

Overseas Exchange Transactions (OET)

January 2018

Release Date: 16 May 2018

Overseas Exchange Transactions						
Net Change to Foreign Reserves (TOP\$ millions)						
	Month Ended				Year Ended	
	Jan-18	Dec-17	Nov-17	Oct-17	Jan-18	Jan-17
Overall Balance	1.6	-2.3	11.2	10.5	43.2	54.6
Net Current Account	-6.3	-4.5	0.5	5.3	4.2	46.5
Net Capital Account	2.0	7.3	2.2	4.9	44.8	21.6
Net Financial Account	6.0	-5.1	8.5	0.4	-5.7	-13.5
Foreign Reserve Levels	424.1	422.5	424.8	413.6	424.1	380.8

Sources: banking system; NRBT

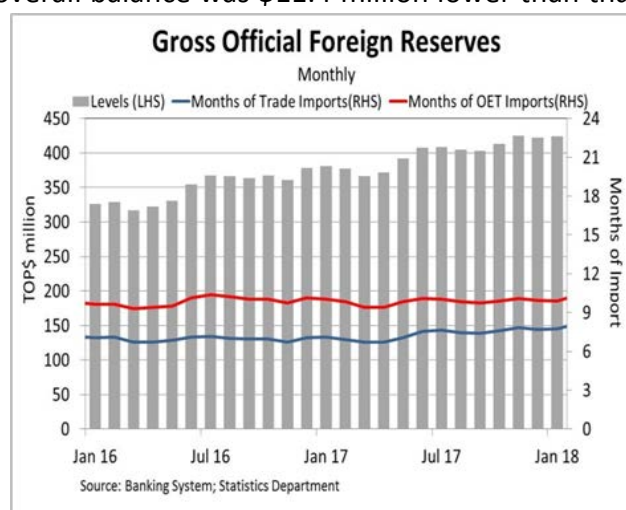
Higher interbank receipts yield a surplus

Overall Balance & Foreign Reserve

An overall surplus of \$1.6 million was recorded over the month of January 2018 compared to a \$2.3 million deficit in December 2017. As a result, the official foreign reserves rose to \$424.1 million, equivalent to 7.7 months of import cover. The deficit in the current account widened, by \$1.8 million to \$6.3 million while the capital account surplus fell by \$5.3 million to \$2.0 million. The financial account recorded a surplus of \$6.0 million, after recording a deficit balance in December 2017.

In the year ended January 2018, the surplus in the overall balance was \$11.4 million lower than that of the same period a year ago. The current account recorded a surplus of \$4.2 million which is \$42.3 million lower in comparison to the surplus January 2017. The capital account surplus on the other hand increased by more than double over the year, while the financial account deficit narrowed by \$7.8 million to \$5.7 million. The official foreign reserves had therefore risen by \$43.2 million over the year from \$380.8 million (7.1 months of import).

The Reserve Bank anticipates the level of foreign reserves will remain at comfortable level in the current financial year and the next. However, any delays to the inflow of aid and budget support from development partners, commencement of loan principal repayment to the Export - Import (EXIM) Bank of China, combined with the pace of development in the domestic economic activities may pose a risk to the foreign reserves outlook. Uncertainties in the world fuel and commodities prices and Tonga's vulnerability to natural disasters are also risks to this outlook.



Current Account

Current Account (TOP\$ millions)						
	Month Ended				Year Ended	
	Jan-18	Dec-17	Nov-17	Oct-17	Jan-18	Jan-17
Net Current Account	-6.3	-4.5	0.5	5.3	4.2	46.5
Merchandise Trade	-33.2	-36.2	-23.6	-30.3	-375.4	-322.3
Services	6.8	-2.4	-2.1	8.1	35.7	24.9
Income	-0.2	1.1	0.3	-1.9	-18.0	-1.7
Transfers	20.3	32.9	25.9	29.5	361.8	345.6

Sources: banking system; NRBT

The current account deficit widened over the month as the decline in current account receipts of \$8.5 million was greater than a \$6.7 million decrease in the current account payments. The decline in private transfers mainly remittances, reflecting the usual trend after the Christmas/New Year festivities; lower non-profit transfers mainly lower grant receipts by local churches from offshore head offices; decreased primary income receipts mainly dividends receipts by residents from companies located abroad; and the decline in marine export proceeds explained the fall in current account receipts over the month. Import payments decreased mainly for wholesale & retail imports reflecting the end of Christmas/New Year season which coincided with lower container registrations over the month. Payments for services particularly for profession, management consulting and other business services payments, also declined in January.

Over the year to January 2018, the current account surplus were much lower as an increase in the current account payments of \$69.0 million more than offset a \$26.7 million increase in current account receipts. The higher payments for oil imports and wholesale & retail goods drove the rise in import payments. These were in line with the annual increase in vehicle registrations of 8.4%, and container registrations of 1464 containers, supporting growth in the transportation and the trade sector. Higher dividend payments also supported the trend. On the other hand, both receipts from transfers and services rose over the year, reflecting the willingness of Tongan families abroad to support the local families particularly in events that took place during the year and the growth in the tourism sector.

Capital Account

Capital Account (TOP\$ millions)						
	Month Ended				Year Ended	
	Jan-18	Dec-17	Nov-17	Oct-17	Jan-18	Jan-17
Net Capital Account	2.0	7.3	2.2	4.9	44.8	21.6
Official	-0.2	3.0	0.7	1.1	15.9	5.5
Private	2.2	4.3	1.5	3.7	28.9	16.2

Sources: banking system; NRBT

The capital account surplus lowered over the month due to lower capital account receipts of \$6.7 million outweighing a \$1.5 million decline in capital account payments. The lower capital account receipts were attributed mainly to lower receipts by government, private companies and individuals for construction purposes reflecting the completion of projects such as the reconstruction of the

Faua domestic wharf. The lower capital account payments of \$1.5 million were due mainly to lower private capital payments for construction purposes.

Over the year to January 2018, the capital account surplus increased by more than double due to both private and official capital receipts for construction purposes rising by more than double over the year. Payments increased over the year but have very minimal impact on the balances over the year.

Financial Account

Financial Account (TOP\$ millions)						
	Month Ended				Year Ended	
	Jan-18	Dec-17	Nov-17	Oct-17	Jan-18	Jan-17
Net Financial Account	6.0	-5.1	8.5	0.4	-5.7	-13.5
Direct Investment	-1.0	0.2	-1.0	0.0	-17.9	16.2
Portfolio Investment	0.0	0.0	0.0	0.0	0.0	0.0
Other Investment	7.0	-5.3	9.4	0.4	12.2	-29.8

Sources: banking system; NRBT

Over the month of January 2018, the financial account yielded a surplus after recording a deficit in the previous month due to higher interbank transfer receipts. In year ended terms, the deficit in the financial account narrowed which was triggered by higher interbank transfer receipts.

Overseas Exchange Transactions

TOP\$ millions

	Month Ended				Year Ended	
	Jan-18	Dec-17	Nov-17	Oct-17	Jan-18	Jan-17
Total Payments	56.8	63.7	52.8	54.9	692.7	611.8
Current Account	52.2	58.9	49.9	53.4	640.8	571.8
Imports	34.2	37.3	26.5	33.7	396.1	344.9
Services	10.5	15.8	12.9	11.0	147.7	139.6
Primary Income	1.5	0.4	1.1	4.0	36.0	24.2
Transfers	5.9	5.4	9.4	4.7	61.0	63.1
Official	0.0	0.0	4.1	0.0	6.8	3.6
Private	5.5	5.3	5.1	4.5	53.7	59.3
Non-Profit	0.4	0.2	0.2	0.2	0.5	0.2
Capital Account	1.0	2.5	0.2	0.0	4.1	2.8
Official	0.8	0.0	0.0	0.0	0.9	0.0
Private	0.2	2.5	0.2	0.0	3.2	2.8
Financial Account	3.5	2.3	2.6	1.5	47.7	37.2
Direct Investment	1.0	0.0	1.1	0.1	19.4	5.9
Portfolio Investment	0.0	0.0	0.0	0.0	0.0	0.0
Other Investment	2.5	2.3	1.5	1.4	28.3	31.3
Unclassified Payments	0.0	0.0	0.0	0.0	0.0	0.0
Total Receipts	55.7	72.0	56.8	71.7	769.8	769.1
Current Account	45.9	54.4	50.4	58.7	645.0	618.2
Exports	1.0	1.1	2.9	3.4	20.7	22.5
Agriculture	0.6	0.3	2.0	2.4	8.2	10.8
Marines	0.3	0.7	0.6	0.6	7.5	8.6
Other	0.1	0.1	0.3	0.3	5.0	3.5
Services	17.3	13.4	10.8	19.1	183.4	164.4
Travel	10.3	10.1	6.8	10.0	113.7	99.4
Other	7.0	3.3	3.9	9.1	69.7	65.1
Primary Income	1.3	1.6	1.4	2.1	18.0	22.5
Transfers	26.3	38.4	35.4	34.2	422.8	408.7
Official	3.0	1.5	8.4	3.5	74.7	93.2
Private	22.6	31.3	24.6	25.1	304.1	272.4
Non-Profit	0.7	5.5	2.3	5.6	44.0	43.2
Capital Account	3.0	9.7	2.4	4.9	48.9	24.5
Official	0.6	3.0	0.7	1.1	16.8	5.5
Private	2.4	6.7	1.8	3.7	32.1	19.0
Financial Account	6.9	7.9	4.0	8.2	75.9	126.5
Direct Investment	0.0	0.3	0.2	0.1	1.5	22.1
Portfolio Investment	0.0	0.0	0.0	0.0	0.0	0.0
Other Investment	6.9	7.6	3.8	8.1	74.4	104.3
Unclassified Receipts	0.0	0.0	0.0	0.0	0.0	0.0

Sources: banking system; NRBT