

Remittance Receipts

June 2015

*TOP \$m	June 15	May 15	Apr 15	Mar 15
Remittance Receipts	19.2	19.9	16.3	16.6
Private Transfers	17.2	17.4	13.9	14.9
Employee Compensation	1.4	2.4	2.3	1.4
Private Capital Transfers	0.34	0.06	0.01	0.2
Social Benefits	0.28	0.01	0.01	0.03

*Month-ended

Remittances remain high despite the slight decreases

The total remittances receipt for the month of June was \$19.2 million, representing 32.9% of the Total Overseas Exchange Transaction (OET) Receipts. Despite the slight decrease from the previous month, remittance receipts have been growing steadily since the start of the calendar year. This is most likely due to the preparation for the coronation and other church conferences.

As per usual, the majority of remittances were received from Tonga's main trading partners; the US (40%), Australia (35%) and New Zealand (19%). Over June, the US Dollar (USD) and Australian Dollar (AUD) appreciated against the Tongan Pa'anga (TOP) benefitting recipients in Tonga. This is reflected in a higher proportion of funds sent from America and Australia since the start of the calendar year, and compared to last month. The New Zealand Dollar (NZD), on the other hand, depreciated against the TOP, resulting in a drop in remittances received from New Zealand compared to May 2015.

A change in methodology

The calculation for Total Remittance Receipts has changed following Tonga's transition into *Balance of Payments and International Investment Position Manual 6 (BPM6)*, endorsed by the International Monetary Fund (IMF). This new coding system for overseas exchange transactions defines Remittances as the "household income from foreign economies arising mainly from the temporary or permanent movement of people to those economies". Under BPM6 Total Remittances is calculated as the sum of Personal transfers; Employee Compensation; Private Capital Transfers; and Social Benefits.

Previously, Remittances were calculated as the sum of Personal transfers and Non-profit Organisation transfers. The removal of these Non-profit Organisation transfers from the calculation, despite the addition of three other receipt types, has resulted in a lower Total Remittance Receipts figure under the new methodology (Refer Figure 1).

Over the year, the USD appreciated against the Tongan Pa'anga (TOP), coinciding with an increase in remittances from America. On the other hand, the AUD and NZD depreciated over the year to June 2015 against the Tongan Pa'anga; however had little impact on the level of remittances received from Australia and New Zealand.

It appears residents are more likely to receive money through Foreign Exchange Dealers (FEDs) with 85% of Total Remittances in June 2015 received through the FEDs. This may be due to lower transaction fees, better exchange rates and easier access with widespread coverage of FEDs in mainland Tongatapu and the outer islands.

Private Transfers

Total private transfers, being gifts and transfers into Tongan bank accounts, represent 90% of Total Remittances Receipts and 29% of Total OET Receipts; the largest single type of foreign currency inflow. Private Transfers slightly decreased over June by 1% to \$17.2million, although this is \$3.4million higher than June 2014. This increase is most likely due to the preparations for the celebrations of the King's Coronation and also the Church Conferences. The majority of transfers were denominated in AUD, NZD and USD.

Employee Compensation¹

Employee compensation makes up 7.2% of Total Remittance receipts, and fell by almost \$1 million to \$1.4 million over the month of June 2015. This \$1million fall was caused by a drop in remittances from RSE workers, which contributes to 45.9% of Total employee compensation. The seasonal nature of RSE workers results in marked fluctuations in remittances from these sources.

Figure 1:

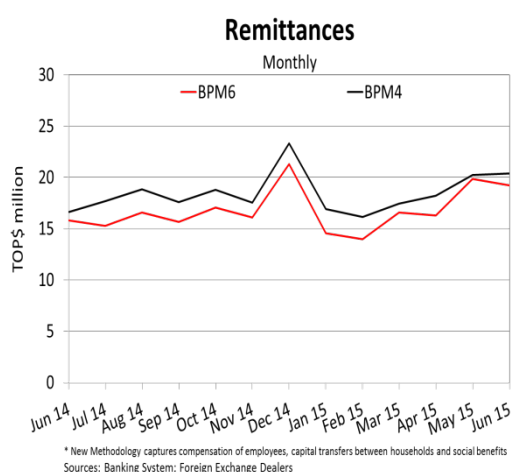
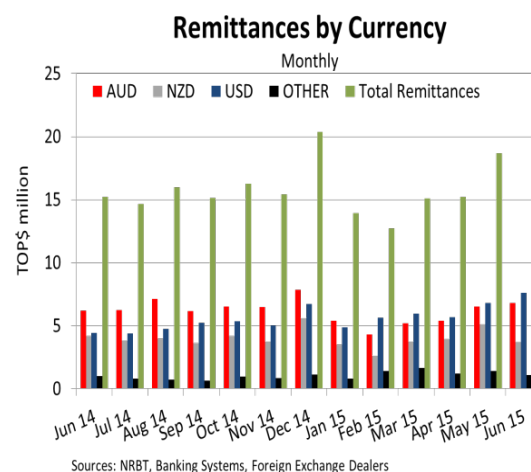


Figure 2:



¹ Employee compensation is the sum of wages and salaries from the Recognised Seasonal Employer (RSE) program and other Tongan residents working short term overseas.

Private Capital Transfers

Private grants for investments and capital projects received by individuals amounted to over \$300,000 although this represents only 1.7% of Total Remittance receipts; it is a significant rise from the previous month. These receipts were mainly denominated in NZD and TOP and may be funding for capital works leading up to the coronation.

Social Benefits

Pensions and other social benefits received by Tongan residents from overseas rose to over \$270,000 in June. These payments, denominated in TOP and USD, represent only 1.5% of Total Remittance Receipts.

Outlook

Remittance receipts are anticipated to increase in July due to the coronation, church conferences and other school reunions. The NRBT will continue to closely monitor these receipts given they are one of the biggest inflows for Tonga's economy.

Figure 3:

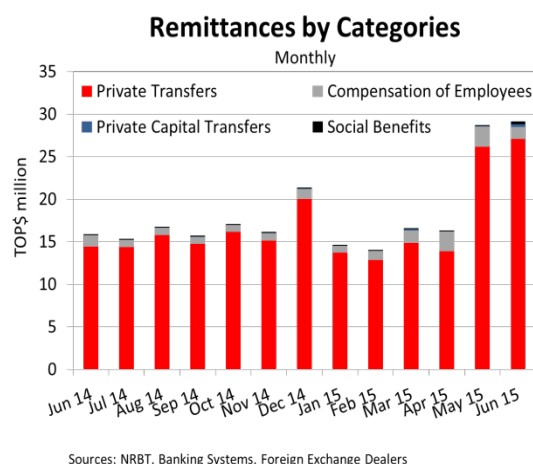


Table 1:

	Month Ended				Year Ended		Shares of totals*
	Jun-15	May-15	Apr-15	Mar-15	Jun-15	May-15	
Total	19.21	19.85	16.26	16.56	202.4	199.00	100.0
Private transfers	17.21	17.40	13.92	14.90	186.33	183.57	92.1
Compensation of Employees	1.38	2.38	2.32	1.43	14.79	14.75	7.3
Private capital transfers	0.34	0.06	0.01	0.20	0.85	0.51	0.4
Social benefits	0.28	0.01	0.01	0.03	0.41	0.16	0.2

Sources: NRBT, Banking System, Foreign Exchange Dealers

Table 2:

	Month Ended				Year Ended		Shares of totals*
	Jun-15	May-15	Apr-15	Mar-15	Jun-15	May-15	
Total	19.21	19.85	16.26	16.56	202.39	199.00	100.0
Australian Dollar (AUD)	6.82	6.53	5.41	5.20	74.04	73.40	36.6
US Dollar (USD)	7.61	6.79	5.68	5.96	67.99	64.83	33.6
New Zealand Dollar (NZD)	3.69	5.11	3.96	3.76	47.60	48.10	23.5
Tongan Pa'anga (TOP)	0.65	0.79	0.76	1.21	6.30	5.99	3.1
Euro (EUR)	0.11	0.15	0.12	0.13	1.58	1.69	0.8
Japanese Yen (JPY)	0.06	0.15	0.08	0.06	1.14	1.13	0.6
Fijian Dollar (FJD)	0.09	0.11	0.07	0.07	1.63	1.54	0.8
British Pound (GBP)	0.04	0.09	0.04	0.06	0.58	0.54	0.3
Chinese Yuan (CNY)	0.00	0.00	0.00	0.00	0.01	0.01	0.0
Other	0.14	0.14	0.14	0.11	1.52	1.76	0.8

Sources: NRBT, Banking System, Foreign Exchange Dealers