

Overseas Exchange Transactions (OET)

November 2016

Release Date: 21 June 2017

Table 1

<i>T\$ m</i>	Nov 16	Oct 16	Sept 16	Aug 16
Overall balance	-6.1	3.3	-2.5	-1.2
Total inflows	51.8	61.3	62.7	61.0
Total outflows	51.5	52.2	61.3	52.8
Foreign Reserves	360.9	367.0	363.7	366.3

Lower receipts of government grants leads to overall deficit

Total OET Receipts

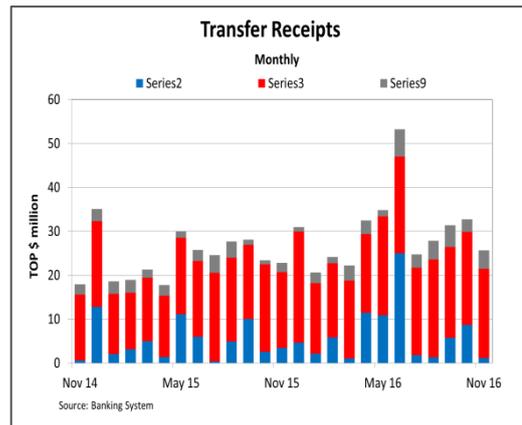
Lower OET receipts were reported for the month of November 2016, as it declined by \$9.5 million (15.5%) to \$51.8 million. This was due mainly to lower receipts of government grants compared to the previous month. Over the year to November, OET receipts reached \$694.4 million, which was \$111.6 million (19.1%) higher than the previous year, mainly driven by higher remittances and services receipts.

The US dollar (USD) remained the major currency for receipt transactions over the month with a share of 49% (\$25.6 million), higher than the share of 39% (\$24.0 million) last month, supported by the stronger USD. The total receipts in Australian dollar (AUD) and New Zealand dollar followed with a share of 19% (\$9.8 million) and 14% (\$7.2 million) respectively.

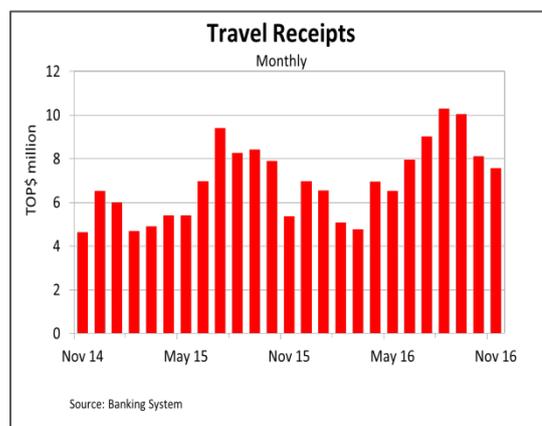
Current Account Receipts

Receipts in the current account declined by \$7.6 million (15.2%) over the month to \$42.4 million. All receipts in the major categories of the current account declined over the month with the exception of exports proceeds. Transfers receipts declined the most particularly official transfers of government grants. Current account receipts in November 2016 represented 82% (\$42.4 million) of total OET receipts. Over the year, receipts in the current account rose by \$103.4 million (22.8%) to \$556.5 million, driving the annual increase in total OET receipts.

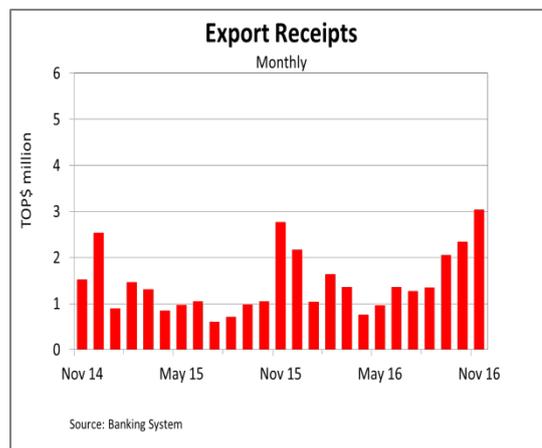
Transfer receipts fell over the month by \$7.1 million (21.6%) to \$25.7 million. While increases were noted in the transfers received by non-profit organizations, these were offset by a \$7.5 million (26.2%) decrease in the receipt of official transfers. This follows the receipt of government budget support funds in October. Private transfers also declined by \$0.9 million (4.4%). Over the year, transfer receipts rose by \$66.7 million (22.6%) to \$361.1 million due to an increase in all categories. It also represented (52.0)% of total OET receipts.



Service receipts also fell over the month by \$1.1 million (8.3%) to \$12.3 million. Travel receipts declined by \$0.5 million (6.6%), coinciding with the fall in international arrivals by 6,514 passengers (46.0%) in November. Other service receipts also declined by \$0.6 million (10.8%), owing mostly to lower receipts of consultation fees. Over the year, service receipts rose by \$29.1 million (23.3%) to \$153.7 million as both travel and other service receipts rose over the period.



Exports receipts for November, on the other hand, rose to \$3.0 million which was \$0.7 million (29.6%) higher than that of the previous month. This reflected the lagged effects of receiving the export proceeds from squash exported in October. In year ended terms, export receipts rose by \$4.2 million (27.4%) to \$19.3, mainly due to an increase in proceeds from agricultural and marine products.



Financial Account & Capital Account Receipts

Financial account receipts for November 2016 was \$6.6 million which was \$2.4 million (26.5%) less than it was a month ago, mostly due to lower interbank transfer transactions. In year ended terms, financial account receipts slightly fell by \$0.1 million (0.1%) to \$111.9 million, again driven by lower interbank transfers. Capital account on the other hand rose by \$0.5 million (20.0%) over the month and over the

year by \$8.3 million (47.1%). This resulted from higher receipt of private grants for capital expenditures such as constructions by individuals and churches.

Total OET Payments

Total OET payments fell in November by \$0.8 million (1.5%) to \$51.5 million. Primary income declined by \$5.2 million over the month driving the fall in the total OET payments. This was largely attributed to dividends remitted abroad to foreign investors in the previous month. However this was partially net off by the rises in private capital payments of \$1.8 million and direct investment payments of \$2.7 million. In year ended terms, total OET payments however rose by \$73.2 million (13.8%) mainly due to higher import payments mainly payments for the import of construction materials.

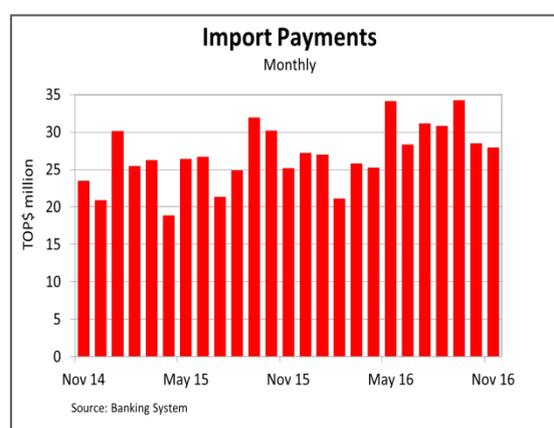
Current Account Payments

Total current account payments of \$45.1 million were recorded in November, which was \$5.1 million (10.2%) lower than it was in October. This was driven by lower dividend payments over the month. In year ended terms, current account payments rose by \$78.4 million (16.2%) to \$562.9 million due mainly to higher import and service payments, representing 93.1% of total OET payments.

Primary income payments fell by \$5.2 million (80.0%) to \$1.3 million over the month due to lower dividend payments sent abroad. Over the year it rose by \$7.2 million (41.8%) to \$24.3 million, driven by higher dividends and distributed profits remitted to foreign investors during the year.

Import payments also fell to \$27.9 million in November; \$0.6 million (1.9%) lower than the previous month. Payments for wholesale and retail trade imports fell by \$2.7 million (14.9%) which were partially offset by an increase in payments for the imports of construction materials. Import payments for oil imports and motor

vehicles also fell by \$0.5 million and \$0.2 million respectively whereas the other imports (mainly by public enterprises) rose by \$0.9 million. Container registrations however rose in November by 286 registrations which might indicate the lagged effect of payments of these containers and their arrival in Tonga. In year-ended terms, import payments rose by \$33.4 million (10.9%) to \$341.2 million due mainly to the payment for the import of construction, wholesale and retail goods. Import payments accounted for 56.4% of total OET payments.

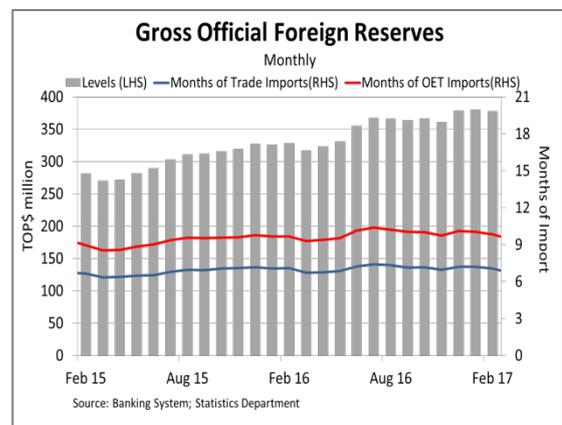
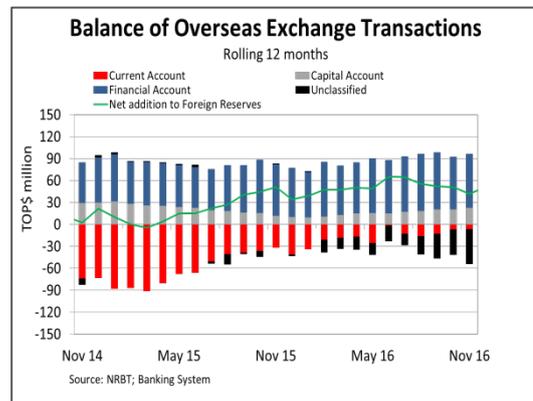


Transfer payments slightly fell by \$0.05 million (1.0%) to \$4.7 million. This resulted from lower non-profit transfer payments which fell by \$0.1 million (62.4%) largely due to lower payment of subscription and membership fees to foreign organizations.

Service payments, on the other hand, rose by \$0.6 million (6.0%) to \$11.1 million which were mainly payments for sea transportation services and consultation services. Similar patterns were also shown in the yearly movements as service payments rose by \$25.4 million (23.5%), driven by an increase in payments for professional services, mainly consultation fees.

Capital & Financial Account Payments

Financial account payments increased over the month by \$2.6 million (150.8%) to \$4.3 million. This was due mainly to a \$2.7 million increase in withdrawal of investment by non-resident investors in resident companies. Financial account payments however decreased over the year by \$2.3 million (5.6%) due mainly to lower payments by individuals to their own accounts overseas and lower withdrawal of deposits in domestic banks by non-residents. Capital payments rose by \$1.8 million to \$2.1 million over the month of November 2016, which was attributed largely to higher private capital payments, mainly payments for construction projects and purchasing of land overseas. Over the year, capital payments declined by \$2.9 million (51.0%) to \$2.8 million which was largely contributed by lower private capital payments.



Overall Balance & Foreign reserves

The overall OET balance for November was a deficit of \$6.1 million compared to a surplus of \$3.3 million in October. This brought the official foreign reserves to \$360.9 million by the end of November, sufficient to cover 7.0¹ 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 for upcoming Christmas festivities and other assistance from donor partners. However, delays to the inflow of these funds may pose a risk to the outlook.

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-16	Oct-16	Sep-16	Aug-16	Nov-16	Nov-15
Total Payments	51.5	52.2	61.3	52.8	604.9	531.7
Current Account	45.1	50.2	58.2	51.4	562.9	484.5
Imports	27.9	28.5	34.2	30.8	341.2	307.8
Services	11.1	10.5	14.2	12.7	133.8	108.4
Primary Income	1.3	6.5	5.0	1.7	24.3	17.1
Transfers	4.7	4.8	4.7	6.2	63.6	51.2
Official	0.0	0.0	0.0	0.0	3.4	2.4
Private	4.7	4.5	4.7	6.1	60.0	48.6
Non-Profit	0.1	0.2	0.0	0.2	0.2	0.2
Capital Account	2.1	0.3	0.0	0.0	2.8	5.6
Official	0.0	0.0	0.0	0.0	0.0	0.0
Private	2.1	0.3	0.0	0.0	2.7	5.6
Financial Account	4.3	1.7	3.1	1.4	39.2	41.6
Direct Investment	2.8	0.0	0.5	0.5	6.1	2.0
Portfolio Investment	0.0	0.0	0.0	0.0	0.0	0.0
Other Investment	1.5	1.7	2.6	0.9	33.1	39.5
Unclassified Payments	0.0	0.0	0.0	0.0	0.0	0.0
Total Receipts	51.8	61.3	62.7	61.0	694.4	582.8
Current Account	42.4	50.0	51.3	48.7	556.5	453.1
Exports	3.0	2.3	2.1	1.3	19.3	15.2
Agriculture	2.0	1.6	0.9	0.3	8.2	5.5
Marines	0.9	0.4	0.9	0.8	8.5	6.1
Other	0.2	0.3	0.3	0.2	2.8	3.6
Services	12.3	13.4	16.0	17.1	153.7	124.6
Travel	7.6	8.1	10.0	10.3	89.8	79.2
Other	4.7	5.3	5.9	6.8	63.9	45.4
Primary Income	1.4	1.5	1.9	2.4	22.4	18.9
Transfers	25.7	32.7	31.4	27.9	361.1	294.4
Official	1.1	8.7	5.8	1.3	79.7	63.1
Private	20.3	21.2	20.7	22.3	242.8	202.2
Non-Profit	4.2	2.8	5.0	4.3	38.6	29.1
Capital Account	2.8	2.3	3.1	1.5	26.0	17.6
Official	0.7	0.3	0.6	0.2	7.4	7.8
Private	2.1	2.1	2.6	1.3	18.6	9.8
Financial Account	6.6	9.0	8.2	10.9	111.9	112.1
Direct Investment	0.7	0.8	0.5	5.0	15.2	2.3
Portfolio Investment	0.0	0.0	0.0	0.0	0.0	0.0
Other Investment	5.9	8.2	7.7	5.9	96.8	109.7
Unclassified Receipts	0.0	0.0	0.0	0.0	0.0	0.0

Sources: banking system; NRBT