

Remittance Receipts

Release date: 6 July 2020

March 2020

	TOP\$ millions				Year Ended		Shares of totals*
	Month Ended				Mar-20	Mar-19	
	Mar-20	Feb-20	Jan-20	Dec-19			
Total	26.0	24.8	27.1	32.4	349.2	349.5	100.0
Private transfers	23.5	22.8	24.3	30.2	319.1	315.1	91.4
Compensation of Employees	2.0	1.6	1.9	1.7	23.3	23.8	6.7
Private capital transfers	0.5	0.3	0.8	0.4	5.3	9.0	1.5
Social benefits	0.1	0.1	0.1	0.1	1.5	1.6	0.4

*Based on year ended remittances receipts numbers

Sources: NRBT, Banking System, Foreign Exchange Dealers

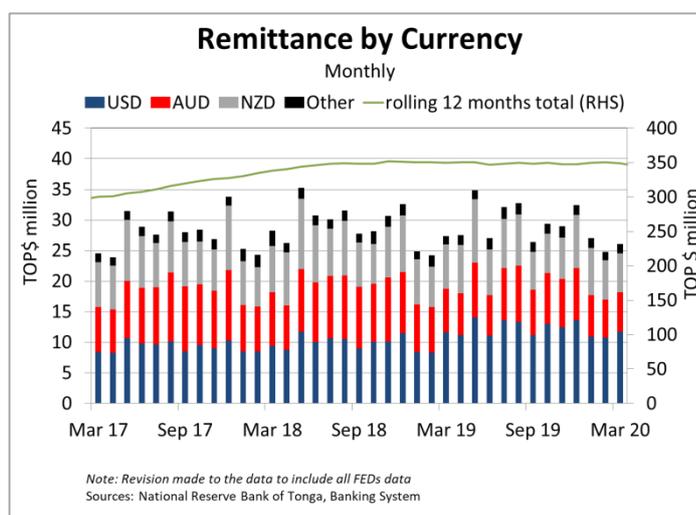
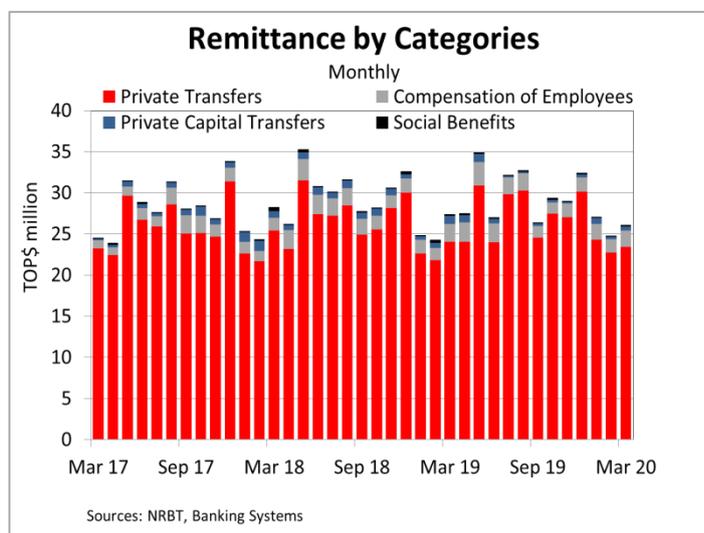
Monetary gifts from family and relatives continue to support remittance

In March 2020, total remittance receipts increased by \$1.2 million (5.2%) to \$26.0 million. This is a normal monthly trend for the past five years for March where it has increased following a slowdown in February. The monthly movement reflects higher receipts in all categories of remittance particularly for private transfers.

Total remittance receipts for March 2020 accounted for 41.1% of the total Overseas Exchange Transaction (OET) receipts which was lower than the 42.4% recorded in February 2020. This was due to the overall increase in total OET receipts in March 2020.

In year ended terms, the total remittance receipts fell by \$0.2 million (0.1%) to \$349.2 million. This was largely driven by the \$3.6 million (40.6%) decline in private capital transfers followed by compensation of employees at \$0.4 million (1.7%) and \$0.1 million (7.3%) for social benefits receipts despite the \$3.9 million (1.2%) rise in private transfers receipts.

For Tonga's major trading currencies, the United States Dollar (USD) continued to be the dominant currency which accounted for 45.0% of the total remittances in March 2020. This was followed by receipts in Australian Dollar (AUD) and New Zealand Dollar (NZD) with 24.8% and 24.3% respectively. The receipts in these major currencies recorded an increase during the month for both the USD and AUD while the NZD decreased by \$0.05 million. In March 2020, the USD appreciated while the AUD and NZD depreciated against the TOP.



Foreign Exchange Dealers (FEDs) still remain as the preferred channel for receiving remittances accounting for 83.3% share of the total remittance receipts while the remaining 16.7% were channeled through the Banks. However, the share of remittances channeled via banks increased by 2.7% due to the decline of receipts via FED's resulting from the temporary close down of some FED's during Tonga's lockdown as well as in remitting countries. Nevertheless, figures still indicate that the public prefers sending and receiving money via FEDs which may be due to its convenience and accessibility.

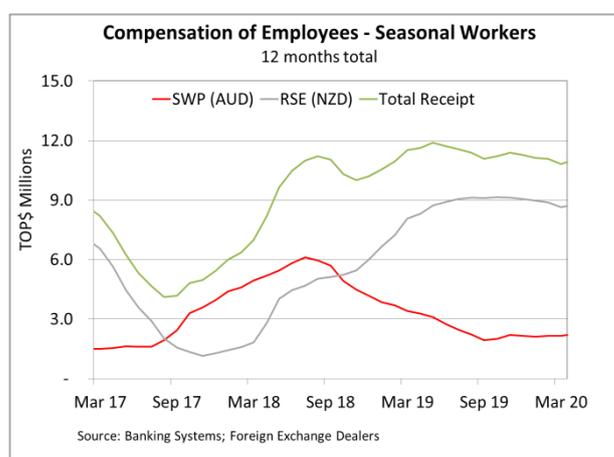
Private Transfers

Private transfer receipts slightly increased by \$0.7 million (3.0%) in March 2020. These are receipts mostly for family support and gifts from families and friends abroad. The increase was largely driven by the higher private transfer in USD and AUD receipts both rising by \$0.7 million and \$0.2 million respectively, whilst NZD receipts declined by \$0.3 million. Private transfer receipts continued to hold the largest share of total remittance receipts at 90.0%, and also account for 37.0% of the total OET receipts which was lower than the 39.0% recorded in February 2020. However, over the year to March 2020, private transfer receipts increased by \$3.9 million (1.2%).

Employee Compensation¹

The total compensation of employees slightly increased by \$0.4 million (22.9%) in March 2020. This accounts for 7.7% of the total remittance receipts and is mostly due to the higher receipts from seasonal workers². The increase in receipts from seasonal workers was mainly driven by the \$0.3 million rise in NZD receipts followed by AUD receipts with \$0.2 million.

Annually, the total employee compensation receipts fell by \$0.4 million (1.7%) to \$23.3 million. Other wages and salaries accounted for 53.6% of the employee compensation receipts while 46.4% were from RSE/SWP workers. New Zealand RSE workers contributed the most to the seasonal workers' receipts with \$8.6 million, while the seasonal workers from Australia contributed only \$2.2 million.



Private capital transfers & Social benefits

In March 2020, private capital transfers increased by \$0.2 million whereas social benefits remained relatively constant. Private capital transfers are funds received by households mostly for capital projects such as construction of private households and renovations, whilst social benefits are mainly receipts of pension funds. Private capital transfers and social benefits receipts accounted for 1.8% and 0.5% respectively of the total remittances for March 2020. Over the year, private capital transfers and social benefits receipts both fell by \$3.6 million (40.6%) and \$0.1 million (7.3%) respectively. The higher level of private capital transfers in the previous year largely reflected the receipts for construction and maintenance work for the damages from Cyclone Gita.

Outlook

Remittance receipts is expected to decline in the near term as the COVID-19 outbreak intensifies across major economies risking the income level and job opportunities available particularly for seasonal workers and Tongan diasporas. Nevertheless, 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.

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.

² The figures for receipts from Seasonal Employees are limited to the ability of the banks and FEDs to identify receipts from seasonal workers.

Remittance Receipts by Currency

TOP\$ millions

	Month Ended				Year Ended		Shares of totals*
	Mar-20	Feb-20	Jan-20	Dec-19	Mar-20	Mar-19	
Total	26.05	24.76	27.06	32.42	349.22	349.46	100.0
Australian Dollar (AUD)	6.46	6.18	6.70	8.56	91.61	109.89	26.2
US Dollar (USD)	11.73	10.79	10.96	13.60	147.03	120.85	42.1
New Zealand Dollar (NZD)	6.34	6.39	7.80	8.69	90.75	98.90	26.0
Tongan Pa'anga (TOP)	1.00	0.90	1.03	0.86	12.15	12.34	3.5
Euro (EUR)	0.10	0.10	0.13	0.16	1.79	1.86	0.5
Japanese Yen (JPY)	0.13	0.11	0.13	0.20	1.82	1.80	0.5
Fijian Dollar (FJD)	0.10	0.10	0.13	0.12	1.68	1.54	0.5
British Pound (GBP)	0.05	0.05	0.04	0.06	0.60	0.80	0.2
Chinese Yuan (CNY)	0.00	0.00	0.00	0.00	0.01	0.01	0.0
Other	0.13	0.13	0.13	0.16	1.76	1.46	0.5

*Based on year ended remittances receipts numbers

Sources: NRBT, Banking System, Foreign Exchange Dealers