

Overseas Exchange Transactions (OET)

December 2016

Release Date: 21 June 2017

Table 1

<i>T\$ m</i>	Dec 16	Nov 16	Oct 16	Sept 16
Overall balance	17.8	-6.1	3.3	-2.5
Total inflows	92.3	51.8	61.3	62.7
Total outflows	51.2	51.5	52.2	61.3
Foreign Reserves	378.8	360.9	367.0	363.7

Higher surplus due to large inflow of foreign aid.

Total OET Receipts

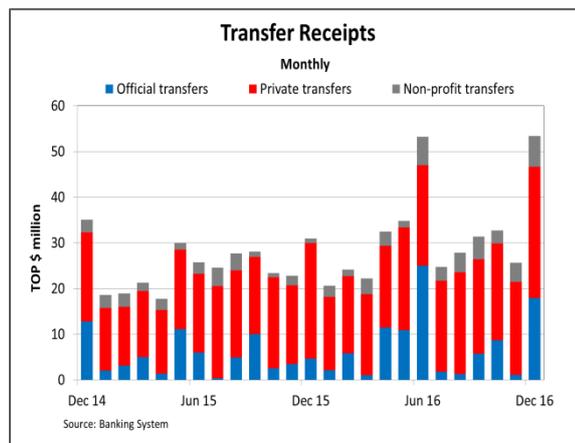
Total OET receipts reached a record high level of \$92.3 million in December 2016, a significant increase of \$7.5 million from the previous peak of \$84.8 million in June 2016. This new monthly record is \$40.5 million (78.2%) higher than the previous month, which is attributed mostly to higher receipts of government grants, remittances and interbank transfers. Over the year ended December 2016, total OET receipts rose by \$152.0 million (26.4%) to \$727.3 million driven by higher receipts of remittances, government grants, interbank transfers, travel and other services.

Of the total receipts in December, 48% were denominated in US Dollar (USD) coinciding with the strengthening of the USD against the Tongan Pa'anga. 14% of the total receipts were in Australian dollar (AUD), 11% were in New Zealand Dollars (NZD), and 24% were denominated in Tongan Pa'anga (TOP).

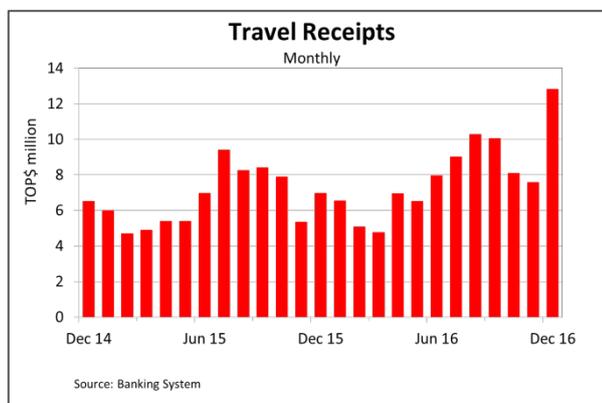
Current Account Receipts

Current account receipts rose significantly to its highest level of \$76.7 million in December, \$34.4 million (81.1%) higher than that in November. The rise was attributed to an increase in official transfers mostly government grants, as well as remittance receipts and higher travel receipts. Over the year, current account receipts rose by \$134.7 million (29.8%) to \$586.3 million, largely owing to higher transfer and service receipts over the year.

Transfer receipts markedly rose over the month by \$27.7 million (108.1%) to \$53.4 million. Official transfers rose significantly over the month to \$17.9 million, which was \$16.8 million higher than the previous month and driving the rise in total OET receipts. This was attributed to large inflows of government grants. Private transfers, which are largely remittance receipts, also rose by 41.6% to a high level of \$28.8 million and these were mainly for supporting of individual families during the Christmas festive period. Transfers received by non-profit institutions, which were mostly funds to local churches, also rose by \$2.5 million to \$6.7 million. Over the year, transfer receipts increased by \$93.2 million (32.1%) to \$383.5 million, mainly private transfer of remittances, which were supported by the celebrations taking place during the year including the Tupou College 150th anniversary, Queen Mother’s 90th birthday, Latter Day Saints Tonga Mission 100th anniversary, family reunions and annual events such as Mother’s Day, church conferences, Children’s White Sunday, and Christmas festivities. Total transfer receipts also represented 58% of total OET receipts. Improvement in the economic conditions in Tonga’s major trading partner countries during the year contributed to the higher transfer receipts.¹

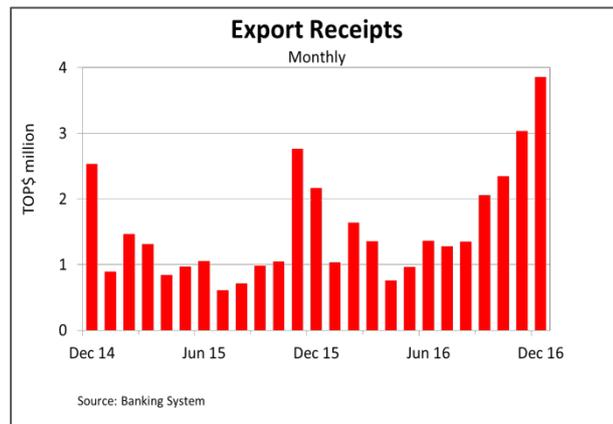


Service receipts also rose over the month by \$5.9 million (48.3%) to \$18.2 million particularly from personal travel. This coincided with the 8,682 passengers rise in international arrivals in the same period due to higher number of passengers arriving for the Christmas holidays and celebrations. Other service receipts also rose by \$0.7 million (14.4%) to \$5.4 million which were mostly rises in professional, management and business services. In year ended terms, service receipts increased by \$32.7 million (25.7%) to \$159.8 million largely due to higher receipts for travel, construction, transport, and telecommunication services. This also reflects positive performance from the tourism, construction and services sectors.



¹ Further information on remittances can now be found on our Remittances Data flash, available on the NRBT website.

Export proceeds rose to \$3.9 million in December by \$0.8 million (27.1%) from the previous month. Proceeds from the export of agricultural products continued to grow by \$0.9 million (44.2%) to \$2.9 million over the month. A slight decline in proceeds from the export of fish and marine products of \$0.3 million (29.5%) was partly offset by a \$0.2 million rise in proceeds from other exported goods. Export receipts changed little over the year as it remained at \$3.9 million however there was a notable



increase in the proceeds from the export of agricultural and other products. This reflects improvement in the yield of crops during the year which was supported by better weather conditions.

Financial Account & Capital Account Receipts

Over the month, financial account receipts increased by \$7.1 million (107.6%) to \$13.7 million driven mostly by higher interbank transfers. On the other hand, capital account receipts declined by \$1.0 million (33.8%) to \$1.9 million underpinned by lower receipts of construction funds for individuals and churches. Over the year, both financial and capital account receipts rose by \$8.5 million (7.9%) and \$8.9 million (54.7%).

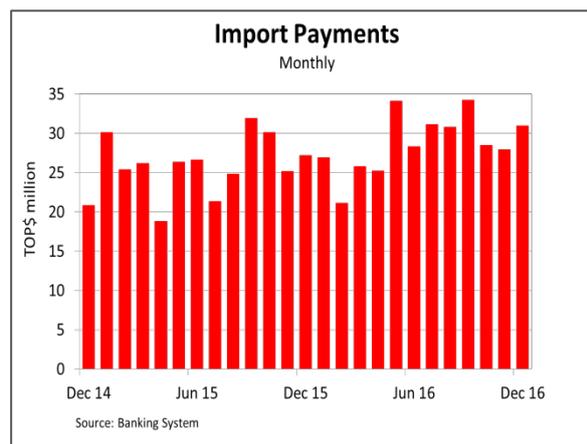
Total OET Payments

Total OET payments declined slightly in December 2016 by \$0.3 million (0.5%) to \$51.2 million. This owed largely to lower capital and financial account payments which were partly offset by the rise in imports payments. Over the year, total OET payments continued to rise by \$71.6 million (13.3%) to \$610.8 million which is largely attributed to higher current account payments.

Current Account Payments

Current account payments rose over the month of December 2016 by \$3.6 million (7.9%) to \$48.7 million which resulted from higher import and service payments. On the other hand, payments of primary income fell by \$0.4 million while transfer payments remained unchanged at \$4.7 million. In year ended terms, current account payments continued to increase by \$76.7 million (15.6%) to \$569.4 million representing 93.2% of total OET payments, which was mainly contributed by higher import and service payments.

Total import payments for December 2016 was \$30.9 million, an increase of \$3.0 million (10.8%) from the previous month. Higher payments for the imports of wholesale & retail goods, government imports and oil imports were partly offset by lower payments for the imports of construction materials and motor vehicles. This coincided with the rise in container registrations by 15.4% in December



2016, however this was not consistent with the rise in vehicle registrations of 28.2% which reflect the lagged effects of payments in advance of vehicles. Over the year, import payments rose by \$30.8 million (9.8%) to \$345.0 million which was attributed mainly to higher payments for the import of wholesale and retail goods, government imports and vehicles.

Service payments slightly rose by \$1.0 million (9.0%) to \$12.2 million which were mainly payments for personal travel and professional services. Over the year, service payments rose by \$26.8 million (24.4%) which were mainly personal travel and telecommunications payments.

Minimal movements were recorded for transfer payments in December however over the year it rose by \$11.2 million (21.4%) to \$63.3 million.

On the other hand, payments of primary income declined over the month of December 2016 by \$0.4 million (31.8%) to \$0.9 million largely due to lower payments of employees compensations and investment income. However, over the year it rose to \$24.2 million by \$7.9 million (48.6%).

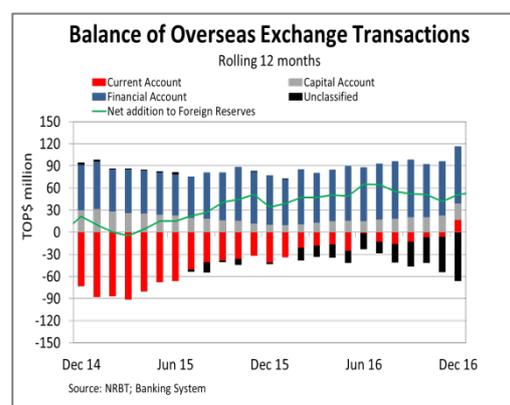
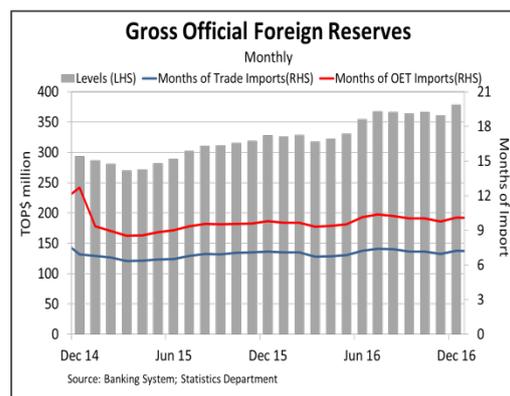
Capital & Financial Account Payments

There were no capital payments in December 2016 and over the year, it fell to \$2.6 million from \$5.7 million in the previous year. Financial account payments declined over the month by \$1.8 million (41.3%) to \$2.5 million and over the year by \$2.1 million (5.0%) to \$38.7 million mostly in the form of interbank transfers.

Overall Balance & Foreign reserves

The overall balance of OET for December 2016 was a surplus of \$17.8 million, compared to a deficit of \$6.1 million in November. This resulted in the rise in the level of foreign reserves to \$378.8 million over the month, sufficient to cover 7.2² months of imports, well above the NRBT's minimum range of 3-4 months.

The outlook for the foreign reserves is to remain comfortably above the minimum range, given the expectation of on-going remittance receipts and other assistance from donor partners. However, delays to the inflow of these funds may pose a risk to the outlook.



² 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	
	Dec-16	Nov-16	Oct-16	Sep-16	Dec-16	Dec-15
Total Payments	51.2	51.5	52.2	61.3	610.8	539.2
Current Account	48.7	45.1	50.2	58.2	569.4	492.7
Imports	30.9	27.9	28.5	34.2	345.0	314.2
Services	12.2	11.1	10.5	14.2	136.9	110.1
Primary Income	0.9	1.3	6.5	5.0	24.2	16.3
Transfers	4.7	4.7	4.8	4.7	63.3	52.2
Official	0.0	0.0	0.0	0.0	3.6	2.2
Private	4.3	4.7	4.5	4.7	59.5	49.8
Non-Profit	0.4	0.1	0.2	0.0	0.2	0.2
Capital Account	0.0	2.1	0.3	0.0	2.6	5.7
Official	0.0	0.0	0.0	0.0	0.0	0.0
Private	0.0	2.1	0.3	0.0	2.6	5.7
Financial Account	2.5	4.3	1.7	3.1	38.7	40.8
Direct Investment	0.3	2.8	0.0	0.5	6.1	2.3
Portfolio Investment	0.0	0.0	0.0	0.0	0.0	0.0
Other Investment	2.2	1.5	1.7	2.6	32.6	38.5
Unclassified Payments	0.0	0.0	0.0	0.0	0.0	0.0
Total Receipts	92.3	51.8	61.3	62.7	727.3	575.3
Current Account	76.7	42.4	50.0	51.3	586.3	451.6
Exports	3.9	3.0	2.3	2.1	21.0	14.8
Agriculture	2.9	2.0	1.6	0.9	9.9	5.7
Marines	0.6	0.9	0.4	0.9	8.5	6.3
Other	0.3	0.2	0.3	0.3	2.7	2.9
Services	18.2	12.3	13.4	16.0	159.8	127.1
Travel	12.8	7.6	8.1	10.0	95.6	79.6
Other	5.4	4.7	5.3	5.9	64.2	47.5
Primary Income	1.3	1.4	1.5	1.9	22.0	19.4
Transfers	53.4	25.7	32.7	31.4	383.5	290.3
Official	17.9	1.1	8.7	5.8	93.0	54.9
Private	28.8	20.3	21.2	20.7	246.3	208.0
Non-Profit	6.7	4.2	2.8	5.0	44.2	27.4
Capital Account	1.9	2.8	2.3	3.1	25.1	16.2
Official	0.4	0.7	0.3	0.6	5.5	10.0
Private	1.5	2.1	2.1	2.6	19.6	6.2
Financial Account	13.7	6.6	9.0	8.2	115.9	107.4
Direct Investment	0.0	0.7	0.8	0.5	15.1	1.3
Portfolio Investment	0.0	0.0	0.0	0.0	0.0	0.0
Other Investment	13.7	5.9	8.2	7.7	100.8	106.1
Unclassified Receipts	0.0	0.0	0.0	0.0	0.0	0.0

Sources: banking system; NRBT