




**KINGDOM OF TONGA**

# Balance of Payments

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*Quarterly Bulletin  
September 2012*



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## Preface

This bulletin presents the Tonga Balance of Payments statistics for the September Quarter 2012.

An introductory note explains the balance of payments statements and the sources of data. It is followed by technical notes on the scope and methodology of the statistics. A short analysis and graphs of selected items are also included.

I wish to thank all organizations both in Government and in the Private sector, which have supplied basic data, and in particular, the Overseas Exchange Transactions Divisions of the Commercial banks and the National Reserve Bank of Tonga. Special mention must be made of the hard work and devotion of the staff members of Balance of Payments Division in the compilation of this report.

The Department would welcome any comments and suggestions to improve the contents, coverage and the quality of the statistics published in this report.



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### **Symbols and Abbreviations used**

The following symbols and abbreviations are used throughout the bulletin.

-	Nil
...	Not available
<i>R</i>	revised
T\$	Tongan pa'anga
000	thousand
f.o.b	free on board in the exporting country
n.i.e.	not identified elsewhere
TBOP	Tonga Balance of Payments
OET	Overseas Exchange Transaction

## **Technical notes and definitions**

### **Introduction**

Tonga's Balance of Payments (TBoP) statements in this publication record the value of economic transactions between Tonga and the rest of the world in goods, services, income, and transfers. They also record changes in Tonga's financial claims on (assets), and liabilities to, the rest of the world.

TBOP is based on principles set out in the 6<sup>th</sup> edition of the Balance of Payments and International Investment Position Manual (BPM6) published by the International Monetary Fund.

### **Sources of information**

The major data sources are:

- Statistics on international trade compiled by the Statistics Department from custom entries completed for all goods exported or imported across the Tonga frontier.
- Monthly overseas exchange transaction records prepared by all commercial banks in Tonga and the National Reserve Bank of Tonga. These records show all transactions made with the overseas countries through the banking system.
- The monthly returns of Tonga Government agencies located overseas.

### **The residency concept**

The resident individuals in Tonga are considered to comprise all persons living within the territory of Tonga for at least one year. Tongan resident enterprises are actual or notional units engaged in:

- Production of goods and services in Tonga.
- Transactions in land located within the territory of Tonga.
- Transactions in leases, rights, concessions, patents, copyrights, and similar non-financial intangible assets issued by the Tongan Government.

Tongan citizens who are employed by foreign embassies and reside in Tonga are regarded as Tongan residents employed by foreigners. Employees of foreign governments and international bodies, such as diplomatic and consulate representatives and other foreign government personnel are treated as non-residents. Tourists, crew members of vessels or aircrafts engaged in international trade, commercial travelers and employees of non-resident enterprise (except students and diplomats) who come to Tonga for less than one year and vice versa are also non-residents.

### **Confidentiality of information**

The TBOP is published in a form that prevents any particular item from being identifiable as relating to any particular organization or person, apart of course for items from already – published sources. Based on these considerations, the release of some information in detailed

form is restricted to the standard form shown in the tables.

## **Definitions**

### **Current account**

The current account records the value of Tonga's transactions with the rest of the world in goods, services, income and transfers.

The **credit** side of this account shows the export of goods and services, income earned, and, under current transfers, the offsetting entries to resources received by residents without payment being required.

The **debit** side shows the import of goods and services, income paid, and, under current transfers, the offsetting entries to resources supplied to foreign residents without payment being required.

The current account **balance** is the sum of all current account credits less all current account debits. When the sum of debits is greater than the sum of credits we have a current account deficit.

### **Capital account**

The capital account covers all transactions that involve the receipt or payment of capital transfers and acquisition/disposal of non-produced, non-financial capital. The financial account covers all transactions associated with changes of ownership in the foreign financial assets and liabilities of an economy. Such changes include the creation and liquidation of claims on, or by, the rest of the world.

### **Financial account**

The financial account records transactions involving Tonga's claim on assets, and liabilities to, non-residents. Increases in assets (and decreases in liabilities) are indicated with a minus sign, (debit entry) and decreases in assets (and increases in liabilities) are indicated with a plus sign (credit entry). The financial account excluding reserves covers direct investment, portfolio investment, and other investment, which make up a long term and short-term investment.

The main data source for the Capital and Financial account is the Overseas Exchange Transactions (OET) record of all the commercial banks of Tonga and the National Reserve Bank of Tonga (NRBT), supplemented by data provided by Ministry of Finance.

### **Net errors and omissions (residual)**

This item ensures that the BoP statement balances. It is equal and opposite to the sum of all current account, capital account, and financial account credit flows, less the sum of all debit flows.

Compiling TBOP presents some difficult problems and errors and omissions normally occur in two major areas:

- i. **Coverage:** Despite attempts to gather data on all items, some international transactions are not reported. One category of transaction that probably is often substantially under-reported is purchases and sales of short-term financial claims. It is widely believed that unreported movements of short-term capital contribute a great deal to total errors and omissions. In addition, there has been no attempt to collect complete data on certain other transactions, which are estimated by BoP statisticians.
- ii. **Valuation:** Although imports documents may state a precise value for a particular commodity, a different amount may eventually be paid to the exporter. These types of discrepancy can arise for a number of reasons, ranging from default by the importer to incorrect valuation of the merchandise on the import documents.

## **Goods**

Goods are physical, produced items over which ownership rights can be established and whose ownership can be passed from one person to another through transactions.

Details of the composition of Tonga's trade (derived from customs data) can be found in the reports of Foreign Trade Statistics. However, some goods are believed to pass the Tongan frontier without customs entry and the TBOP makes adjustments to cover unrecorded imports or exports.

Foreign Trade statistics values imports c.i.f. (cost, insurance and freight) while in BoP statistics imports are valued at f.o.b. (free on board) in their country of export. For BoP purposes, an estimate is made of the cost of insurance and the freight components of imports, (c.i.f.) to place these data on an f.o.b. basis. This adjustment comprises most of the negative entry in the debit column. The counterpart to the adjustment are made under transportation and insurance services.

## **Services**

Services are products other than tangible goods.

Items included under services comprise all transactions on transport, insurance, travel, communication, financial, computers and information, royalties and license fees, other business services, personal and government services not included elsewhere. The largest component is travel, mainly comprising "tourist" expenditure in Tonga.

### **Transport services**

Transport includes freight and other distribution services in connection with merchandise. In addition various services are included under the heading "transport", including services performed by carriers, principally for the carriage of passengers, which are not classified under the heading "travel", together with goods and services acquired by carriers and consumed in their operations.

### **Travel services**

Travel covers primarily spending by travelers (tourist and business visitors) during visits of less than one year in that economy. The goods and services are purchased by, or on behalf of, the traveler or provided, without a quid pro quo, for international carriage of travelers,

which is covered in passenger services under transport.

### **Other Services**

Other Services includes all transactions in services not included elsewhere. The main categories are:

- i. **Private transactions** such as communication services, construction services, insurance services, financial services, computer and information services, royalties and license fees and other business services.
- ii. **Government transactions** such as expenses of embassies and consulates, military units and Agencies abroad, and other official entities located abroad; and other services provided to or obtained by government. Included here are transactions of the type included in the private transactions listed above, but where one of the parties to the transaction is a government.

### **Primary income**

Primary income covers income of non-residents from the financial assets invested in Tonga (debit) and income of Tongan residents from their financial assets invested abroad (credit).

Sub-components of income are: compensation of employees; investment income, including direct investment, portfolio investment; and other investment income

The OET data only records cash remittances. Reinvested profits of direct investment enterprises in Tonga are therefore currently excluded from the income component, although they should be included as a debit entry.

### **Secondary income (current transfers)**

These are transfers undertaken without a quid pro quo, for instance, a donation, a remittance by an emigrant worker, or a country's contribution to an international organization.

Private current transfers include remittances, contributions and other current transfers.

Government current transfers include the counter entry from various foreign countries to Tonga government pension payments and Budget support.

### **Official reserves**

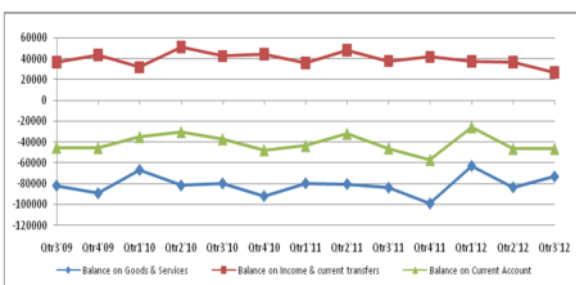
Reserves covers assets that are available for use by the central authorities either to finance payment imbalances directly or to manage the size of such imbalances by intervening to influence the exchange rate for the national currency.

Prior to the formation of the NRBT the Bank of Tonga held foreign exchange assets, as agent of the Government of Tonga. Thus these overseas exchange assets are included in reserves.

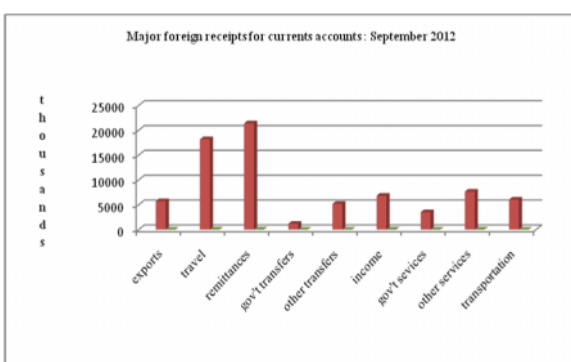
Other foreign assets held by the authorities are also classified under the reserve category. Prior to the creation of the NRBT, these assets included securities held by the Treasury and other Government bodies, which are readily negotiable claims on foreigners. Since July 1989, the NRBT holds most of the Kingdom's external reserves.



## Balance of Payments Statistics September Quarter, 2012



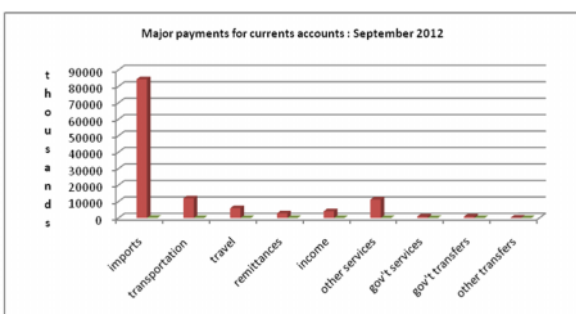
These estimates by the Statistics Department showed the Balance of Payments in September Quarter 2012 recorded a current account deficit of T\$46.488 million, compared to deficit of T\$46.023 million in the September 2011 quarter, and a slightly deficit of 0.04% or T\$46.470 million in the June 2012 quarter. The capital account recorded a surplus of T\$21.6 million, net inflow, decreasing from T\$25.7 million in the June 2012 quarter and also decreased from T\$23.9 million in the September 2011 quarter. The official reserves increased by T\$1.8 million from June 2012 quarter to T\$247.9 million at the end of the September 2012.



The goods balance was a deficit of T\$78.7 million in the September 2012 quarter, a decrease from T\$80.2 million or 2.0% in the September 2011 quarter and also a decrease of 3.5% from T\$81.5 million in the June 2012 quarter. Tonga earned T\$5.7 million from exports in the September 2012 quarter, a slightly increasing from T\$5.3 million in the September 2011 quarter, and also an increase from T\$4.1 million in the June 2012 quarter. Major exports were fish, root crops, kava (ground and underground kava), coconut (green and fresh nuts), squash pumpkin, paint and varnishes and other, tobacco and ferrous waste scrap. Imports of goods decreased to T\$84.4 million, from T\$85.6 million in the June 2012 quarter.

The above graph shows remittances with the highest value of T\$21.4 million, travel with T\$18.2 million, other services with T\$7.7million, primary income with T\$6.8 million, transportation with T\$6.0million, exports with T\$5.7 million, and the rest shared the remaining T\$9.9 million.

The balance on services was a surplus of T\$5.5 million compared to the June 2012 quarter deficit of T\$1.9 million. The exports of services were T\$35.4 million in the September 2012 quarter, an increase of 10.0% from T\$32.2 millions in the June 2012 quarter, and also an increase of 20.8% from T\$29.3 million in the September quarter of 2011. The increase was principally due to increase in travel and transport services, other business services and government goods and services.



Imports of services were T\$29.9 million in the September 2012 quarter, a decrease of 12.4% from T\$34.1 million in the June 2012 quarter; and also a decrease of 8.9% from T\$32.8 million in the September 2011 quarter. Transport services decreased from T\$12.8 million or 7.1% in the June 2012 quarter to T\$11.9 million in September 2012 quarter and other business services such as professional and technical services which including consulting, lawyer, accounting and others, and also a decreased in government goods and services.

The above graph shows goods imports with the highest value of T\$84.4 million, transportation with T\$11.9 million, other services with T\$11.2 million, travel with T\$5.9 million and the rest shared the remaining T\$8.8 million.

The net income earnings were made up of T\$2.8 million from primary income and T\$23.9 million from secondary income in the September 2012 quarter. This was a decrease from T\$7.6 million and decrease from T\$29.3 million respectively in the June 2012 quarter. Remittances from friends and relatives (workers) decreased to T\$21.4 million in the September 2012 quarter from T\$22.2 million in the June 2012 quarter.

Provided are detailed tables of quarterly Balance of Payments statistics for September Quarter 2012.



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