

Overseas Exchange Transactions (OET)

May 2019

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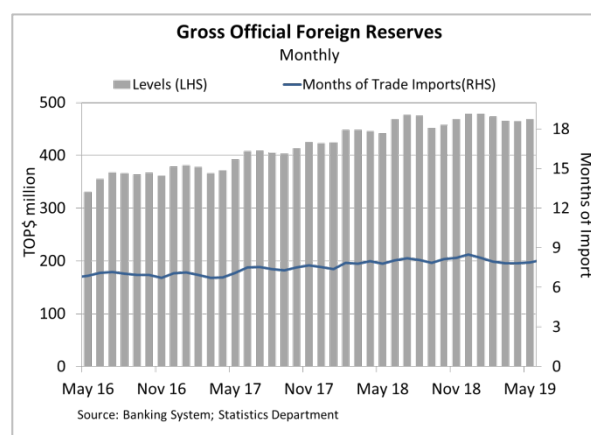
Overseas Exchange Transactions Net Change to Foreign Reserves (TOP\$ millions)						
	Month Ended				Year Ended	
	May-19	Apr-19	Mar-19	Feb-19	May-19	May-18
Overall Balance	4.1	-0.8	-8.5	-5.5	26.4	49.6
Net Current Account	5.1	-0.8	-11.3	-12.6	5.3	4.2
Net Capital Account	4.7	2.7	2.2	1.3	36.5	41.7
Net Financial Account	-5.7	-2.7	0.6	5.8	-15.3	3.7
Foreign Reserve Levels	468.3	464.2	465.0	473.5	468.3	441.9

Sources: Banking System; NRBT

Higher transfer receipts pushed total OET receipts higher

Overall Balance & Foreign Reserve

The overall balance improved in May and recorded a \$4.1 million surplus compared to deficits in the previous months. Total OET receipts rose by \$15.5 million, higher than the \$12.1 million increase in total OET payments. A higher surplus was noted in the current and capital accounts largely attributed to transfer receipts and capital investment purposes. Despite the favourable monthly movement, the surplus in the overall balance decreased to \$26.4 million over the year and was due mainly to higher imports & services payments and interbank transfers. These outflows outpaced the rise in receipts from travel, official and private transfers including remittances, and export proceeds.



The official foreign reserves rose to \$468.3 million over the month equivalent to 7.9 months of import cover. The monthly movement was attributed mainly to higher official receipts for government-funded projects and budgetary support. Additionally, the official foreign reserves increased over the year by \$26.4 million as a result of higher receipts for budget support, grants, and cyclone relief funds from development partners.

On the outlook, the Reserve Bank continues to expect the level of foreign reserves will remain at comfortable levels and above 3 months of imports cover in the upcoming months. However, delays to the inflow of aid and budget support from development partners, and expected transfer of offshore investments pose a risk to the foreign reserves outlook. Global uncertainties in oil and commodities prices are also risks to the expectations above.

Current Account

Current Account (TOP\$ millions)						
	Month Ended				Year Ended	
	May-19	Apr-19	Mar-19	Feb-19	May-19	May-18
Net Current Account	5.1	-0.8	-11.3	-12.6	5.3	4.2
Merchandise Trade	-36.3	-31.5	-34.7	-34.3	-424.2	-388.9
Services	0.3	6.6	1.1	-2.3	26.1	39.1
Income	2.5	1.3	-0.2	1.5	10.2	-11.3
Transfers	38.6	22.8	22.6	22.6	393.2	365.3

Sources: Banking System; NRBT

The current account recorded a \$5.1 million over the month. The turnaround was due to a significant rise in the transfers account surplus by \$15.7 million followed by improvement in the income account surplus. These outweighed higher payments for goods and services which widened the trade deficit and lowered the services account surplus. The substantial increase in the transfer receipts outweighed the rise in transfer payments. Higher private transfer receipts by \$6.8 million were mainly gifts and family support for the Tongan family month of May that celebrates Children's White Sunday, Mother's Day and Father's day. Official receipts for budget support also rose by \$5.8 million, followed by a \$3.4 million rise in donations to non-profit organizations.

Additionally, the surplus in the income account rose by \$1.3 million as income payments dropped by \$0.9 million over the month as companies dividend payments were paid in the previous month. Income receipts increased by \$0.4 million due mainly to earnings paid under the Recognized Seasonal Employee and Seasonal Workers Programme schemes which rose by \$0.5 million in May 2019.

However, the services account surplus declined by \$6.3 million over the month as payments for services rose more than the increase in services receipts. Higher payments were mostly for transport-related services which rose by \$5.1 million mainly for freight and airfare expenses. Payments for professional services also rose by \$1.1 million followed by various other services including government services, maintenance & repair, and telecommunication. A slight \$0.3 million rise in services receipts was due to the increase in travel receipts, which offset the decline in receipts from courier & postal and construction & installation. Higher travel receipts by \$3.5 million coincided with a 30.5% rise in total international air arrivals.

The merchandise trade deficit widened over the month due to higher import payments compared to export receipts. Payments for wholesale & retail goods increased by \$5.6 million, followed by a rise in payments for construction material and motor vehicle imports. Export receipts was slightly higher by \$0.3 million due to the increase in agricultural exports and other exports offsetting the decline in marine exports.

In year ended terms, the current account balance surplus rose by \$1.0 million to \$5.3 million owing to the increases in transfers and income accounts. Higher transfers receipts which were mostly official receipts rose over the year by \$23.7 million. The income account also improved on the decline in income payments by \$18.8 million. This was largely attributed to lower payments for dividends and profits by \$16.7 million (70.9%). A smaller surplus in the services account was mainly due to slightly higher service payments for travel-related expenses (airfares & travel allowances), freight, maintenance & repair, professional services, and insurance premium pay-outs outweighing the

increase in service receipts. Moreover, the merchandise trade deficit widened attributing to the continued growth in import payments by \$35.6 million, due to higher payments for all categories of imports such as wholesale & retail, government imports, motor vehicles, oil, and construction materials.

Capital Account

Capital Account (TOP\$ millions)						
	Month Ended				Year Ended	
	May-19	Apr-19	Mar-19	Feb-19	May-19	May-18
Net Capital Account	4.7	2.7	2.2	1.3	36.5	41.7
Official	2.6	1.9	1.3	0.7	17.6	16.0
Private	2.0	0.7	0.9	0.6	18.9	25.8

Sources: Banking System; NRBT

The \$1.5 million increase in capital account receipts coupled with the \$0.5 million decline in payments drove the capital account surplus higher, over the month. Both private and official capital receipts rose by \$0.8 million and \$0.7 million, respectively. These receipts are mainly for investment projects and capital expenditures by the government and receipts by private households for construction purposes. There were no capital transfer payments recorded in May 2019 following the repatriation of unspent project funds last month.

However, the capital account surplus fell over the year by \$5.3 million, mainly due to lower private capital receipts. Private receipts and grants for investment and capital expenditures declined by \$6.9 million. The official capital transfer receipts, on the other hand, rose by \$1.6 million. Despite on-going project works funded by multi-national donors, the decline over the year could reflect the delay in implementation of the projects.

Financial Account

Financial Account (TOP\$ millions)						
	Month Ended				Year Ended	
	May-19	Apr-19	Mar-19	Feb-19	May-19	May-18
Net Financial Account	-5.7	-2.7	0.6	5.8	-15.3	3.7
Direct Investment	-3.1	0.0	0.1	0.0	-4.1	-11.5
Portfolio Investment	0.0	0.0	0.0	0.0	0.3	0.0
Other Investment	-2.6	-2.7	0.5	5.7	-11.5	15.2

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 deficit widened over the month as a result of higher interbank payments by commercial banks to settle foreign exchange deals for their underlying customers and direct investment abroad. Consequently, the financial account recorded a \$15.3 million deficit over the year compared to a surplus in the previous year. The principal repayment of the Government loan to EXIM Bank of China and higher inter-bank payments contributed to the yearly deficit.

Overseas Exchange Transactions									
TOP\$ millions									
	Month Ended				Year Ended		Monthly Change	Annual Change	Shares of totals*
	May-19	Apr-19	Mar-19	Feb-19	May-19	May-18			
Total Payments	66.7	54.6	59.9	56.3	752.4	716.5	22.2%	5.0%	100.0
Current Account	61.6	50.4	58.8	55.0	704.0	671.7	22.3%	4.8%	93.6
Imports	37.8	32.7	35.9	35.5	444.4	408.8	15.7%	8.7%	59.1
Services	17.2	10.5	14.5	13.6	175.0	162.1	63.5%	8.0%	23.3
Primary Income	0.5	1.3	2.5	0.4	15.7	34.5	-65.7%	-54.5%	2.1
Transfers	6.2	5.9	5.8	5.5	68.9	66.3	5.2%	3.8%	9.2
Official	0.0	0.1	0.0	0.1	2.8	8.7	-100.0%	-68.1%	0.4
Private	5.7	5.5	5.5	5.0	65.8	57.1	4.1%	15.2%	8.7
Non-Profit	0.5	0.3	0.4	0.4	0.3	0.5	41.0%	-45.0%	0.0
Capital Account	0.0	0.6	0.1	0.0	2.4	4.1	-95.6%	-42.3%	0.3
Official	0.0	0.0	0.0	0.0	0.5	0.9	143.0%	-43.3%	0.1
Private	0.0	0.6	0.1	0.0	1.9	3.2	-100.0%	-42.1%	0.2
Financial Account	5.1	3.7	1.1	1.3	46.1	40.7	38.9%	13.2%	6.1
Direct Investment	3.1	0.0	0.0	0.0	4.8	12.8	33797.1%	-62.9%	0.6
Portfolio Investment	0.0	0.0	0.0	0.0	0.0	0.0	0.0%	-100.0%	0.0
Other Investment	2.1	3.7	1.1	1.3	41.3	27.9	-43.5%	48.2%	5.5
Total Receipts	76.3	60.8	56.4	47.9	850.4	807.3	25.6%	5.33%	100%
Current Account	66.6	49.6	47.5	42.4	709.3	675.9	34.4%	4.9%	87%
Exports	1.4	1.2	1.2	1.2	20.3	19.9	21.2%	1.5%	2%
Agriculture	0.7	0.3	0.5	0.5	10.4	10.3	95.9%	1.3%	1%
Marines	0.6	0.8	0.7	0.6	7.9	5.6	-16.5%	41.9%	1%
Other	0.1	0.1	0.0	0.1	1.6	3.9	63.5%	-57.7%	0%
Services	17.5	17.1	15.6	11.3	201.1	201.2	2.0%	0.0%	23%
Travel	12.1	8.6	8.5	7.6	127.6	113.0	40.9%	12.9%	16%
Other	5.3	8.5	7.1	3.8	73.5	88.1	-37.5%	-16.7%	7%
Primary Income	3.0	2.6	2.3	1.8	25.9	23.1	15.2%	11.7%	4%
Transfers	44.7	28.7	28.4	28.1	462.1	431.6	56.0%	7.0%	59%
Official	6.8	1.0	2.1	1.7	99.3	75.6	580.7%	31.3%	9%
Private	30.9	24.1	24.1	21.8	315.4	312.1	28.3%	1.1%	41%
Non-Profit	7.0	3.6	2.2	4.6	47.3	43.9	94.8%	7.7%	9%
Capital Account	4.7	3.2	2.3	1.3	38.8	45.8	45.9%	-15.3%	6%
Official	2.7	1.9	1.3	0.7	18.1	16.8	37.1%	7.6%	4%
Private	2.0	1.3	1.0	0.6	20.7	29.0	59.2%	-28.5%	3%
Financial Account	4.9	7.9	6.7	4.1	102.3	85.6	-37.6%	19.5%	6%
Direct Investment	0.0	0.0	0.1	0.0	0.6	1.3	0.0%	-53.5%	0%
Portfolio Investment	0.0	0.0	0.0	0.0	0.3	0.0	0.0%	0.0%	0%
Other Investment	4.9	7.9	6.5	4.1	101.4	84.3	-37.6%	20.3%	6%