

Overseas Exchange Transactions (OET)

October 2015

Release Date: 29 January 2016

Table 1

<i>T\$ m</i>	Oct 15	Sep 15	Aug 15	Jul 15
Overall balance	4.1	0.9	8.3	12.9
Total inflows	58.4	54.6	55.1	49.2
Total outflows	49.0	57.5	44.0	38.5
Foreign reserves	315.8	311.7	310.9	302.6

Pickup of other financial investments improved surplus

Total OET Receipts

Total OET receipts for the month of October 2015 rose to \$58.4 million, 7.0% more than September, and 42.4% higher than the same month last year. On year ended terms, OET receipts increased by 16.4% to \$580.5 million, compared to \$498.6 million in the previous year. Majority of the receipt transactions were from private transfers, other financial investments and services. Bulk of the receipts were received by commercial banks and denominated in the US dollar (USD).

Current Account Receipts

In October, the current account receipts fell by 13.5% from the previous month to \$38.7 million due to a drop in official transfer receipts. However, in year ended terms the current account receipts increased by 18.0% from \$380.7 million to \$449.1 million reflecting the higher trends recorded from services and transfers receipts.

Transfer receipts incurred a 20.4% drop in October to \$23.4 million, contributing to the overall decline in current account receipts, representing 40.1% of the total OET. Official transfers declined by 74.1% during the month as the government did not receive any budget support funds compared to the previous month. Private transfers increased by 9.5% due mainly to an increase in receipts for family support. Transfer receipts also continued to rise over the year by 19.2% to \$293.4 million.¹

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

Service receipts slightly fell by 6.7% to \$12.2 million, as both travel and other services declined over the month, coinciding with a negative growth in visitor arrivals of 17.7%. In the 12 months to October 2015, service receipts were 20.8% higher compared to the 12 months to October 2014.

Export receipts slightly increased over the month by 6.4% to \$1.05 million. Since the harvesting season for squash has arrived, some improvement is already seen in the agricultural proceeds, although it was offset by a fall in the proceeds of fisheries and marine exports. However it is expected that higher receipts from squash exports will be reflected on the coming months. Over the year, export receipts fell by 8.7% coinciding with agricultural exports volume falling by 31.6%. This deteriorating trend is expected to continue due to the effects of El Nino on the weather conditions.

Capital Account & Financial Account Receipts

Capital account receipts for October were \$1.7 million higher than the previous month due to receipts of official grants for donor funded construction projects. Financial account receipts reached an unusually high level of \$17.4 million over the month, mostly in the form of interbank transfers with its overseas correspondences. Overseas correspondents may have taken precautionary measures to avoid the impact of the new Tonga Foreign Exchange Levy that was initially set to be effective on the 21st of October, but was later deferred to the 3rd of November, by making large increments into their accounts held here in Tonga.

Total Overseas Exchange Transactions (OET) - Payments

The total OET payments over the month of October 2015 were \$49.0 million, decreasing from last month by 14.7%. Over the year however, total OET payments increased by 11.2%. Majority of these payments were for imports and services, paid by businesses and denominated in the USD.

Current Account Payments

Current Accounts payments for the month were \$44.7 million, a decrease of 16.7% and representing 91% of total OET payments. Over the year, current account payments increased by 7.9% to \$479.2 million due to higher annual import payments.

Import payments fell by 5.6% to \$30.1 million over the month, coinciding with a 6.5% fall in container registrations reported for October. Imports of construction materials and other imports rose over the month by \$2.6 million showing some lively activities in the construction sector, but this was offset by the fall in oil import payments of

\$4.3 million. Oil companies took advantage of the lower global oil prices in the preceding months thus having excess supply to cover for this month as well. In year-ended terms, import payments still remain very high at \$305.8 million over the year to October that is 13.4% higher than the previous year.

Service payments also decreased over the month by 23.5% to \$9.3 million due to a decrease in payments for transport, travel, professional and business services.

Primary income payments also decreased by \$4.5 million to \$0.5 million over the month of October, as lower interest payments were made on external loans. Over the year, primary income payments decreased by 23.0% to \$15.7 million.

Capital & Financial Account Payments

Over the month of October, no capital account payments were incurred. Financial account payments climbed over the month by 13.6% mostly in the form of interbank transfers with its overseas correspondences.

Overall Balance & Foreign reserves

The balance of Overseas Exchange Transactions, which is equivalent to the net change to foreign reserves over the month of November, was a surplus of \$4.1 million, an improvement from the \$0.9 million surplus recorded last month. The higher surplus recorded in the net financial account was the main contributor to the higher overall balance. In year-ended terms, the overall balance was a surplus of \$44.4 million compared to only \$10.9 million last year. The depreciation of the Tongan Pa'anga against the USD over the year also contributed to the higher surplus in the overall balance.

Foreign reserves reached a record high of \$315.8 million over the month of November, sufficient to cover 9.1 months of imports, well above the NRBT's minimum range of 3-4 months. Looking forward, the level of foreign reserves is expected to pick up largely as a result of on-going aid in the form of budget support from donor partners and higher export receipts anticipated for the squash season. 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.

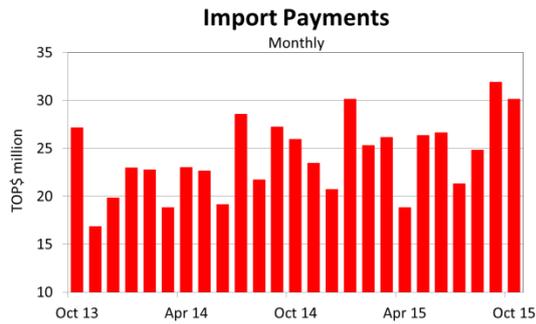
Table 2

Overseas Exchange Transactions
TOP\$ millions

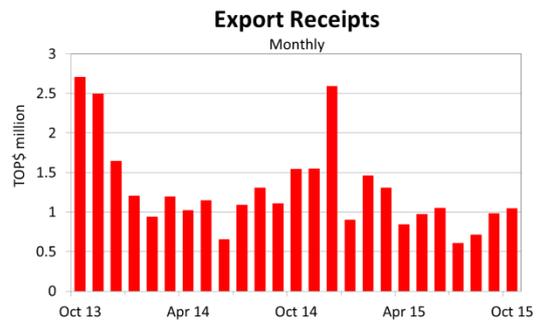
	Month Ended				Year Ended	
	Oct-15	Sep-15	Aug-15	Jul-15	Oct-15	Oct-14
Total Payments	49.0	57.5	44.0	38.5	523.3	470.7
Current Account	44.7	53.6	40.8	34.9	479.2	444.0
Imports	30.1	31.9	24.8	21.3	305.8	269.7
Services	9.3	12.1	10.5	9.2	108.7	108.7
Primary Income	0.5	5.0	0.6	0.4	15.7	20.4
Transfers	4.8	4.6	4.9	3.9	49.0	45.2
Official	0.0	0.0	0.0	0.0	1.9	1.5
Private	4.6	4.5	4.5	3.9	47.0	43.6
Non-Profit	0.2	0.1	0.3	0.1	0.1	0.1
Capital Account	0.0	0.0	0.0	0.0	3.8	2.7
Official	0.0	0.0	0.0	0.0	0.0	2.3
Private	0.0	0.0	0.0	0.0	3.8	0.4
Financial Account	4.3	3.8	3.2	3.6	40.3	24.0
Direct Investment	0.3	0.3	0.0	0.0	1.7	0.1
Portfolio Investment	0.0	0.0	0.0	0.0	0.0	0.0
Other Investment	4.0	3.5	3.2	3.6	38.6	23.9
Total Receipts	58.4	54.6	55.1	49.2	580.5	498.6
Current Account	38.7	44.8	43.9	39.1	449.1	380.7
Exports	1.0	1.0	0.7	0.6	14.0	15.4
Agriculture	0.3	0.2	0.2	0.3	4.2	5.9
Marines	0.6	0.7	0.4	0.2	5.8	4.1
Other	0.2	0.1	0.1	0.1	1.4	2.9
Services	12.2	13.1	11.8	12.4	122.3	101.3
Travel	8.0	8.5	8.4	9.4	78.7	71.9
Other	4.3	4.6	3.4	3.0	43.6	29.3
Primary Income	2.0	1.2	1.4	1.4	19.4	17.9
Transfers	23.4	29.5	30.0	24.6	293.4	246.2
Official	2.6	10.1	4.9	0.4	58.9	39.1
Private	19.8	18.1	21.4	20.2	211.3	185.1
Non-Profit	1.0	1.2	3.7	4.1	29.9	27.1
Capital Account	2.3	0.5	0.4	0.6	19.8	33.6
Official	1.6	0.4	0.3	0.0	7.2	10.5
Private	0.6	0.2	0.1	0.6	12.6	23.1
Financial Account	17.4	9.2	10.8	9.5	111.5	84.3
Direct Investment	0.0	0.0	0.0	0.5	2.5	14.3
Portfolio Investment	0.0	0.0	0.0	0.0	0.0	0.0
Other Investment	17.3	9.2	10.8	9.1	109.1	70.0

Sources: banking system; foreign exchange dealers, NRBT

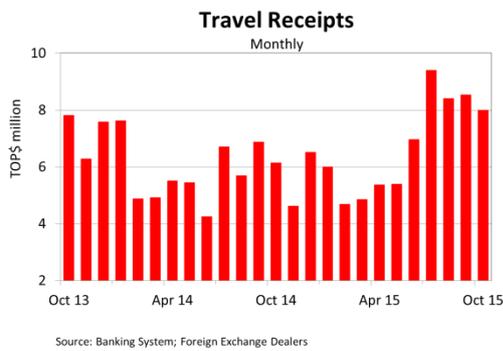
Graph 1



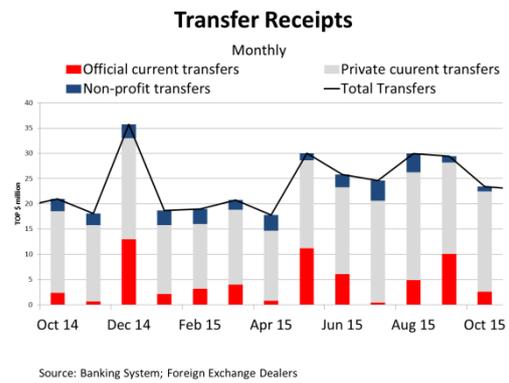
Graph 2



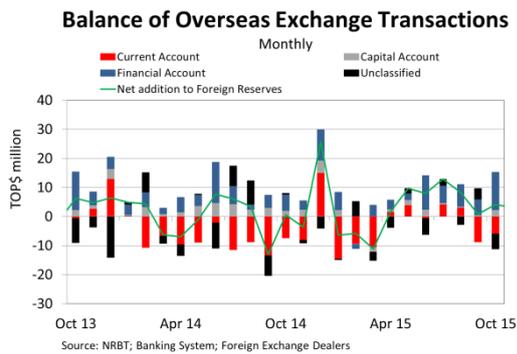
Graph 3



Graph 4



Graph 5



Graph 6

