

# Remittance Receipts

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## December 2020

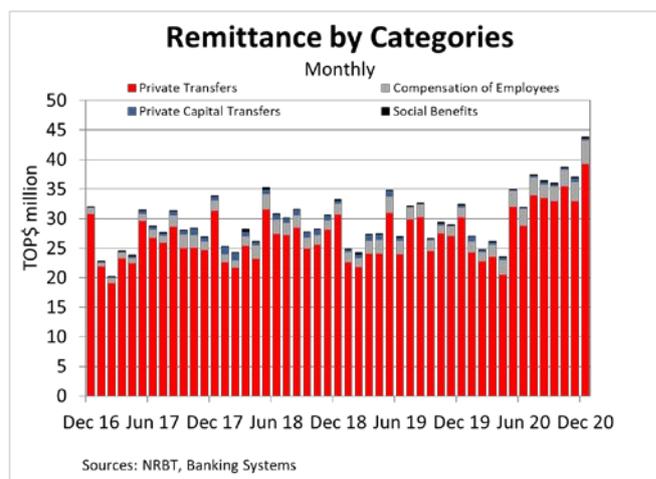
	TOP\$ millions							Shares of totals*
	Month Ended				Year Ended			
	Dec-20	Nov-20	Oct-20	Sep-20	Dec-20	Dec-19		
Total	43.8	37.0	38.7	36.0	398.0	348.1	100.0	
Private transfers	39.3	33.0	35.5	33.0	360.3	317.1	90.5	
Compensation of Employees	3.9	3.3	2.8	2.6	31.5	23.5	7.9	
Private capital transfers	0.4	0.7	0.3	0.3	4.7	5.8	1.2	
Social benefits	0.2	0.1	0.1	0.1	1.5	1.7	0.4	

\*Based on year ended remittances receipts numbers

Sources: NRBT, Banking System, Foreign Exchange Dealers

### Remittance receipts hit new record high during Christmas

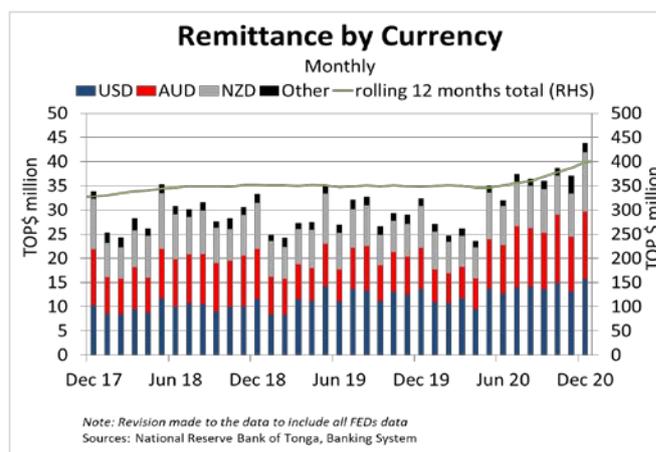
The total remittance receipts for December 2020 rose significantly by \$6.8 million (18.3%), ending 2020 with a new record high of \$43.8 million. This is the highest monthly remittance recorded compared to \$32.4 million and \$33.3 million in December 2019 and 2018. Annually, remittance receipts also increased by \$49.9 million (14.3%) to a total of \$398.0 million. This is a typical trend observed in December, where the increase in remittance receipts are driven by the Christmas celebrations and festivities.



Total remittance receipts accounted for 30.4% of the total Overseas Exchange Transaction (OET), which is lower than the 52.7% share in November 2020 and is mainly due to the rise in total OET receipts.

Receipts by currency from Tonga's major trading partners such as the NZD Dollar (NZD), US Dollar (USD) and Australian Dollar (AUD) all rose by \$3.3 million (37.4%), \$2.7 million (20.2%) and \$2.6 million (22.8%) respectively in December 2020.

The appreciation of the NZD and AUD against the TOP contributed positively to the monthly movement. Although the USD depreciated against the TOP, it continued to hold the highest share of the total remittance receipts at 36.0%, rising from 35.4% in the previous month. This was followed by the AUD and NZD receipts at 31.7% and 28.1% shares, respectively.



The share of remittance receipts transferred via Foreign Exchange Dealers (FEDs) rose by 0.7% over the month to 86.9%. The remaining 13.1% were transferred through the Banks. Hence, FEDs continued to be the preferred choice for transferring remittance receipts, given their ease of access and affordable services.

## Private Transfers

Private transfer receipts rose significantly by \$6.4 million (19.3%) over the month and is the highest monthly record of private transfer receipts in the past six years to date. Although the COVID-19 pandemic has largely affected employment opportunities abroad, the Tongan diaspora continues to support their families and loved ones during these times of financial downturn. The lockdown of Tonga's international borders during the Christmas holidays may also contribute to the higher monthly movement as related travel expenses to Tonga from families abroad are remitted as monetary gifts to friends and relatives. Consequently, private transfer receipts in NZD, USD and AUD all rose by \$2.9 million, \$2.5 million and \$2.3 million, respectively. Private transfer receipts maintain the highest share of the total remittance receipts at 89.8% (compared to 89.0% in November 2020). These private transfer receipts may contribute positively towards an increase in household's income which may encourage consumption spending, thus, supporting business activities in the country.

Moreover, private transfer receipts rose by \$43.2 million (13.6%) over the year to December 2020, contributing to the annual increase in total remittance receipts. This accounts for 90.5% of the total annual remittance receipts reflecting the importance of overseas family support towards households. Part of export proceeds, especially for non-commercial farmers, may also be received as private transfers. Additionally, the closure of the borders also restricts the hand-carry of cash by travellers and these transfers have also supported the rise in private transfers.

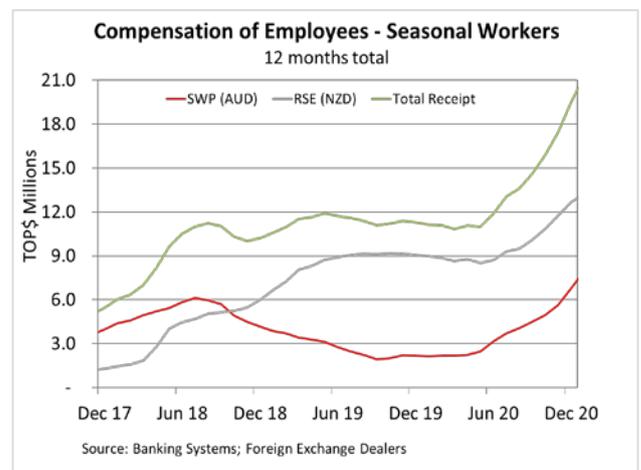
## Employee Compensation<sup>1</sup>

The total compensation of employees rose by \$0.6 million (18.7%) to \$3.9 million in December 2020. This largely attributes to the \$0.7 million (30.5%) increase in receipts from seasonal workers in Australia and New Zealand. During the month, 162 seasonal workers departed Tonga for Australia to join the seasonal workers program, contributing to the increase in receipts from seasonal workers. The total receipts from seasonal workers contributed \$2.8 million, while \$1.1 million was attributed to other wages and salaries for employees of international organizations in Tonga.

Over the year to December 2020, employee receipts' total compensation continues to increase by \$8.0 million (34.0%). The seasonal workers' receipts remain the highest share of the total compensation receipts at 61.9% (compared to 59.5% share in November 2020), while the remaining 38.1% share attributes to other wages and salaries. Receipts from seasonal workers in New Zealand and Australia both increased by \$3.6 million (39.7%) and \$4.6 million (212.3%), respectively.

## Private capital transfers & Social benefits

In December 2020, private capital transfers fell by \$0.3 million (44.2%) following the previous month's rise. These receipts are mainly for the renovation and construction of households. Meanwhile, social benefits, which largely consists of pension funds, slightly increased during the month by \$0.1 million (74.1%). Over the year to December 2020, the private capital transfers and social benefits both fell by \$1.1 million (19.6%) and \$0.2 million (10.1%), respectively.



<sup>1</sup> 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

Remittance receipts are expected to remain at high levels in the upcoming months but at a slower pace following the Christmas season's significant rise. Nonetheless, the uncertainties surrounding the COVID-19 pandemic may pose a downside risk to the outlook. The Reserve Bank will continue to closely monitor 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-20	Nov-20	Oct-20	Sep-20	Dec-20	Dec-19	
Total	43.82	37.05	38.69	35.99	397.95	348.08	100.0
Australian Dollar (AUD)	13.87	11.30	14.07	11.63	121.59	94.58	30.6
US Dollar (USD)	15.78	13.12	14.92	13.58	155.07	141.96	39.0
New Zealand Dollar (NZD)	12.29	8.95	8.13	9.09	100.99	91.38	25.4
Tongan Pa'anga (TOP)	1.10	1.47	0.90	1.07	12.00	12.43	3.0
Euro (EUR)	0.22	0.16	0.21	0.25	1.95	1.88	0.5
Japanese Yen (JPY)	0.17	0.07	0.14	0.14	1.37	1.79	0.3
Fijian Dollar (FJD)	0.09	0.05	0.06	0.06	0.91	1.67	0.2
British Pound (GBP)	0.13	0.10	0.12	0.07	0.90	0.62	0.2
Chinese Yuan (CNY)	0.00	0.00	0.00	0.00	0.01	0.01	0.0
Other	0.18	1.83	0.13	0.11	3.15	1.76	0.8

\*Based on year ended remittances receipts numbers

Sources: NRBT, Banking System, Foreign Exchange Dealers