

Remittance Receipts

Release date: 1 May 2019

December 2018

| | TOP\$ millions | | | | Year Ended | | Shares of totals* |
|---------------------------|----------------|--------|--------|--------|------------|--------|-------------------|
| | Month Ended | | | | Dec-18 | Dec-17 | |
| | Dec-18 | Nov-18 | Oct-18 | Sep-18 | Dec-18 | Dec-17 | |
| Total | 32.6 | 30.6 | 28.2 | 27.7 | 350.8 | 327.8 | 100.0 |
| Private transfers | 30.0 | 28.2 | 25.6 | 24.9 | 316.4 | 304.0 | 90.2 |
| Compensation of Employees | 1.8 | 1.5 | 1.7 | 1.9 | 22.6 | 16.9 | 6.4 |
| Private capital transfers | 0.5 | 0.8 | 0.9 | 0.8 | 10.1 | 6.1 | 2.9 |
| Social benefits | 0.3 | 0.1 | 0.1 | 0.1 | 1.7 | 0.9 | 0.5 |

*Based on year ended remittance receipts numbers

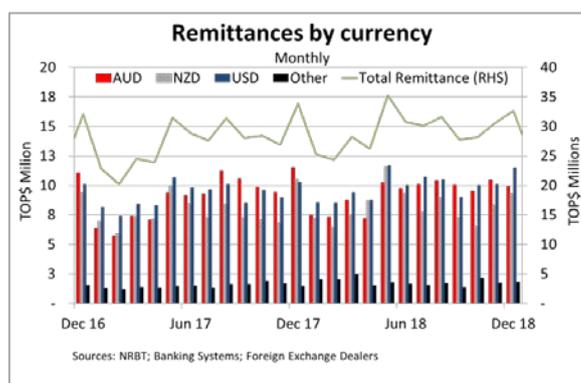
Sources: NRBT, Banking System, Foreign Exchange Dealers

Note: Numbers may not add up precisely to the totals due to rounding errors

Remittances rise during Christmas yet ended lower than last year¹

As expected, total remittances increased in December reflecting the usual trend for December. Each category recorded an increase over the month except receipts of private capital transfers which declined.

This increase in remittances was largely attributed to higher private transfers which partially offset the overall movement (decline) in Overseas Exchange Transaction (OET) receipts. However, the share of total remittances (in the total OET receipts) rose to 42.1% in December from 37.6% last month. The lower OET receipts stemmed from other purposes (official transfers) and higher remittances. The USD currency for remittance receipts was the most favorable currency and recorded a rise to \$11.5 million in December. This also coincided with the USD appreciating against the Tongan Pa'anga (TOP) in December which may have contributed to the rise. The AUD currency for remittance receipts followed as the second most favorable currency and recorded a total of \$9.9 million which was lower than last month and corresponded with the weakening of the AUD currency against the TOP. The NZD currency for remittance receipts recorded a balance of \$9.3 million which is an increase from last month and corresponding to an appreciation of the NZD against the TOP.



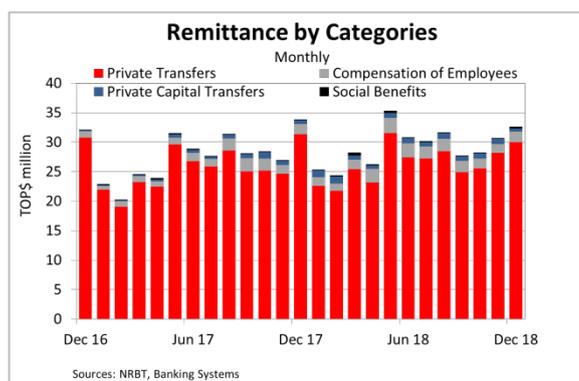
Over the year, total remittances increased due to rises in all categories. This resulted in a balance of \$350.8 million and was supported by family support, major events, and other social occasions which took place throughout the year. The consistent rise in receipts for family support and from seasonal workers abroad continued to be key drivers in the yearly increase.

During December, the Foreign Exchange Dealers (FEDs) remained as the most popular channel for remittance receipts having accounted for 88.0% share of total remittances. This is higher than the share of 87.2% last month yet lower than the share of December 2017 which was 90.1%. However, the movements still reflect the convenience of sending money via FEDs compared to banks as they have more access points.

Private Transfers

¹ Published December 2017 Remittances report shows \$30.9m but revised data now shows \$33.8m noting now that December 2017 recorded higher remittances receipt than that of December 2018.

Over December, total private transfer receipts increased by \$1.8 million (6.5%) to \$30.0 million. This mainly reflected higher receipts of private transfers as gifts, family support, and financial assistance for the festive season. Private transfers were mostly in USD which increased over the month recording a total of \$10.9 million. The AUD followed with a total of \$9.5 million. However, this was a decline from the previous month. The NZD recorded a total of \$8.5 million and increased since last month. Private transfer receipts continued to be the primary purpose of remittances and accounted for 92.1% (about the same as last month) of total remittance receipts. Furthermore, private transfers recorded a share of 38.8% (higher than 37.6% last month) of total OET receipts in December reflecting the more significant increase in the receipts of private transfers. The total annual receipts of private transfers rose by \$12.4 million (4.1%) driven mainly by receipts for family support.



Employee Compensation²

The total compensation of employees' receipts increased over the month to \$1.8 million from last month. This resulted mostly from increases in both the AUD and NZD receipts for December. Annually, the total receipts for compensation of employees continued to rise and by \$5.8 million (34.2%). This indicates continuous financial assistance from workers abroad which are still being remitted to respective local families.

Private capital transfers & Social benefits

The private capital transfer receipts decreased by \$0.3 million. This was due to lower receipts of private grants for home and household projects (particularly for construction and renovation purposes by families). However, social benefits receipts rose by \$0.2 million over the month. The private capital transfer and the social benefits receipts account for 1.5% and 0.9% respectively of the total remittances for December 2018. In year ended terms, the private capital transfers rose by \$4.0 million resulting in higher receipts of the project and working capital funds as well as for construction purposes. The receipts for social benefits also rose over the year to November by \$0.8 million.

Outlook

Remittance receipts are forecasted to remain at high levels in the upcoming months, however, to increase at a slower pace. This is expected to be supported by family expenses for the commencement of the New Year, the start of the school academic year, and more seasonal workers sent abroad on the Recognised Seasonal Employer (RSE) and Seasonal Worker Programme (SWP) schemes. The Reserve Bank will continue to closely monitor the remittance receipts given it is the largest source of foreign exchange inflow for the Tongan economy.

| | Remittance Receipts by Currency | | | | | | |
|--------------------------|---------------------------------|--------|--------|--------|------------|--------|-------------------|
| | TOP\$ millions | | | | | | |
| | Month Ended | | | | Year Ended | | Shares of totals* |
| Dec-18 | Nov-18 | Oct-18 | Sep-18 | Dec-18 | Dec-17 | | |
| Total | 32.58 | 30.63 | 28.20 | 27.72 | 350.83 | 327.80 | 100.0 |
| Australian Dollar (AUD) | 9.93 | 10.47 | 9.49 | 10.04 | 111.16 | 106.97 | 31.7 |
| US Dollar (USD) | 11.53 | 10.11 | 10.03 | 9.01 | 118.91 | 109.89 | 33.9 |
| New Zealand Dollar (NZD) | 9.30 | 8.31 | 6.52 | 7.27 | 98.93 | 93.04 | 28.2 |
| Tongan Pa'anga (TOP) | 1.23 | 1.07 | 1.05 | 0.82 | 13.82 | 10.86 | 3.9 |
| Euro (EUR) | 0.14 | 0.19 | 0.34 | 0.13 | 1.89 | 1.73 | 0.5 |
| Japanese Yen (JPY) | 0.14 | 0.12 | 0.45 | 0.13 | 1.84 | 1.43 | 0.5 |
| Fijian Dollar (FJD) | 0.13 | 0.11 | 0.12 | 0.13 | 1.58 | 1.43 | 0.5 |
| British Pound (GBP) | 0.06 | 0.10 | 0.07 | 0.09 | 0.98 | 0.85 | 0.3 |
| Chinese Yuan (CNY) | 0.00 | 0.01 | 0.00 | 0.00 | 0.01 | 0.01 | 0.0 |
| Other | 0.12 | 0.15 | 0.12 | 0.10 | 1.69 | 1.59 | 0.5 |

*Based on year ended remittances receipts numbers
Sources: NRBT, Banking System, Foreign Exchange Dealers
Note: Numbers may not add up to the totals due to rounding errors

² Employee compensation is the sum of wages and salaries from the seasonal workers abroad, Tongan residents working short term overseas, and resident employees serving foreign organizations.