

Remittance Receipts

May 2020

Release date: 28 August 2020

	TOP\$ millions				Year Ended		Shares of totals*
	Month Ended				May-20	May-19	
	May-20	Apr-20	Mar-20	Feb-20			
Total	35.0	23.6	26.2	24.8	345.5	351.1	100.0
Private transfers	32.0	20.6	23.6	22.8	316.7	316.1	91.7
Compensation of Employees	2.7	2.5	2.0	1.6	23.3	24.0	6.7
Private capital transfers	0.2	0.4	0.5	0.3	4.1	9.4	1.2
Social benefits	0.1	0.1	0.1	0.1	1.3	1.5	0.4

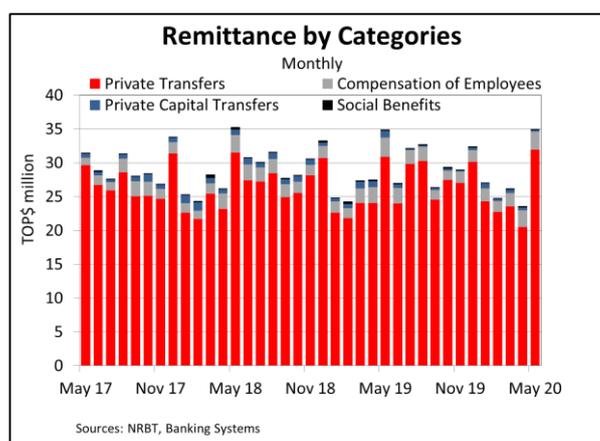
*Based on year ended remittances receipts numbers

Sources: NRBT, Banking System, Foreign Exchange Dealers

Higher remittance for the Family month

May is considered the family month and marks important days that families commemorate across Tonga, particularly Children's Sunday, Mother's Day, and Father's Day. Thus, total remittance receipts for May 2020 increased significantly by \$11.4 million (48.3%) to \$35.0 million the highest recorded since May of 2018. The higher remittance were mostly private transfers as relatives abroad send monetary gifts home to loved ones.

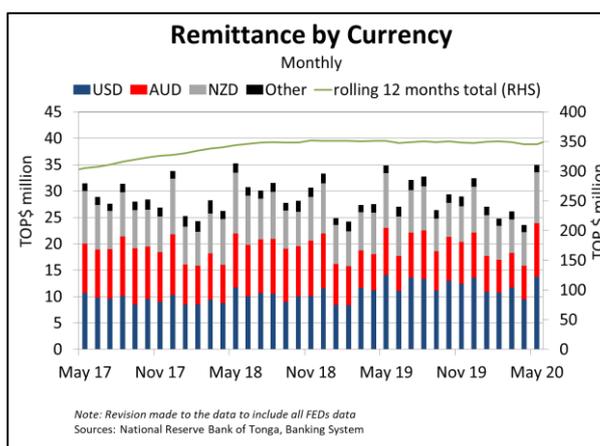
Total remittance receipts for May 2020 accounted for 48.3% of the Total Overseas Exchange Transaction (OET) receipts, much higher compared to the 25.3% share in April 2020. This was due to the \$21.1 million decrease in total OET receipts in May 2020 following an influx of



official receipts in the previous month, while

Over the year to May 2020, the total remittance receipts declined by \$5.6 million (1.6%) to \$345.5 million, driven mostly declines in private capital transfers by \$5.3 million (56.2%), followed by compensation of employees at \$0.7 million (3.0%), and \$0.2 million (11.5%) for social benefits.

Remittance received from Tonga's major trading currencies all increased over the month. The appreciation of the NZD and AUD against the TOP also contributed to the higher monthly movements despite the depreciation of the USD against the TOP.



Nevertheless, the United States Dollar (USD) continued to be the dominant currency amongst Tonga's major trading currencies with 39.4% share of the total remittance for May 2020. This was followed by the Australian Dollar (AUD) and New Zealand Dollar (NZD) at 29.0% and 27.6% shares respectively.

Due to its convenience and accessibility, Foreign Exchange Dealers (FEDs) continued to be the preferred channel for receiving remittances. This is indicated by the 86.8% share of the total remittance receipts received via FEDs while the remaining 13.2% was channelled through the banks.

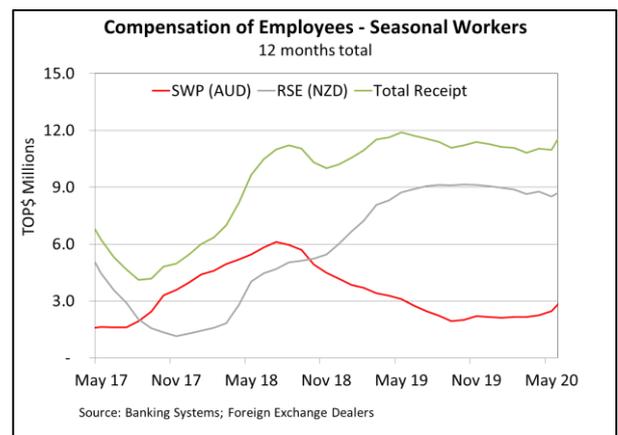
Private Transfers

Private transfer receipts increased by \$11.5 million (55.8%) to \$32.0 million in May 2020, driving the overall rise in remittances. These are receipts remitted to families mostly as monetary gifts and for family support. Despite the impacts of the COVID-19 pandemic abroad, private transfers recorded the highest level in the past 6 years. While this may be a disconnect from the global trend amidst the COVID-19 pandemic, but it also reflects Tonga's traditions where families abroad continues to support local families. The \$4.3 million rise in USD private transfer receipts together with the increase of AUD and NZD receipts by \$3.5 million and \$3.3 million respectively contributed to the higher monthly movement of private transfer receipts. As usual, private transfer receipts continued to hold the highest share of total remittance receipts at 91.6%, and 44.3% of the total OET receipts (which is higher than the 22.0% recorded in April 2020). Meanwhile, private transfers receipts increased by \$0.5 million (0.2%) over the year to May 2020.

Employee Compensation¹

The total compensation of employees slightly rose by \$0.2 million (7.4%) in May 2020. This mostly owes to the increase in receipts from Seasonal Workers Programs (SWP) in Australia. Since the lockdown of the border in March, our SWP workers are stranded in both Australia and New Zealand. Some of them have been reallocated to other industries where they can continue to work.

Over the year to May 2020, the total compensation receipts slightly fell by \$0.7 million (3.0%) to \$23.3 million. Other wages and salaries accounted for 52.9% of the employee compensation receipts while 47.1% were from RSE/SWP workers. Historically, RSE workers from New Zealand contributed the most to the seasonal workers' receipts with \$8.5 million, while \$2.5 million was contributed by seasonal workers from Australia.



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Private capital transfers & Social benefits

Over the month, private capital transfers fell by \$0.2 million while social benefits declined by \$0.1 million. 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. Annually, private capital transfers and social benefits receipts both fell by \$5.3 million (56.2%) and \$0.2 million (11.5%) respectively.

Outlook

Remittance receipts is expected to gradually decline in the upcoming months as the impacts of COVID-19 is expected to affect the income level of our overseas diaspora. This is also coupled with the expected repatriation of seasonal workers from abroad. 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.

Remittance Receipts by Currency

TOP\$ millions

	Month Ended				Year Ended		Shares of totals*
	May-20	Apr-20	Mar-20	Feb-20	May-20	May-19	
Total	34.97	23.58	26.15	24.76	345.51	351.08	100.0
Australian Dollar (AUD)	10.11	6.41	6.52	6.18	92.44	108.68	26.8
US Dollar (USD)	13.82	9.48	11.74	10.79	145.06	125.71	42.0
New Zealand Dollar (NZD)	9.65	6.34	6.38	6.39	88.50	97.09	25.6
Tongan Pa'anga (TOP)	0.89	1.01	1.00	0.90	12.21	11.99	3.5
Euro (EUR)	0.14	0.10	0.10	0.10	1.77	1.88	0.5
Japanese Yen (JPY)	0.12	0.07	0.13	0.11	1.72	1.89	0.5
Fijian Dollar (FJD)	0.07	0.05	0.10	0.10	1.54	1.54	0.4
British Pound (GBP)	0.07	0.03	0.05	0.05	0.62	0.76	0.2
Chinese Yuan (CNY)	0.00	0.00	0.00	0.00	0.01	0.01	0.0
Other	0.10	0.09	0.13	0.13	1.63	1.53	0.5

*Based on year ended remittances receipts numbers

Sources: NRBT, Banking System, Foreign Exchange Dealers