

Overseas Exchange Transactions (OET)

November 2017

Release Date: 2 February 2018

Table 1

<i>T\$ m</i>	Nov 17	Oct 17	Sep 17	Aug 17
Overall balance	11.2	10.5	-2.0	-3.9
Total inflows	55.1	69.7	58.8	69.2
Total outflows	52.8	54.9	67.4	63.3
Foreign Reserves	424.8	413.6	403.0	405.0

Lower import & primary income payments raised surplus.

Total OET Receipts

The total Overseas Exchange Transaction (OET) receipts for November 2017 decreased by \$14.6 million (20.9%) to \$55.1 million. Lower telecommunication services and interbank transfers' receipts were the major drivers, and supported by lower receipts of grants to non-profit organization and travel receipts.

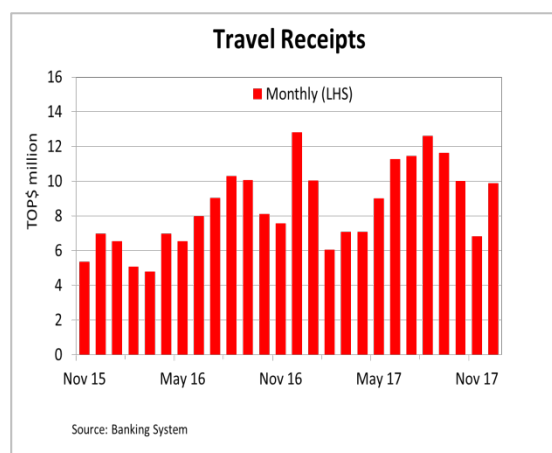
Total OET receipts for the year ending November 2017 rose by \$75.0 million (10.8%) to \$769.8 million driven by higher inflows of private remittance and travel receipts.

Although the shares of US dollar (USD) in the total OET receipts decreased from 53% last month, USD still remained as the dominant currency with a share of 45% in November 2017. The receipts in Australian dollar (AUD) and New Zealand dollar (NZD) followed with a share of 26% and 14% respectively, both rising from a share of 17% and 10% in the previous month. This coincided with both the strengthening of the US dollar (USD) and New Zealand dollar (AUD) against the Tongan Pa'anga (TOP).

Current Account Receipts

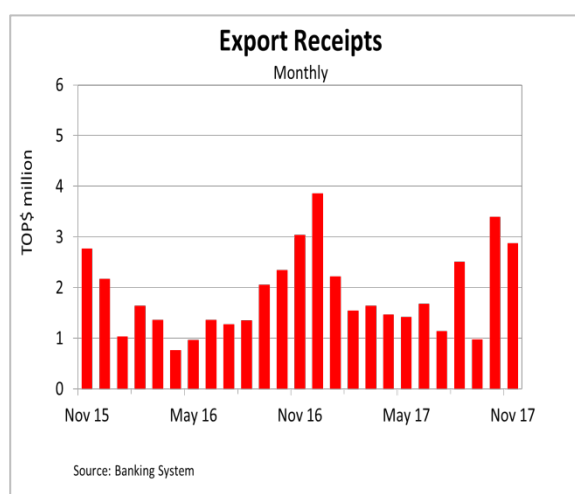
The current account receipts for November 2017 fell by \$7.9 million (13.9%) to \$48.8 million. This was mainly due to lower service receipts particularly telecommunication services and travel receipts. Non-profit transfer supported the trend, as well as primary income and export receipts. Official transfer receipts however, rose over the month. Over the year, current account receipts rose by \$84.1 million (15.1%) driven mainly by higher private transfer and travel receipts. Current account receipts accounted for 88% of the total OET receipts in November 2017.

Service receipts fell over the month by \$8.3 million (43.6%) to \$10.7 million. This was driven by \$ 5.1 million dropped in other services receipts, particularly telecommunication services. In addition, travel receipts declined by \$3.2 million. In year ended terms, service receipts rose by \$31.3 million (20.4%) to \$185.0 million, of which 62.5% were from travel receipts and the remaining 37.5% were from the other services.

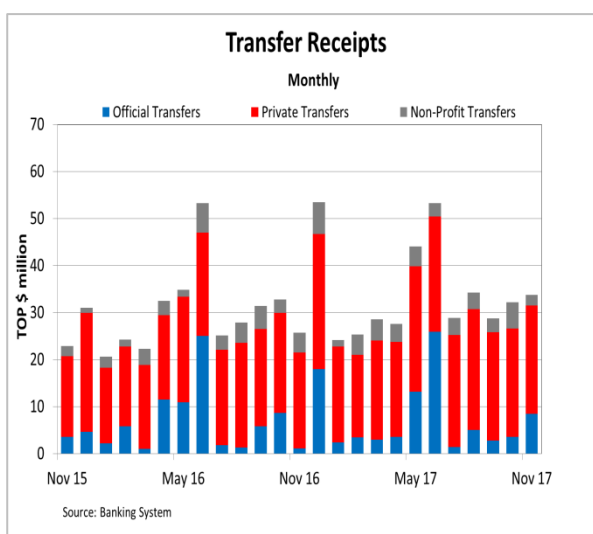


Primary income receipts slightly fell by \$0.7 million over the month and by \$5.1 million over the year due to lower receipts of wages of residents working overseas.

The export proceeds slightly fell also over the month by \$0.5 million, due to lower receipts from Agricultural export reflecting a slowdown in receipts of proceed from squash exports. Both marines and other export proceeds remained the same from last month. Over the year, the total export proceeds rose by \$5.4 million of which \$3.3 million were agricultural exports proceeds. This coincided with the 17.9% rise in the volume of agricultural exports.



Transfer receipts on the other hand rose by \$1.6 million (5.0%) from \$32.1 million last month to \$33.7 million. Official transfer receipts mainly receipts of Government grants rose by \$4.9 million, offsetting the \$3.3 million decrease in non-profit (mainly local churches) transfer receipts. Private transfer receipts on the other hand remained the same over the month at \$23.0 million. Transfer receipts accounted for 61% of the total OET receipts. In year ended



terms, total transfer receipts rose by \$52.6 million (14.6%) to \$414.1 million, driven by higher private transfers, particularly receipts for family support.

Financial Account & Capital Account Receipts

Financial account receipts for November 2017 declined by \$4.2 million to \$4.0 million, mainly due to lower interbank transfers. Direct investment slightly rose by \$0.1 million while portfolio investment continued to record no receipts in November 2017. Capital account receipts also declined over the month by \$2.4 million, attributed mainly to decrease in both private and official capital transfers receipts by \$2.0 million and \$0.5 million respectively. Over the year to November 2017, financial account receipts declined by \$22.3 million to \$89.7 million while the receipts on the capital account rose by \$13.2 million to \$39.1million.

Total OET Payments

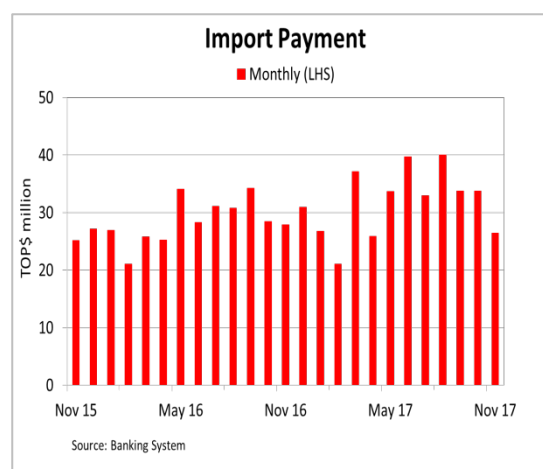
Total OET payments fell by \$2.1 million (3.9%) to \$52.8 million, mainly due to lower import payments. In year ended term, total OET payments rose by \$62.4 million (10.3%) to \$667.3 million, attributed to higher import and primary income payments, particularly for wholesale & retail goods and dividends payments.

In November 2017, the USD remained the top currency for OET payments, although payments fell from a share of 60% last month to 58%. The NZD followed with a share of 27% of the total OET payments over the month.

Current Account Payments

Current account payments fell over the month by \$3.5 million (6.6%) to \$49.9 million, driven mainly by lower import and primary income payments. Both transfer and service payments increased over the month. In annual terms, the total current account payments rose by \$58.0 million (10.3%) to \$620.9 million, again attributed mainly to higher import and primary income payments. Current account payments accounted for 93.1% of the total OET payments.

Total import payments fell by \$7.3 million from \$33.7 million last month to \$26.5 million. All categories of import payments fell with oil import payments declining the most by \$3.1 million. Imports of wholesale & retail goods followed with a decline of \$1.7 million and Government import payments decreased by \$1.0 million. Payment of motor vehicles and construction and imports both fell by \$0.9 million and \$0.5 million respectively. Over the year,



total import payments rose by \$41.1 million to \$382.3 million, driven mainly by higher wholesale & retail import payments which rose by \$79.1 million. This coincided with the rise in container registrations over the year by 13.0%.

Primary income payments also fell by \$2.9 million over the month, due mainly to lower dividend payments. In year ended terms, primary income payments rose \$11.2 million (46.2%) to \$35.5 million, again driven by higher dividend payments.

On the other hand, transfer payments rose by \$4.7 million (100.5%) to \$9.4 million. Both official and private transfer payments rose by \$4.1 million and \$0.7 million respectively while non-profit payments remained the same over the month at \$0.2 million. The rise in official transfer payments was due to the reimbursing of unspent funds by the Government. In year ended terms, total transfer payments declined by \$4.3 million, due to lower private transfer payments particularly gifts sent to families and relatives abroad. This outweighed the higher official and non-profit transfer payments.

Service payments also rose over the month by \$1.9 million to \$12.9 million, attributed mainly to higher payments of telecommunication services and professional, management consulting and other business services. In year ended terms, service payments rose by 10.0% to \$143.8 million due to higher payments of sea transport services mainly freight payments.

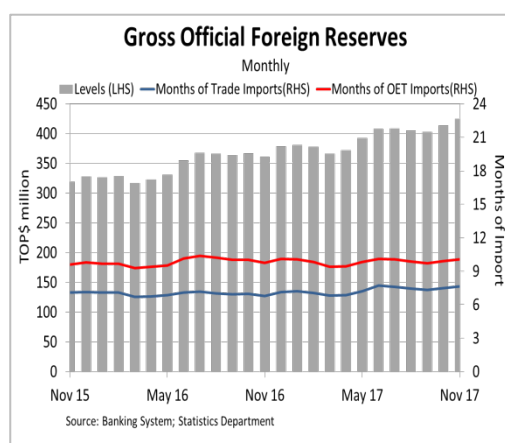
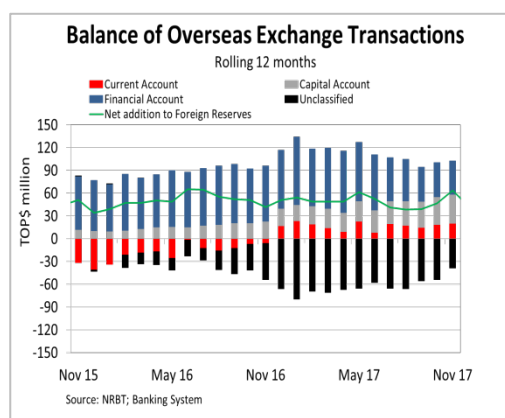
Capital & Financial Account Payments

Financial account payments for the month of November 2017 rose by \$1.1 million to \$2.6 million, mainly due to higher direct investment payments. Other investment payments also increased by \$0.1 million while portfolio investment continued to record no payments in November 2017. Capital account payments slightly rose over the month by \$0.2 million due to rise in private capital transfer payments whereas official capital transfer payments continue to remain zero. Over the year to November 2017, financial account payments rose by \$6.3 million to \$45.6 million while capital account payments fell by \$2.0 million to \$0.8 million.

Overall Balance & Foreign reserves

The balance of Overseas Exchange Transactions recorded a surplus of \$11.2 million for the month of November 2017, rising from the surplus of 10.5 million in October 2017. This contributed to the rise in the official foreign reserves to \$424.8 million in November 2017, sufficient to cover 7.9¹ months of imports, which remained above the Reserve Bank’s minimum range of 3-4 months of imports.

The foreign reserves is anticipated to remain comfortably above the minimum range of 3 – 4 months of imports cover, supported by expected higher receipts of remittance and anticipated Government receipts of budget support and grant funds from development partners. This will be partly offset by the projected rise in import payments.



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	
	Nov-17	Oct-17	Sep-17	Aug-17	Nov-17	Nov-16
Total Payments	52.8	54.9	67.4	63.3	667.3	604.9
Current Account	49.9	53.4	57.5	62.4	620.9	562.9
Imports	26.5	33.7	33.8	40.1	382.3	341.2
Services	12.9	11.0	13.5	14.5	143.8	133.8
Primary Income	1.1	4.0	6.6	2.9	35.5	24.3
Transfers	9.4	4.7	3.5	4.9	59.3	63.6
Official	4.1	0.0	0.0	0.0	6.7	3.4
Private	5.1	4.5	3.5	4.6	52.1	60.0
Non-Profit	0.2	0.2	0.0	0.4	0.5	0.2
Capital Account	0.2	0.0	0.2	0.0	0.8	2.8
Official	0.0	0.0	0.0	0.0	0.1	0.0
Private	0.2	0.0	0.2	0.0	0.7	2.7
Financial Account	2.6	1.5	9.7	0.9	45.6	39.2
Direct Investment	1.1	0.1	6.9	0.4	18.6	6.1
Portfolio Investment	0.0	0.0	0.0	0.0	0.0	0.0
Other Investment	1.5	1.4	2.9	0.5	26.9	33.1
Unclassified Payments	0.0	0.0	0.0	0.0	0.0	0.0
Total Receipts	55.1	69.7	58.8	69.2	769.8	694.8
Current Account	48.8	56.7	48.0	57.4	641.0	556.9
Exports	2.9	3.4	1.0	2.5	24.7	19.3
Agriculture	2.0	2.4	0.3	0.9	11.5	8.2
Marines	0.6	0.6	0.5	0.6	7.8	8.5
Other	0.3	0.3	0.2	1.0	5.4	2.8
Services	10.7	19.1	16.0	18.6	185.0	153.7
Travel	6.8	10.0	11.6	12.6	115.7	89.8
Other	3.9	9.1	4.4	6.0	69.2	63.9
Primary Income	1.4	2.1	2.3	2.1	17.3	22.4
Transfers	33.7	32.1	28.7	34.3	414.1	361.5
Official	8.4	3.5	2.7	5.0	90.4	79.7
Private	23.0	23.1	23.0	25.7	277.7	241.0
Non-Profit	2.3	5.6	2.9	3.6	45.9	38.6
Capital Account	2.4	4.9	4.9	4.1	39.1	26.0
Official	0.7	1.1	2.0	2.1	13.9	7.4
Private	1.8	3.7	2.9	2.0	25.2	18.6
Financial Account	4.0	8.2	5.9	7.6	89.7	111.9
Direct Investment	0.2	0.1	0.2	0.0	8.3	15.2
Portfolio Investment	0.0	0.0	0.0	0.0	0.0	0.0
Other Investment	3.8	8.1	5.7	7.6	81.4	96.8
Unclassified Receipts	0.0	0.0	0.0	0.0	0.0	0.0