

# Overseas Exchange Transactions (OET)

June 2017

Release Date: 16 October 2017

**Table 1**

| <i>T\$ m</i>            | Jun 17       | May 17       | Apr 17       | Mar 17       |
|-------------------------|--------------|--------------|--------------|--------------|
| <b>Overall balance</b>  | <b>15.6</b>  | <b>20.6</b>  | <b>5.7</b>   | <b>-11.5</b> |
| Total inflows           | 86.1         | 71.2         | 53.7         | 49.4         |
| Total outflows          | 67.3         | 55.0         | 45.6         | 59.0         |
| <b>Foreign Reserves</b> | <b>407.9</b> | <b>392.3</b> | <b>371.7</b> | <b>366.0</b> |

**Higher primary income payments reduced the overall surplus.**

## **Total OET Receipts**

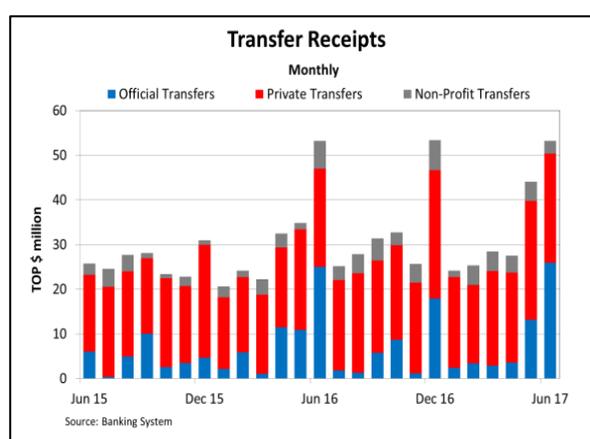
Total OET receipts continued to increase over the month of June 2017, by 21.2% to \$86.1 million. This was mainly driven by an increase in official transfers, mainly grants for technical assistance and other current expenditures. Additionally, both Capital and Financial accounts receipts also rose over the month. In year ended terms, total OET receipts also rose by 14.4% to \$749.0 million which was largely owing to the higher inflows of private remittances receipts. The various 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 which account for 61% of the total OET receipts, increasing from 45% of the previous month. Australian dollar (AUD) and Tongan Pa'anga (TOP) receipts followed with a share of 14% each of the total OET receipts compared to 27% and 12% in May 2017.

## Current Account Receipts

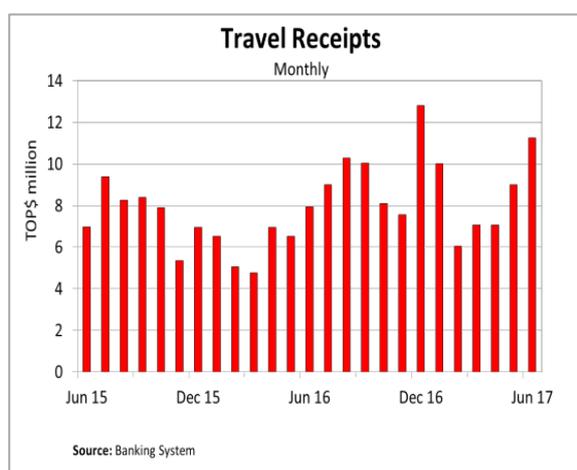
Current account receipts rose over the month by \$12.7 million (21.0%) to \$73.1 million. This was due mainly to an increase in official transfers, mainly official grants received for technical assistance and other current expenditures. Export, service and primary income receipts also rose over the month which added to the trend. Current account receipts represented 85% of total OET receipts. In year ended terms, total current account receipts rose by 17.1% to \$609.4 million. This was due mainly to private transfer receipts, particularly receipts for family support, which drove the annual increase in total OET receipts.

Transfer receipts rose by 20.8% to \$53.3 million over the month to June 2017. Official transfers contributed to the bulk of the overall increase in total OET receipts, which rose by \$12.8 million mainly official grant receipts for current expenditure and technical assistance. On the other hand, private transfer receipts which are mainly receipts for family support fell by \$2.2 million. This



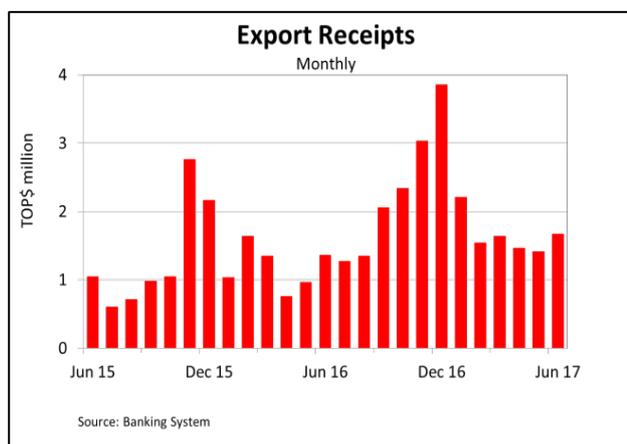
coincided with the end of the events in the family month of May. Non-profit transfer receipts also declined by \$1.4 million, due to lower receipts of donation funds by churches compared to the previous month. The transfer receipts accounted for 62% of the total OET receipts. In year ended terms, total transfer receipts were \$53.8 million (15.6%) higher than the previous year, driven mainly by higher private transfer receipts, particularly receipts for family support.

Service receipts also rose over the month by 21.3% to \$16.5 million. This was mainly due to receipts from personal travel, which rose by \$2.3 million over the month. In addition, receipts from other services rose by \$0.6 million in the same period. Over the year to June 2017, service receipts rose by \$30.5 million to \$169.1 million, of which 64% of total annual service receipts were from travel



and the remaining 36% were from the other service receipts. This corresponded to the 5.7% rise in international air arrivals and departures and the growth in the tourism sector.

The proceeds from export rose by \$0.3 million over the month, due mainly to \$0.2 million increase in receipts from other exports and \$0.1 million rise in agricultural proceeds. Marine export receipts on the other hand fell by \$0.1 million over the month. Total receipts from export also rose over the year by \$8.5 million. This was attributed mainly



to rise in proceeds from agricultural products by \$4.7 million which coincided with the 33.0% increase in volume of agricultural products.

### Financial Account & Capital Account Receipts

In June 2017, financial account rose by \$2.0 million to \$8.4 million mainly due to higher interbank transfer as it went up by \$2.3 million over the month. This was partially offset by a decline in direct investment mainly funds borrowed from parent companies by \$0.2 million. Capital account also rose over the month by \$0.3 million. Official transfer increased by \$0.4 million which was partially offset by a decline in private grants for private expenditure. Over the year to June 2017, the financial account declined by \$10.2 million to \$106.9 million whereas the capital account rose by \$15.1 million to \$32.6 million.

### Total OET Payments

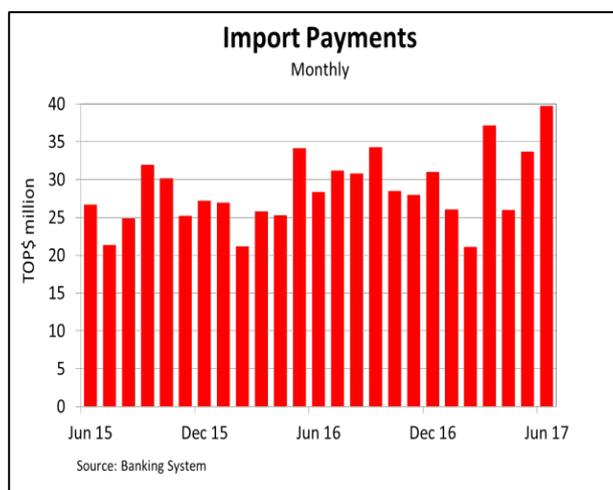
Total OET payments continued to increase, by 22.2% to \$67.3 million attributed mainly to higher import and primary income payments. Higher import payments were largely for oil imports, whereas the rise in primary income payments was mainly dividend repatriation to overseas shareholders. In annual terms, total OET payments rose by 12.0%, which was attributed to higher import and service payments, particularly for wholesale & retail goods and freight payments. The top three currencies for OET payments in June 2017 were USD, NZD and AUD which represented 51%, 25% and 11% respectively of the total OET payments.

### Current Account Payments

Current account payments rose by 24.6% to \$64.5 million and accounts for 95.7% of the total OET payments. The major categories of current account payments rose with

the exception of transfer payments. Higher primary income and import payments during the month drove the overall increase in current account payments.

Total import payments for June 2017 rose by \$6.0 million to \$39.7 million over the month. This was mainly due to oil imports which rose by \$3.6 million over the month. Furthermore, payments for construction and motor vehicle imports rose by \$2.1 million and \$1.0 million respectively. On the other hand, payments for wholesale & retail declined by \$0.02 million and other import payments decreased by



\$0.7 million. Over the year, total import payments rose by \$45.0 million, particularly wholesale & retail import payments which coincided with the rise in container registrations by 10.0%.

Service payments over the month rose by \$1.1 million due mainly to other private services category, particularly payments for professional, management and other business services. In year ended terms, service payments rose by around 17% to \$142.4 million.

Primary income payments also rose by \$6.8 million over the month and by \$17.2 million over the year. Both these rises were attributed mainly to dividend repatriation by financial institutions to their non-resident shareholders.

On the other hand, transfer payments declined by 21.2% (\$1.1 million) to \$4.2 million. There were no official payments made during the month, whereas both the non-profit and private transfer payments declined by \$0.6 million and \$0.5 million respectively. In year ended terms, total transfer payments decreased by \$4.5 million, due mainly to the decline in private transfer payments particularly gifts sent to families and relatives abroad.

### Capital & Financial Account Payments

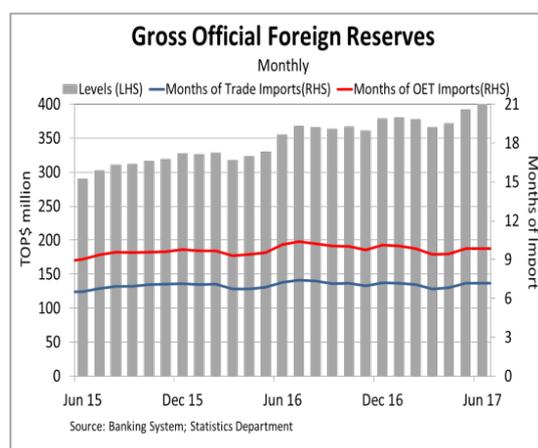
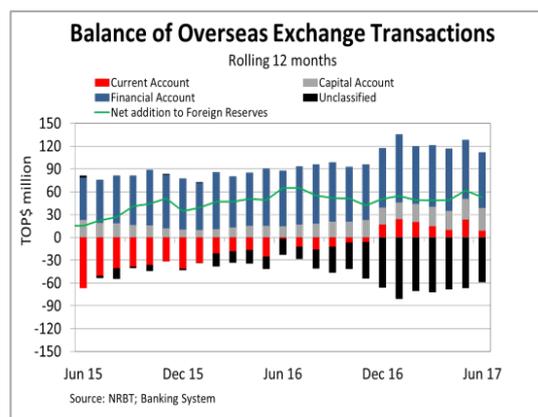
Financial account payments fell by \$0.5 million over the month and over the year by \$10.4 million, mainly due to lower interbank transfer activities. Capital account payments continued to record no payment over the month, however, over the year

capital account payments rose by \$0.4 million, due mainly to private grants for capital expenditures.

### **Overall Balance & Foreign reserves**

The overall balance of Overseas Exchange Transactions reflected a surplus of \$15.6 million in June 2017. This contributed to the rise in the official foreign reserves to \$407.9 million in June 2017, sufficient to cover 7.4<sup>1</sup> months of imports, which is still 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 donor funds will pose a risk to the outlook.



<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)

**Table 2****Overseas Exchange Transactions**

TOP\$ millions

|                              | Month Ended |             |             |             | Year Ended   |              |
|------------------------------|-------------|-------------|-------------|-------------|--------------|--------------|
|                              | Jun-17      | May-17      | Apr-17      | Mar-17      | Jun-17       | Jun-16       |
| <b>Total Payments</b>        | <b>67.3</b> | <b>55.0</b> | <b>45.6</b> | <b>59.0</b> | <b>636.9</b> | <b>568.7</b> |
| <b>Current Account</b>       | <b>64.5</b> | <b>51.6</b> | <b>44.2</b> | <b>56.5</b> | <b>600.1</b> | <b>521.9</b> |
| Imports                      | 39.7        | 33.7        | 25.9        | 37.2        | 367.0        | 322.1        |
| Services                     | 11.9        | 10.8        | 10.2        | 11.9        | 142.4        | 121.8        |
| Primary Income               | 8.7         | 1.9         | 4.4         | 1.5         | 33.8         | 16.6         |
| Transfers                    | 4.2         | 5.3         | 3.7         | 5.9         | 57.0         | 61.5         |
| Official                     | 0.0         | 0.0         | 0.1         | 0.4         | 2.5          | 3.7          |
| Private                      | 4.0         | 4.5         | 3.5         | 4.6         | 54.2         | 57.6         |
| Non-Profit                   | 0.1         | 0.8         | 0.1         | 0.9         | 0.3          | 0.2          |
| <b>Capital Account</b>       | <b>0.0</b>  | <b>0.0</b>  | <b>0.0</b>  | <b>0.1</b>  | <b>2.7</b>   | <b>2.3</b>   |
| Official                     | 0.0         | 0.0         | 0.0         | 0.1         | 0.0          | 0.0          |
| Private                      | 0.0         | 0.0         | 0.0         | 0.0         | 2.7          | 2.3          |
| <b>Financial Account</b>     | <b>2.9</b>  | <b>3.4</b>  | <b>1.4</b>  | <b>2.5</b>  | <b>34.0</b>  | <b>44.4</b>  |
| Direct Investment            | 0.0         | 0.1         | 0.1         | 0.0         | 11.6         | 3.1          |
| Portfolio Investment         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0          | 0.0          |
| Other Investment             | 2.8         | 3.3         | 1.3         | 2.5         | 22.4         | 41.3         |
| <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>86.1</b> | <b>71.2</b> | <b>53.7</b> | <b>49.4</b> | <b>749.1</b> | <b>654.8</b> |
| <b>Current Account</b>       | <b>73.1</b> | <b>60.5</b> | <b>41.9</b> | <b>42.8</b> | <b>609.5</b> | <b>520.2</b> |
| Exports                      | 1.7         | 1.4         | 1.5         | 1.6         | 23.9         | 15.4         |
| Agriculture                  | 0.6         | 0.5         | 0.1         | 0.2         | 10.9         | 6.2          |
| Marines                      | 0.6         | 0.6         | 0.7         | 1.0         | 8.7          | 7.2          |
| Other                        | 0.5         | 0.3         | 0.6         | 0.4         | 4.2          | 2.0          |
| Services                     | 16.5        | 13.7        | 11.8        | 11.6        | 169.2        | 138.7        |
| Travel                       | 11.3        | 9.0         | 7.1         | 7.1         | 108.3        | 84.1         |
| Other                        | 5.3         | 4.7         | 4.8         | 4.5         | 61.0         | 54.6         |
| Primary Income               | 1.6         | 1.3         | 1.1         | 1.1         | 17.3         | 20.9         |
| Transfers                    | 53.3        | 44.1        | 27.6        | 28.5        | 399.1        | 345.3        |
| Official                     | 25.9        | 13.1        | 3.6         | 2.9         | 88.0         | 82.5         |
| Private                      | 24.5        | 26.7        | 20.1        | 21.2        | 263.8        | 231.6        |
| Non-Profit                   | 2.9         | 4.3         | 3.8         | 4.4         | 47.3         | 31.2         |
| <b>Capital Account</b>       | <b>4.6</b>  | <b>4.3</b>  | <b>2.2</b>  | <b>2.3</b>  | <b>32.6</b>  | <b>17.5</b>  |
| Official                     | 2.0         | 1.7         | 1.2         | 0.7         | 9.8          | 6.9          |
| Private                      | 2.6         | 2.6         | 1.0         | 1.6         | 22.8         | 10.5         |
| <b>Financial Account</b>     | <b>8.4</b>  | <b>6.4</b>  | <b>9.6</b>  | <b>4.4</b>  | <b>106.9</b> | <b>117.1</b> |
| Direct Investment            | 0.0         | 0.2         | 0.5         | 0.0         | 21.5         | 2.1          |
| Portfolio Investment         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0          | 0.0          |
| Other Investment             | 8.4         | 6.2         | 9.0         | 4.4         | 85.4         | 115.0        |
| <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; NRBT