

Remittance Receipts

October 2016

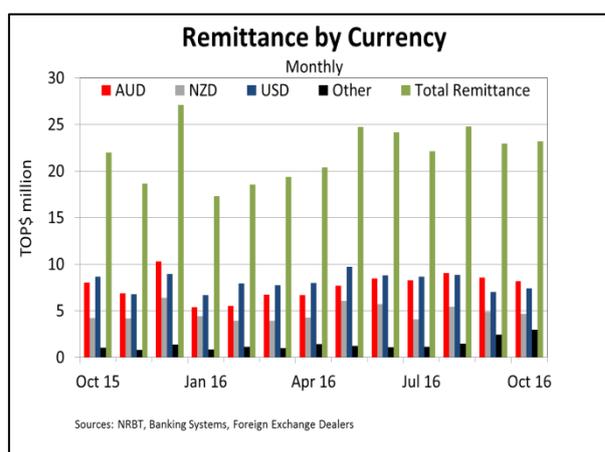
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*TOP \$m	Oct 16	Sept 16	Aug 16	July 16
Remittance Receipts	23.20	22.93	24.79	22.14
Private Transfers	21.23	20.68	22.27	19.91
Employee Compensation	1.36	1.76	2.15	1.89
Private Capital Transfers	0.54	0.43	0.33	0.28
Social Benefits	0.07	0.06	0.05	0.05

**Month-ended*

Remittances remained high as Christmas season approaches

Remittances slightly rose over the month of October 2016 by 1.2% (\$0.3 million) to \$23.2 million, underpinned by higher inflows of private transfers mainly receipts for family support. In year ended terms, total remittances reached \$263.3 million, \$44.4 million (20.3%) higher than it was a year ago. Remittances receipts represented 38% of the total overseas exchange transaction (OET) receipts in October, which is close to the 37% recorded in September. Over the year, remittances represented 39% of the total OET, which is the same as it was for the year to September 2016.



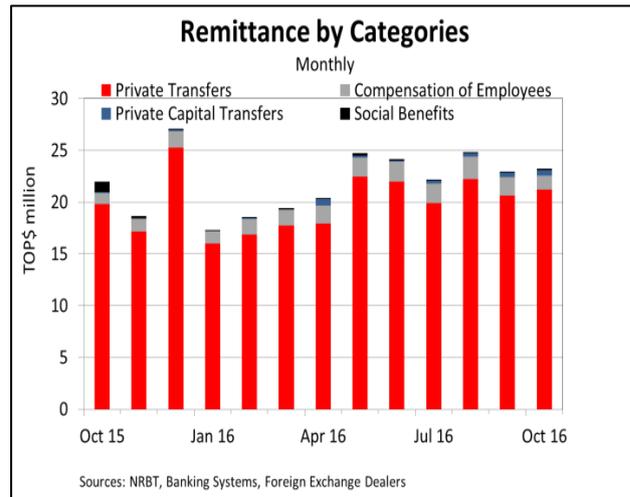
In October 2016, remittances received in Tongan Pa'anga (TOP) and United States Dollar (USD) increased the most by \$0.4 million each, which more than offset a decline in remittances receipts in Australian Dollar (AUD) and New Zealand Dollar (NZD). Authorised Dealers receiving funds in TOP to avoid the foreign exchange levy that became effective on 1st June 2016, and the appreciation of the USD against the TOP may have contributed to the higher USD and TOP receipts during the month. The AUD continued to be the dominant currency for remittance receipts representing 35% (\$8.2 million) of the total remittances. USD followed closely at 32% (\$7.4 million) slightly increasing from 31% last month whereas the NZD receipts slightly declined to 20% (\$4.7 million) from 21% in the previous month.

Foreign Exchange Dealers (FEDs) continued to be the preferred channel for receipt of remittances. Around 89% (\$20.6 million) of the total remittance receipts during the month

were received via FEDs, compared to 90% (\$20.7 million) of the previous month and 85% (\$18.7 million) of October 2015.

Private Transfers

Private transfers which are mostly receipts for family support, hold the largest share of foreign currency inflow, representing 92% (\$21.2 million) of the total remittance receipts and 35% of the total OET receipts in October 2016. Total private transfers slightly rose by 2.3% (\$0.5 million) to \$21.2 million over the month. Receipts of family support in



USD, TOP and NZD rose by \$0.3 million each over the month, which more than offset a decrease in AUD receipts of \$0.4 million over the month. This may have been positive implications of improvement in the economic prospects of the remittance source countries as New Zealand reported improved GDP growth for the June quarter and the United States recorded a rise in real disposable income over the June quarter.

Employee Compensation¹

Compensation of employees fell by 23% (\$0.4 million) to \$1.4 million over the month. This was driven mostly by a decline in receipts from Recognised Seasonal Employer (RSE) Scheme workers from \$0.6 million to \$0.4 million during the month, which more than offset an increase in other wages and salaries by \$0.2 million. Employee compensation for the last 12 months reached a total of \$19.8 million, of which \$8.6 million were receipts from RSE workers and the remaining \$11.2 million was from other compensation of employees including local experts abroad and local experts serving foreign organizations locally.

Private capital transfers & Social benefits

Other private transfers for capital expenditures rose by \$0.1 million (26%) to \$0.5 million in October, as a result of households receiving funds for house renovation and construction activities. Social benefits also rose by \$0.02 million (27%) to \$0.07 million, during the month. Private capital transfers and Social benefits accounted for only 3% of the total remittance receipts.

Outlook

Remittances are anticipated to remain high in the upcoming months leading up to the Christmas holidays festive season. The NRBT will continue to closely monitor the remittance receipts given it is the largest source of foreign exchange inflow for the economy.

¹ Employee compensation is the sum of wages and salaries from the Recognised Seasonal Employer (RSE) program, Tongan residents working short term overseas, and resident employees serving foreign organizations.

Table 1

Remittance Receipts							
TOP\$ millions							
	Month Ended				Year Ended		<i>Shares of totals*</i>
	Oct-16	Sep-16	Aug-16	Jul-16	Oct-16	Oct-15	
Total	23.20	22.93	24.79	22.14	263.3	218.9	100.0
Private transfers	21.23	20.68	22.27	19.91	239.7	199.9	91.1
Compensation of Employees	1.36	1.76	2.15	1.89	19.76	16.43	7.5
Private capital transfers	0.54	0.43	0.33	0.28	2.72	1.12	1.0
Social benefits	0.07	0.06	0.05	0.05	1.08	1.42	0.4

Sources: NRBT, Banking System, Foreign Exchange Dealers

Table 2:

Remittance Receipts by Currency							
TOP\$ millions							
	Month Ended				Year Ended		<i>Shares of totals*</i>
	Oct-16	Sep-16	Aug-16	Jul-16	Oct-16	Oct-15	
Total	23.20	22.93	24.79	22.14	263.29	218.89	100.0
Australian Dollar (AUD)	8.18	8.55	9.05	8.27	91.75	76.21	34.8
US Dollar (USD)	7.42	7.00	8.88	8.66	96.61	79.75	36.7
New Zealand Dollar (NZD)	4.65	4.92	5.41	4.08	58.01	49.18	22.0
Tongan Pa'anga (TOP)	2.47	2.04	0.88	0.56	10.39	7.31	3.9
Euro (EUR)	0.11	0.10	0.13	0.13	1.37	1.51	0.5
Japanese Yen (JPY)	0.11	0.09	0.18	0.13	1.77	1.18	0.7
Fijian Dollar (FJD)	0.14	0.11	0.12	0.12	1.70	1.64	0.6
British Pound (GBP)	0.02	0.03	0.02	0.04	0.42	0.59	0.2
Chinese Yuan (CNY)	0.00	0.00	0.00	0.00	0.00	0.00	0.0
Other	0.11	0.09	0.12	0.15	1.28	1.52	0.5

Sources: NRBT, Banking System, Foreign Exchange Dealers