

Remittance Receipts

Release date: 8 July 2020

April 2020

TOP\$ millions

	Month Ended				Year Ended		Shares of totals*
	Apr-20	Mar-20	Feb-20	Jan-20	Apr-20	Apr-19	
Total	23.5	26.0	24.8	27.1	345.3	351.5	100.0
Private transfers	20.5	23.5	22.8	24.3	315.5	316.8	91.4
Compensation of Employees	2.5	2.0	1.6	1.9	23.5	23.8	6.8
Private capital transfers	0.4	0.5	0.3	0.8	4.9	9.2	1.4
Social benefits	0.1	0.1	0.1	0.1	1.4	1.7	0.4

*Based on year ended remittances receipts numbers

Sources: NRBT, Banking System, Foreign Exchange Dealers

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

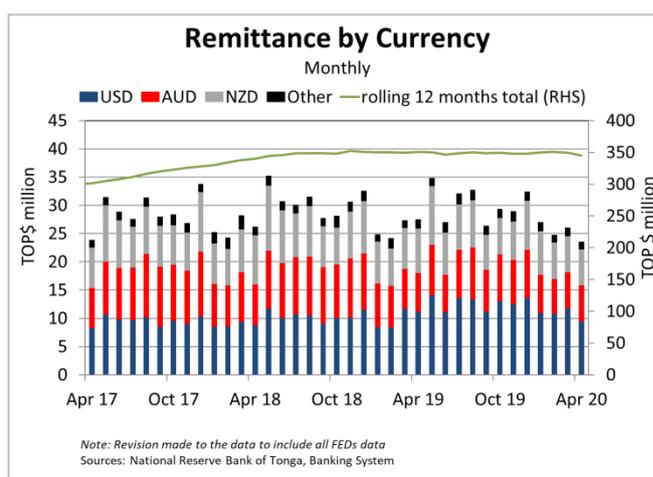
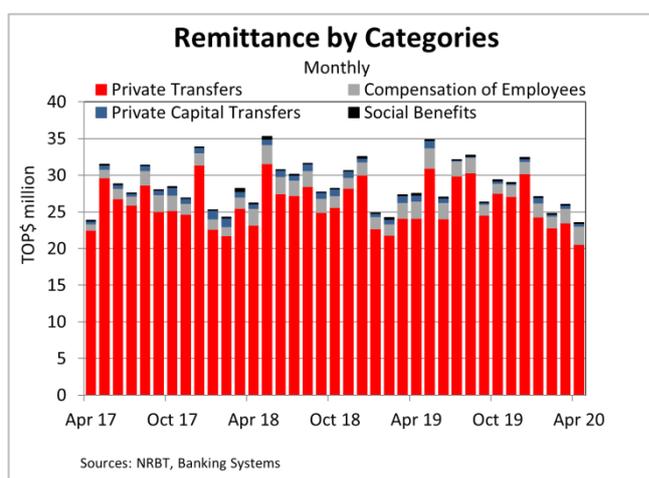
Lowest monthly level reported in 3 years

The total remittance receipts for April 2020 fell by \$2.5 million (9.6%) to \$23.5 million largely driven by a decline in private transfers of \$2.9 million (12.5%). Private capital transfer receipts also declined by \$0.1 million (18.1%) whilst social benefit receipts remained unchanged. Total remittance receipts for April 2020 was accounted for 25.2% of the total Overseas Exchange Transaction (OET) receipts compared to 41.1% of total OET receipts in March 2020. This reflected the significant overall rise in total OET receipts for the month while remittance declined.

In year ended terms, total remittances fell by \$6.2 million (1.8%) to \$345.3 million. This was driven mostly by the \$4.3 million (47.0%) fall in private capital transfers followed by the \$1.3 million (0.4%) decline in private transfers.

In April 2020, the US dollar (USD) remained the top currency for remittance receipts and accounted for 40.2% of the total remittances. Receipts in the Australian dollar (AUD) was 27.2% of total remittances followed by receipts in New Zealand (NZD) which was 26.8% of total remittances. However, the monthly decline in remittances was mostly from the USD receipts which declined by \$2.3 million (19.3%) from previous month. In April 2020, the USD and NZD depreciated whilst the AUD appreciated against the TOP.

Foreign Exchange Dealers (FEDs) remained the preferred channel for receiving remittances. The total share of remittance receipts received via FEDs accounted for 81.1% in April 2020 compared to 83.3% share recorded last month and 84.8% in April 2019. The remaining 18.9% were channeled through the banks. Despite the lower share over the month, the public still preferred sending and receiving money via FEDs compared to banks as FEDs have more access points and faster services.

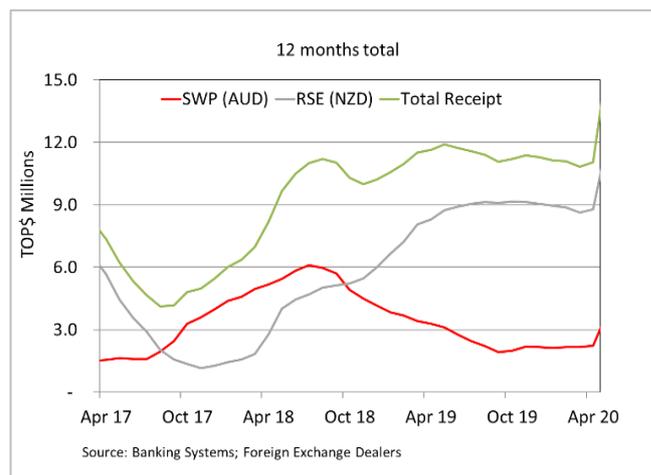


Private Transfers

Receipts of private transfers declined by \$2.9 million (12.5%) in April 2020 due to lower family support and monetary gifts from families and friends abroad. The largest decline was in the USD and NZD receipts of \$2.2 million and \$0.6 million respectively. This may reflect the negative impact of COVID-19 on the employment and income levels of our Tongan diaspora and their ability to support family and relatives here in Tonga. Nevertheless, private transfers continued to hold the largest share of total remittance receipts at 87.2% compared to 90.0% recorded in the previous month. It also accounted for 22.0% of the total OET receipts which is considerably lower than the 37.0% recorded in March 2020. In year ended terms, the total receipts of private transfers also fell by \$1.3 million (0.4%) to \$315.5 million.

Employee Compensation¹

The total compensation of employees slightly increased by \$0.5 million (24.4%) which accounted for 10.6% of the total remittance receipts in April 2020 and is mostly attributed to the higher receipts from seasonal workers abroad. Receipts from seasonal workers rose over the month by \$0.6 million mainly driven by a \$0.5 million rise in receipts from New Zealand. However, total employee compensation receipts slightly declined by \$0.3 million (1.4%) over the year. Other wages and salaries accounted for 52.9% (\$12.4 million) whereas RSE/SWP workers accounted for 47.1% (\$11.0 million) of the employee compensation receipts respectively. Receipts from New Zealand RSE workers contributed the most with \$8.8 million while the seasonal workers from Australia contributed \$2.2 million to the seasonal workers' receipts.



Private capital transfers & Social benefits

Private capital receipts for building and renovation of private households decreased by \$0.1 million in April 2020. Social benefit receipts remained unchanged. Over the year, the private capital transfers and social benefits receipts both fell by \$4.3 million (47.0%) and \$0.3 million (17.7%) respectively. The lower private capital transfers drove the overall annual decline in remittance.

Outlook

The impacts of the COVID-19 pandemic is expected to weaken the inflow of remittances in the medium term as Tonga's major remitting countries are expecting a downturn in economic activities. 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							Shares of totals*
	Month Ended				Year Ended			
	Apr-20	Mar-20	Feb-20	Jan-20	Apr-20	Apr-19		
Total	23.55	26.05	24.76	27.06	345.26	351.49	100.0	
Australian Dollar (AUD)	6.41	6.46	6.18	6.70	91.23	109.96	26.4	
US Dollar (USD)	9.47	11.73	10.79	10.96	145.29	123.35	42.1	
New Zealand Dollar (NZD)	6.31	6.34	6.39	7.80	89.17	98.27	25.8	
Tongan Pa'anga (TOP)	1.01	1.00	0.90	1.03	12.11	12.33	3.5	
Euro (EUR)	0.10	0.10	0.10	0.13	1.77	1.87	0.5	
Japanese Yen (JPY)	0.07	0.13	0.11	0.13	1.76	1.83	0.5	
Fijian Dollar (FJD)	0.05	0.10	0.10	0.13	1.62	1.55	0.5	
British Pound (GBP)	0.03	0.05	0.05	0.04	0.60	0.79	0.2	
Chinese Yuan (CNY)	0.00	0.00	0.00	0.00	0.01	0.01	0.0	
Other	0.09	0.13	0.13	0.13	1.70	1.51	0.5	

*Based on year ended remittances receipts numbers

Sources: NRBT, Banking System, Foreign Exchange Dealers

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.