

Overseas Exchange Transactions

March 2015

<i>T\$m*</i>	Mar 15	Feb 15	Jan 15	Dec 14
Overall balance	-11.2	-5.8	-6.4	25.8
Current account	-11.0	-13.3	-17.4	20.2
Capital account	2.5	2.0	9.6	14.3
Unclassified	-2.7	5.4	4.4	-8.7

*Month-ended

Overall Balance

The balance of all overseas transactions was a \$11.2 million deficit in March, almost twice as wide as the deficit in February (Table 1). In year-ended terms, the overall balance was also a deficit of \$4.6 million (Graph 1), a turnaround from a surplus of \$30 million from the previous year. The deficit was the result of more outflows in the current account, rising faster than the net inflows in the Capital account.

Current Account

Over the month of March, the Current account had a net outflow of \$11.0 million, a smaller deficit than the two preceding months (Table 1). However, in year ended terms the current account deficit was over twice the net outflows recorded as at March 2014.

Import payments rose over the month by 2.6%, with the increase led by higher payments for wholesale & retail goods and motor vehicles (Graph 2). This was supported by a rise in container registrations of 38.2% and vehicle registrations of 48.8%. Payments for oil remain at high levels though not as high as last month. In year-ended terms, import payments are at its highest level by recent standards at \$299.2 million over the year to March, 15.5% more than a year ago.

Export receipts declined slightly over the month by around 10% to \$1.3 million over March (Graph 3). With the squash season over, most agricultural proceeds received

were mainly for kava, vanilla and coconuts. The return for the export of fish and other marines were promising, with around \$0.6 million received in March alone, around double the monthly average of the past year. In year ended terms, exports performed slightly better than over a year ago.

Travel receipts climbed steadily by 7.5% over March and is supported by air arrivals data from the Air Terminal Services (ATS) (Graph 4). In year-ended terms travel receipts remain lower than that of last year by around 28%. However, the recent announcement of international flights from Fiji to Vava'u should have a positive impact on tourist numbers and travel receipts.

Remittances performed well over March, rising by 8.8% (Graph 5). This figure is expected to pick up in the next few months with Tongans abroad likely to remit money to assist in upcoming festivities such as church conferences and the King's coronation. In year-ended terms, remittances rose by around 5% to \$223.3 million, the highest on record.

Capital Account and Unclassified Transactions

Over the month, the capital account was in surplus of \$2.5 million, approximately 25% more than over February 2015. This figure would have been higher had it not been for official outflows such as repayments of interest on the loan to China. The next repayment is scheduled for September 2015. This surplus was a result of a rise in both official and private receipts (Graphs 6 & 7). The rise in official receipts was largely to support on-going projects such as the Tongan Aviation & Transport Consolidation projects.

The balance of unclassified transactions was a net outflow of \$2.7 million over March. Over the year to March 2015, unclassified transactions amounted to a net outflow of \$10.0 million.

Foreign Reserves

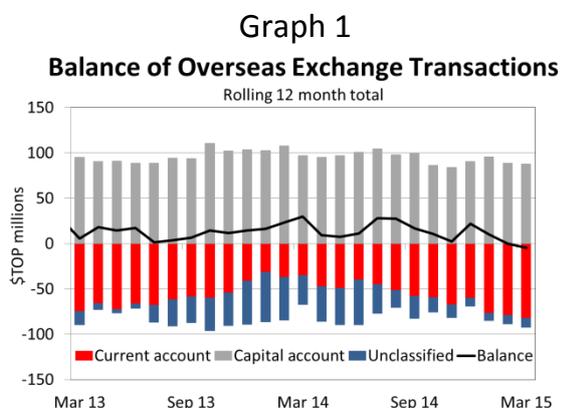
The Gross official foreign reserves amounted to \$270.2 million over March (Graph 8), a decline of around 4% from February 2015. Nevertheless, the level of Foreign reserves are sufficient to cover 7.8 months of imports, well above the 3-4 months range target. Looking forward, the level of foreign reserves is expected to pick up in June from aid in the form of budget support from donor partners.. Although delays to the inflow of these funds will pose a risk to the outlook, the level of foreign reserves is likely to remain comfortably above the minimum range.

Table 1:

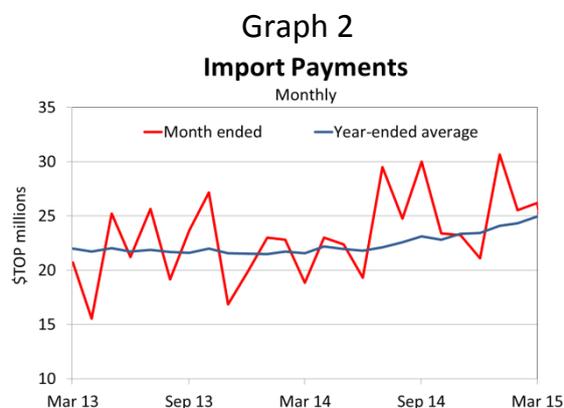
Overseas Exchange Transactions
\$TOP millions

	Month ended			Year-ended	
	Mar-15	Feb-15	Jan-15	Mar-15	Mar-14
Overall balance	-11.2	-5.8	-6.4	-4.6	30.0
Current account	-11.0	-13.3	-17.4	-82.3	-35.3
Merchandise trade	-24.9	-24.1	-30.0	-283.9	-243.8
Services	-2.3	-0.1	-4.2	-21.2	6.1
Investment	-0.8	-0.8	1.7	13.7	5.5
Transfers	17.0	11.7	15.0	209.0	196.9
Official	3.8	2.7	1.4	33.9	20.0
Private	13.2	9.0	13.6	175.1	176.9
Capital account	2.5	2.0	9.6	87.7	97.2
Unclassified	-2.7	5.4	1.4	-10.0	-31.8

Sources: Banking system; Foreign exchange dealers; NRBT

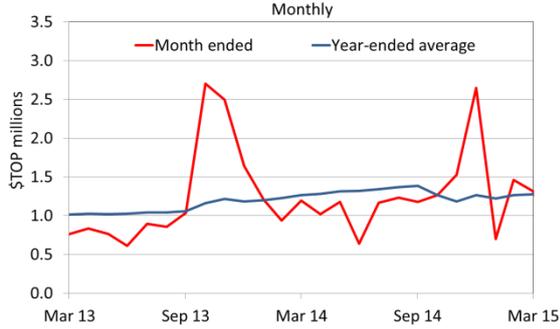


Sources: Banking system; Foreign exchange dealers; NRBT



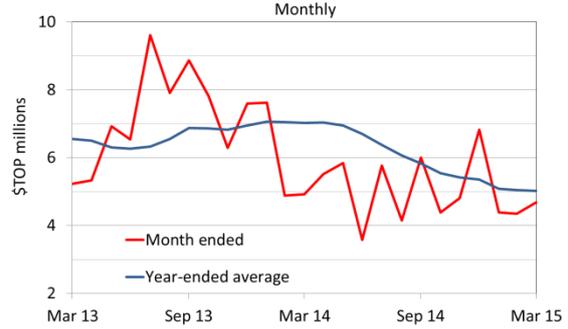
Sources: Banking system; Foreign exchange dealers; NRBT

Graph 3
Export Receipts



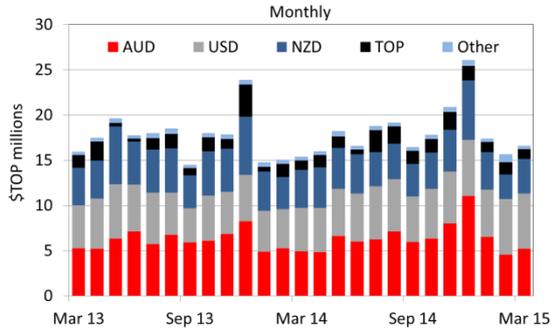
Sources: Banking system; Foreign exchange dealers; NRBT

Graph 4
Travel Receipts



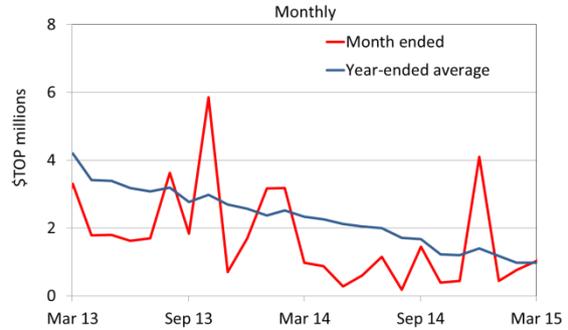
Sources: banking system; foreign exchange dealers; NRBT

Graph 5
Remittances



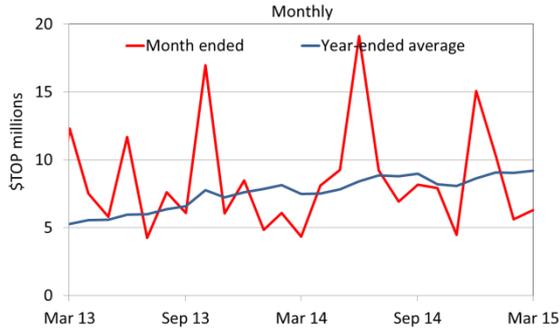
Sources: banking system; foreign exchange dealers; NRBT

Graph 6
Official Capital Receipts



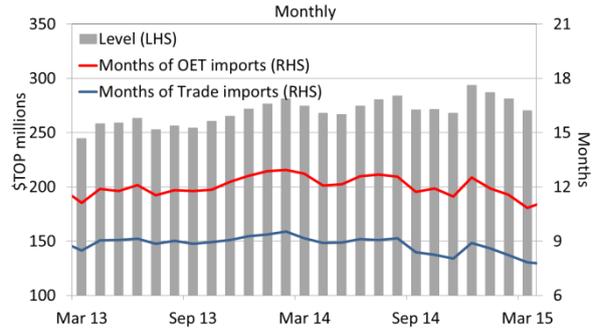
Source: banking system

Graph 7
Private Capital Receipts



Source: Banking system

Graph 8
Gross Official Foreign Reserves



Sources: Banking system; Foreign exchange dealers; NRBT