

Remittance Receipts

Release date: 30 November 2020

August 2020

	TOP\$ millions				Year Ended		Shares of totals*
	Month Ended				Aug-20	Aug-19	
	Aug-20	Jul-20	Jun-20	May-20	Aug-20	Aug-19	
Total	36.5	37.5	31.9	35.0	359.5	350.5	100.0
Private transfers	33.5	34.0	28.8	32.0	328.8	317.2	91.5
Compensation of Employees	2.3	3.0	2.9	2.7	25.2	23.9	7.0
Private capital transfers	0.4	0.3	0.1	0.2	4.1	7.7	1.1
Social benefits	0.2	0.2	0.1	0.1	1.4	1.7	0.4

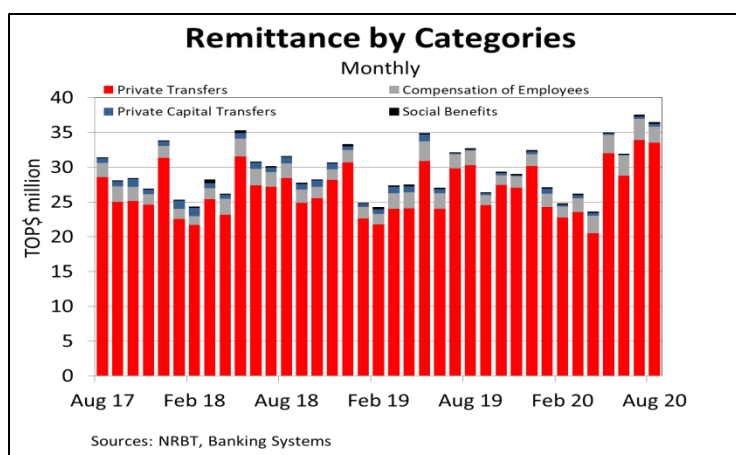
*Based on year ended remittances receipts numbers

Sources: NRBT, Banking System, Foreign Exchange Dealers

Slight drop in Remittance receipts for August

The remittance receipts for August 2020 slightly fell after rising to a record high in the previous month. The decline in remittance receipts for the month was largely driven by the fall in the compensation of employees receipts and private transfers.

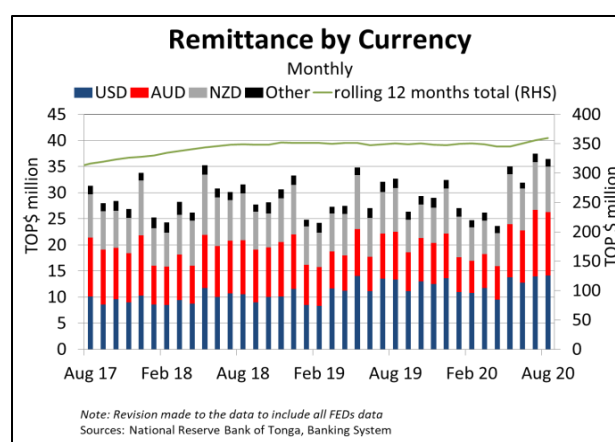
The total remittance receipts for August 2020 accounted for 62.1% of the total Overseas Exchange Transaction (OET) receipts, which is higher than the 54.5% share in July 2020 attributing to the \$2.4 million decline in total OET receipts.



In the year to August 2020, the total remittance receipts significantly rose by \$9.3 million (2.7%), attributed to the rise in private transfers and compensation of employees offsetting the fall in private capital transfers and social benefits.

Remittances received from Tonga's major trading currencies fell in August 2020 owing to lower Australian Dollar (AUD) and New Zealand Dollar (NZD) denominated receipts, which declined by \$0.6 million (4.7%) and \$0.4 million (4.3%) respectively. This outweighed the rise in United States Dollar (USD) denominated receipts which increased by \$0.2 million (1.3%).

Nevertheless, the United States Dollar (USD) continued to be the dominant currency amongst Tonga's major trading currencies with a 38.8% share of the total remittance receipts for August 2020. This was followed by the AUD and NZD at 33.2% and 24.0% respectively.



The total share of remittance receipts transferred via Foreign Exchange Dealers (FEDs) rose by 2.3% to 87.7% in August 2020, while the share of banks declined after consistently gaining in the past 3 months. This indicates that FEDs is the preferred channel for remittance transfers due to its convenience, ease of

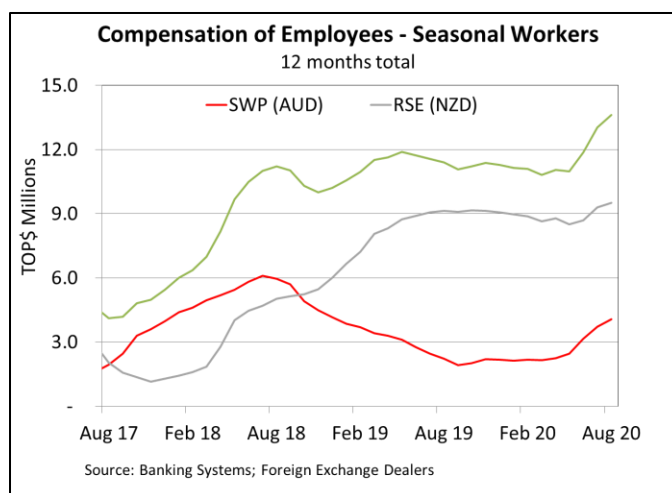
access, and affordable service fees. Amidst the COVID-19 pandemic, the use of online financial services to transfer remittances contributes positively to the higher shares of remittances transferred via FEDs.

Private Transfers

Private transfer receipts, which are mainly for family support from relatives and friends abroad, fell by \$0.4 million (1.2%) in August 2020 following the rise in the previous month. However, this is higher than the private transfer receipts in August 2019 indicating the willingness of Tongan diaspora to support their loved ones despite the stringent financial conditions abroad. Private transfer receipts in AUD declined the most by \$0.4 million followed by the NZD by \$0.1 million outweighing the \$0.3 million rise in USD receipts. The recent Federal stimulus package rolled out to assist household and business sectors in the US may be supporting the inflow of remittances in addition to the strengthening of the USD against the TOP. Private transfer receipts continued to hold the highest share of total remittance receipts at 92.0% (higher than the 90.6% share in the previous month). Over the year to August 2020, private transfers receipts increased by \$11.6 million (3.7%) driving the annual growth in remittances.

Employee Compensation¹

In August 2020, the total compensation of employees fell by \$0.7 million (24.2%). This was driven by the \$0.2 million (24.9%) decrease in receipts from the Seasonal Workers Programs (SWP) in Australia coupled by the decline in receipts from seasonal workers in New Zealand by \$0.2 million (20.9%). As the COVID-19 cases continues to surge, arrangements were made with New Zealand to enable repatriation of seasonal workers during the month. Another group of seasonal workers is expected to return in the following months. Hence, this has contributed to the decline of employees' compensation receipts. However, the demand from markets abroad for seasonal workers particularly from Australia may contribute positively to higher compensation of employees' receipts in the future.



The receipts for the total compensation of employees picked up over the year to August 2020 by \$1.3 million (5.3%) to \$25.2 million. Receipts from RSE/SWP continues to be a significant contributor to the total compensation of employees' receipt with a 54.0% share (higher than the 51.7% share for July 2020). Meanwhile, the other wages and salaries component (remaining 46.0% share) are mostly for employees of international organizations in Tonga. Nevertheless, New Zealand seasonal workers contributed \$9.5 million to the seasonal workers' annual receipts with \$4.1 million contributed by seasonal workers from Australia.

Private capital transfers & Social benefits

Private capital transfers and social benefits slightly rose by \$0.1 million and \$0.01 million respectively during the month. The higher private capital transfers reflect households' continuous investment in private constructions and renovations, while social benefits are mostly for pension funds. Over the year to August 2020, both the private capital transfers and social benefits fell by \$3.6 million (46.6%) and \$0.2 million (14.6%) respectively.

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.

Outlook

Although economic activities of our major remitting countries have slowly resumed, the economic toll inflicted by the COVID-19 pandemic will take time to recover. Hence, this may impede the inflow of remittance receipts to the Tongan economy. However, the employment opportunities available for seasonal workers abroad continues to increase and may offset negative effects starting with the departure of seasonal workers to Australia scheduled for the coming months. Since remittances provide the largest source of foreign exchange inflow for the Tongan economy, the Reserve Bank will continue to closely monitor external and domestic developments that may affect these movements.

Remittance Receipts by Currency							
TOP\$ millions							
	Month Ended				Year Ended		Shares of totals*
	Aug-20	Jul-20	Jun-20	May-20	Aug-20	Aug-19	
Total	36.46	37.49	31.93	34.97	359.54	350.48	100.0
Australian Dollar (AUD)	12.10	12.70	9.99	10.11	102.88	102.82	28.6
US Dollar (USD)	14.15	13.97	12.77	13.82	147.94	132.43	41.1
New Zealand Dollar (NZD)	8.77	9.16	8.05	9.65	90.64	94.86	25.2
Tongan Pa'anga (TOP)	0.84	1.08	0.70	0.89	11.51	12.25	3.2
Euro (EUR)	0.20	0.20	0.13	0.14	1.86	1.94	0.5
Japanese Yen (JPY)	0.12	0.11	0.07	0.12	1.49	2.00	0.4
Fijian Dollar (FJD)	0.07	0.08	0.07	0.07	1.15	1.67	0.3
British Pound (GBP)	0.09	0.07	0.06	0.07	0.66	0.77	0.2
Chinese Yuan (CNY)	0.00	0.00	0.00	0.00	0.01	0.01	0.0
Other	0.13	0.10	0.10	0.10	1.42	1.74	0.4

*Based on year ended remittances receipts numbers
Sources: NRBT, Banking System, Foreign Exchange Dealers