

Remittance Receipts

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March 2018

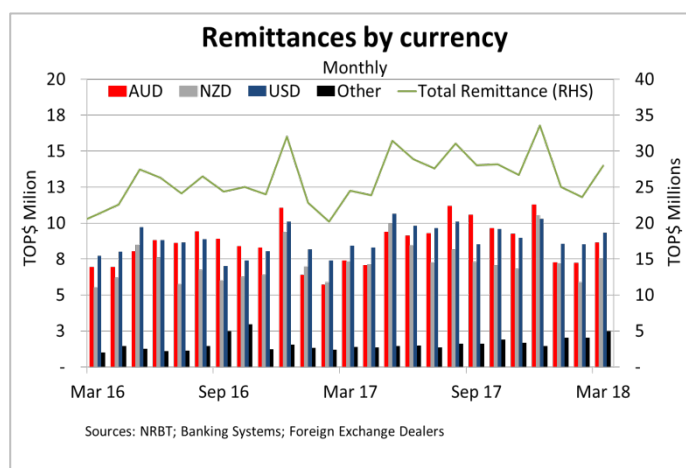
	Month Ended				Year Ended		Shares of totals*
	Mar-18	Feb-18	Jan-18	Dec-17	Mar-18	Mar-17	
TOTAL	28.0	23.6	25.1	33.6	336.0	300.0	100.0
Private transfers	25.4	21.1	22.6	31.3	308.3	276.9	91.8
Compensation of Employees	1.5	1.1	1.3	1.5	17.7	18.6	5.3
Private capital transfers	0.7	1.2	1.2	0.7	8.7	3.6	2.6
Social benefits	0.4	0.1	0.0	0.1	1.3	0.9	0.4

*Based on year ended remittance receipts numbers

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

Rise in family support for Tropical Cyclone (TC) recovery boosted remittances

According to the National Emergency Management Office report, more than 80% of Tonga's population were impacted by TC Gita. As a result, the financial assistance from families and relatives abroad to support their families in terms of recovery and for other family obligations dominated the remittance receipts during the month of March 2018. The total remittances recorded a growth of \$4.4 million (18.5%) over the month to \$28.0 million. By comparison to the same period of last year, the total remittances for March 2018 was \$3.5 million (14.2%) higher. The receipts for compensation of employees and social benefits also increased over the month, contributing to the overall monthly rise whereas the receipts for private capital transfers however declined over the month.



Remittances accounted for 44.9% of the total Overseas Exchange Transactions (OET) receipts in March compared to 33.0% in the previous month. The US dollar (USD) remained the top currency for remittance receipts during the month, as family abroad benefited from the favourable exchange rates. At the end of the month, 33.4% of receipts were in USD, followed by a 30.9% and 26.9% share of total remittances being receipts in Australian dollar (AUD) and New Zealand dollar (NZD) respectively, among others.

Total remittances continued to rise over the year to March 2018 by \$36.0 million (12.0%) to reach a record high of \$336.0 million, supported by the events and occasions that took place during the year as well as higher receipts of family support sent from families, relatives and friends staying abroad. Additionally, two new Foreign Exchange Dealers (FEDs) that commenced business during the year may have contributed to the high record.

FEDs continued to be the preferred channel for receiving of remittances. Over the month, 89.4% share of total remittances were received via FEDs compared to 86.8% share recorded last month and 88.8% in March 2017. This reflects the convenience of sending money via FEDs compared to banks, as FEDs have more access points and their services are much quicker.

Private Transfers

Total private transfers increased by \$4.3 million (20.3%) to \$25.4 million in March, largely driven by higher family support received over the month. Total private transfer receipts in NZD increased the most by \$1.5 million followed by AUD and USD receipts with a rise of \$1.4 million and \$1.1 million respectively. Receipts of private transfers continued to be the main purpose of remittances which accounted for 90.8% of total remittance receipts and 40.8% of total OET receipts over the month. In year ended terms, the total receipts of private transfers continued to rise by 11.4% (\$31.4 million) to \$308.3 million, due mainly to receipts for family support.

Employee Compensation¹

Compensation of employees rose by \$0.3 million (26.9%) to \$1.5 million, which accounted for 5.2% of the total remittances received over the month. This was driven by a rise in the receipts from seasonal workers abroad by \$0.3 million. In year ended terms, receipts for compensation of employees however fell by \$0.9 million (4.9%), due to a fall in the receipts from seasonal workers abroad.

Private capital transfers & Social benefits

Total receipts for private capital transfers decreased by \$0.5 million over the month mainly due to fall in transfers for building, renovation and construction of houses. Receipts for social benefits however rose by \$0.3 million driven by an increase in pension receipts during the month. In addition, private capital transfers and social benefits receipts accounted for 2.5% and 1.6% respectively of the total remittance receipts over the month. Over the year, private capital transfers rose by \$5.0 million due to project and working capital funds received during the year. The receipts for social benefits also rose by \$0.4 million.

Outlook

Remittance receipts are projected to increase in the near term due to the upcoming busy season particularly the family month of May and annual church conferences. Additionally, given the continuing recovery in the US economy and the strong US dollar, the remittance receipts from the US may continue to dominate and contribute to the projected rise. The Reserve Bank will continue to closely monitor the remittance receipts given it is the largest source of foreign exchange inflow for the economy.

Table 2: Remittance Receipts by Currency

	TOP\$ millions						Shares of totals*
	Month Ended				Year Ended		
	Mar-18	Feb-18	Jan-18	Dec-17	Mar-18	Mar-17	
Total	28.0	23.6	25.1	33.6	336.0	300.0	100.0
Australian Dollar (AUD)	8.6	7.2	7.3	11.3	109.9	97.9	32.7
US Dollar (USD)	9.3	8.5	8.6	10.3	112.3	100.6	33.4
New Zealand Dollar (NZD)	7.5	5.9	7.2	10.5	93.2	83.0	27.8
Tongan Pa'anga (TOP)	1.7	1.3	1.4	0.8	12.9	11.6	3.8
Euro (EUR)	0.2	0.2	0.1	0.2	1.8	1.5	0.5
Japanese Yen (JPY)	0.1	0.1	0.1	0.1	1.5	1.9	0.4
Fijian Dollar (FJD)	0.1	0.1	0.1	0.1	1.5	1.5	0.4
British Pound (GBP)	0.1	0.1	0.1	0.1	1.0	0.7	0.3
Chinese Yuan (CNY)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.2	0.1	0.3	0.1	1.9	1.4	0.6

*Based on year ended numbers; Note: Numbers may not add up precisely to the totals due to rounding errors

Sources: NRBT, Banking Systems

¹ 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.

