

Overseas Exchange Transactions (OET)

August 2017

Release Date: 27 November 2017

Table 1

<i>T\$ m</i>	Aug 17	Jul 17	Jun 17	May 17
Overall balance	-3.9	1.1	15.6	20.6
Total inflows	69.2	62.2	86.1	71.2
Total outflows	63.3	60.9	67.3	55.1
Foreign Reserves	405.0	408.9	407.9	392.3

Higher import payments lead to overall balance deficit

Total OET Receipts

In August 2017, the total OET receipts rose by \$7.0 million (11.3%) to \$69.2 million. This was largely owing to higher receipts from overseas banks to fund their local accounts as well as receipts of Government budgetary support. Additionally, both current and capital account receipts also rose over the month. In year ended terms, the total OET receipts continued to increase by \$90.6 million (13.5%) to \$761.9 million, largely owing to higher inflows of private remittance and travel receipts. The celebrations and annual events during the year supported the annual growth in remittances.

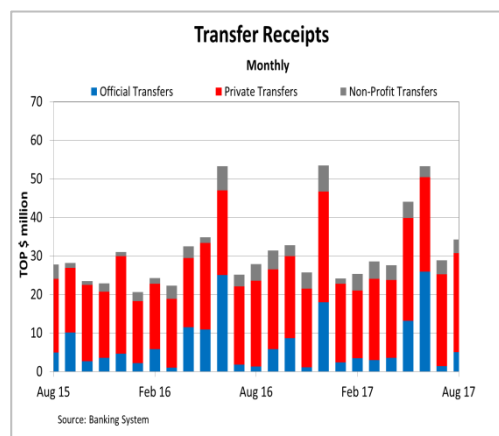
The US dollar (USD) continued to be the dominant currency in OET receipts with a share of 48% of the total OET receipts, decreasing from 56% in the previous month. Australian dollar (AUD) and Tongan Pa'anga (TOP) receipts followed with a share of 18% and 14% respectively compared to 17% and 13% in July 2017. This coincided with both the strengthening of the US dollar (USD) and Australian dollar (AUD) against the Tongan Pa'anga (TOP).

Current Account Receipts

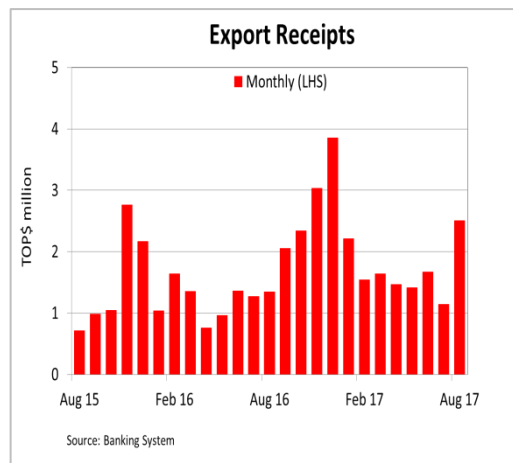
Over the month of August 2017, the current account receipts slightly rose by \$1.1 million (1.9%) to \$57.4 million. This was largely due to higher official and private transfer receipts. In addition, travel receipts, export proceeds and primary income receipts rose while the receipts from other services and non-profit transfers

declined. Over the year, the total current account receipts continued to rise by \$99.4 million (18.7%) to \$631.2 million. Higher private transfer and travel receipts again drove this annual increase. Current account represented 83% of the total OET receipts in August 2017.

Transfer receipts rose over the month of August 2017 by \$5.4 million (18.8%) to \$34.3 million. Official transfer receipts rose the most by \$3.6 million over the month which reflected the receipts of Government budgetary support. Private transfer receipts, mainly receipts for family support, also went up by \$1.9 million. On the other hand, non-profit transfer receipts which includes funds for local churches, schools, and clubs slightly declined by \$0.1 million. Transfer receipts accounted for 50% of the total OET receipts. In year ended terms, total transfer receipts rose by \$63.2 million (18.3%) to \$409.2 million, driven by higher private transfers, particularly receipts for family support.

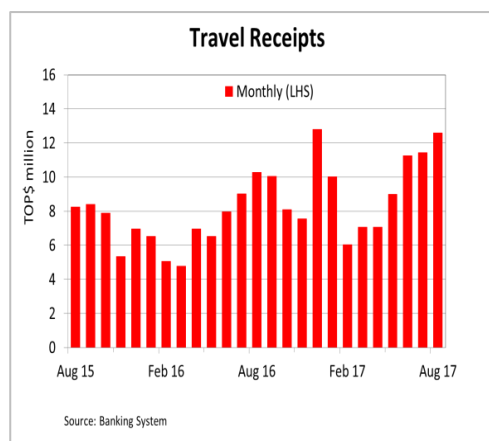


The export proceeds for August 2017 rose by \$1.4 million, due mainly to higher receipts from agricultural and other exports which increased by \$0.6 million each. This coincided with the rise in the volume of agricultural products exported for August 2017 by 335.4 tonnes. Receipts from marine exports also rose by \$0.2 million. Total receipts from export rose over the year by \$8.2 million of which \$5.0 million were agricultural exports proceeds.



Primary income receipts slightly rose by \$0.8 million over the month due to higher receipts of wages by residents who worked overseas. In contrast, primary income receipts still declined by \$6.1 million over the year mainly due to lower receipts of wages of residents working overseas.

Services receipts declined over the month by \$6.5 million (26.0%) to \$18.6 million. This was driven by lower receipts from other services mainly receipts from telecommunication services as receipts declined by \$8.3 million over the month. Receipts from personal travel, on the other hand, rose by \$1.2 million in the same period. Over the year, service receipts rose by \$34.1 million to \$180.7 million, of which 62.5%



of total annual service receipts were from travel receipts and the remaining 37.5% were from the other services. This corresponded to the growth in the tourism sector.

Financial Account & Capital Account Receipts

Financial account receipts for the month of August 2017 rose by \$4.7 million to \$7.6 million, mainly due to higher interbank transfers. Both direct and portfolio investment continued to record no receipts in August 2017. Capital account receipts also rose over the month by \$1.2 million. Official and private capital transfer receipts both rose by \$1.1 million and \$0.1 million respectively. Over the year to August 2017, financial account receipts declined by \$23.3 million to \$95.4 million whereas the receipts on the capital account rose by \$14.5 million to \$35.3 million.

Total OET Payments

In August 2017, total OET payments rose by \$2.4 million (3.9%) to \$63.3 million, mainly due to higher current account payments. This outweighed the lower financial account payments over the month. In annual terms, total OET payments rose by \$65.9 million (11.1%), attributed to higher import and primary income payments, particularly for wholesale & retail goods and dividend payments.

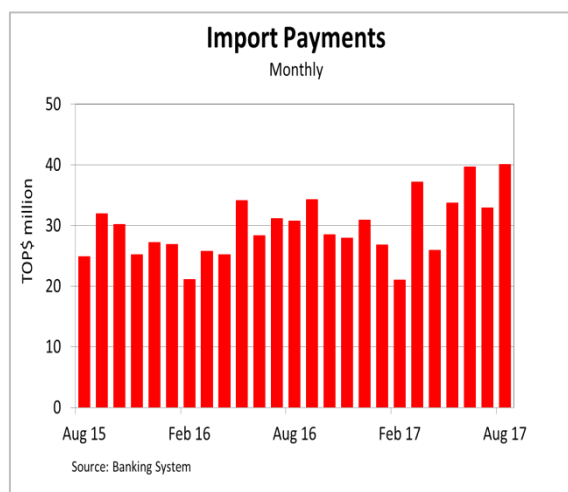
The USD remained the top currency for OET payments in August 2017, falling from a share of 58% last month to 46%. The NZD and FJD payments followed with a share of 27% and 13% respectively of the total OET payments.

Current Account Payments

Current account payments rose over the month by \$10.9 million (21.2%) to \$62.4 million. All major categories of current account payments rose with the exception of transfer payments. Higher import, service and primary income payments during the month drove the overall rise in current account payments. In annual terms, the total current account payments rose by \$65.8 million (12.0%), attributed mainly to higher

imports and primary income payments and accounted for 93.4% of the total OET payments.

Total import payments for August 2017 rose by \$7.2 million to \$40.0 million. This was attributed mainly to a rise in government and oil import payments by \$6.9 million and \$2.5 million respectively. On the other hand, payments for wholesale & retail, vehicle and construction imports declined. Over the year, total import payments rose by \$41.0 million to \$378.8 million, driven mainly by higher wholesale & retail import payments which rose by \$88.5 million. This coincided with the rise in container registrations over the year by 12.1%.



Service payments rose over the month by \$3.4 million due to payments for other private services particularly professional, management and other business services. In year ended terms, service payments rose by 10.9% to \$142.1 million attributed mainly to higher payments of shipping freights and airlines passengers' airfares.

Primary income payments also rose by \$0.4 million over the month and by \$18.7 million over the year, due mainly to repatriation of dividends abroad.

On the other hand, transfer payments slightly declined in August 2017 by \$0.1 million (1.4%) to \$5.0 million. There was no official payment made during the month. In year ended terms, total transfer payments fell by \$7.8 million, due mainly to lower private transfer payments particularly gifts sent to families and relatives abroad.

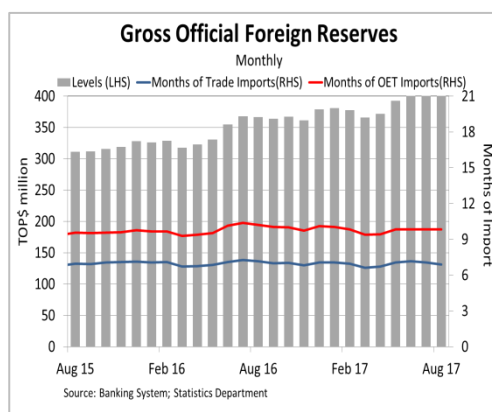
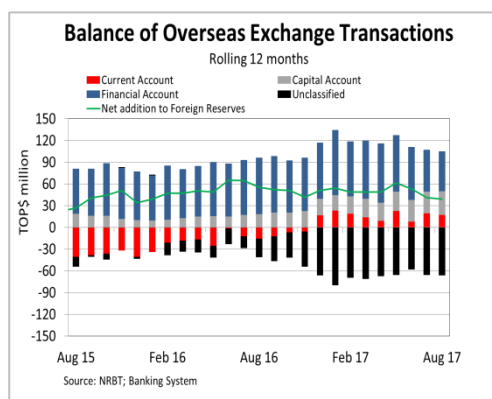
Capital & Financial Account Payments

Financial account payments declined by \$8.5 million over the month and by \$0.4 million over the year, mainly due to lower interbank transfers activities. Capital account payments continued to record no payment over the month however over the year, payments rose by \$0.4 million due to private grants for capital expenditures.

Overall Balance & Foreign reserves

The balance of Overseas Exchange Transactions recorded a deficit of \$3.9 million for the month of August 2017. This contributed to the fall in the official foreign reserves to \$405.0 million in August 2017, sufficient to cover 6.9¹ 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 that it will remain comfortably above the minimum range, given the expectation of on-going remittance receipts, Government receipts for technical assistance and other capital expenditures from donor partners which partly offset the higher anticipated import payments. However, delays to the inflow of these donor funds will pose a risk to the outlook.



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

Table 2

Overseas Exchange Transactions
TOP\$ millions

	Month Ended				Year Ended	
	Aug-17	Jul-17	Jun-17	May-17	Aug-17	Aug-16
Total Payments	63.3	60.9	67.3	55.1	657.1	591.2
Current Account	62.4	51.5	64.5	51.7	613.5	547.7
Imports	40.0	32.9	39.7	33.7	378.9	337.8
Services	14.5	11.1	11.9	10.9	142.1	128.2
Primary Income	2.9	2.5	8.7	1.9	36.7	18.0
Transfers	5.0	5.0	4.2	5.3	55.9	63.8
Official	0.0	0.0	0.0	0.0	2.5	3.4
Private	4.6	5.0	4.0	4.5	52.9	60.1
Non-Profit	0.4	0.0	0.1	0.8	0.5	0.2
Capital Account	0.0	0.0	0.0	0.0	2.7	2.3
Official	0.0	0.0	0.0	0.0	0.0	0.0
Private	0.0	0.0	0.0	0.0	2.7	2.3
Financial Account	0.9	9.4	2.9	3.4	40.8	41.1
Direct Investment	0.4	3.2	0.0	0.1	13.8	4.6
Portfolio Investment	0.0	0.0	0.0	0.0	0.0	0.0
Other Investment	0.5	6.1	2.8	3.3	27.0	36.6
Unclassified Payments	0.0	0.0	0.0	0.0	0.0	0.0
Total Receipts	69.2	62.2	86.1	71.1	761.9	671.3
Current Account	57.4	56.4	73.1	60.4	631.2	531.8
Exports	2.5	1.1	1.7	1.4	24.9	16.7
Agriculture	0.9	0.3	0.6	0.5	11.4	6.4
Marines	0.6	0.4	0.6	0.6	8.4	7.9
Other	1.0	0.4	0.5	0.3	5.1	2.4
Services	18.6	25.1	16.5	13.6	180.7	146.6
Travel	12.6	11.4	11.3	9.0	113.0	85.7
Other	6.0	13.6	5.3	4.6	67.7	60.9
Primary Income	2.1	1.3	1.6	1.3	16.3	22.5
Transfers	34.3	28.8	53.3	44.1	409.2	346.0
Official	5.0	1.4	25.9	13.1	91.3	80.3
Private	25.7	23.8	24.5	26.7	270.7	234.8
Non-Profit	3.6	3.7	2.9	4.3	47.2	30.9
Capital Account	4.1	2.9	4.6	4.3	35.3	20.8
Official	2.1	1.0	2.0	1.7	11.7	7.9
Private	2.0	1.9	2.6	2.6	23.6	12.9
Financial Account	7.6	2.9	8.4	6.4	95.4	118.7
Direct Investment	0.0	0.0	0.0	0.2	9.8	13.4
Portfolio Investment	0.0	0.0	0.0	0.0	0.0	0.0
Other Investment	7.6	2.9	8.4	6.2	85.6	105.3
Unclassified Receipts	0.0	0.0	0.0	0.0	0.0	0.0

Sources: banking system; NRBT