

# Overseas Exchange Transactions (OET) December 2018

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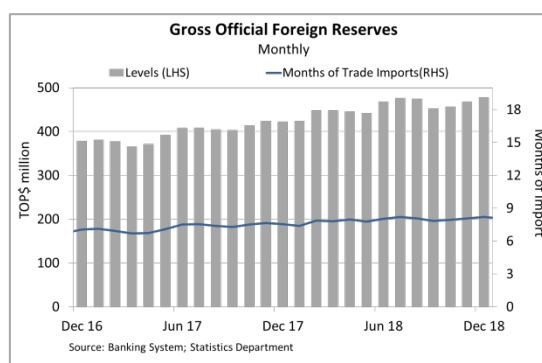
Overseas Exchange Transactions Net Change to Foreign Reserves (TOP\$ millions)						
	Month Ended				Year Ended	
	Dec-18	Nov-18	Oct-18	Sep-18	Dec-18	Dec-17
<b>Overall Balance</b>	<b>9.8</b>	<b>11.4</b>	<b>5.1</b>	<b>-22.8</b>	<b>56.0</b>	<b>43.7</b>
Net Current Account	6.7	21.2	0.5	-16.9	28.2	12.2
Net Capital Account	1.9	1.0	1.3	2.9	27.9	43.7
Net Financial Account	1.2	-10.9	3.3	-8.8	-0.1	-12.3
<b>Foreign Reserve Levels</b>	<b>478.5</b>	<b>468.7</b>	<b>457.3</b>	<b>452.2</b>	<b>478.5</b>	<b>422.5</b>

Sources: Banking System; NRBT

## Lower OET surplus recorded for December following a high month

### Overall Balance & Foreign Reserve

The balance of the overall OET surplus fell by \$1.5 million in December to \$9.8 million. Despite recording a lower surplus than last month, there were higher income, private transfer, and travel receipts which assisted in partially offsetting the overall decline. This further contributed to an increase in the official foreign reserves to \$478.5 million in December, equivalent to 8.2 months of import cover. Annually, the overall OET surplus balance increased by \$12.4 million to \$56.0 million.



This was attributed mainly to higher transfer and income receipts as well as other investment receipts coinciding also with the yearly rise in the official foreign reserves level.

In future, the Reserve Bank continues to expect that the level of foreign reserves will remain at comfortable levels and above the 3 months of import cover. This is projected to be supported by higher receipts of remittances and foreign aid. However, possible delays to the inflow of aid and budget support from development partners combined with the pace of development in the domestic economic activities, may pose a risk to the foreign reserves outlook. Global uncertainties regarding oil and commodities prices coupled with Tonga's vulnerability to natural disasters are also risks to the expectations above.

## Current Account

Current Account (TOP\$ millions)						
	Month Ended				Year Ended	
	Dec-18	Nov-18	Oct-18	Sep-18	Dec-18	Dec-17
Net Current Account	6.7	21.2	0.5	-16.9	28.2	12.2
Merchandise Trade	-31.8	-33.6	-40.1	-40.9	-413.5	-366.7
Services	3.5	4.2	5.2	0.4	29.5	33.2
Income	1.6	1.2	1.5	-1.0	5.6	-17.0
Transfers	33.5	49.4	33.8	24.6	406.7	362.7

Sources: Banking System; NRBT

The current account balance was lower than last month yet remained positive. This resulted mainly from lower transfers particularly official receipts. More specifically, official receipts declined by \$18.2 million in December and resulted mainly from lower government receipts for the purposes of budget support and funded projects from development partners. This followed the high inflow of official transfer receipts last month. However, import payments declined which stemmed largely from lower payments for oil and construction imports offsetting the higher payments for wholesale and retail imports. Furthermore, service payments increased in December due to an increase in payments for airfares. This could explain the significant increase in total international air arrivals and departures indicating families that are travelling for the festive season. On the other hand, the income balance recorded a higher surplus in December than that of last month. This was driven by a rise in receipts of compensation of employees and pension funds whilst payments increased slightly due to higher payments made out for the same purpose (compensation of employees).

Annually, the current account balance rose by \$16.0 million to \$28.2 million. This was due largely to an increase of \$40.7 million for receipts of official transfers and particularly for government projects, aid, and budget support funds. Additionally, private transfer receipts contributed to the yearly surplus and rose by \$12.4 million due to higher remittances for family support from abroad. Meanwhile, these increases managed to offset the widening deficit in the merchandise account as it continued to record a rise of \$44.8 million. The higher payments were for imported wholesale & retail goods, oil, other imports, and vehicles. This coincided also with an increase of 898 container registrations indicating a busy trade sector. The trade deficit corresponds to a decline in proceeds from all export categories except agriculture and other marine exports which increased. Meanwhile, the service account surplus declined due to an increase in service payments particularly for air freight services, personal travel, and professional, management, and other business services.

## Capital Account

Capital Account (TOP\$ millions)						
	Month Ended				Year Ended	
	Dec-18	Nov-18	Oct-18	Sep-18	Dec-18	Dec-17
Net Capital Account	1.9	1.0	1.3	2.9	27.9	43.7
Official	1.2	0.0	0.8	2.2	14.7	16.4
Private	0.7	0.9	0.5	0.6	13.2	27.3

Sources: Banking System; NRBT

The surplus in the capital account increased to a balance of \$1.9 million in December. This was due mainly to a \$1.1 million rise in official capital receipts. Meanwhile, official capital account payments recorded no transactions over the month. The increase in the official capital account receipts resulted from higher official grants for investment projects, capital expenditures, and for construction purposes and had offset the slight decline in private capital account receipts.

In year ended terms, despite recording a surplus, the capital account balance decreased by \$15.9 million to \$27.9 million. The decline in private receipts and grants of \$15.8 million for investment projects and capital expenditures drove the yearly fall. The official capital transfer receipts also recorded a slight decline of \$0.5 million. Despite on-going project works funded by multi-national donors, the decline over the year could reflect a delay in aid and other budget support receipts.

### Financial Account

Financial Account (TOP\$ millions)						
	Month Ended				Year Ended	
	Dec-18	Nov-18	Oct-18	Sep-18	Dec-18	Dec-17
Net Financial Account	1.2	-10.9	3.3	-8.8	-0.1	-12.3
Direct Investment	0.0	-0.1	-0.3	-0.3	-1.7	-9.8
Portfolio Investment	0.0	0.0	0.0	-0.1	0.1	0.0
Other Investment	1.2	-10.8	2.7	1.8	1.5	-2.4

*Note: The Net Financial Account figures incorporate also the net reconciliation items which is not reflected in the table below*

*Sources: Banking System; NRBT*

The financial account balance increased in December and recorded a surplus. This stemmed largely from other investments particularly interbank receipts. However, financial account payments declined over the month also which contributed to the monthly surplus. Over the year, the financial account noted a deficit though much improved from last year. This was driven mainly by other investments particularly higher interbank receipts. Despite this increase and improvement, it was insufficient to offset the yearly movement in interbank payments.

## Overseas Exchange Transactions

TOP\$ millions

	Month Ended				Year Ended	
	Dec-18	Nov-18	Oct-18	Sep-18	Dec-18	Dec-17
Total Payments	<b>59.0</b>	<b>58.9</b>	<b>65.1</b>	<b>79.2</b>	<b>744.4</b>	<b>679.7</b>
Current Account	<b>56.1</b>	<b>55.0</b>	<b>60.8</b>	<b>66.6</b>	<b>696.3</b>	<b>631.1</b>
Imports	35.0	36.0	41.8	42.5	433.5	388.6
Services	14.9	12.8	13.2	15.7	175.4	147.4
Primary Income	0.5	0.4	0.3	3.1	19.1	35.1
Transfers	5.8	5.7	5.5	5.3	68.4	60.0
Official	0.1	0.0	0.0	0.0	4.9	6.5
Private	5.4	5.5	5.5	5.3	63.2	53.1
Non-Profit	0.2	0.3	0.0	0.0	0.3	0.5
Capital Account	<b>0.2</b>	<b>0.0</b>	<b>0.7</b>	<b>0.8</b>	<b>2.9</b>	<b>3.2</b>
Official	0.0	0.0	0.3	0.2	1.3	0.1
Private	0.2	0.0	0.5	0.6	1.6	3.1
Financial Account	<b>2.7</b>	<b>3.9</b>	<b>3.6</b>	<b>11.9</b>	<b>45.2</b>	<b>45.4</b>
Direct Investment	0.0	0.1	0.3	0.3	2.7	18.4
Portfolio Investment	0.0	0.0	0.0	0.1	0.2	0.0
Other Investment	2.7	3.8	3.3	11.5	42.5	26.9
<b>Total Receipts</b>	<b>77.3</b>	<b>81.4</b>	<b>69.3</b>	<b>66.7</b>	<b>872.6</b>	<b>774.2</b>
Current Account	<b>62.8</b>	<b>76.2</b>	<b>61.3</b>	<b>49.7</b>	<b>724.5</b>	<b>643.3</b>
Exports	3.2	2.4	1.7	1.6	20.0	21.9
Agriculture	1.9	1.6	1.0	0.7	11.0	8.9
Marines	0.9	0.7	0.5	0.8	6.4	7.9
Other	0.4	0.1	0.2	0.0	2.3	4.7
Services	18.4	17.0	18.4	16.1	204.9	180.6
Travel	12.2	9.5	12.4	10.7	118.1	113.5
Other	6.2	7.5	6.1	5.5	86.7	67.2
Primary Income	2.1	1.6	1.8	2.1	24.7	18.1
Transfers	39.2	55.2	39.4	30.0	475.0	422.7
Official	5.2	23.3	10.6	0.5	114.7	74.0
Private	30.0	28.2	25.6	24.9	316.4	304.0
Non-Profit	4.0	3.7	3.2	4.5	43.9	44.7
Capital Account	<b>2.1</b>	<b>1.0</b>	<b>2.0</b>	<b>3.7</b>	<b>30.7</b>	<b>47.0</b>
Official	1.2	0.0	1.0	2.4	16.0	16.5
Private	0.9	1.0	1.0	1.2	14.7	30.5
Financial Account	<b>12.4</b>	<b>4.2</b>	<b>6.0</b>	<b>13.3</b>	<b>117.4</b>	<b>83.9</b>
Direct Investment	0.0	0.0	0.0	0.0	1.0	8.6
Portfolio Investment	0.0	0.0	0.0	0.0	0.3	0.0
Other Investment	12.4	4.2	6.0	13.3	116.1	75.3

Sources: Banking System; NRBT