

# Overseas Exchange Transactions (OET)

## January 2019

Release Date: 18 June 2019

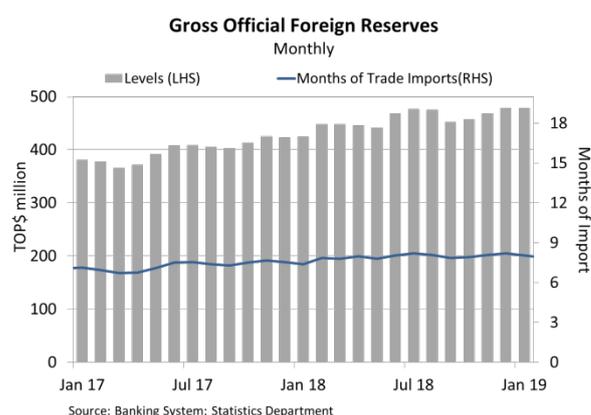
Overseas Exchange Transactions Net Change to Foreign Reserves (TOP\$ millions)						
	Month Ended				Year Ended	
	Jan-19	Dec-18	Nov-18	Oct-18	Jan-19	Jan-18
<b>Overall Balance</b>	<b>0.4</b>	<b>9.8</b>	<b>11.4</b>	<b>5.1</b>	<b>54.9</b>	<b>43.2</b>
Net Current Account	-9.7	6.7	21.2	0.5	24.6	5.3
Net Capital Account	8.8	1.9	1.0	1.3	34.7	44.8
Net Financial Account	1.4	1.2	-10.9	3.3	-4.4	-6.9
<b>Foreign Reserve Levels</b>	<b>478.9</b>	<b>478.5</b>	<b>468.7</b>	<b>457.3</b>	<b>478.9</b>	<b>424.1</b>

Sources: Banking System; NRBT

### Fewer receipts during the month lowered the overall OET surplus

#### Overall Balance & Foreign Reserve

The overall OET balance dropped significantly due to lower receipts at the beginning of the year compared to a very strong and eventful month of December. This trend is observed in January of each year where economic activities slows so does receipts from overseas. However, the foreign reserves rose slightly in January as a result of an increase in inflow from foreign exchange deals with commercial banks. This led foreign reserves to another record high of \$478.9 million equivalent to 8.2 months of imports cover.



In year ended terms, the overall OET surplus balance increased by \$11.6 million to \$54.9 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.

The Reserve Bank continues to expect that the level of foreign reserves will remain at comfortable levels and above the 3 months minimum range of imports cover. This is supported by expected 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 in 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	
	Jan-19	Dec-18	Nov-18	Oct-18	Jan-19	Jan-18
<b>Net Current Account</b>	<b>-9.7</b>	<b>6.7</b>	<b>21.2</b>	<b>0.5</b>	<b>24.6</b>	<b>5.3</b>
Merchandise Trade	-32.3	-31.8	-33.6	-40.1	-412.6	-375.4
Services	1.1	3.5	4.2	5.2	23.8	35.7
Income	1.5	1.6	1.2	1.5	7.1	-17.3
Transfers	20.0	33.5	49.4	33.8	406.3	362.3

Sources: Banking System; NRBT

Receipts in the current account declined more in comparison to the fall in payments which led to a deficit in the net current account for the month of January 2019. The merchandise trade deficit widened and lower surpluses were recorded in the services, income and transfers accounts. The total current account receipts declined by 27.1% as receipts in all categories fell from the high level of receipts recorded last month. Export receipts declined by \$1.7 million attributed to lower receipts from agriculture, marine and other exports. Lower services receipts were due to a fall in travel receipts, government services and other private services such as construction and telecommunication services. These outweighed a rise in transport-related services and insurance funds received. Official and private transfers declined by \$5.1 million and \$7.4 million respectively. Official receipts declined mainly due to lower government receipts for the purposes of budget support and donor-funded projects from development partners. Lower private transfers was a result of lower remittances over the month.

As for the payments side, import payments (except oil imports) and compensation of employees fell the most and pushed the total current account payments lower by \$0.5 million. However, payments for services, official and private transfers rose over the month. These were due to an increase in payments of travel allowance and transfers by individuals to their own respective accounts overseas, which coincided with the increase in total international air departures by 10.6%.

Over the year to January 2019, the current account balance rose by \$11.6 million to \$54.9 million driven by the transfers and income account. Official transfers rose by \$51.7 million particularly for government projects, aid, and budget support funds. Private transfer receipts contributed to the yearly surplus and rose by \$11.8 million due to higher remittances for family support from abroad. Additionally, receipts for compensation of employees also increased by \$5.2 million which comprises wages paid under the Recognized Seasonal Employee and other jobs. These increases outweighed the widening merchandise trade deficit as it continued to record a rise of \$37.2 million. The higher payments were for imported oil, wholesale & retail goods, government imports, and vehicles. This coincided also with an increase of 1,253 container registrations indicating a busy trade sector. Meanwhile, the lower receipts corresponds to a decline in proceeds from all export categories except agriculture.

## Capital Account

Capital Account (TOP\$ millions)						
	Month Ended				Year Ended	
	Jan-19	Dec-18	Nov-18	Oct-18	Jan-19	Jan-18
Net Capital Account	8.8	1.9	1.0	1.3	34.7	44.8
Official	0.3	1.2	0.0	0.8	15.2	15.9
Private	8.5	0.7	1.0	0.5	19.4	28.9

Sources: Banking System; NRBT

The surplus in the capital account increased significantly to a balance of \$8.8 million in January mainly driven by a \$7.5 increase in private capital receipts. These receipts were mainly for private business capital investments and project funds for the agricultural sector which will also contribute to growth in the construction sector. However, official capital receipts declined by \$0.9 million in January which are lower official grants for investment projects and capital expenditures. Meanwhile, the capital account payments recorded no transactions over the month.

Annually, the capital account surplus lowered by \$10.1 million to a total of \$34.7 million due to lower receipts from both private and official capital receipts. Private receipts and grants for investment projects and capital expenditures declined by \$11.4 million driving the yearly fall. The official capital transfer receipts also recorded a slight decline of \$1.0 million. Despite on-going project works funded by multi-national donors, the decline over the year could reflect a delay in the implementation of the projects and other budget support receipts.

## Financial Account

Financial Account (TOP\$ millions)						
	Month Ended				Year Ended	
	Jan-19	Dec-18	Nov-18	Oct-18	Jan-19	Jan-18
Net Financial Account	1.4	1.2	-10.9	3.3	-4.4	-6.9
Direct Investment	0.1	0.0	-0.1	-0.3	-0.5	-17.9
Portfolio Investment	0.0	0.0	0.0	0.0	0.1	0.0
Other Investment	1.3	1.2	-10.8	3.6	-4.0	11.0

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 surplus continued into January 2019 slightly increasing by \$0.2 million. This stemmed largely from other investments particularly interbank receipts for foreign exchange deals. Lower financial account payments over the month also contributed to the monthly surplus. Over the year, the financial account still recorded a deficit though much improved from last year. This was driven mainly by less dividend payments compared to the previous year.

**Overseas Exchange Transactions**  
TOP\$ millions

	Month Ended				Year Ended		Monthly Change	Annual Change
	Jan-19	Dec-18	Nov-18	Oct-18	Jan-19	Jan-18		
Total Payments	<b>57.5</b>	<b>59.0</b>	<b>58.9</b>	<b>65.1</b>	<b>745.2</b>	<b>692.7</b>	<b>-2.5%</b>	<b>7.6%</b>
Current Account	<b>55.5</b>	<b>56.1</b>	<b>55.0</b>	<b>60.8</b>	<b>699.7</b>	<b>640.8</b>	<b>-1.0%</b>	<b>9.2%</b>
Imports	33.8	35.0	36.0	41.8	433.0	396.1	-3.3%	9.3%
Services	15.2	14.9	12.8	13.2	180.1	147.7	2.5%	22.0%
Primary Income	0.3	0.5	0.4	0.3	17.8	36.0	-50.2%	-50.5%
Transfers	6.3	5.8	5.7	5.5	68.7	61.0	8.7%	12.5%
Official	0.2	0.1	0.0	0.0	4.9	6.8	12.5%	-27.9%
Private	5.9	5.4	5.5	5.5	63.5	53.7	8.8%	18.3%
Non-Profit	0.2	0.2	0.3	0.0	0.2	0.5	3.4%	-52.2%
Capital Account	<b>0.0</b>	<b>0.2</b>	<b>0.0</b>	<b>0.7</b>	<b>1.8</b>	<b>4.1</b>	<b>-100.0%</b>	<b>-55.1%</b>
Official	0.0	0.0	0.0	0.3	0.5	0.9	0.0%	-43.0%
Private	0.0	0.2	0.0	0.5	1.3	3.2	-100.0%	-58.5%
Financial Account	<b>2.0</b>	<b>2.7</b>	<b>3.9</b>	<b>3.6</b>	<b>43.7</b>	<b>47.7</b>	<b>-26.7%</b>	<b>-8.5%</b>
Direct Investment	0.0	0.0	0.1	0.3	1.6	19.4	-94.3%	-91.6%
Portfolio Investment	0.0	0.0	0.0	0.0	0.2	0.0	0.0%	2977.3%
Other Investment	2.0	2.7	3.8	3.3	41.9	28.3	-26.4%	48.1%
<b>Total Receipts</b>	<b>57.4</b>	<b>77.3</b>	<b>81.4</b>	<b>69.3</b>	<b>874.1</b>	<b>771.0</b>	<b>-25.7%</b>	<b>13.4%</b>
Current Account	<b>45.8</b>	<b>62.8</b>	<b>76.2</b>	<b>61.3</b>	<b>724.3</b>	<b>646.1</b>	<b>-27.1%</b>	<b>12.1%</b>
Exports	1.5	3.2	2.4	1.7	20.5	20.7	-52.3%	-1.3%
Agriculture	1.0	1.9	1.6	1.0	11.4	8.3	-48.9%	38.1%
Marines	0.5	0.9	0.7	0.5	6.6	7.5	-44.6%	-11.7%
Other	0.1	0.4	0.1	0.2	2.2	4.6	-86.3%	-51.6%
Services	16.3	18.4	17.0	18.4	203.9	183.4	-11.4%	11.2%
Travel	11.7	12.2	9.5	12.4	119.6	113.7	-3.4%	5.2%
Other	4.5	6.2	7.5	6.1	84.3	69.7	-27.0%	20.9%
Primary Income	1.8	2.1	1.6	1.8	24.9	18.7	-15.5%	33.1%
Transfers	26.3	39.2	55.2	39.4	475.0	423.3	-33.0%	12.2%
Official	0.1	5.2	23.3	10.6	111.7	74.7	-98.7%	49.7%
Private	22.7	30.0	28.2	25.6	316.4	304.6	-24.5%	3.9%
Non-Profit	3.5	4.0	3.7	3.2	46.8	44.0	-12.5%	6.3%
Capital Account	<b>8.8</b>	<b>2.1</b>	<b>1.0</b>	<b>2.0</b>	<b>36.5</b>	<b>48.9</b>	<b>318.6%</b>	<b>-25.3%</b>
Official	0.3	1.2	0.0	1.0	15.7	16.8	-74.1%	-6.2%
Private	8.5	0.9	1.0	1.0	20.8	32.1	795.9%	-35.3%
Financial Account	<b>2.8</b>	<b>12.4</b>	<b>4.2</b>	<b>6.0</b>	<b>113.4</b>	<b>75.9</b>	<b>-77.0%</b>	<b>49.3%</b>
Direct Investment	0.1	0.0	0.0	0.0	1.1	1.5	0.0%	-26.5%
Portfolio Investment	0.0	0.0	0.0	0.0	0.3	0.0	0.0%	0.0%
Other Investment	2.7	12.4	4.2	6.0	112.0	74.4	-78.0%	50.5%

Sources: Banking System; NRBT