account receipts rose by \$102.4 million (23.4%) to \$539.4 million, largely owing to higher inflows from remittances, services receipts particularly for construction and installation services, and foreign aid over the year.

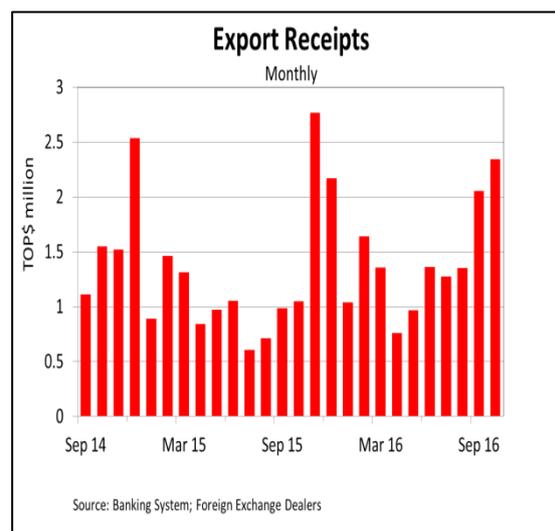
Transfer receipts rose by \$3.6 million (12.8%) to \$31.4 million in September. This was largely attributed to official grants for technical assistance and projects by Government departments which rose by \$4.5 million (352.4%). In addition, receipts by non-profit institutions which were mostly funds to local churches also increased by \$0.6 million (14.7%) to \$5.0 million. These more than offset the decline in private transfers by \$1.6 million (7.1%) which was largely lower remittance receipts¹. Over the year ended September 2016, transfer receipts rose by \$62.6 million (21.7%) to \$348.9 million as both private and official transfer receipts continued to rise.



Services receipts slightly fell over the month by \$1.1 million (6.5%) to \$16.0 million. This was mainly due to a decline in receipts for other private services by \$0.9 million (12.7%) particularly for sea transportation, professional, management and business services. Travel receipts remained high at \$10.0 million. In year ended terms, service receipts rose by \$31.5 million (26.6%) to \$149.6 million, mainly due to higher inflows for telecommunication, construction and installation services.



Export proceeds rose by \$0.7 million (52.4%) in September as all categories of export receipts increased. Bulk of the increase was from the proceeds from exporting of the agricultural products which rose by \$0.6 million (208.4%) over the month. The high volumes of agricultural exports recorded for the last 2 months contributed to the trend. Export receipts rose by \$3.3 million (23.2%) over the year to \$17.8 million, underpinned by an increase in proceeds from the export of agricultural and marine products.



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

Financial Account & Capital Account Receipts

Over the month, financial account receipts fell by \$2.7 million (24.4%) to \$8.2 million mostly driven by a \$4.5 million (90.1%) drop in foreign direct investments. Capital account receipts, on the other hand, rose by \$1.7 million (113.9%) to \$3.1 million, which were mainly capital grants receipt by private corporations and households for house construction. Over the year, both financial account and capital account receipts rose by \$17.1 million (17.0%) and \$3.3 million (16.5%) respectively underpinned by an increase in foreign direct investment and capital grants receipts.

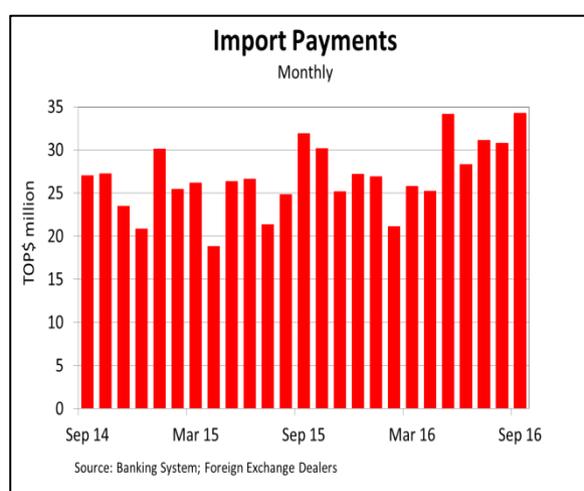
Total OET Payments

September recorded a very high month of overseas payments reaching a total of \$61.3 million, the highest it has ever been since December 2012. This is a rise of \$8.5 million (16.1%) from last month and was mostly attributed to payments for imports and primary income. In year ended terms, OET payments rose by \$79.9 million (15.5%) to \$595.1 million driven mostly by higher import and services payments.

Current Account Payments

In September, current account payments rose by \$6.8 million (13.1%) to \$58.2 million which accounted for 95% of total OET payments. Higher payments for imports and primary income largely contributed to the trend. In year ended terms, current account payments also increased by \$77.2 million (16.2%) to \$552.6 million.

Import payments during the month rose by \$3.5 million (11.3%) to \$34.2 million. This owed largely to wholesale and retail imports reflecting mainly business and individual re-stocking after the main events in June until August. All the other categories of import increased as well. Over the year ended September 2016, import payments increased by \$36.9 million to \$340.1 million, underpinned by higher imports of construction, motor vehicles, and wholesale and retail goods.



Payments for primary income rose by \$3.3 million (196.7%) over the month to \$5.0 million, largely owed to interest payment by government on external loans. Over the year, primary income rose by \$1.1 million (6.8%) to \$18.0 million.

Services payments also rose over the month by \$1.5 million (11.3%) to \$14.2 million, underpinned by payments for professional, management and other business services. It also increased over the year by \$23.0 million (21.4%) to \$130.3 million.

Transfer payments in contrast, fell over the month by \$1.5 million (24.2%). In year ended terms, transfer payments increased by \$16.2 million (33.7%) to \$64.1 million.

Majority of these transfers were individuals' transfers to their own accounts overseas and family sending gifts/ funds to support family and friends abroad.

Capital & Financial Account Payments

There was no capital payment made during the month, and over the year it fell by \$1.3 million (35.4%). On the other hand, financial account payments rose over the month by \$1.7 million (124.3%) to \$3.1 million and over the year by \$4.0 million (11.1%) to \$40.2 million underpinned by higher foreign debt payments and interbank transfers.

Overall Balance & Foreign reserves

For September, the overall balance of OET recorded a deficit of \$2.5 million, \$1.3 million (112.8%) lower than the deficit in August. This was equivalent to decline in the foreign reserves over the month to \$363.7 million in September, sufficient to cover 9.2 months of imports, well above the NRBT's minimum range of 3-4 months. Although some of the official grants were received during the month, these were outweighed by very high payments in September for imports and debt repayments.

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

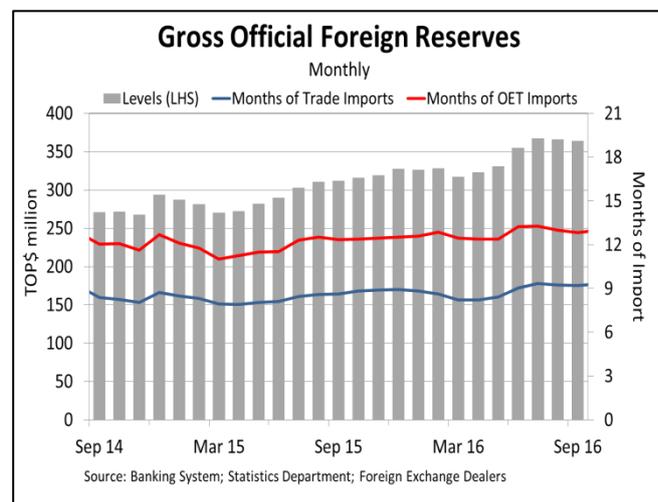
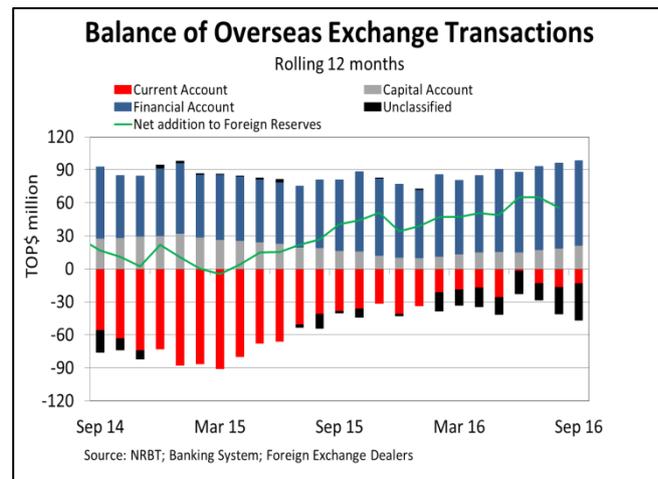


Table 2**Overseas Exchange Transactions**

TOP\$ millions

	Month Ended				Year Ended	
	Sep-16	Aug-16	Jul-16	Jun-16	Sep-16	Sep-15
Total Payments	61.3	52.8	52.3	49.7	595.1	515.1
Current Account	58.2	51.4	50.2	47.3	552.6	475.4
Imports	34.2	30.8	31.1	28.3	340.1	303.2
Services	14.2	12.7	13.4	12.8	130.3	107.3
Primary Income	5.0	1.7	0.8	0.7	18.0	16.9
Transfers	4.7	6.2	4.8	5.6	64.1	48.0
Official	0.0	0.0	0.0	0.0	3.4	2.1
Private	4.7	6.1	4.8	5.1	60.5	45.8
Non-Profit	0.0	0.2	0.0	0.4	0.2	0.1
Capital Account	0.0	0.0	0.0	0.0	2.3	3.6
Official	0.0	0.0	0.0	0.0	0.0	0.0
Private	0.0	0.0	0.0	0.0	2.3	3.6
Financial Account	3.1	1.4	2.1	2.3	40.2	36.1
Direct Investment	0.5	0.5	0.9	0.1	4.7	0.6
Portfolio Investment	0.0	0.0	0.0	0.0	0.0	0.0
Other Investment	2.6	0.9	1.2	2.3	35.4	35.5
Unclassified Payments	0.0	0.0	0.0	0.0	0.0	0.0
Total Receipts	62.7	61.0	57.0	84.8	680.5	557.6
Current Account	51.3	48.7	43.0	70.7	539.4	437.0
Exports	2.1	1.3	1.3	1.4	17.8	14.4
Agriculture	0.9	0.3	0.4	0.2	7.0	4.5
Marines	0.9	0.8	0.5	0.9	8.1	5.7
Other	0.3	0.2	0.4	0.2	2.6	4.2
Services	16.0	17.1	15.0	14.0	149.6	118.1
Travel	10.0	10.3	9.0	8.0	87.3	76.7
Other	5.9	6.8	6.0	6.0	62.2	41.5
Primary Income	1.9	2.4	2.0	2.1	23.1	18.1
Transfers	31.4	27.9	24.8	53.2	348.9	286.4
Official	5.8	1.3	1.8	25.0	76.0	59.4
Private	20.7	22.3	19.9	22.0	237.7	195.8
Non-Profit	5.0	4.3	3.1	6.2	34.6	31.2
Capital Account	3.1	1.5	2.9	1.8	23.4	20.1
Official	0.6	0.2	1.2	0.3	8.1	6.6
Private	2.6	1.3	1.8	1.5	15.3	13.5
Financial Account	8.2	10.9	11.1	12.3	117.7	100.6
Direct Investment	0.5	5.0	6.8	1.3	13.8	2.5
Portfolio Investment	0.0	0.0	0.0	0.0	0.0	0.0
Other Investment	7.7	5.9	4.3	11.0	103.8	98.0

Sources: banking system; foreign exchange dealers, NRBT