

Overseas Exchange Transactions (OET)

March 2017

Release Date: 28 June 2017

Table 1

<i>T\$ m</i>	Mar 17	Feb 17	Jan 17	Dec 16
Overall balance	-11.5	-3.2	2.1	17.8
Total inflows	49.4	44.8	57.5	92.3
Total outflows	59.0	45.9	42.8	51.2
Foreign Reserves	366.0	377.7	380.8	378.8

Overall deficit widened mainly on higher import payments.

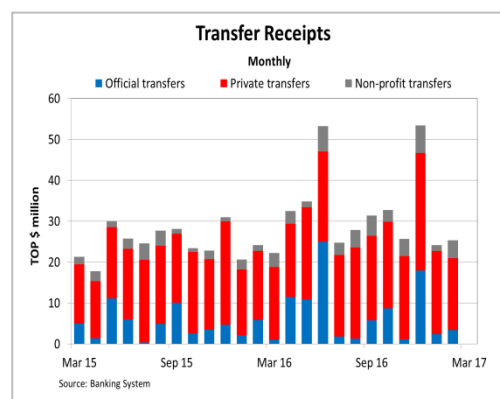
Total OET Receipts

Total OET receipts for the month of March 2017 rose by \$4.7 million (10.5%) to \$49.4 million. This was driven by higher current account receipts, particularly higher transfer receipts, and a slight increase in financial account receipts which were partly offset by the lower capital account receipts. In year ended terms, OET receipts reached \$740.6 million, which was \$140.6 million (23.4%) higher than the previous year, underpinned by the higher current account receipts. The US dollar (USD) remained as the major currency for receipt transactions over the month with a share of 47% (\$23.3 million), lower than the share of 52% (\$23.4 million) last month. The Australian dollar followed with a share of 19% (\$9.6 million), higher than the share of 15% (\$6.8 million) last month. New Zealand dollar has a share of 15% (\$7.4 million), again higher than the share of 13% (\$5.9 million) last month.

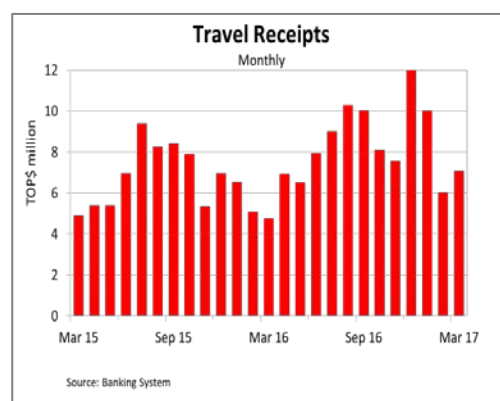
Current Account Receipts

Current account receipts rose by \$5.7 million (15.2%) over the month of March to \$42.8 million, representing 87% of total OET receipts. All major components rose over the month with transfer receipts rising the most by \$3.1 million (12.4%) to \$28.5 million, attributed mainly to higher high private transfers. Over the year, current account receipts were 27.4% higher than a year ago, driven mostly by strong growth in transfer receipts.

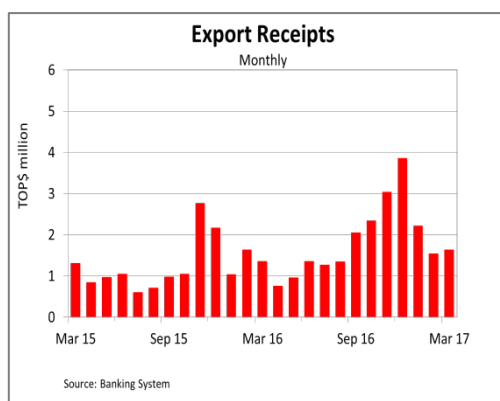
Transfer receipts rose over the month of March 2017 by \$3.1 million (12.4%). This was driven by a \$3.6 million rise in private transfers to \$21.2 million underpinned by higher remittances. In year ended terms, transfer receipts rose to \$394.4 million, which was 32.1% higher than the previous year, due mainly to higher receipts of government grants and private remittances.



Service receipts also rose over the month by \$2.3 million (24.8%) to \$11.6 million. Travel receipts rose by \$1.0 million (17.0%) due mainly to a rise in personal travel receipts. In addition, other service receipts rose by \$1.3 million (39.4%), owing mostly to higher receipts for transport and telecommunication services. Over the year, service receipts rose by \$27.9 million (20.6%) to \$163.6 million, again driven mainly by higher receipts for personal travel and telecommunication services which corresponded to both the rise in international arrivals and the growth in the tourism and telecommunication sector.



Export receipts for March 2017 slightly rose by \$0.1 million (6.2%) to \$1.6 million. Agricultural export proceeds remained the same from previous month while both proceeds from marine and other exports rose by \$0.1 million each. Total export proceeds over the year increased by \$7.2 million due mainly to an increase in agricultural exports proceeds which coincided with the increase in the volume of agricultural products by 37.3% to 9150 tonnes over the year.



Financial Account & Capital Account Receipts

Capital account receipts for March 2017 declined by \$1.3 million (36.6%) to \$2.3 million, largely due to lower private grants for capital expenditure such as constructions by individuals and churches. In year ended terms, it rose by \$12.9 million (82.8%) to \$28.6 million which again largely reflected private grants for capital expenditures like constructions by individuals and churches.

On the other hand, financial account receipts slightly rose by \$0.4 million over the month to \$4.4 million, due mainly to a slight increase in withdrawal of funds from foreign currency accounts overseas by Tongan residents. In year ended terms, financial account receipts declined by \$1.4 million (1.2%) to \$112.3 million which were underpinned by lower interbank transfer receipts, lower deposits in resident banks by non-residents and lower deposits in non-resident banks by residents.

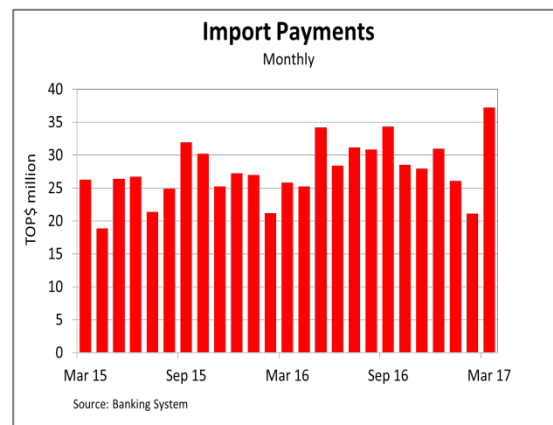
Total OET Payments

Total OET payments rose by \$13.2 million (28.7%) in March 2017 to \$59.0 million, driven mostly by higher import payments compared to the previous month. In year ended terms, total OET payments continued to rise by \$82.0 million (15.2%) to \$620.2 million due mainly to higher import and service payments.

Current Account Payments

Current account payments were \$18.3 million (48.0%) higher in March 2017 compared with the previous month, rising to \$56.5 million and representing 94.3% of total OET payments. Higher import payments for the month drove the overall rise in current account payments. Over the year, current account payments increased by \$95.8 million (19.6%) to \$585 million, owing to higher import and service payments.

Import payments for March 2017 rose by \$16.1 million (76.5%) to \$37.2 million. Payments for all categories of imports rose in March 2017. Oil import payments rose the most by \$7.9 million (357%), wholesale and retail import payments increased by \$4.6 million (33%), and construction and government imports grew by \$1.6 million each. In year-ended terms, import payments rose by \$49.2 million (16.1%) at the end of March 2017 to \$355.4 million due mainly to a rise in payments for construction materials and wholesale & retail goods which coincided with the rise in businesses container registrations by 25.6% (105 containers), and accounted for 57.3% of total OET payments.



Service payments fell by \$1.6 million (11.5%) to \$11.9 million over the month, underpinned by lower payments for airline and telecommunication business services. Over the year, service payments were \$33.7 million (30.0%) higher than the previous year, underpinned by higher payments for government services and other shipping services.

Primary income payments rose by \$1.0 million (200.9%) due to higher payments of dividends and interest on external loans. Over the year, it rose by \$5.8 million (36.0%) driven by higher dividends sent abroad.

Additionally, transfer payments rose by \$2.7 million (88.1%) due to higher private transfer payments such as workers' remittances and family support payments. In year ended terms, transfer payments rose again by \$7.1 million (13.1%) due mainly to higher private transfer payments.

Capital & Financial Account Payments

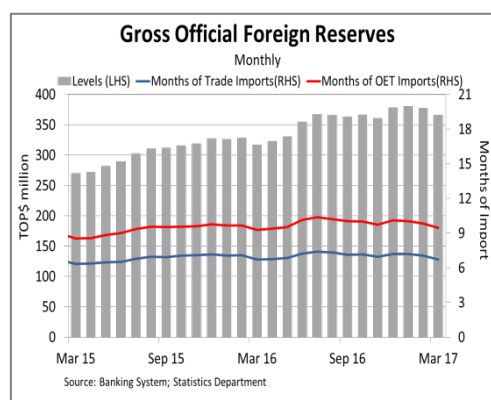
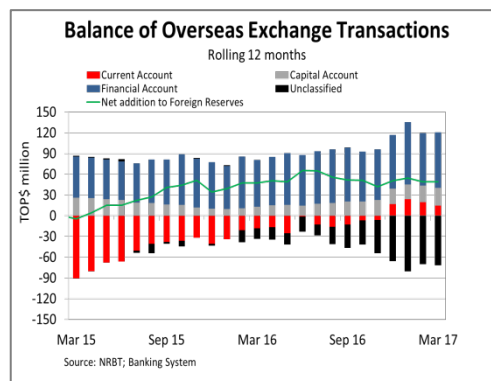
Capital payments for March 2017 slightly rose by \$0.1 million, compared to nil capital payments recorded in the previous month, largely reflecting the reimbursement of unused grant funds by the Government. Over the year capital payments rose by \$0.6 million (24.9%) to \$2.8 million due to higher private grants for capital expenditures such as constructions by individuals and churches.

Financial account payments declined by \$5.2 million (67.8%) over the month to \$2.5 million due mainly to no payment made for direct investments during the month compared with \$6.4 million recorded in the previous month. This was partly offset by an increase in other investment payments of \$1.1 million (82.5%) particularly repayments of external loans. Over the year, financial account payments declined also by \$14.3 million (30.6%) due mainly to lower loan repayments.

Overall Balance & Foreign reserves

In March 2017, the balance of Overseas Exchange Transactions was a deficit of \$11.6 million. This contributed to the decline in the official foreign reserves to \$366.0 million in March 2017, sufficient to cover 6.7¹ months of imports, which remained above the Reserve Bank's minimum range of 3-4 months of imports.

The outlook for the foreign reserves is 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 partly offset by the higher anticipated import payments. However, delays to the inflow of these funds will 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	
	Mar-17	Feb-17	Jan-17	Dec-16	Mar-17	Mar-16
Total Payments	59.0	45.9	42.8	51.2	620.2	538.2
Current Account	56.5	38.2	41.5	48.7	585.0	489.2
Imports	37.2	21.0	26.0	30.9	355.4	306.2
Services	11.9	13.5	10.0	12.2	145.9	112.2
Primary Income	1.5	0.5	0.6	0.9	21.9	16.1
Transfers	5.9	3.1	4.9	4.7	61.8	54.6
Official	0.4	0.0	0.0	0.0	4.4	2.1
Private	4.6	3.1	4.8	4.3	57.1	52.3
Non-Profit	0.9	0.1	0.1	0.4	0.3	0.2
Capital Account	0.1	0.0	0.2	0.0	2.8	2.3
Official	0.1	0.0	0.0	0.0	0.0	0.0
Private	0.0	0.0	0.2	0.0	2.8	2.2
Financial Account	2.5	7.7	1.1	2.5	32.5	46.8
Direct Investment	0.0	6.4	0.0	0.3	11.5	3.2
Portfolio Investment	0.0	0.0	0.0	0.0	0.0	0.0
Other Investment	2.5	1.3	1.1	2.2	20.9	43.6
Unclassified Payments	0.0	0.0	0.0	0.0	0.0	0.0
Total Receipts	49.4	44.8	57.5	92.3	740.6	600.0
Current Account	42.8	37.1	41.6	76.7	599.8	470.8
Exports	1.6	1.5	2.2	3.9	22.4	15.2
Agriculture	0.2	0.2	1.2	2.9	10.5	6.0
Marines	1.0	0.9	0.8	0.6	8.7	6.7
Other	0.4	0.3	0.2	0.3	3.1	2.5
Services	11.6	9.3	14.4	18.2	163.6	135.7
Travel	7.1	6.0	10.0	12.8	102.4	80.4
Other	4.5	3.2	4.4	5.4	61.2	55.3
Primary Income	1.1	1.0	0.9	1.3	19.4	21.4
Transfers	28.5	25.3	24.1	53.4	394.4	298.5
Official	2.9	3.4	2.4	17.9	92.7	53.7
Private	21.2	17.5	20.4	28.8	254.7	217.7
Non-Profit	4.4	4.4	1.4	6.7	47.1	27.1
Capital Account	2.3	3.6	1.1	1.9	28.6	15.6
Official	0.7	0.8	0.3	0.4	6.6	8.9
Private	1.6	2.8	0.8	1.5	21.9	6.7
Financial Account	4.4	4.0	14.8	13.7	112.3	113.7
Direct Investment	0.0	0.0	7.1	0.0	22.1	1.4
Portfolio Investment	0.0	0.0	0.0	0.0	0.0	0.0
Other Investment	4.4	4.0	7.7	13.7	90.2	112.3
Unclassified Receipts	0.0	0.0	0.0	0.0	0.0	0.0

Sources: banking system; NRBT