

Overseas Exchange Transactions (OET)

December 2015

Release Date: 21 April 2016

Table 1

<i>T\$ m</i>	Dec 15	Nov 15	Oct 15	Sep 15
Overall balance	8.8	3.1	4.1	0.9
Total inflows	59.5	41.0	58.4	54.6
Total outflows	44.7	44.1	49.0	57.5
Foreign Reserves	327.8	319.0	315.8	311.7

Holiday festivities attracts higher inflows for Tonga

Total OET Receipts

Total OET receipts resumed its high levels in December 2015 after a fall in November to \$41.0 million, reaching its highest level for 2015 of \$59.5 million. The month of December is normally associated with high OET receipts, as it marks the holiday season where a lot of festivities take place such as family reunions, church conferences and Christmas celebrations. All major accounts improved during the month with current account increasing the most due to transfers, followed by other investments in the financial account. On annual terms, the year 2015 showed strong inflows with OET receipts rising by 14.3% to \$579.6 million. Transfer and services receipts play a key role in this annual rise, whereas majority of the receipt transactions were received by businesses and denominated in the US dollar (USD).

Current Account Receipts

Current account receipts rose sharply during the month by 27.8% to \$46.9 million due to higher transfer and services receipts, representing 79% of the total OET receipts. Over the year, current account receipts rose by 20.0% to \$456.4 million at the end of 2015.

Transfer receipts peaked in December as it rose by 35.7% to \$31.0 million, representing 52% of the total OET receipts. Both the official and private transfers increased as this is the time of the year where family and relatives overseas sent cash

gifts to their loved ones back home. Over the year, transfer receipts increased by 17.3% to \$293.4 million¹ remaining as one of Tonga's largest inflows.

Service receipts also grew by 26.2% to \$12.0 million, due to higher receipts from personal travel services. This coincides with a 69.6% rise in visitor arrivals during this peak month for travelling. Visitors visit Tonga for holidays and to attend various festivities with families and friends. Over the year, service receipts increased by 30.6% to \$127.7 million.

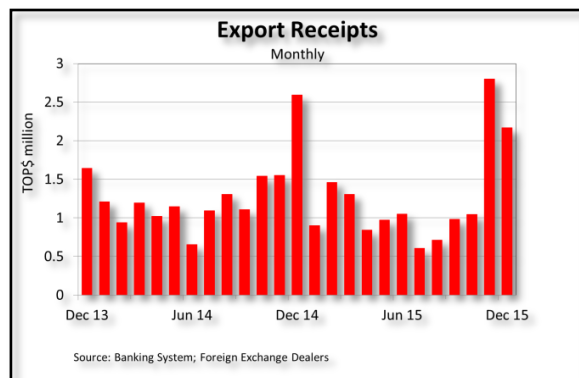
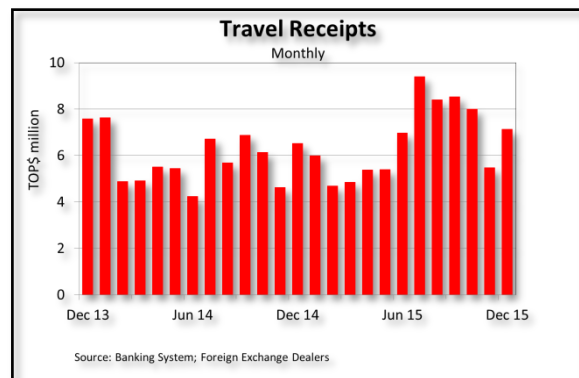
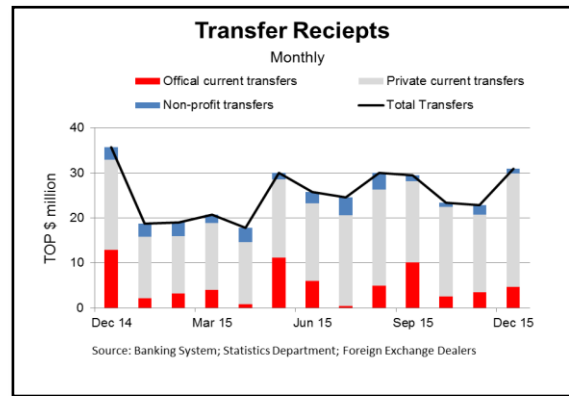
Export receipts over the month fell by 22.7% to \$2.2 million, with proceeds from agricultural exports falling by \$0.8 million marking the end of the squash season. Over the year, export receipts declined by 3.3% due to \$14.8 million due to lower receipts from other exports.

Financial Account & Capital Account Receipts

Financial account receipts recovered in December rising to \$9.9 million, \$6.0 million higher than that in November. This rise was mostly in the form of interbank transfers flowing into the country from its overseas correspondent banks. Capital account receipts also rose in December by \$2.3 million to \$2.7 million due to receipt of official grants for various construction projects.

Total OET Payments

Total OET payments slightly rose by 1.3% in December 2015 to \$44.7 million, mainly due to higher import payments. On year ended terms however, total OET payments rose by 11.8% from \$481.1 million to \$537.8 million caused by higher payments made for imports and other financial investments.

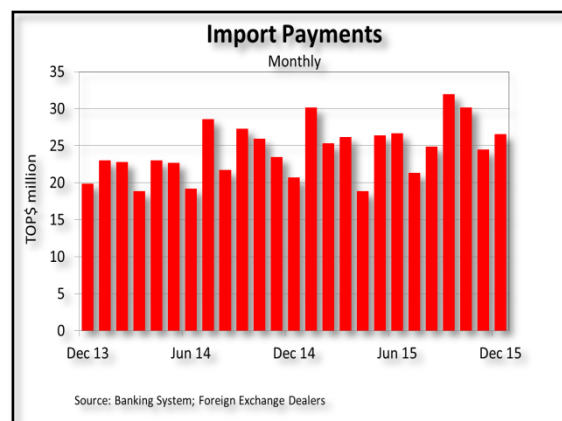


¹ Further information on remittances can now be found on our Remittances Data flash, available on the NRBT website.

Current Account Payments

Current account payments for the month were 5.8% higher than last month, rising to \$41.6 million, representing 93% of total OET payments. Over the year, current account payments increased by 8.5% to \$490.7 million due to higher annual import payments.

Import payments increased by 8.6% to \$26.6 million over the month, driving the overall increase in current accounts. This coincides with a 34.1% rise in container registrations over the month, indicating a vibrant domestic trade sector during the Christmas festive season. Higher import payments were made for wholesale & retail goods and construction materials, offsetting the fall in oil import payments. In year-ended terms, import payments rose by 12.8% to \$312.7 million, and accounted for 58% of total OET payments.



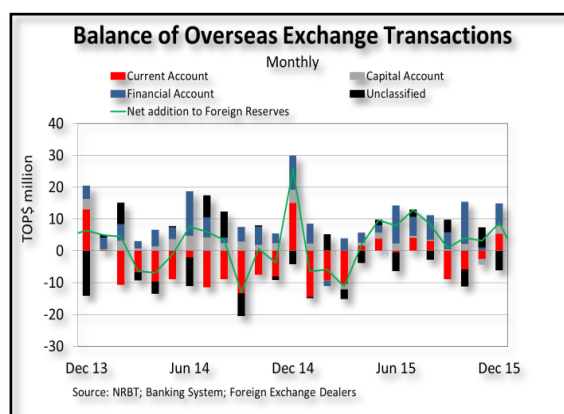
Service payments increased by 2.8% to \$9.1 million owing mostly to higher payments made for transport services. Primary income payments and transfer payments did not incur much change over the month of December.

Capital & Financial Account Payments

Capital account payments have fallen back to \$0.1 million, \$1.9 million lower than last month due to lower capital expenditures made by private residents. Financial account payments, on the other hand, rose slightly by 5.4% to \$3.0 million due to external loan payments and interbank transfers.

Overall Balance & Foreign reserves

The balance of Overseas Exchange Transactions, which is equivalent to the net change to foreign reserves over the month of December 2015, was a surplus of \$8.8 million, \$5.7 million higher than November's surplus. Net current accounts and net financial account showed higher surpluses this month, contributing to the improved overall balance. In year-ended



terms, the overall balance was a surplus of \$34.2 million compared to only \$21.8 million in the previous year.

Foreign reserves reached another record high of \$327.8 million in December, sufficient to cover 9.6 months of imports, well above the NRBT's minimum range of 3-4 months. The outlook for the level of foreign reserves is still considered to remain comfortably above minimum range given the expectation of on-going aid in the form of budget support and other assistance from donor partners. However, delays to the inflow of these funds will pose a risk to the outlook.

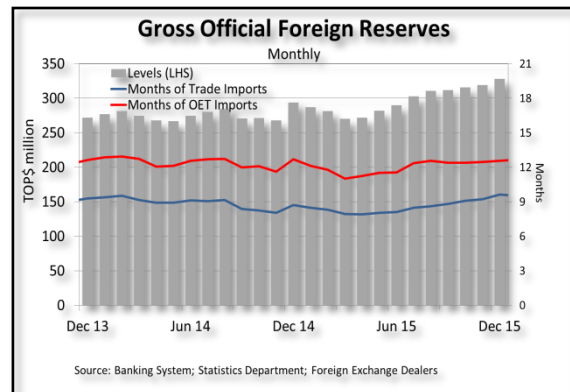


Table 2

Overseas Exchange Transactions
TOP\$ millions

	Month Ended				Year Ended	
	Dec-15	Nov-15	Oct-15	Sep-15	Dec-15	Dec-14
Total Payments	44.7	44.1	49.0	57.5	537.8	481.1
Current Account	41.6	39.3	44.7	53.6	490.7	452.3
Imports	26.6	24.5	30.1	31.9	312.7	277.1
Services	9.1	8.8	9.3	12.1	110.8	108.4
Primary Income	1.0	1.0	0.5	5.0	15.3	21.3
Transfers	5.0	4.9	4.8	4.6	51.9	45.5
Official	0.0	0.0	0.0	0.0	1.8	1.6
Private	4.9	4.8	4.6	4.5	49.9	43.8
Non-Profit	0.1	0.2	0.2	0.1	0.2	0.1
Capital Account	0.1	2.0	0.0	0.0	5.7	2.8
Official	0.0	0.0	0.0	0.0	0.0	2.3
Private	0.1	2.0	0.0	0.0	5.7	0.5
Financial Account	3.0	2.8	4.3	3.8	41.5	26.0
Direct Investment	0.3	1.1	0.3	0.3	3.0	0.1
Portfolio Investment	0.0	0.0	0.0	0.0	0.0	0.0
Other Investment	2.7	1.7	4.0	3.5	38.4	25.9
Total Receipts	59.5	41.0	58.4	54.6	579.6	507.3
Current Account	46.9	36.7	38.7	44.8	456.4	380.4
Exports	2.2	2.8	1.0	1.0	14.8	15.4
Agriculture	1.2	2.0	0.3	0.2	5.4	5.1
Marines	0.5	0.4	0.6	0.7	6.2	4.1
Other	0.4	0.2	0.2	0.1	1.0	3.4
Services	12.0	9.5	12.2	13.1	127.7	97.8
Travel	7.1	5.5	8.0	8.5	80.2	69.2
Other	4.9	4.0	4.3	4.6	47.5	28.6
Primary Income	1.8	1.6	2.0	1.2	20.5	17.2
Transfers	31.0	22.9	23.4	29.5	293.4	250.0
Official	4.6	3.5	2.6	10.1	53.4	43.6
Private	25.3	17.2	19.8	18.1	219.5	184.4
Non-Profit	1.1	2.1	1.0	1.2	28.0	26.5
Capital Account	2.7	0.4	2.3	0.5	16.0	35.6
Official	2.3	0.1	1.6	0.4	9.3	9.3
Private	0.4	0.3	0.6	0.2	6.7	26.4
Financial Account	9.9	3.9	17.4	9.2	107.1	91.3
Direct Investment	0.0	0.1	0.0	0.0	1.2	15.7
Portfolio Investment	0.0	0.0	0.0	0.0	0.0	0.0
Other Investment	9.9	3.8	17.3	9.2	105.9	75.6

Sources: banking system; foreign exchange dealers, NRBT