

# Overseas Exchange Transactions (OET)

## May 2020

Release Date: 7<sup>th</sup> October, 2020

Overseas Exchange Transactions						
Net Change to Foreign Reserves (TOP\$ millions)						
	Month Ended				Year Ended	
	May-20	Apr-20	Mar-20	Feb-20	May-20	May-19
<b>Overall Balance</b>	<b>14.5</b>	<b>17.7</b>	<b>-22.4</b>	<b>-3.0</b>	<b>21.3</b>	<b>26.4</b>
Net Current Account	13.4	19.2	-3.4	1.9	31.9	6.0
Net Capital Account	1.9	1.0	2.1	1.6	27.0	36.5
Net Financial Account	-0.8	-2.5	-21.1	-6.5	-37.5	-16.0
<b>Foreign Reserve Levels</b>	<b>489.6</b>	<b>475.1</b>	<b>457.5</b>	<b>479.8</b>	<b>489.6</b>	<b>468.3</b>

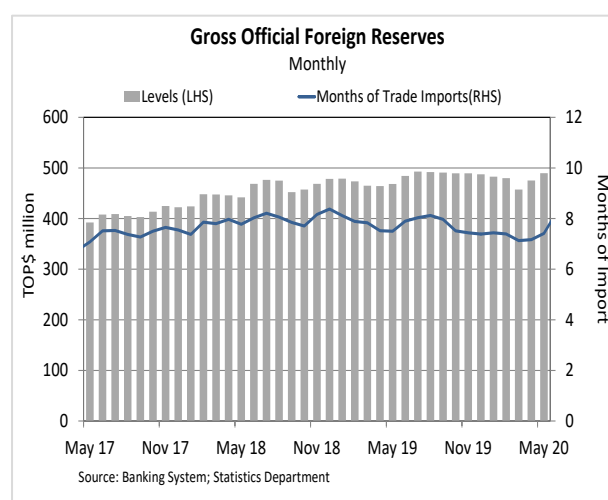
Sources: Banking System; NRBT

## Foreign Reserves gains on remittances and support for TC Harold

### Overall Balance & Foreign Reserves

The Overseas Exchange Transactions (OET) overall balance maintained a surplus of \$14.5 million in May 2020, although slightly lower than the surplus in the previous month. Both OET payments and receipts declined sharply in May by \$8.8 million (15.0%) and \$21.9 million (24.8%) respectively, however total OET receipts were still higher than total OET payments. Both the current and capital account recorded a net receipt over the month, while the deficit in the financial account narrowed supporting the overall surplus. Annually, the overall OET balance also recorded a surplus owing mostly to the improvement in the current account as a result of lower import payments and higher receipts of official transfers.

The official foreign reserves rose again to \$489.6 million in May 2020 from \$475.1 million, equivalent to 7.4 months of import cover. The monthly increase in foreign reserves was mainly due to the receipt of response and recovery funds for TC Harold from development partners. This is also \$21.3 million higher compared to \$468.3 million in May 2019 reflecting the inflow of budget support, grants and project funds from development partners, and relief funds for COVID-19 preparations and TC Harold over the year.



## Current Account

Current Account (TOP\$ millions)						
	Month Ended				Year Ended	
	May-20	Apr-20	Mar-20	Feb-20	May-20	May-19
Net Current Account	<b>13.4</b>	<b>19.2</b>	<b>-3.4</b>	<b>1.9</b>	<b>31.9</b>	<b>6.0</b>
Merchandise Trade	-32.0	-30.2	-32.5	-30.1	-398.5	-424.2
Services	8.8	-7.2	0.6	2.2	26.5	26.1
Income	2.5	-2.0	-0.9	1.5	-1.6	10.2
Transfers	34.1	58.6	29.3	28.3	405.4	393.9

Sources: Banking System;NRBT

The current account recorded a lower surplus of \$13.4 million, compared to the \$19.2 million surplus in the previous month. The current account surplus was a result of net receipts in services, income and transfers accounts, whereas trade remained in deficit balance. The lower surplus however attributes to the lower official transfer receipts compared to the previous month. Over the year, the current account surplus improved by \$25.9 million owing mostly to the lower deficit in merchandise trade and the higher net transfers receipts.

The merchandise trade deficit widened slightly over the month by \$1.8 million due to an increase in import payments by \$2.1 million (6.8%), largely from payments for wholesale & retail trade, and construction materials. Total export proceeds increased also by \$0.3 million and was due to higher proceeds from marine exports. Annually, the merchandise trade deficit narrowed by \$25.7 million supporting the surplus in the current accounts. Import payments declined by \$27.8 million (6.3%) due to lower payments for all import categories except for oil import. However, export proceeds declined by \$2.1 million (10.3%) due to lower agricultural and other export proceeds.

The services account recorded a net receipt of \$8.8 million, a strong rebound from the net outflow in April. Service receipts was higher by \$8.3 million stemming from the receipt of the insurance payout from the Pacific Catastrophe Risk Assessment and Financing Initiative (PCRAFI) for TC Harold. Additionally, service payments declined by \$7.7 million owing mostly to declines in payments for air travel, telecommunications, and insurance services over the month. Over the year, the service account remained in net receipts very close to the level it was a year ago. The overall impact of COVID-19 especially on travel and transport resulted in a contraction in both service receipts and services payments over the year.

Following a deficit in the previous month, the income account recovered to a surplus of \$2.5 million in May 2020. This was largely driven by a \$4.4 million (94.7%) decline in income payments following large transfers of dividend income offshore in the previous month. Contrastingly, the income account recorded a deficit of \$1.6 million over the year to May 2020, compared to a surplus of \$10.2 million in the previous year. Income payments rose by \$11.1 million (70.5%) underpinned by payment of dividends to foreign investors offshore and interest on external loans.

A sharp drop in official transfer receipts in May by \$37.2 million (92.1%) following the inflow of funds as assistance for the COVID-19 preparations in the previous month, drove the decline in net transfer receipts. This was partially offset by the increase in both private and non-profit receipts by \$11.5

million (55.8%) and \$1.8 million (77.1%) respectively. The increase in private transfer receipts reflects a pick up in remittances during the family month of May. Total transfer payments on the other hand, slightly increased over the month by \$0.5 million (11.0%). The surplus in the transfer accounts increased by \$11.5 million to \$405.4 million driven mostly by higher official transfer receipts.

### Capital Account

Capital Account (TOP\$ millions)						
	Month Ended				Year Ended	
	May-20	Apr-20	Mar-20	Feb-20	May-20	May-19
Net Capital Account	1.9	1.0	2.1	1.6	27.0	36.5
Official	0.6	0.2	0.7	0.6	14.3	17.6
Private	1.3	0.7	1.4	1.1	12.7	18.9

Sources: Banking System;NRBT

The capital account recorded a higher surplus of \$1.9 million in May 2020. This is attributed to increases in both private and official capital receipts by \$0.6 million and \$0.4 million respectively. There were no capital payments recorded for the month.

However, the capital account surplus declined by \$9.5 million to \$27.0 million over the year to May 2020. Capital account receipts fell by \$10.8 million due to declines in both private and official capital receipts. Capital receipts are usually project funds for infrastructure projects, or private funds for construction projects. Furthermore, the capital account payments fell by \$1.3 million for both private and official capital accounts.

### Financial Account

Financial Account (TOP\$ millions)						
	Month Ended				Year Ended	
	May-20	Apr-20	Mar-20	Feb-20	May-20	May-19
Net Financial Account	-0.8	-2.5	-21.1	-6.5	-37.5	-16.0
Direct Investment	0.1	0.0	-0.6	0.0	-0.4	-4.1
Portfolio Investment	0.0	0.0	0.0	0.0	-22.4	0.3
Other Investment	-0.8	-2.5	-20.5	-6.5	-14.7	-12.2

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 deficit in the financial account narrowed to \$0.8 million in May 2020. This resulted mainly from lower deficit in other investments which are mostly interbank transfers.

Over the year, the financial account recorded a deficit of \$37.5 million, which is higher than the \$16.0 million deficit in the previous year. This was largely due to higher net outflows for portfolio investments offshore.

### Outlook

Foreign Reserves is currently at very high levels as a result of the inflow of budget support, grants and remittances. While these inflows are expected to wind down in response to the global economic impact of COVID-19, the Reserve Bank still expect foreign reserves to remain at comfortable levels,

above the 3 months of import cover in the near term. The import bill is expected to slow down in line with the delays in major infrastructure projects and the softening aggregate demand, while schedule external debt repayments may also be deferred. However, uncertainties regarding the pro-longed state of the pandemic is a downside risk to the outlook.

Overseas Exchange Transactions									
TOP\$ millions									
	Month Ended				Year Ended		Monthly Change	Annual Change	Shares of totals*
	May-20	Apr-20	Mar-20	Feb-20	May-20	May-19			
<b>Total Payments</b>	<b>49.8</b>	<b>58.6</b>	<b>60.3</b>	<b>49.6</b>	<b>743.9</b>	<b>752.4</b>	<b>-15.0%</b>	<b>-1.1%</b>	<b>100.0</b>
<b>Current Account</b>	<b>46.8</b>	<b>56.2</b>	<b>52.3</b>	<b>48.0</b>	<b>682.0</b>	<b>704.0</b>	<b>-16.8%</b>	<b>-3.1%</b>	<b>91.7</b>
Imports	33.0	30.9	33.5	31.3	416.6	444.4	6.8%	-6.3%	56.0
Services	8.2	15.9	10.0	11.2	167.4	175.0	-48.3%	-4.3%	22.5
Primary Income	0.2	4.6	3.0	0.2	26.8	15.7	-94.7%	70.5%	3.6
Transfers	5.3	4.8	5.7	5.4	71.1	68.9	11.0%	3.3%	9.6
Official	0.0	0.1	0.0	0.2	5.1	2.8	0.0%	83.5%	0.7
Private	4.6	4.6	5.5	4.8	65.8	65.8	0.0%	0.0%	8.8
Non-Profit	0.7	0.1	0.2	0.4	0.3	0.3	500.6%	-10.3%	0.0
<b>Capital Account</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>1.1</b>	<b>2.4</b>	<b>0.0%</b>	<b>-54.4%</b>	<b>0.1</b>
Official	0.0	0.0	0.0	0.0	0.4	0.5	0.0%	-22.2%	0.1
Private	0.0	0.0	0.0	0.0	0.7	1.9	0.0%	-62.7%	0.1
<b>Financial Account</b>	<b>3.0</b>	<b>2.4</b>	<b>8.0</b>	<b>1.6</b>	<b>60.9</b>	<b>46.1</b>	<b>27.0%</b>	<b>32.2%</b>	<b>8.2</b>
Direct Investment	0.0	0.0	0.6	0.0	4.8	4.8	0.0%	1.2%	0.6
Portfolio Investment	0.0	0.0	0.0	0.0	22.4	0.0	0.0%	0.0%	3.0
Other Investment	3.0	2.4	7.4	1.6	33.7	41.3	26.7%	-18.5%	4.5
<b>Total Receipts</b>	<b>66.6</b>	<b>88.5</b>	<b>57.5</b>	<b>56.2</b>	<b>829.7</b>	<b>851.1</b>	<b>-24.8%</b>	<b>-2.5%</b>	<b>100%</b>
<b>Current Account</b>	<b>60.1</b>	<b>75.4</b>	<b>48.9</b>	<b>49.9</b>	<b>713.8</b>	<b>710.0</b>	<b>-20.2%</b>	<b>0.5%</b>	<b>90%</b>
Exports	1.0	0.7	1.0	1.1	18.2	20.3	42.7%	-10.3%	1.5%
Agriculture	0.4	0.5	0.4	0.3	7.9	10.4	-18.0%	-24.3%	1%
Marines	0.5	0.1	0.6	0.8	8.9	7.9	346.3%	12.3%	1%
Other	0.0	0.0	0.0	0.0	1.2	1.6	72.3%	-28.6%	0%
Services	17.0	8.7	10.6	13.3	194.0	201.1	95.0%	-3.5%	26%
Travel	2.4	2.9	6.0	7.7	117.2	127.6	-17.6%	-8.2%	4%
Other	14.6	5.9	4.7	5.6	76.8	73.5	150.2%	4.5%	22%
Primary Income	2.8	2.6	2.1	1.7	25.2	25.9	5.0%	-2.7%	4%
Transfers	39.4	63.4	35.1	33.7	476.5	462.8	-37.8%	3.0%	59%
Official	3.2	40.5	5.4	6.6	110.1	99.3	-92.1%	10.9%	5%
Private	32.0	20.6	23.6	22.8	316.7	316.1	55.8%	0.2%	48%
Non-Profit	4.2	2.3	6.1	4.3	50.0	47.3	77.1%	5.7%	6%
<b>Capital Account</b>	<b>1.9</b>	<b>1.0</b>	<b>2.1</b>	<b>1.6</b>	<b>28.1</b>	<b>38.8</b>	<b>97.9%</b>	<b>-27.7%</b>	<b>3%</b>
Official	0.6	0.2	0.7	0.6	14.7	18.1	164.2%	-18.9%	1%
Private	1.3	0.7	1.4	1.1	13.4	20.7	76.6%	-35.4%	2%
<b>Financial Account</b>	<b>4.5</b>	<b>12.2</b>	<b>6.5</b>	<b>4.7</b>	<b>87.8</b>	<b>102.3</b>	<b>-62.8%</b>	<b>-14.2%</b>	<b>7%</b>
Direct Investment	0.1	0.0	0.0	0.0	4.4	0.6	0.0%	606.8%	0%
Portfolio Investment	0.0	0.0	0.0	0.0	0.0	0.3	0.0%	-99.3%	0%
Other Investment	4.5	12.1	6.5	4.7	83.4	101.4	-63.4%	-17.8%	7%

Sources: Banking System; NRBT