

Overseas Exchange Transactions (OET) October 2017

Release Date: 25 January 2018

Table 1

<i>T\$ m</i>	Oct 17	Sep 17	Aug 17	Jul 17
Overall balance	10.5	-2.0	-3.9	1.1
Total inflows	69.7	58.8	69.2	62.2
Total outflows	54.9	67.4	63.3	61.0
Foreign Reserves	413.6	403.0	405.0	408.9

Overall balance yields a surplus on higher telecommunications services receipts

Total OET Receipts

In October 2017, the total Overseas Exchange Transaction (OET) receipts rose by 18.6% to \$69.7 million. This was mainly due to higher receipts from telecommunications services, grants to non-profit organization and also supported by receipts from financial account. Capital account receipts on the other hand slightly fell over the month.

In year ended terms, total OET receipts also rose by 12.1% to \$766.4 million driven by higher inflows of private remittance and travel receipts.

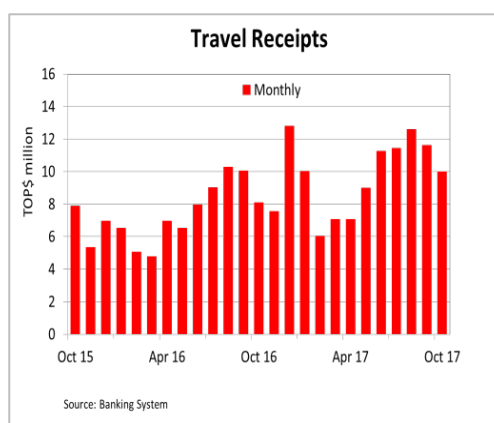
The US dollar (USD) continued to be the dominant currency in OET receipts with a share of 53% of the total OET receipts, increasing from 46% last month. Receipts in Tongan Pa'anga (TOP) and Australian dollar (AUD) followed with a share of 18% and 17% respectively compared to a share of 14% and 21% in the previous month. This coincided with both the strengthening of the US dollar (USD) and Australian dollar (AUD) against the Tongan Pa'anga (TOP).

Current Account Receipts

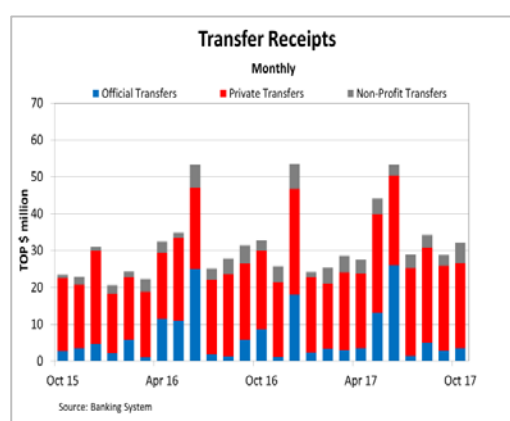
In October 2017, the current account receipts rose by 18.0% to \$56.7 million. This was mainly due to higher service receipts particularly telecommunication services which were partly net off by the decrease in travel receipts. Both transfer and export receipts supported the trend while primary income receipts declined over the month. Over the year, current account receipts rose by 15.1% driven mainly by higher private transfer and travel receipts. Current account receipts accounted for 81% of the total OET receipts in October 2017.

Service receipts rose over the month by \$3.1 million (19.1%) to \$19.1 million. This was driven by higher receipts from other services particularly telecommunication services receipts. On the other hand, travel receipts decreased by \$1.6 million mainly personal travel receipts. In year ended terms, service receipts rose by \$35.7 million (23.7%) to \$186.5 million, of which 62.5% were from travel

receipts and the remaining 37.5% were from the other services. This coincided with the rise in international arrivals by 7.5% over the year.

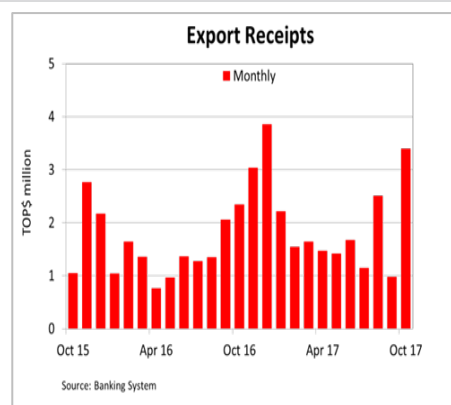


Transfer receipts also rose by \$3.4 million (11.9%) from \$28.7 million last month to \$32.1 million. Non-profit transfer receipts mainly funds for local churches was the main driver with a rise of \$2.6 million (89.0%) over the month to \$5.6 million. Official transfer receipts supported the trend with an increase of \$0.8 million driven mainly by receipts of Government grants. Private transfer receipts



on the other hand remained the same from last month at \$23.0 million. Transfer receipts accounted for 46% of the total OET receipts. In year ended terms, total transfer receipts rose by \$47.3 million (13.2%) to \$405.9 million, driven by higher private transfers, particularly receipts for family support.

The export proceeds rose over the month by \$2.4 million. Agricultural export proceeds rose the most by \$2.1 million, attributed mainly to rise in squash export receipts, reflecting the harvest season. Both marine and other export proceeds also rose slightly by \$0.1 million and \$0.2 million, respectively. Over the year, the total export proceeds rose by \$5.8 million of which \$3.2 million were agricultural exports proceeds.



On the other hand, primary income receipts slightly fell by \$0.2 million over the month due to lower receipts of wages by residents who worked overseas. Over the year, primary income receipts declined by \$5.3 million mainly due to lower receipts of wages of residents working overseas.

Financial Account & Capital Account Receipts

Financial account receipts for October 2017 rose by \$2.3 million to \$8.2 million, mainly due to higher interbank transfers. Direct investment slightly fell by \$0.1 million while portfolio investment continued to record no receipts in October 2017. Capital account receipts remained the same over the month at \$4.9 million. Private capital transfer receipts were \$3.8 million while official capital transfer receipts were \$1.1 million. Over the year to October 2017, financial account receipts declined by \$17.0 million to \$92.3 million while the receipts on the capital account rose by \$16.0 million to \$39.5 million.

Total OET Payments

Total OET payments fell by \$12.4 million (18.5%) to \$54.9 million, mainly due to lower financial account payments. In year ended term, total OET payments rose by \$67.7 million (11.3%) to \$666.0 million, attributed to higher import and direct investment payments, particularly for wholesale & retail goods and intercompany funds payments.

The USD remained the top currency for OET payments in October 2017, rising from a share of 50% last month to 60%. The NZD payments followed with a share of 26% of the total OET payments over the month.

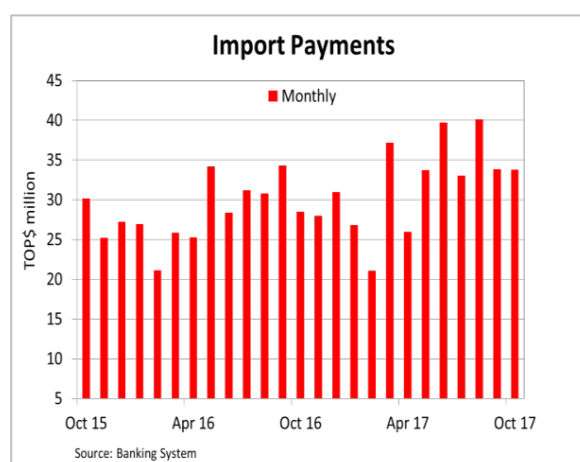
Current Account Payments

Current account payments fell over the month by \$4.0 million (7.0%) to \$53.4 million. All major categories of current account payments declined with the exception of transfer payments. In annual terms, the total current account payments rose by \$58.2 million (10.4%) to \$616.1 million, attributed mainly to higher imports and primary income payments. Current account payments accounted for 92.5% of the total OET payments.

Service payments declined over the month by \$2.6 million to \$11.0 million due to a fall in freight payments by shipping companies. In year ended terms, service payments rose by 8.0% to \$142.0 million attributed mainly to higher payments of transport services.

Primary income payments also fell by \$2.6 million over the month, due mainly to lower payments of interest on external loans, deposits and other liabilities. In year ended terms, primary income payments rose \$11.7 million (48.7%) to \$35.7 million, driven by higher payments of interest on external loans, deposits and other liabilities.

Total import payments slightly fell by \$0.1 million to \$33.7 million. This was attributed mainly to a decrease in payments for imports of oil, construction goods and government goods by \$2.4 million. This was partly outweighed by a \$2.3 million rise in payments for imports of motor vehicles and wholesale & retail goods. Over the year, total import payments rose by \$45.3 million to \$383.8 million, driven mainly by higher



wholesale & retail import payments which rose by \$81.9 million. This coincided with the rise in container registrations over the year by 15.3%.

On the other hand, transfer payments rose by \$1.2 million (33.0%) to \$4.7 million. Both private and non-profit transfer payments rose by \$1.0 million and \$0.2 million respectively while official payment continued to record no payment during the month. In year ended terms, total transfer payments declined by \$9.2 million to \$54.6 million, due mainly to lower private transfer payments particularly gifts sent to families and relatives abroad.

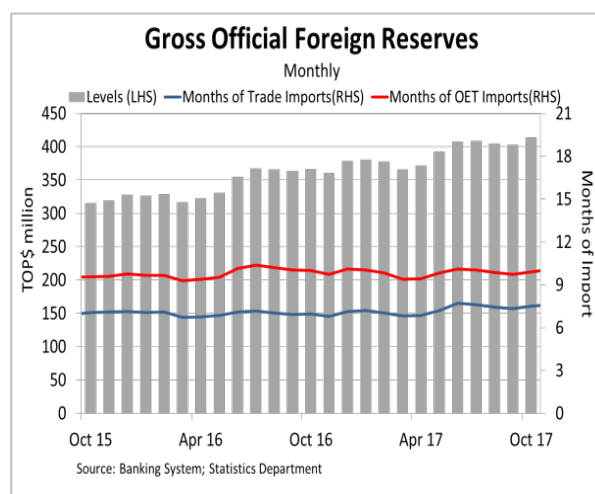
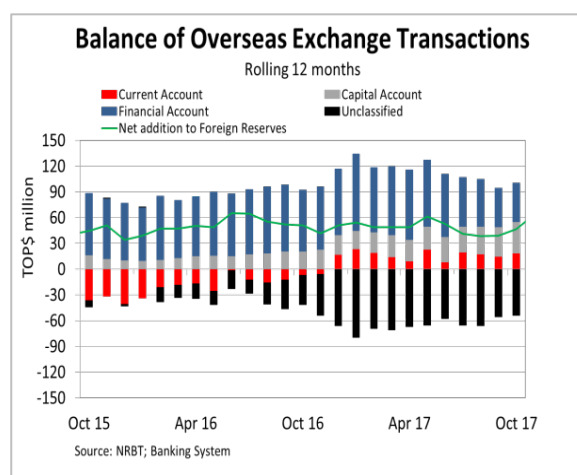
Capital & Financial Account Payments

Financial account payments for the month of October 2017 declined by \$8.2 million to \$1.5 million, mainly due to lower direct investment payments. Other investment slightly fell by \$1.5 million while portfolio investment continued to record no payments in October 2017. Capital account payments slightly fell over the month by \$0.2 million. Private transfer payments drove this decline while official capital transfer payments continued to record no payments in October 2017. Over the year to October 2017, financial account payments rose by \$9.4 million to \$47.2 million while capital account payments remained the same at \$2.6 million.

Overall Balance & Foreign reserves

The balance of Overseas Exchange Transactions recorded a surplus of \$10.5 million for the month of October 2017 after the deficit balance of \$2.0 million in September 2017. This contributed to the rise in the official foreign reserves to \$413.6 million in October 2017, sufficient to cover 7.6¹ months of imports, which remained above the Reserve Bank's minimum range of 3-4 months of imports.

The foreign reserves is anticipated to remain comfortably above the minimum range, given the expectation of on-going remittance receipts, Government receipts from donor partners for technical assistance & other current expenditures and for investment projects or capital expenditures which partly offset the higher anticipated import payments.



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	
	Oct-17	Sep-17	Aug-17	Jul-17	Oct-17	Oct-16
Total Payments	54.9	67.4	63.3	61.0	666.0	598.3
Current Account	53.4	57.5	62.4	51.6	616.1	557.9
Imports	33.7	33.8	40.1	33.0	383.8	338.5
Services	11.0	13.5	14.5	11.1	142.0	131.5
Primary Income	4.0	6.6	2.9	2.5	35.7	24.0
Transfers	4.7	3.5	4.9	5.0	54.6	63.8
Official	0.0	0.0	0.0	0.0	2.4	3.4
Private	4.5	3.5	4.6	5.0	51.6	60.2
Non-Profit	0.2	0.0	0.4	0.0	0.5	0.2
Capital Account	0.0	0.2	0.0	0.0	2.6	2.6
Official	0.0	0.0	0.0	0.0	0.1	0.0
Private	0.0	0.2	0.0	0.0	2.5	2.6
Financial Account	1.5	9.7	0.9	9.4	47.2	37.8
Direct Investment	0.1	6.9	0.4	3.2	20.3	4.5
Portfolio Investment	0.0	0.0	0.0	0.0	0.0	0.0
Other Investment	1.4	2.9	0.5	6.1	26.9	33.3
Unclassified Payments	0.0	0.0	0.0	0.0	0.0	0.0
Total Receipts	69.7	58.8	69.2	62.2	766.4	683.9
Current Account	56.7	48.0	57.4	56.4	634.5	551.1
Exports	3.4	1.0	2.5	1.1	24.9	19.1
Agriculture	2.4	0.3	0.9	0.3	11.5	8.4
Marines	0.6	0.5	0.6	0.4	8.1	8.0
Other	0.3	0.2	1.0	0.4	0.0	2.7
Services	19.1	16.0	18.6	25.1	186.5	150.8
Travel	10.0	11.6	12.6	11.4	116.5	87.6
Other	9.1	4.4	6.0	13.6	70.0	63.3
Primary Income	2.1	2.3	2.1	1.3	17.3	22.6
Transfers	32.1	28.7	34.3	28.8	405.9	358.6
Official	3.5	2.7	5.0	1.4	83.1	82.1
Private	23.1	23.0	25.7	23.8	274.9	238.7
Non-Profit	5.6	2.9	3.6	3.7	47.9	36.5
Capital Account	4.9	4.9	4.1	2.9	39.5	23.5
Official	1.1	2.0	2.1	1.0	13.9	6.8
Private	3.7	2.9	2.0	1.9	25.6	16.7
Financial Account	8.2	5.9	7.6	2.9	92.3	109.3
Direct Investment	0.1	0.2	0.0	0.0	8.8	14.6
Portfolio Investment	0.0	0.0	0.0	0.0	0.0	0.0
Other Investment	8.1	5.7	7.6	2.9	83.5	94.7
Unclassified Receipts	0.0	0.0	0.0	0.0	0.0	0.0

Sources: banking system; NRBT