

Overseas Exchange Transactions (OET)

February 2018

Release Date: 29 May 2018

Overseas Exchange Transactions						
Net Change to Foreign Reserves (TOP\$ millions)						
	Month Ended				Year Ended	
	Feb-18	Jan-18	Dec-17	Nov-17	Feb-18	Feb-17
Overall Balance	23.9	1.6	-2.3	11.2	70.3	49.1
Net Current Account	21.8	-6.3	-4.5	0.5	25.4	42.4
Net Capital Account	2.7	2.0	7.3	2.2	43.9	24.1
Net Financial Account	-0.6	6.0	-5.1	8.5	1.0	-17.4
Foreign Reserve Levels	448.0	424.1	422.5	424.8	448.0	377.7

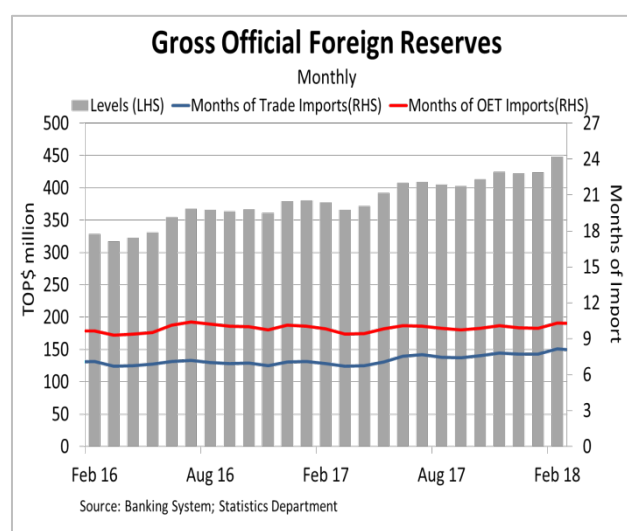
Sources: Banking System; NRBT

Receipt of Tropical Cyclone (TC) Gita relief fund boosted overall surplus

Overall Balance & Foreign Reserve

The overall OET balance recorded a surplus of \$23.9 million over the month of February 2018, reflecting the receipts of \$24.3 million for cyclone relief funds. The official foreign reserves had therefore rose to its highest record of \$448.0 million, equivalent to 8.2 months of import cover. The current account reached a surplus of \$21.8 million, compared to a deficit of \$6.3 million last month. The surplus in the capital account slightly increased to \$2.7 million while the balance of the financial account recorded a deficit of \$0.6 million after recording a surplus in January 2018.

Annually, the overall OET balance recorded a higher surplus of \$70.3 million compared to a \$49.1 million surplus last year, due to surpluses' in all accounts. The capital account balance recorded the highest surplus of \$43.9 million, rising from \$24.1 million last year. The surplus in the current account was however lowered by \$17.0 million to \$25.4 million. The financial account balance was a surplus of \$1.0 million compared to \$17.4 million deficit last year. The official foreign reserves had therefore risen by \$70.3 million over the year from \$377.7 million (6.9 months of import).



The Reserve Bank anticipates the level of foreign reserves will remain at a comfortable level in the current financial year and the next. However, any delays to the inflow of aid and budget support from development partners, the commencement of loan principal repayment to the Export - Import

(EXIM) Bank of China, combined with the pace of development in the domestic economic activities, may pose a risk to the foreign reserves outlook. Uncertainties in the world fuel and commodities prices and Tonga's vulnerability to natural disasters are also risks to this outlook.

Current Account

Current Account (TOP\$ millions)						
	Month Ended				Year Ended	
	Feb-18	Jan-18	Dec-17	Nov-17	Feb-18	Feb-17
Net Current Account	21.8	-6.3	-4.5	0.5	25.4	42.4
Merchandise Trade	-26.2	-33.2	-36.2	-23.6	-382.0	-322.4
Services	10.8	6.8	-2.4	-2.1	50.7	18.7
Income	0.9	-0.2	1.1	0.3	-17.6	-2.6
Transfers	36.3	20.3	32.9	25.9	374.3	348.7

Sources: Banking System;NRBT

In February 2018, the current account recorded a surplus of \$21.8 million, after recording a deficit of \$6.3 million in the previous month. This was mainly driven by surpluses in the transfers and service accounts. Transfer receipts markedly increased over the month by 56.4% due to the receipt of cyclone relief funds together with the receipt of insurance pay-outs for Tropical Cyclone (TC) Gita damages. Despite a decline in travel receipts over the month which coincided with a 35% decline in international air arrivals, other services receipts doubled due mainly to receiving of \$7.7 million insurance claims for TC Gita damages. This resulted in higher net services receipts over the month. The net receipts from income also supported the trend while the merchandise trade deficit narrowed mainly due to lower wholesale & retail import payments. This was in line with the decline in container registrations over the month and also reflected the usual trend for imports after the Christmas/New Year festivities.

In year ended terms, the surplus in the current account was \$17.0 million lower. The higher net receipts from transfer and services accounts partially offset the rise in the merchandise trade deficit and net income payments. The rise in transfer receipts reflected the continuous increase in remittances, indicating the willingness of Tongan families abroad to support the local families in events that had happened during the year. Net service receipts were due to higher net receipts from telecommunication and travel related services, supporting growth in these sectors. The higher merchandise trade deficit were attributed mainly to higher payments for oil and wholesale & retail goods, which coincided with the rise in container registrations by 833 containers indicating growth in the trade sector. Additionally the increased net income payments were mainly dividend payments.

Capital Account

Capital Account (TOP\$ millions)						
	Month Ended				Year Ended	
	Feb-18	Jan-18	Dec-17	Nov-17	Feb-18	Feb-17
Net Capital Account	2.7	2.0	7.3	2.2	43.9	24.1
Official	1.2	-0.2	3.0	0.7	16.3	5.9
Private	1.4	2.2	4.3	1.5	27.5	18.2

Sources: Banking System;NRBT

Over the month of February 2018, the surplus in the capital account slightly increased by \$0.7 million to \$2.7 million due mainly to surplus in the official capital account after recording a deficit last month. The turnaround in the capital account balance was mainly due to no capital payments made over the month in addition to a rise in grants received by Government for investment projects or capital expenditures, mainly for construction purposes. Grant receipts by private companies and individuals for investment projects or capital expenditure were lower over the month leading to lower surplus in the private capital account balance.

In year ended terms, the capital account surplus rose significantly due to official capital receipts for construction purposes increasing by more than double and was supported by a significant increase in private capital receipts for construction purposes. Payments slightly increased over the year but have very minimal impact on the balances over the year.

Financial Account

Financial Account (TOP\$ millions)						
	Month Ended				Year Ended	
	Feb-18	Jan-18	Dec-17	Nov-17	Feb-18	Feb-17
Net Financial Account	-0.6	6.0	-5.1	8.5	1.0	-17.4
Direct Investment	0.0	-1.0	0.2	-1.0	-11.5	10.2
Portfolio Investment	0.0	0.0	0.0	0.0	0.0	0.0
Other Investment	-0.6	7.0	-5.3	9.4	12.6	-27.6

Sources: Banking System;NRBT

The financial account for the month of February 2018, recorded a deficit of \$0.6 million after recording a \$6.0 million surplus in the previous month, due to lower interbank transfer receipts. In year ended terms, the financial account yielded a surplus due to higher interbank transfer receipts.

Overseas Exchange Transactions

TOP\$ millions

	Month Ended				Year Ended	
	Feb-18	Jan-18	Dec-17	Nov-17	Feb-18	Feb-17
Total Payments	44.1	56.8	63.7	52.8	690.9	617.9
Current Account	43.1	52.2	58.9	49.9	645.7	573.8
Imports	27.5	34.2	37.3	26.5	402.5	344.8
Services	10.4	10.5	15.8	12.9	144.6	144.0
Primary Income	0.5	1.5	0.4	1.1	36.0	23.6
Transfers	4.8	5.9	5.4	9.4	62.7	61.3
Official	0.2	0.0	0.0	4.1	7.5	3.4
Private	4.1	5.5	5.3	5.1	54.7	57.7
Non-Profit	0.5	0.4	0.2	0.2	0.5	0.2
Capital Account	0.0	1.0	2.5	0.2	4.1	2.8
Official	0.0	0.8	0.0	0.0	0.9	0.0
Private	0.0	0.2	2.5	0.2	3.2	2.8
Financial Account	-2.7	3.5	-8.3	2.6	7.0	-51.0
Direct Investment	0.0	1.0	0.0	1.1	13.0	11.9
Portfolio Investment	0.0	0.0	0.0	0.0	0.0	0.0
Other Investment	-2.7	2.5	-8.4	1.5	-6.1	-62.9
Total Receipts	71.7	55.7	72.0	56.8	795.2	759.5
Current Account	64.9	45.9	54.4	50.4	671.2	616.2
Exports	1.3	1.0	1.1	2.9	20.4	22.4
Agriculture	0.7	0.6	0.3	2.0	8.8	10.7
Marines	0.4	0.3	0.7	0.6	6.9	8.5
Other	0.2	0.1	0.1	0.3	4.7	3.6
Services	21.2	17.3	13.4	10.8	195.3	162.7
Travel	6.2	10.3	10.1	6.8	113.8	100.3
Other	15.0	7.0	3.3	3.9	81.5	62.4
Primary Income	1.3	1.3	1.6	1.4	18.4	21.0
Transfers	41.1	26.3	38.4	35.4	437.1	410.0
Official	16.7	3.0	1.5	8.4	88.0	90.8
Private	21.1	22.6	31.3	24.6	306.2	273.2
Non-Profit	3.2	0.7	5.5	2.3	42.8	46.1
Capital Account	2.7	3.0	9.7	2.4	48.0	26.9
Official	1.2	0.6	3.0	0.7	17.2	5.9
Private	1.4	2.4	6.7	1.8	30.7	21.0
Financial Account	4.2	9.5	7.9	11.1	76.1	116.4
Direct Investment	0.0	0.0	0.3	0.2	1.5	22.1
Portfolio Investment	0.0	0.0	0.0	0.0	0.0	0.0
Other Investment	4.2	9.5	7.6	10.9	74.6	94.3

Sources: Banking System; NRBT