

Overseas Exchange Transactions (OET)

August 2019

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Overseas Exchange Transactions						
Net Change to Foreign Reserves (TOP\$ millions)						
	Month Ended				Year Ended	
	Aug-19	Jul-19	Jun-19	May-19	Aug-19	Aug-18
Overall Balance	-1.1	8.6	16.0	4.1	16.8	70.0
Net Current Account	-1.4	0.4	19.8	5.1	1.2	11.1
Net Capital Account	1.2	0.2	9.1	4.7	37.3	39.8
Net Financial Account	-0.9	8.0	-12.9	-5.7	-21.7	19.1
Foreign Reserve Levels	491.8	492.9	484.3	468.3	491.8	475.0

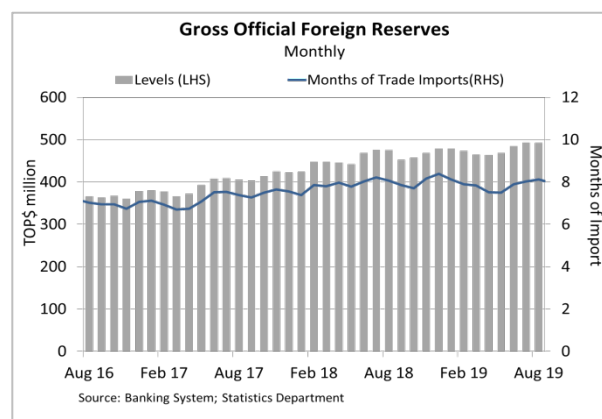
Sources: Banking System; NRBT

Total OET payments rose higher than total receipts

Overall Balance & Foreign Reserves

The overall OET balance declined by \$1.1 million in August 2019, as total payments exceeded total receipts. Higher payments by \$4.2 million over the month were mainly from the current account for imports, services, income and transfers payments. These payments outweighed a \$3.2 million rise in total receipts, mainly from transfer receipts. In year ended terms, total OET payments increased by \$38.3 million for imports & services payments, gift payments, and offshore investments coupled. Total OET receipts, however, declined by \$10.2 million, driven by the fall in receipts for professional services, inter-bank receipts, official transfers, and individual constructions. Hence, the overall balance surplus fell over the year from \$70.0 million in August 2018 to \$16.8 million in August 2019.

The official foreign reserves remained high at \$491.8 million in August 2019, equivalent to 8.1 months of import cover. The monthly movement was attributed to net outflows from foreign exchange deals to cater for payments during the month. However, the official foreign reserves increased over the year by \$16.8 million as a result of higher receipts for budget support, grants, and cyclone relief funds from development partners.



On the outlook, the Reserve Bank continues to expect the level of foreign reserves will remain at comfortable levels and above 3 months of imports cover in the upcoming months. However, external debt repayments, implementation of infrastructure projects, and expected transfer of offshore investments pose a risk to the foreign reserves outlook. Global uncertainties in oil and commodity prices are also risks to these expectations.

Current Account

The current account recorded a deficit of \$1.4 million in August 2019 as total current account payments rose by \$5.8 million compared to a \$4.0 million increase in receipts to the current account. The merchandise trade deficit widened over the month, while the surpluses in the services and income accounts lowered attributing mostly to higher payments, coupled with lower receipts particularly for services. Contrastingly, the transfers account surplus rose due to higher government receipts over the month.

Current Account (TOP\$ millions)						
	Month Ended				Year Ended	
	Aug-19	Jul-19	Jun-19	May-19	Aug-19	Aug-18
Net Current Account	-1.4	0.4	19.8	5.1	1.2	11.1
Merchandise Trade	-36.2	-33.9	-35.5	-36.3	-421.1	-390.1
Services	1.7	6.0	4.0	0.3	31.7	22.2
Income	0.8	1.2	-4.8	2.5	7.0	-1.9
Transfers	32.4	27.1	56.1	38.6	383.5	381.0

Sources: Banking System; NRBT

The merchandise trade deficit widened by \$2.3 million as import payments rose by \$2.8 million over the month. Payments for wholesale & retail goods and oil imports rose by \$2.1 million and \$2.0 million respectively and outweighed lower payments for construction imports and motor vehicles. Total export proceeds, on the other hand, slightly rose by \$0.4 million due to a \$0.4 million increase in agricultural exports and \$0.3 million rise in marine exports whilst other export proceeds declined by \$0.1 million.

The service account surplus lowered by \$4.3 million in August 2019 attributed to a decline in services receipts compared to a rise in services payments. Almost all categories of services receipts fell over the month except for construction services which increased. Higher services payments were for sea freight, professional & management services, travel allowance and insurance premium payments. Additionally, the income account surplus also decreased to \$0.8 million from the \$1.2 million surplus last month. Income payments rose by \$0.6 million which was mainly dividend payments, higher than a \$0.1 million increase in income receipts.

However, the transfers account surplus rose by \$5.3 million mainly due to higher receipts by \$6.0 million during the month. Both official and private transfer receipts rose by \$3.1 million and \$2.9 million, respectively. Nonetheless, private transfer receipts for family support and gift increased in July 2019 by \$5.8 million. Transfers payments also rose over the month but at a slower pace by \$0.8 million.

In year ended terms, the surplus in the current account was lower by \$9.9 million to \$1.2 million. More specifically, the deficit in the merchandise trade account had partially offset the surpluses recorded for the services, income, and transfer accounts. The higher payments for imported government goods, wholesale & retail goods, oil, and motor vehicles altogether by \$32.1 million drove the higher merchandise trade deficit. This coincided with a rise in business container registrations recording an increase of 1,638 containers (25.7%), indicating growth in the trade sector.

However, the services account surplus increased by \$9.5 million due to higher service receipts for travel-related expenses (airfares & travel allowances), freight, professional services, and construction

services. The income account improved on the decline in income payments by \$8.1 million as payments for dividends and profits to overseas investors fell by \$7.0 million (41.7%). Moreover, official transfers account surplus rose over the year by \$2.6 million as the official transfer payments fell by \$5.1 million. Although private transfer receipts (including private remittances & non-profit organizations) rose by \$6.3 annually, it was offset by the same amount in payments for family support and transfers to own account.

Capital Account

Capital Account (TOP\$ millions)						
	Month Ended				Year Ended	
	Aug-19	Jul-19	Jun-19	May-19	Aug-19	Aug-18
Net Capital Account	1.2	0.2	9.1	4.7	37.3	39.8
Official	0.1	0.3	6.8	2.6	18.3	17.3
Private	1.1	0.0	2.3	2.0	19.0	22.5

Sources: Banking System; NRBT

The surplus in the capital account rose by \$1.0 million over the month. This was driven mainly by a \$1.1 million increase in the surplus of the private capital account, a \$0.1 million rise in the surplus from the official capital account was also noted. During August 2019, total receipts of \$1.1 million were for private capital receipts, and \$0.2 million were official capital transfer receipts. These receipts were for government-funded projects and household construction purposes by individuals (including non-profit organizations). There were no payments recorded for both official capital and private capital transfer accounts during the month.

Annually, the capital account continued to maintain its position of holding the highest surplus in the overall OET balance. However, the capital account surplus was lower by \$2.5 million to \$37.3 million. The fund receipts by Government for investment projects and capital expenditures (for construction purposes) rose over the year but was outweighed by the decline in private capital transfers.

Financial Account

Financial Account (TOP\$ millions)						
	Month Ended				Year Ended	
	Aug-19	Jul-19	Jun-19	May-19	Aug-19	Aug-18
Net Financial Account	-0.9	8.0	-12.9	-5.7	-21.7	19.1
Direct Investment	0.2	-2.0	0.2	-3.1	-5.2	-8.5
Portfolio Investment	0.0	0.0	-11.2	0.0	-11.2	0.3
Other Investment	-1.1	10.0	-1.9	-2.6	-5.3	27.3

Note: The Net Financial Account figures incorporate also the net reconciliation items which is not reflected in the table below

Sources: Banking System; NRBT

A \$0.9 million deficit was recorded in the financial account over the month compared to a surplus in the previous month as a result of net outflows in foreign exchange deals with commercial banks. Similarly, the financial account recorded a \$21.7 million deficit over the year compared to a surplus in the previous year. This was largely owed to offshore investment transfers, principal repayment of the Government loan to EXIM Bank of China and higher inter-bank payments.

Overseas Exchange Transactions

TOP\$ millions

	Month Ended				Year Ended		Monthly Change	Annual Change	Shares of totals*
	Aug-19	Jul-19	Jun-19	May-19	Aug-19	Aug-18			
Total Payments	64.9	60.7	77.3	66.7	759.3	721.0	6.9%	5.3%	100.0
Current Account	63.1	57.3	62.8	61.6	702.9	677.6	10.1%	3.7%	92.6
Imports	38.4	35.7	36.6	37.8	441.7	409.5	7.8%	7.8%	58.2
Services	16.2	14.6	13.6	17.2	172.1	172.0	10.8%	0.0%	22.7
Primary Income	1.5	0.9	7.2	0.5	18.8	26.9	71.3%	-29.9%	2.5
Transfers	6.9	6.1	5.3	6.2	70.3	69.1	12.5%	1.7%	9.3
Official	0.6	0.0	0.1	0.0	3.9	9.0	0.0%	-56.9%	0.5
Private	6.3	6.1	4.2	5.7	66.2	59.8	3.6%	10.8%	8.7
Non-Profit	0.0	0.0	1.0	0.5	0.2	0.3	-43.4%	-41.4%	0.0
Capital Account	0.0	0.2	0.0	0.0	2.6	4.0	-80.8%	-34.5%	0.3
Official	0.0	0.0	0.0	0.0	0.5	0.9	0.0%	-37.9%	0.1
Private	0.0	0.2	0.0	0.0	2.1	3.2	-100.0%	-33.6%	0.3
Financial Account	1.8	3.2	14.5	5.1	53.8	39.4	-43.0%	36.5%	7.1
Direct Investment	0.0	2.4	0.0	3.1	6.2	10.2	-100.0%	-39.2%	0.8
Portfolio Investment	0.0	0.0	11.2	0.0	11.2	0.0	0.0%	0.0%	1.5
Other Investment	1.8	0.7	3.3	2.1	36.4	29.2	141.9%	24.5%	4.8
Total Receipts	69.5	66.3	100.9	76.3	829.6	839.9	4.8%	-1.2%	100%
Current Account	61.7	57.8	82.5	66.6	704.1	688.7	6.9%	2.2%	89%
Exports	2.2	1.8	1.2	1.4	20.6	19.4	24.9%	5.9%	3%
Agriculture	1.2	0.8	0.4	0.7	10.4	10.9	49.6%	-4.6%	2%
Marines	1.0	0.7	0.6	0.6	8.5	5.8	39.2%	46.0%	1%
Other	0.0	0.2	0.1	0.1	1.4	2.5	-78.3%	-44.6%	0%
Services	17.9	20.6	17.6	17.5	203.8	194.2	-13.0%	5.0%	26%
Travel	13.5	15.1	11.3	12.1	133.0	112.0	-10.7%	18.8%	19%
Other	4.4	5.5	6.3	5.3	70.8	82.2	-19.2%	-13.9%	6%
Primary Income	2.3	2.1	2.4	3.0	25.8	25.0	6.4%	3.5%	3%
Transfers	39.3	33.3	61.4	44.7	453.8	450.1	18.2%	0.8%	57%
Official	3.5	0.4	33.5	6.8	88.8	91.3	767.5%	-2.8%	5%
Private	30.4	29.9	24.0	30.9	316.6	313.9	1.9%	0.9%	44%
Non-Profit	5.3	3.0	3.8	7.0	48.5	44.8	77.9%	8.1%	8%
Capital Account	1.2	0.5	9.1	4.7	39.9	43.8	171.9%	-8.8%	2%
Official	0.2	0.3	6.8	2.7	18.8	18.1	-39.5%	3.9%	0%
Private	1.1	0.2	2.3	2.0	21.1	25.7	465.1%	-17.8%	2%
Financial Account	6.6	8.1	9.3	4.9	85.6	107.4	-19.1%	-20.2%	9%
Direct Investment	0.2	0.4	0.2	0.0	1.0	1.7	-50.2%	-39.3%	0%
Portfolio Investment	0.0	0.0	0.0	0.0	0.0	0.3	0.0%	-99.3%	0%
Other Investment	6.4	7.7	9.1	4.9	84.6	105.4	-17.5%	-19.7%	9%

Sources: Banking System; NRBT