

Overseas Exchange Transactions (OET)

July 2017

Release Date: 16 October 2017

Table 1

<i>T\$ m</i>	Jul 17	Jun 17	May 17	Apr 17
Overall balance	1.1	15.6	20.6	5.7
Total inflows	62.2	86.1	71.2	53.7
Total outflows	60.9	67.3	55.0	45.6
Foreign Reserves	408.9	407.9	392.3	371.7

Overall surplus dropped due to lower Official Receipts

Total OET Receipts

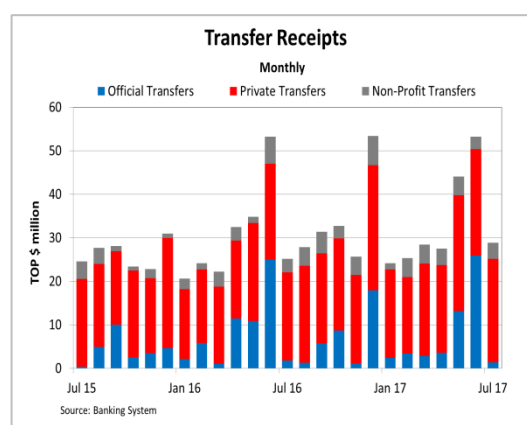
Total OET receipts for July 2017 decreased by \$24.0 million (27.8%), however, it remained high at \$62.2 million. This was mainly driven by a decrease in official transfer receipts, mainly grants for technical assistance and other current expenditures. In addition, both capital and financial account receipts also fell over the month. In year ended terms, total OET receipts continued to rise by \$90.7 million (13.7%) to \$753.7 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.

US dollar (USD) continued to be the dominant currency in OET receipts with a share of 56% of the total OET receipts, although its share decreased from 61% in the previous month. Australian dollar (AUD) and Tongan Pa'anga (TOP) receipts followed with a share of 17% and 13% respectively compared to 14% each in June 2017.

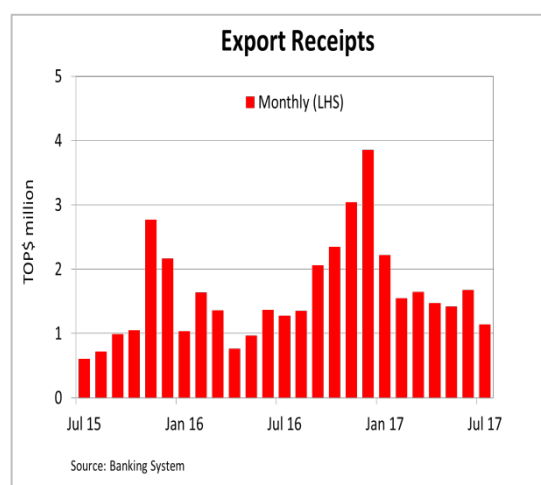
Current Account Receipts

Current account receipts declined over the month by \$16.7 million (22.9%) to \$56.4 million, driving the monthly decline in total OET receipts. This was due mainly to a decrease in official transfer receipts, mainly official grants received for technical assistance and other current expenditures. Additionally, lower receipts in export and primary income supported the monthly decline. Service receipts however rose over the month. Current account represented 91% of the total OET receipts. In year ended terms, total current account receipts rose by \$97.8 million (18.6%) to \$622.4 million. Higher private transfer and service receipts drove the annual increase in total OET receipts.

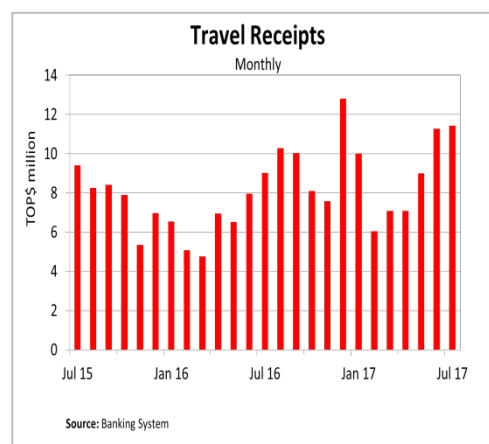
Transfer receipts decreased by \$24.4 million (45.9%) to \$28.8 million over the month to July 2017. Official transfers which were mainly official grant receipts for current expenditure and technical assistance, declined by \$24.5 million over the month. Private transfer receipts which are mainly receipts for family support also fell by \$0.7 million. This indicate the end of annual church conferences and other events occurred in June 2017. Transfer received by non-profit institutions rose by \$0.8 million. The transfer receipts accounted for 46% of the total OET receipts. In year ended terms, total transfer receipts were \$56.9 million (16.5%) higher than the previous year, driven mainly by higher private transfers, particularly receipts for family support.



The proceeds from export also declined by \$0.5 million over the month, due mainly to lower receipts from agricultural exports. Receipts from marine and other exports also declined by \$0.1 million each. This coincided with the decline in the volume of agricultural products exported for July 2017 by 189.4 tonnes. Total receipts from export rose over the year by \$7.7 million with proceeds from agricultural exports contributed largely with \$4.5 million.



In contrast to the monthly trend, services receipts rose over the month by \$8.5 million (51.6%) to \$25.1 million. This was driven by higher receipts from other services mainly receipts from telecommunication services as receipts rose by \$8.4 million over the month. Receipts from personal travel also rose by \$0.2 million in the same period. Over the year, service receipts rose by \$38.0 million to \$179.2 million, of which 62% of total annual service



receipts were from travel receipts and the remaining 38% were from the other services. This corresponded to the growth in the tourism sector.

Financial Account & Capital Account Receipts

In July 2017, financial account decreased by \$5.6 million to \$2.9 million, mainly due to lower interbank transfer as receipts declined by \$5.6 million over the month. There were no receipts recorded for both direct and portfolio investment in July 2017. Capital account receipts also declined over the month by \$1.7 million. Official and private capital transfer receipts both fell by \$1.0 million and \$0.7 million respectively. Over the year to July 2017, financial account receipts declined by \$19.9 million to \$98.7 million whereas the receipts on capital account rose by \$12.9 million to \$32.6 million.

Total OET Payments

In July 2017, total OET payments slightly decreased by \$6.5 million (9.6%) to \$60.9 million, mainly due to lower import and primary income payments offsetting the higher financial payments. In annual terms, total OET payments rose by \$64.2 million (11.0%), which was attributed to higher import and primary income payments, particularly for wholesale & retail goods and dividend payments.

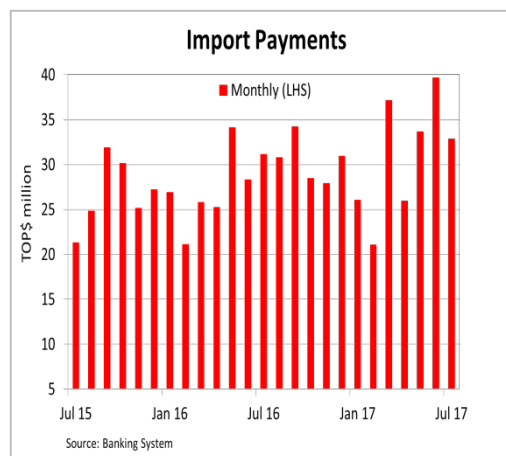
The USD remained the top currency for OET payments in July 2017, rising from a share of 50% to 58%, coinciding with the appreciation of TOP against USD. The NZD and FJD payments followed with a share of 21% and 10% respectively of the total OET payments.

Current Account Payments

Current account payments fell over the month by \$13.0 million (20.1%) to \$51.5 million. All major categories of current account payments declined with the exception of transfer payments. Lower import and primary income payments during the month drove the overall decrease in current account payments. In annual terms,

the total current account payments rose by \$65.4 million (12.2%), attributed mainly to higher imports and primary income payments and accounted for 93.2% of the total OET payments.

Total import payments for July 2017 declined by \$6.8 million to \$32.9 million. The government import payments declined the most by \$3.8 million. This was supported by the decreased in payments for construction materials, oil and vehicle imports by \$2.5 million, \$1.7 million and \$0.8 million respectively. On the other hand, wholesale & retail import payments rose by \$2.0 million. Over the year, total import payments rose by \$37.7 million to \$369.6 million, driven mainly by higher wholesale & retail import payments which rose by \$79.7 million. This coincided with the rise in container registrations over the year by 13.5%.



Primary income payments decreased by \$6.2 million over the month due to dividends repatriating by banks to their non-resident shareholders. Payments for primary income rose over the year by \$18.6 million, again driven by dividends repatriation sent abroad.

Service payments slightly declined by \$0.9 million, due mainly to payments in other private services particularly professional, management and other business services. In year ended terms, service payments rose by 11.2% to \$140.1 million.

On the other hand, transfer payments rose by \$0.9 million (21.2%) to \$5.0 million. There were no official or non-profit payments made during the month, whereas the private transfer payments rose by \$1.0 million. In year ended terms, total transfer payments fell by \$5.2 million, due mainly to private transfer payments particularly gifts sent to families and relatives abroad.

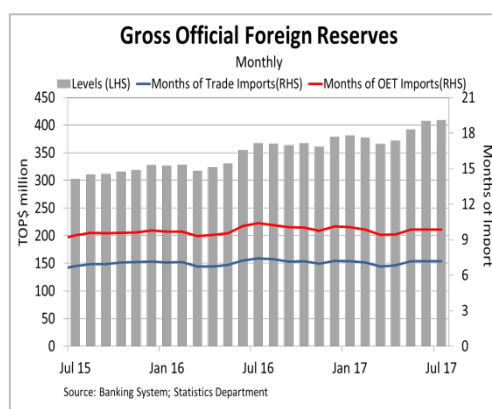
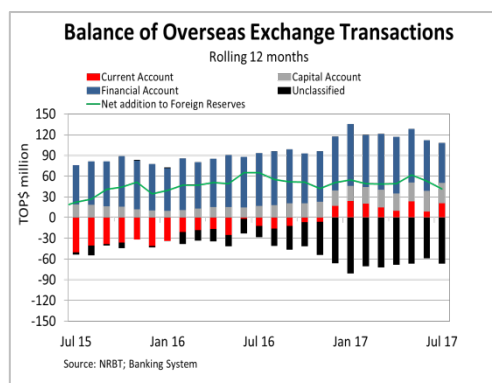
Capital & Financial Account Payments

Financial account payments rose by \$6.5 million over the month while over the year payments decreased by \$1.7 million, mainly due to lower interbank transfer's activities. There were no capital account payments over the month however over the year capital payments rose by \$0.4 million, due mainly to private grants for capital expenditures.

Overall Balance & Foreign reserves

The balance of Overseas Exchange Transactions was a surplus of \$1.1 million in July 2017. This contributed to the rise in the official foreign reserves to \$408.9 million in July 2017, sufficient to cover 7.1¹ 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 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 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	
	Jul-17	Jun-17	May-17	Apr-17	Jul-17	Jul-16
Total Payments	60.9	67.3	55.1	45.6	645.6	582.4
Current Account	51.5	64.5	51.7	44.2	601.6	537.2
Imports	32.9	39.7	33.7	25.9	368.8	331.9
Services	11.1	11.9	10.9	10.2	140.1	126.0
Primary Income	2.5	8.7	1.9	4.4	35.5	16.9
Transfers	5.0	4.2	5.3	3.7	57.2	62.4
Official	0.0	0.0	0.0	0.1	2.5	3.7
Private	5.0	4.0	4.5	3.5	54.4	58.6
Non-Profit	0.0	0.1	0.8	0.1	0.3	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	9.4	2.9	3.4	1.4	41.3	43.0
Direct Investment	3.2	0.0	0.1	0.1	14.0	4.0
Portfolio Investment	0.0	0.0	0.0	0.0	0.0	0.0
Other Investment	6.1	2.8	3.3	1.3	27.3	38.9
Unclassified Payments	0.0	0.0	0.0	0.0	0.0	0.0
Total Receipts	62.2	86.1	71.1	53.7	753.7	663.0
Current Account	56.4	73.1	60.4	41.9	622.4	524.6
Exports	1.1	1.7	1.4	1.5	23.7	16.0
Agriculture	0.3	0.6	0.5	0.1	10.8	6.3
Marines	0.4	0.6	0.6	0.7	8.6	7.5
Other	0.4	0.5	0.3	0.6	4.3	2.3
Services	25.1	16.5	13.6	11.8	179.2	141.2
Travel	11.4	11.3	9.0	7.1	110.7	83.7
Other	13.6	5.3	4.6	4.8	68.5	57.6
Primary Income	1.3	1.6	1.3	1.1	16.6	21.4
Transfers	28.8	53.3	44.1	27.6	402.8	345.9
Official	1.4	25.9	13.1	3.6	87.6	83.9
Private	23.8	24.5	26.7	20.1	267.3	231.7
Non-Profit	3.7	2.9	4.3	3.8	47.9	30.3
Capital Account	2.9	4.6	4.3	2.2	32.6	19.7
Official	1.0	2.0	1.7	1.2	9.7	8.1
Private	1.9	2.6	2.6	1.0	22.9	11.7
Financial Account	2.9	8.4	6.4	9.6	98.7	118.6
Direct Investment	0.0	0.0	0.2	0.5	14.8	8.4
Portfolio Investment	0.0	0.0	0.0	0.0	0.0	0.0
Other Investment	2.9	8.4	6.2	9.0	83.9	110.2
Unclassified Receipts	0.0	0.0	0.0	0.0	0.0	0.0

Sources: banking system; NRBT