

Overseas Exchange Transactions (OET)

February 2020

Release Date: 21 July 2020

Overseas Exchange Transactions Net Change to Foreign Reserves (TOP\$ millions)						
	Month Ended				Year Ended	
	Feb-20	Jan-20	Dec-19	Nov-19	Feb-20	Feb-19
Overall Balance	-3.0	-4.6	-2.1	0.2	6.4	25.5
Net Current Account	4.1	-8.7	-2.2	-1.2	-2.2	-9.6
Net Capital Account	1.6	2.0	3.1	1.9	31.6	33.4
Net Financial Account	-8.7	2.1	-3.0	-0.5	-23.0	1.0
Foreign Reserve Levels	479.8	482.9	487.4	489.5	479.8	473.5

Sources: Banking System; NRBT

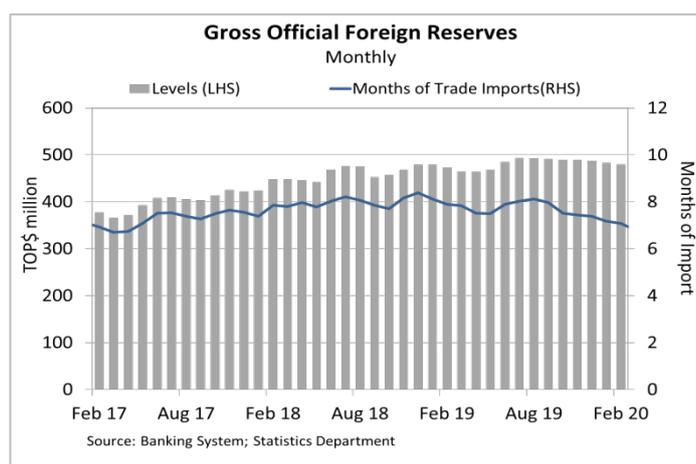
Lower current account payments improves the overall OET deficit

Overall Balance & Foreign Reserves

The overall OET balance deficit improved over the month of February 2020 by \$1.6 million to a \$3.0 million deficit. Lower payments over the month was attributed to a decline in payments from the current account for goods, service, income and transfer payments. Total receipts, however, increased over the month. Annually, the overall balance surplus fell by \$19.1 million to \$6.4 million. Total OET payments decreased by \$1.0 million for imports, services, and interbank transfers. Total receipts declined considerably by \$37.1 million as receipts for interbank transfers, official transfer receipts, private capital transfers, exports, and other professional service receipts declined over the year.

The official foreign reserves was at \$479.8 million in February 2020 equivalent to 7.1 months of import cover. This is higher by \$6.3 million compared to \$473.5 million in February 2019 and is attributed to the inflow of budget support, grants, and project funds from development partners.

On the outlook, the Reserve Bank continues to expect the level of foreign reserves to remain at comfortable levels, and above 3 months of import cover. However, external debt repayments, implementation of infrastructure projects, and expected transfer of offshore investments pose a risk to the foreign reserves outlook. Global uncertainties and the negative impacts of coronavirus pandemic on the economy are downside risks to the outlook, in addition to global shocks in oil and commodity prices.



Current Account

Current Account (TOP\$ millions)						
	Month Ended				Year Ended	
	Feb-20	Jan-20	Dec-19	Nov-19	Feb-20	Feb-19
Net Current Account	4.1	-8.7	-2.2	-1.2	-2.2	-8.9
Merchandise Trade	-30.1	-34.9	-32.5	-31.3	-406.2	-420.4
Services	4.4	4.7	0.2	3.6	34.4	11.0
Income	1.5	-1.2	1.6	1.6	2.0	7.7
Transfers	28.3	22.7	28.5	24.9	367.6	392.8

Sources: Banking System;NRBT

The current account recorded a surplus of \$4.1 million, contrast to the \$8.7 million deficit in the previous month. This was mostly driven by the \$11.1 million reduction in payments for imports, services, income, and private transfers, coupled with the rise in inflow of official transfers.

The official transfer receipts increased over the month by \$6.2 million and was partially offset by the decline in both private and non-profit transfer receipts by \$1.5 million and \$0.2 million respectively. The inflow of official transfer receipts were mostly budget support and grants for government projects whereas non-profits transfer receipts were mainly donations for churches and schools. Total transfer payments however, fell over the month by \$1.1 million.

The merchandise trade deficit improved over the month by \$4.8 million to \$30.1 million deficit. Import payments fell over the month by \$4.7 million, with majority of the import categories declining except for other imports (mostly government imports). Meanwhile, total export proceeds marginally rose by \$0.1 million and was due to higher proceeds from marine exports.

After recording a deficit in the previous month, the income account recorded a surplus of \$1.5 million in February 2020. This was largely due to a \$3.0 million decline in income payments following the high dividend payments made last month, which was greater than the \$0.3 million decline in income receipts.

The surplus in the services account narrowed by \$0.3 million to \$4.4 million over the month, owing mostly to lower receipts of \$2.7 million which outweighed the decline in payments by \$2.3 million. Service receipts decreased for both travel and other services mainly transportation, and other professional services. Lower service payments were mostly payments for freight and travel allowances. The lower travel receipts are in line with the lower international air arrivals which fell by 36.4% (4,584 passengers) due to the worldwide travel restrictions from COVID-19.

In year ended terms, the current account deficit improved by \$6.7 million to a \$2.2 million deficit. This was mainly driven by a higher surplus in the service account coupled with the lower deficit in merchandise trade. The income and transfers account surpluses declined over the year.

The \$34.4 million surplus in the services account, was \$23.4 million higher than the surplus recorded in the previous year. Travel receipts increased by \$16.3 million over the year and coincided with higher air arrivals (6.0%) and passengers arriving by yacht (32.6%), indicating an active tourism sector. Additionally, service payments fell by \$7.6 million due to lower professional & management,

construction, and transportation-related payments. The merchandise trade deficit improved by \$14.1 million to \$406.2 million. Import payments declined by \$15.2 million due to lower payments for all imports except for oil import payments which rose over the year. This had more than offset a decrease of \$1.1 million in export proceeds which resulted from lower agriculture and other export proceeds. Although the transfer accounts for the highest surplus of \$367.6 million, it is \$25.2 million lower than the previous year, driven mostly by lower official transfer receipts. Furthermore, the income account surplus declined by \$5.6 million as higher income payments of \$5.5 million were made during the year, mostly for payment of dividends abroad.

Capital Account

Capital Account (TOP\$ millions)						
	Month Ended				Year Ended	
	Feb-20	Jan-20	Dec-19	Nov-19	Feb-20	Feb-19
Net Capital Account	1.6	2.0	3.1	1.9	31.6	33.4
Official	0.6	1.0	1.7	0.5	18.6	14.7
Private	1.1	1.0	1.4	1.4	12.9	18.6

Sources: Banking System;NRBT

In February 2020, the capital account recorded a lower surplus of \$1.6 million. This resulted from a decline in official capital receipts by \$0.4 million which outweighed the \$0.1 million increase in private capital account receipts. There were no capital payments recorded for the month.

Similarly, the capital account surplus declined by \$1.8 million to \$31.6 million over the year to February 2020. Capital account receipts fell by \$1.9 million, underpinned by a \$5.7 million decrease in private capital, which outweighed a \$3.8 million increase in official capital account receipts. Additionally, the capital account payments decreased by \$0.1 million for both official and private capital.

Financial Account

Financial Account (TOP\$ millions)						
	Month Ended				Year Ended	
	Feb-20	Jan-20	Dec-19	Nov-19	Feb-20	Feb-19
Net Financial Account	-8.7	2.1	-3.0	-0.5	-23.0	1.0
Direct Investment	0.0	0.2	-0.5	1.2	-2.9	-0.6
Portfolio Investment	0.0	0.0	0.0	0.0	-22.4	0.3
Other Investment	-8.7	1.9	-2.5	-1.6	2.3	1.3

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

Sources: Banking System;NRBT

The financial account recorded a deficit of \$8.7 million in February 2020. This was driven mainly by other investments which are mostly interbank transfers.

Over the year, the financial account recorded a deficit of \$23.0 million compared to a \$1.0 million surplus in the previous year. This largely owes to higher net payments from the portfolio and direct investment accounts, mainly for offshore investments.

Overseas Exchange Transactions

TOP\$ millions

	Month Ended				Year Ended		Monthly Change	Annual Change	Shares of totals*
	Feb-20	Jan-20	Dec-19	Nov-19	Feb-20	Feb-19			
	Total Payments	49.6	60.6	67.5	56.6	756.6			
Current Account	48.0	59.2	61.4	53.1	697.4	710.7	-18.8%	-1.9%	92.2
Imports	31.3	35.9	34.7	33.1	425.6	440.8	-13.0%	-3.4%	56.2
Services	11.2	13.5	19.5	13.4	175.4	183.0	-17.2%	-4.2%	23.2
Primary Income	0.2	3.3	0.3	0.2	23.2	17.7	-93.0%	31.1%	3.1
Transfers	5.4	6.5	6.8	6.4	73.2	69.2	-17.1%	5.8%	9.7
Official	0.2	0.0	0.0	0.1	5.1	4.6	0.0%	10.0%	0.7
Private	4.8	5.8	6.3	5.9	67.8	64.3	-17.1%	5.4%	9.0
Non-Profit	0.4	0.7	0.5	0.4	0.3	0.3	-40.0%	20.3%	0.0
Capital Account	0.0	0.0	0.2	0.4	1.7	1.8	0.0%	-5.7%	0.2
Official	0.0	0.0	0.0	0.3	0.4	0.5	0.0%	-18.6%	0.1
Private	0.0	0.0	0.2	0.1	1.3	1.3	0.0%	-0.7%	0.2
Financial Account	1.6	1.5	5.9	3.0	57.5	43.1	7.2%	33.5%	7.6
Direct Investment	0.0	0.0	1.1	0.0	7.3	1.7	0.0%	322.2%	1.0
Portfolio Investment	0.0	0.0	0.0	0.0	22.4	0.0	0.0%	0.0%	3.0
Other Investment	1.6	1.5	4.7	3.0	27.8	41.3	6.6%	-32.7%	3.7
Total Receipts	58.4	54.7	73.7	63.2	812.6	849.7	6.8%	-4.4%	100%
Current Account	52.1	50.5	59.1	51.9	695.2	701.8	3.2%	-0.9%	89%
Exports	1.1	1.1	2.2	1.7	19.4	20.4	6.9%	-5.1%	1.9%
Agriculture	0.3	0.4	0.8	0.7	7.9	11.2	-7.3%	-29.3%	1%
Marines	0.8	0.6	1.2	0.9	9.9	6.8	38.8%	46.4%	1%
Other	0.0	0.2	0.1	0.2	1.3	2.2	-76.6%	-42.6%	0%
Services	15.5	18.2	19.8	17.1	209.8	194.0	-14.6%	8.1%	27%
Travel	9.9	11.2	11.8	10.7	137.2	121.0	-11.1%	13.4%	17%
Other	5.6	7.0	7.9	6.3	72.6	73.1	-20.2%	-0.7%	10%
Primary Income	1.7	2.0	1.9	1.8	25.2	25.3	-14.4%	-0.4%	3%
Transfers	33.7	29.2	35.3	31.3	440.8	462.1	15.5%	-4.6%	58%
Official	6.6	0.4	1.3	0.4	70.9	96.7	1531.5%	-26.6%	11%
Private	22.8	24.3	30.2	27.1	319.7	317.2	-6.3%	0.8%	39%
Non-Profit	4.3	4.5	3.8	3.9	50.2	48.2	-4.0%	4.2%	7%
Capital Account	1.6	2.0	3.4	2.3	33.3	35.2	-18.2%	-5.4%	3%
Official	0.6	1.0	1.7	0.8	19.0	15.2	-39.8%	24.9%	1%
Private	1.1	1.0	1.7	1.5	14.3	19.9	1.9%	-28.5%	2%
Financial Account	4.7	2.2	11.2	9.0	84.1	112.7	110.5%	-25.3%	8%
Direct Investment	0.0	0.2	0.6	1.2	4.4	1.1	-100.0%	293.8%	0%
Portfolio Investment	0.0	0.0	0.0	0.0	0.0	0.3	0.0%	-99.3%	0%
Other Investment	4.7	2.0	10.6	7.8	79.7	111.3	130.6%	-28.4%	8%

Sources: Banking System; NRBT