

Overseas Exchange Transactions (OET) July 2019

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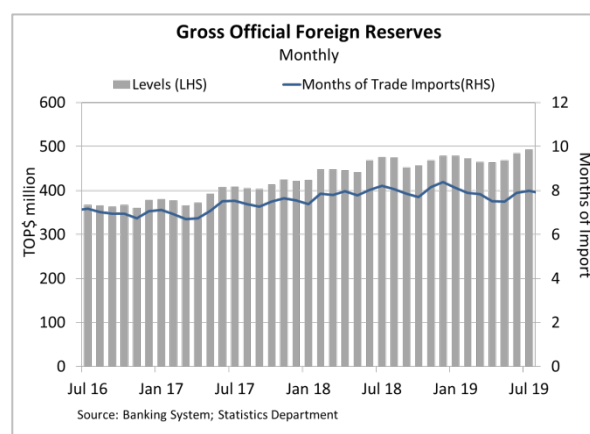
Overseas Exchange Transactions Net Change to Foreign Reserves (TOP\$ millions)						
	Month Ended				Year Ended	
	Jul-19	Jun-19	May-19	Apr-19	Jul-19	Jul-18
Overall Balance	8.6	16.0	4.1	-0.8	16.4	67.6
Net Current Account	0.4	19.8	5.1	-0.8	-3.1	14.8
Net Capital Account	0.2	9.1	4.7	2.7	38.5	41.5
Net Financial Account	8.0	-12.9	-5.7	-2.7	-18.9	11.2
Foreign Reserve Levels	492.9	484.3	468.3	464.2	492.9	476.5

Sources: Banking System; NRBT

Foreign Reserves continued to trend upward

Overall Balance & Foreign Reserves

The official foreign reserves edged higher by \$8.6 million to a new high record of \$492.9 million in July 2019 equivalent to 8.0 month of imports cover. The monthly movement was attributed to net inflows from foreign exchange deals mostly for remittances receipts. Additionally, the official foreign reserves increased over the year by \$16.4 million as a result of higher receipts for budget support, grants, and cyclone relief funds from development partners.



As such, the overall Overseas Exchange Transactions (OET) balance in July 2019 recorded a \$8.6 million surplus compared with a \$16.0 million surplus in June 2019. Both the total receipts and total payments declined over the month, however total receipts was higher at \$66.3 million compared to total payments at \$60.7 million. Lower receipts followed the high level of official transfers received last month, and the fall in payments was due to less payments from the current and financial accounts. In year ended terms, payments increased for imports & services payments, gift payments, and offshore investments coupled with the decline in receipts for official transfers, individual constructions and export proceeds. Hence, the overall balance surplus fell over the year from \$67.6 million in July 2018 to \$16.4 million in July 2019.

On the outlook, the Reserve Bank continues with the anticipation that the level of foreign reserves will remain at comfortable levels of above 3 months of imports cover in the upcoming months. However, external debt repayments, implementation of infrastructure projects, and expected transfer of offshore investments pose a risk to the foreign reserves outlook. Global uncertainties in oil and commodity prices are also risks to these expectations.

Current Account

	Current Account (TOP\$ millions)					
	Month Ended				Year Ended	
	Jul-19	Jun-19	May-19	Apr-19	Jul-19	Jul-18
Net Current Account	0.4	19.8	5.1	-0.8	-3.1	14.8
Merchandise Trade	-33.9	-35.5	-36.3	-31.5	-421.6	-390.9
Services	6.0	4.0	0.3	6.6	32.2	24.2
Income	1.2	-4.8	2.5	1.3	8.1	-4.6
Transfers	27.1	56.1	38.6	22.8	378.1	386.2

Sources: Banking System; NRBT

Following the significant inflow of official transfer receipts in June 2019, the current account surplus declined to \$0.4 million. Movements in the current account are as follows; the goods and services account improved, a turnaround in the income account from a deficit last month whilst the transfers account surplus lowered. The services account surplus rose by \$2.0 million as services receipts rose by \$3.0 million and outweighed a \$1.0 million increase in services payments. Higher service receipts was mainly for travel receipts which rose by \$3.8 million and coincided with a 12.8% rise in air arrival passengers. Celebrations which occurred during the month such as King Tupou VI's birthday and Heilala Week festivities supported the higher number of travellers recorded.

The merchandise trade deficit declined by \$1.6 million due to lower import payments coupled with a slight increase in exports receipts over the month. Total import payments fell by \$1.0 million as wholesale and retail import payments decreased by \$2.0 million and was partially offset by the rise in import payments for oil, construction materials, and government imports. Total export proceeds on the other hand slightly rose by \$0.6 million due to a \$0.3 million increase in agricultural exports and \$0.1 million rise each for marine exports and other exported goods.

In addition, the income account recorded a \$1.2 million surplus compared to a \$4.8 million deficit last month. This was largely attributed to a \$6.4 million decline in income payments after the dividend paid to foreign investors in June 2019. Income receipts also fell by \$0.3 million solely driven by lower receipts from the Recognized Seasonal Employee and Seasonal Workers Programme schemes and outweighed a \$0.1 million rise in receipts from other salaries and wages. However, the transfers account surplus has lowered substantially after the high level of official transfer receipts in June 2019 for budget support. Nonetheless, private transfer receipts for family support and gift increased in July 2019 by \$5.8 million.

In year ended terms, the current account balance surplus fell from \$14.8 million surplus to \$3.1 million deficit owing to the higher trade deficit and lower transfer receipts. The merchandise trade deficit widened, attributing to the continued growth in import payments by \$29.9 million, due to higher payments for all categories of imports such as wholesale & retail, government imports, motor vehicles, oil, and construction materials. Lower transfer receipts of \$5.6 million were both official transfers and private transfers such as receipts for family support. Nonetheless, the income account improved on the decline in income payments by \$11.9 million as payments for dividends and profits to overseas investors fell by \$10.2 million (59.4%). Moreover, the services account surplus increased by \$8.0

million due to slightly higher service receipts for travel-related expenses (airfares & travel allowances), freight, maintenance & repair, professional services, and insurance premium pay-outs outweighing the increase in service receipts.

Capital Account

Capital Account (TOP\$ millions)						
	Month Ended				Year Ended	
	Jul-19	Jun-19	May-19	Apr-19	Jul-19	Jul-18
Net Capital Account	0.2	9.1	4.7	2.7	38.5	41.5
Official	0.3	6.8	2.6	1.9	19.3	18.3
Private	0.0	2.3	2.0	0.7	19.2	23.3

Sources: Banking System; NRBT

The capital account surplus declined over the month by \$8.9 million. Both official and private capital receipts declined reflecting lower receipts for government-funded projects and households construction purposes by individuals (including non-profit organizations) compared to June 2019. A \$0.2 million was recorded in July 2019 for individual capital transfer payments.

Additionally, the capital account surplus lowered over the year by \$3.1 million, solely attributed to private capital receipts, which fell by \$5.2 million, and outweighed a \$0.7 million rise in official capital receipts. These are receipts for investment projects and capital expenditures by the government and receipts by private households for construction purposes.

Financial Account

Financial Account (TOP\$ millions)						
	Month Ended				Year Ended	
	Jul-19	Jun-19	May-19	Apr-19	Jul-19	Jul-18
Net Financial Account	8.0	-12.9	-5.7	-2.7	-18.9	11.2
Direct Investment	-2.0	0.2	-3.1	0.0	-6.0	-8.2
Portfolio Investment	0.0	-11.2	0.0	0.0	-11.2	0.3
Other Investment	10.0	-1.9	-2.6	-2.7	-1.7	19.1

Note: The Net Financial Account figures incorporate also the net reconciliation items which is not reflected in the Sources: Banking System; NRBT

The financial account recorded a \$8.0 million surplus in July 2019 after a deficit of \$12.9 million in June 2019 as a result of net inflows by commercial banks to settle foreign exchange deals with their underlying customers. However, the financial account recorded a \$18.9 million deficit over the year compared to a surplus in the previous year. This was attributed to offshore investment transfers, principal repayment of the Government loan to EXIM Bank of China and higher inter-bank payments.

Overseas Exchange Transactions									
TOP\$ millions									
	Month Ended				Year Ended		Monthly Change	Annual Change	Shares of totals*
	Jul-19	Jun-19	May-19	Apr-19	Jul-19	Jul-18			
Total Payments	60.7	77.3	66.7	54.6	761.3	717.4	-21.4%	6.1%	100.0
Current Account	57.3	62.8	61.6	50.4	702.1	677.6	-8.7%	3.6%	92.2
Imports	35.7	36.6	37.8	32.7	441.4	411.5	-2.7%	7.3%	58.0
Services	14.6	13.6	17.2	10.5	173.2	169.1	7.6%	2.4%	22.8
Primary Income	0.9	7.2	0.5	1.3	17.6	29.5	-87.8%	-40.4%	2.3
Transfers	6.1	5.3	6.2	5.9	70.0	67.5	16.6%	3.7%	9.2
Official	0.0	0.1	0.0	0.1	3.6	8.9	-100.0%	-60.0%	0.5
Private	6.1	4.2	5.7	5.5	66.1	58.1	46.9%	13.8%	8.7
Non-Profit	0.0	1.0	0.5	0.3	0.3	0.5	-96.1%	-39.7%	0.0
Capital Account	0.2	0.0	0.0	0.6	2.6	4.0	0.0%	-35.7%	0.3
Official	0.0	0.0	0.0	0.0	0.5	0.9	0.0%	-43.3%	0.1
Private	0.2	0.0	0.0	0.6	2.1	3.2	0.0%	-33.7%	0.3
Financial Account	3.2	14.5	5.1	3.7	56.6	35.7	-78.3%	58.5%	7.4
Direct Investment	2.4	0.0	3.1	0.0	7.0	9.8	24054.3%	-28.9%	0.9
Portfolio Investment	0.0	11.2	0.0	0.0	11.2	0.0	-100.0%	2516753.9%	1.5
Other Investment	0.7	3.3	2.1	3.7	38.4	25.9	-77.7%	48.3%	5.0
Total Receipts	66.3	100.9	76.3	60.8	826.2	845.9	-34.3%	-2.33%	100%
Current Account	57.8	82.5	66.6	49.6	699.0	692.5	-30.0%	0.9%	87%
Exports	1.8	1.2	1.4	1.2	19.8	20.5	52.8%	-3.8%	3%
Agriculture	0.8	0.4	0.7	0.3	10.1	10.9	78.7%	-7.8%	1%
Marines	0.7	0.6	0.6	0.8	8.0	5.9	24.0%	35.2%	1%
Other	0.2	0.1	0.1	0.1	1.4	3.5	54.5%	-60.5%	0%
Services	20.6	17.6	17.5	17.1	205.4	193.3	17.1%	6.3%	31%
Travel	15.1	11.3	12.1	8.6	132.2	112.0	34.0%	18.1%	23%
Other	5.5	6.3	5.3	8.5	73.2	81.3	-13.1%	-10.0%	8%
Primary Income	2.1	2.4	3.0	2.6	25.7	24.9	-11.2%	3.3%	3%
Transfers	33.3	61.4	44.7	28.7	448.1	453.7	-45.8%	-1.2%	50%
Official	0.4	33.5	6.8	1.0	86.7	94.9	-98.8%	-8.6%	1%
Private	29.9	24.0	30.9	24.1	314.7	314.1	24.2%	0.2%	45%
Non-Profit	3.0	3.8	7.0	3.6	46.8	44.8	-21.7%	4.4%	5%
Capital Account	0.5	9.1	4.7	3.2	41.1	45.6	-95.0%	-9.9%	1%
Official	0.3	6.8	2.7	1.9	19.8	19.1	-96.2%	3.5%	0%
Private	0.2	2.3	2.0	1.3	21.3	26.4	-91.7%	-19.6%	0%
Financial Account	8.1	9.3	4.9	7.9	86.2	107.9	-12.7%	-20.1%	12%
Direct Investment	0.4	0.2	0.0	0.0	0.9	1.6	94.3%	-40.9%	1%
Portfolio Investment	0.0	0.0	0.0	0.0	0.0	0.3	-100.0%	-99.3%	0%
Other Investment	7.7	9.1	4.9	7.9	85.2	106.0	-15.1%	-19.6%	12%

Sources: Banking System; NRBT