

# Overseas Exchange Transactions (OET)

April 2017

Release Date: 10 July 2017

**Table 1**

<i>T\$ m</i>	Apr 17	Mar 17	Feb 17	Jan 17
<b>Overall balance</b>	<b>5.7</b>	<b>-11.5</b>	<b>-3.2</b>	<b>2.1</b>
Total inflows	53.7	49.4	44.8	57.5
Total outflows	45.6	59.0	45.9	42.8
<b>Foreign Reserves</b>	<b>371.7</b>	<b>366.0</b>	<b>377.7</b>	<b>380.8</b>

## Higher interbank transfers drives overall surplus

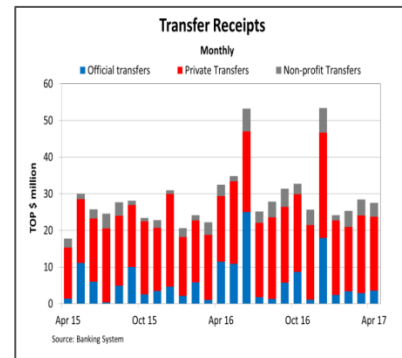
### Total OET Receipts

Higher interbank transfers resulted in a rise in total OET receipts for the month of April 2017 to \$53.7 million, \$4.2 million (8.6%) higher than March 2017. On the other hand, both the current and capital account receipts slightly declined over the month. Over the year ended April 2017, total OET receipts increased by \$114.2 million (18.4%) to \$736.1 million, driven mostly by higher transfer and service receipts. Transactions received in US dollar (USD) hold the highest and same share of total OET receipts from last month of 47%, 21% were in Tongan Pa'anga (TOP), followed by the receipts in Australian dollar (AUD) with a share of 15%, and 14% were denominated in New Zealand dollar (NZD).

### Current Account Receipts

Receipts in the current account slightly declined by \$0.9 million (2.0%) over the month to \$41.9 million. Lower transfer and export receipts drove this decline, which were partly offset by a slight increase in service receipts. The receipts of primary income remained the same in April. Current account receipts represented 78% of total OET receipts. Over the year, receipts in the current account rose by \$106.7 million (21.9%) to \$594.9 million, driving the annual increase in total OET receipts.

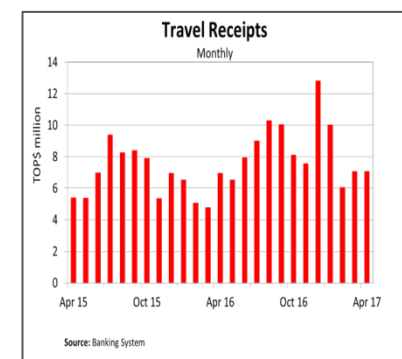
Transfer receipts declined over the month of April 2017 by \$0.9 million (3.3%) to \$27.6 million. This was driven by a decline in the receipts of both private and non-profit transfers, underpinned by lower remittances and donations/grants for technical assistance and other current expenditures. These were partly offset by an increase in the receipt of official grants. The transfer receipts represented 51% of total OET receipts. Over the year, transfer receipts increased to \$389.8 million, \$76.7 million (24.5%) higher than last year, due mainly to higher receipts of private remittances, and government and non-government grants.



Export receipts for April 2017 slightly dropped by \$0.2 million (10.7%) to \$1.5 million. Marine export proceeds declined the most by \$0.3 million, agricultural export proceeds also decreased by \$0.1 million (32.1%) while proceeds from other exports rose by \$0.2 million. Total export proceeds over the year however, increased by \$8.0 million due mainly to an increase in agricultural export proceeds which coincided with the increase in the volume of agricultural exports by 29.1% to 10,997 tonnes over the year.



Service receipts however rose over the month by \$0.3 million (2.2%) to \$11.8 million. The receipts for other services drove this rise, owing largely to higher receipts for professional, management consulting and other business services. Travel receipts remained the same from last month at \$7.1 million. Over the year, service receipts rose by \$24.3 million (17.5%) to \$163.4 million, driven mainly by higher receipts for personal travel which corresponded to both the rise in international arrivals and the growth in the tourism sector.



### Financial Account & Capital Account Receipts

Capital account receipts for April 2017 slightly declined by \$0.1 million (3.6%) to \$2.2 million, due to lower private grants for capital expenditure such as constructions by individuals and churches. This was partly offset by a rise in government grants for constructions purposes. In year ended terms, capital account receipts rose by \$10.5 million (60.3%) to \$28.0 million which again reflected higher private grants for capital expenditures such as constructions by individuals and churches. Official government grants for construction purposes, on the other hand, declined over the year.

Financial account receipts drove the higher OET receipts, rising by \$5.2 million over the month to \$9.6 million. This was due mainly to higher interbank transfers, in addition to a slight increase in receipts for direct investment. In year ended terms, financial account receipts declined by \$3.1 million (2.7%) to \$113.3 million. This was due mainly to a decline in interbank transfers receipts during the year, which were partly offset by a rise in the receipts of direct investment funds.

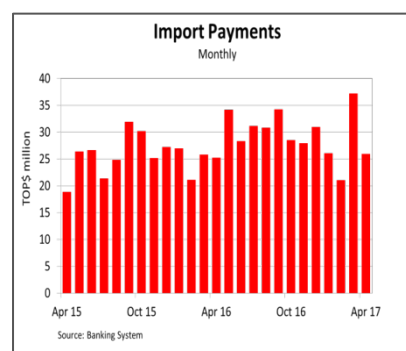
### **Total OET Payments**

A substantial decrease of \$13.5 million (22.8%) in total OET payments was reported for April 2017. This was largely attributed to lower payments in the current account underpinned by a decline in import payments. In year ended terms, total OET payments continued to rise by \$65.4 million (11.8%) to \$619.3 million due mainly to higher import and service payments. The US dollar (USD) remained as the major currency for payment transactions over the month with a share of 51% (\$23.3 million); followed by the New Zealand dollar (NZD) with a share of 28% (\$12.9 million), and both the Australian dollar (AUD) and the Fijian dollar (FJD) hold a share of 9% each.

### **Current Account Payments**

Current account payments decreased to \$40.5 million in April 2017, which was \$16.0 million (28.3%) lower than it was in March 2017 and represented 94.4% of total OET payments. All major categories declined except for primary income payments. Lower import payments drove the overall decline in the current account payments. Over the year, current account payments increased by \$76.0 million (15.0%) to \$580.9 million, owing to higher import and service payments.

Import payments for April 2017 declined by \$11.2 million (30.2%) to \$25.9 million. Payments for all categories of imports declined in April 2017. Oil import payments declined the most by \$6.4 million (63.3%), Wholesale and retail import payments decreased also by \$3.2 million (17.6%), government imports declined by \$1.0 million, and payments for the import of construction materials and vehicles both declined by \$0.4 million and \$0.3 million respectively. In year-ended terms, import payments rose by \$43.5 million (13.9%) to \$356.1 million due mainly to a rise in payments for wholesale & retail goods and construction materials, and accounted for 57.5% of total OET payments.



Service payments fell by \$1.8 million (14.9%) to \$10.2 million over the month, underpinned by lower payments for travel and freight services. Over the year, service

payments were \$26.1 million (22.2%) higher than the previous year, driven by higher payments for travel and freight services.

Primary income payments, on the other hand, rose by \$2.9 million (186.9%) to \$4.4 million due to higher payments of dividends and interest on external loans. Over the year, primary income payments rose by \$8.1 million (49.0%) to \$24.6 million driven by higher dividends sent abroad.

Additionally, transfer payments declined by \$2.1 million (36.4%) due to lower private transfer payments such as workers' remittances and family support payments. In year ended terms, transfer payments rose by \$2.1 million (3.6%) due mainly to higher official transfer payments.

### Capital & Financial Account Payments

There were no capital payments recorded in April 2017 compared to capital payments of \$0.1 million in the previous month. Over the year, capital payments rose by \$0.7 million (30.7%) to \$2.8 million due to higher private grants for capital expenditures such as constructions by individuals and churches.

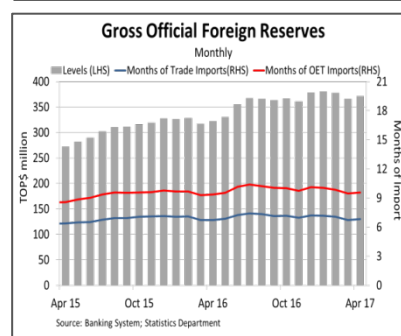
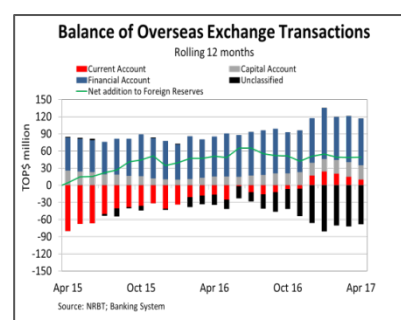
Financial account payments declined by \$1.1 million (44.8%) over the month to \$1.4 million due mainly to lower loan repayments by residents to non-resident banks and other financial institutions. Over the year, financial account payments declined by \$15.0 million (32.1%) due mainly to lower interbank transfers.

### Overall Balance & Foreign reserves

In April 2017, the balance of Overseas Exchange Transactions was a surplus of \$5.7 million. This contributed to the rise in the official foreign reserves to \$371.7 million in April 2017, sufficient to cover 6.8<sup>1</sup> months of imports, which remained above the Reserve

Bank's minimum range of 3-4 months of imports.

The outlook for the foreign reserves is to remain comfortably above the minimum range, given the expectation of on-going remittance receipts, Government aid in the form of budget support, and other assistance from donor partners partly offset by the higher anticipated import payments. However,



<sup>1</sup> Method of calculation changed in February 2017 to include imports of both goods and services (previous method used imports of goods only)

delays to the inflow of these funds will pose a risk to the outlook.

**Table 2**

**Overseas Exchange Transactions**

TOP\$ millions

	Month Ended				Year Ended	
	Apr-17	Mar-17	Feb-17	Jan-17	Apr-17	Apr-16
<b>Total Payments</b>	<b>45.6</b>	<b>59.0</b>	<b>45.9</b>	<b>42.8</b>	<b>619.3</b>	<b>553.9</b>
<b>Current Account</b>	<b>44.2</b>	<b>56.5</b>	<b>38.2</b>	<b>41.5</b>	<b>584.7</b>	<b>504.9</b>
Imports	25.9	37.2	21.0	26.0	356.1	312.6
Services	10.2	11.9	13.5	10.0	143.4	117.4
Primary Income	4.4	1.5	0.5	0.6	24.6	16.5
Transfers	3.7	5.9	3.1	4.9	60.5	58.4
Official	0.1	0.4	0.0	0.0	4.5	2.2
Private	3.5	4.6	3.1	4.8	55.7	56.0
Non-Profit	0.1	0.9	0.1	0.1	0.3	0.2
<b>Capital Account</b>	<b>0.0</b>	<b>0.1</b>	<b>0.0</b>	<b>0.2</b>	<b>2.8</b>	<b>2.1</b>
Official	0.0	0.1	0.0	0.0	0.0	0.0
Private	0.0	0.0	0.0	0.2	2.8	2.1
<b>Financial Account</b>	<b>1.4</b>	<b>2.5</b>	<b>7.7</b>	<b>1.1</b>	<b>31.8</b>	<b>46.8</b>
Direct Investment	0.1	0.0	6.4	0.0	11.6	3.1
Portfolio Investment	0.0	0.0	0.0	0.0	0.0	0.0
Other Investment	1.3	2.5	1.3	1.1	20.2	43.7
<b>Unclassified Payments</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Total Receipts</b>	<b>53.7</b>	<b>49.4</b>	<b>44.8</b>	<b>57.5</b>	<b>736.1</b>	<b>622.0</b>
<b>Current Account</b>	<b>41.9</b>	<b>42.8</b>	<b>37.1</b>	<b>41.6</b>	<b>594.9</b>	<b>488.2</b>
Exports	1.5	1.6	1.5	2.2	23.1	15.1
Agriculture	0.1	0.2	0.2	1.2	10.5	6.0
Marines	0.7	1.0	0.9	0.8	9.0	6.7
Other	0.6	0.4	0.3	0.2	3.5	2.4
Services	11.8	11.6	9.3	14.4	163.4	139.1
Travel	7.1	7.1	6.0	10.0	102.5	82.0
Other	4.8	4.5	3.2	4.4	60.9	57.1
Primary Income	1.1	1.1	1.0	0.9	18.6	20.9
Transfers	27.6	28.5	25.3	24.1	389.8	313.1
Official	3.6	2.9	3.4	2.4	84.8	63.8
Private	20.1	21.2	17.5	20.4	257.2	221.7
Non-Profit	3.8	4.4	4.4	1.4	47.8	27.7
<b>Capital Account</b>	<b>2.2</b>	<b>2.3</b>	<b>3.6</b>	<b>1.1</b>	<b>28.0</b>	<b>17.4</b>
Official	1.2	0.7	0.8	0.3	6.7	9.2
Private	1.0	1.6	2.8	0.8	21.3	8.2
<b>Financial Account</b>	<b>9.6</b>	<b>4.4</b>	<b>4.0</b>	<b>14.8</b>	<b>113.3</b>	<b>116.4</b>
Direct Investment	0.5	0.0	0.0	7.1	22.6	1.1
Portfolio Investment	0.0	0.0	0.0	0.0	0.0	0.0
Other Investment	9.0	4.4	4.0	7.7	90.6	115.2
<b>Unclassified Receipts</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Sources: banking system; foreign exchange dealers, NRBT