

Overseas Exchange Transactions (OET)

January 2016

Release Date: 10 May 2016

Table 1

<i>T\$ m</i>	Jan 16	Dec 15	Nov 15	Oct 15
Overall balance	-1.6	8.8	3.1	4.1
Total inflows	39.1	59.5	41.0	58.4
Total outflows	42.8	44.7	44.1	49.0
Foreign Reserves	326.3	327.8	319.0	315.8

Lower transfer receipts marks end of holiday season

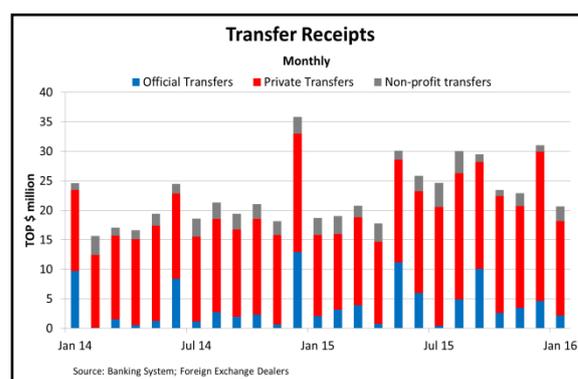
Total OET Receipts

January 2016 recorded a decline in total OET receipts over the month by \$20.4 million (34.2%) to \$39.1 million, following the peak in December 2015. A significant decrease of \$14.1 million in the current account receipts largely owes to lower transfer receipts. However, over the year, total OET receipts rose by \$77.3 million (15.4%) to \$579.2 million, supported by higher transfer and services inflows received throughout the year. Majority of the receipt transactions were denominated in US dollar (USD).

Current Account Receipts

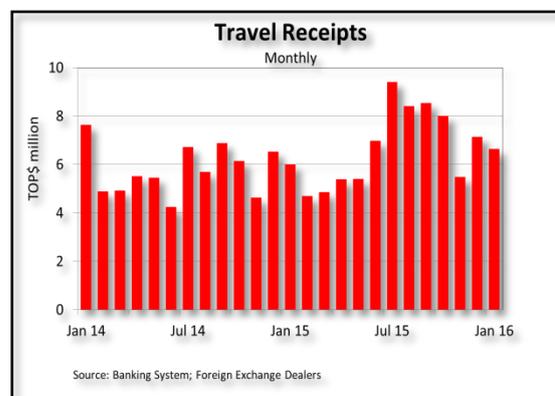
Current account receipts started off the year 2016 at \$32.8 million for the month of January, \$14.1 million (30.0%) lower than the previous month, and representing 84% of total OET receipts. All major components declined over the month with transfer receipts declining the most. Over the year, current account receipts were 24.3% higher than a year ago, driven mostly by strong growth in transfers and services receipts.

Transfer receipts fell over the month of January 2016 by \$10.4 million (33.4%) to \$20.3 million, after peaking in December 2015 at \$31 million. This was driven by a \$9.3 million (36.7%) drop in private

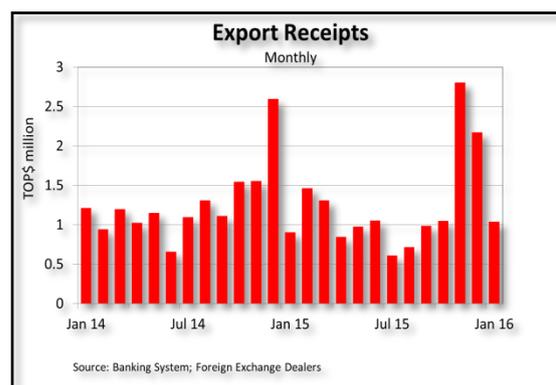


transfers to \$16 million, due to the end of the Christmas festivities last month. Official transfers also declined by \$2.4 million (52.9%) offsetting a \$1.3 million rise in transfers received by non-profit organizations. Over the year ended January 2016, transfer receipts rose to \$295.3 million, which is 20.8% higher than the previous year.¹

Service receipts also fell over the month by \$2.1 million (17.7%) to \$9.9 million as both travel and other services declined by \$0.5 million (6.9%) and \$1.7 million (33.7%) respectively. This coincides with a fall in international arrivals by 28.3% marking the end of the Christmas holidays. Over the year ended January 2016, service receipts rose by \$34.7 million (36.6%) to \$129.7 million reflecting a strong services sector during the year.



Export receipts further declined over the month of January by \$1.2 million (52.3%) to \$1.0 million, with agricultural exports falling by \$0.9 million (78.1%) and other exported goods by \$0.3 million (76.1%). This is in line with a fall in the volume of agricultural exports for the month of January by 361.3 tonnes (67.8%), which may also be due to bad weather conditions



during the cyclone season. Proceeds from the export of fisheries and other marine products however, rose by \$0.2 million (21.7%) over the month. On year ended terms, export receipts slightly dropped by \$0.1 million (0.5%) to \$15 million due to a fall in proceeds from other exported goods despite the rises in the proceeds from the export of agricultural, fisheries and other marine products.

Financial Account & Capital Account Receipts

Contributing to the lower OET receipts, were the decline in financial account receipts by \$5.3 million over the month to \$4.6 million. Tongan residents' withdrawal of funds from their foreign currency accounts overseas were lower this month compared to the previous month. Capital account receipts also fell by \$1.0 million due to lower

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

receipts of official grants compared to the previous month, offsetting the rise in other capital transfer receipts.

Total OET Payments

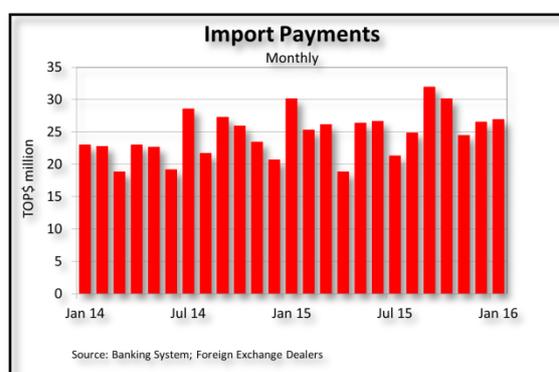
Total OET payments slightly fell by \$1.9 million (4.2%) in January 2016 to \$42.8 million, driven mostly by lower services payments compared to the previous month. On year ended terms however, total OET payments continued to rise by \$48.9 million (10.1%) from \$486.1 million to \$535 million attributing to higher payments made for imports and other financial investments.

Current Account Payments

Current account payments were \$1.5 million (3.5%) lower in January 2016 than the previous month, falling to \$40.1 million which represents 94% of total OET payments. Lower service payments for the month caused the overall decline in current account payments. Over the year, current account payments increased by \$30.2 million (6.6%) to \$487.9 million owing to higher import payments.

Services payments fell by \$1.6 million (17.5%) to \$7.5 million over the month, underpinned by lower payments for transport, telecommunication, and professional business services. Over the year, service payments were \$4.0 million (3.8%) higher this year than it was a year ago.

Import payments slightly rose by \$0.3 million (1.4%) to \$26.9 million over the month of January 2016. Higher payments for imports of oil, wholesale and retail goods offset the fall in payments for imports of construction materials. In year-ended terms, import payments rose by \$25.2 million (8.9%) at the end of January 2016 to \$309.5 million, and accounted for 58% of total OET payments.



Primary income payments fell by \$0.4 million over the month, whereas transfer payments rose by \$0.1 million.

Capital & Financial Account Payments

There were no capital payments in January, compared to a \$0.1 million capital payment in the previous month. Financial account payments have fallen by \$0.3

million (10%) over the month to \$2.7 million supported by fewer external loan payments.

Overall Balance & Foreign reserves

The balance of Overseas Exchange Transactions, which is equivalent to the net change to the foreign reserves level over the month of January 2016, was a deficit of \$1.6 million, following nine consecutive months of surpluses. Compared to the same month last year, this month's deficit is \$4.9 million lower. The net current account deficit combined with the lower net financial account surplus contributed to the overall deficit. In year-ended terms, the overall balance was a surplus of \$39.1 million compared to only \$10.4 million in the previous year.

Foreign reserves slightly declined to \$326.3 million in January 2016, sufficient to cover 9.5 months of imports, and well above the NRBT's minimum range of 3-4 months of imports. The outlook for the foreign reserves is considered to remain comfortably above the minimum range, given the expectation of on-going remittance receipts, Government 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.

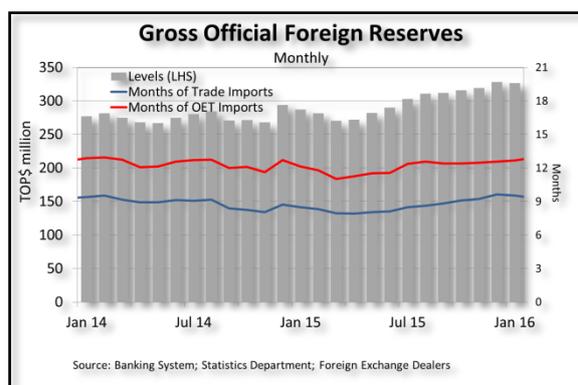
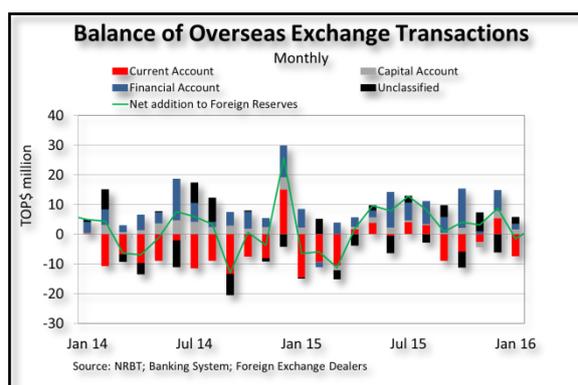


Table 2

Overseas Exchange Transactions
TOP\$ millions

	Month Ended				Year Ended	
	Jan-16	Dec-15	Nov-15	Oct-15	Jan-16	Jan-15
Total Payments	42.8	44.7	44.1	49.0	535.0	486.1
Current Account	40.1	41.6	39.3	44.7	487.9	457.7
Imports	26.9	26.6	24.5	30.1	309.5	284.3
Services	7.5	9.1	8.8	9.3	110.2	106.2
Primary Income	0.6	1.0	1.0	0.5	15.3	21.2
Transfers	5.1	5.0	4.9	4.8	53.0	46.0
Official	0.0	0.0	0.0	0.0	1.8	1.6
Private	5.1	4.9	4.8	4.6	51.0	44.4
Non-Profit	0.1	0.1	0.2	0.2	0.2	0.1
Capital Account	0.0	0.1	2.0	0.0	5.7	0.3
Official	0.0	0.0	0.0	0.0	0.0	0.0
Private	0.0	0.1	2.0	0.0	5.7	0.3
Financial Account	2.7	3.0	2.8	4.3	41.4	28.1
Direct Investment	0.2	0.3	1.1	0.3	3.2	0.1
Portfolio Investment	0.0	0.0	0.0	0.0	0.0	0.0
Other Investment	2.5	2.7	1.7	4.0	38.1	27.9
Total Receipts	39.1	59.5	41.0	58.4	579.2	501.9
Current Account	32.8	46.9	36.7	38.7	460.9	370.9
Exports	1.0	2.2	2.8	1.0	15.0	15.0
Agriculture	0.3	1.2	2.0	0.3	5.5	4.9
Marines	0.7	0.5	0.4	0.6	6.6	4.0
Other	0.1	0.4	0.2	0.2	1.0	3.2
Services	9.9	12.0	9.5	12.2	129.7	95.0
Travel	6.6	7.1	5.5	8.0	80.8	67.5
Other	3.2	4.9	4.0	4.3	48.9	27.4
Primary Income	1.3	1.8	1.6	2.0	20.9	16.4
Transfers	20.6	31.0	22.9	23.4	295.3	244.5
Official	2.2	4.6	3.5	2.6	53.5	36.0
Private	16.0	25.3	17.2	19.8	222.0	184.6
Non-Profit	2.4	1.1	2.1	1.0	27.5	28.3
Capital Account	1.7	2.7	0.4	2.3	15.4	35.2
Official	0.3	2.3	0.1	1.6	8.6	8.0
Private	1.4	0.4	0.3	0.6	6.8	27.2
Financial Account	4.6	9.9	3.9	17.4	102.8	95.9
Direct Investment	0.1	0.0	0.1	0.0	1.3	15.2
Portfolio Investment	0.0	0.0	0.0	0.0	0.0	0.0
Other Investment	4.5	9.9	3.8	17.3	101.5	80.7

Sources: banking system; foreign exchange dealers, NRBT