

Remittance Receipts

Release date: 22 January 2021

October 2020

	TOP\$ millions				Year Ended		Shares of totals*
	Month Ended				Oct-20	Oct-19	
	Oct-20	Sep-20	Aug-20	Jul-20			
Total	38.7	36.0	36.5	37.5	378.5	350.6	100.0
Private transfers	35.5	33.0	33.5	34.0	345.2	318.8	91.2
Compensation of Employees	2.8	2.6	2.3	3.0	27.7	23.4	7.3
Private capital transfers	0.3	0.3	0.4	0.3	4.2	6.6	1.1
Social benefits	0.1	0.1	0.2	0.2	1.4	1.8	0.4

*Based on year ended remittances receipts numbers

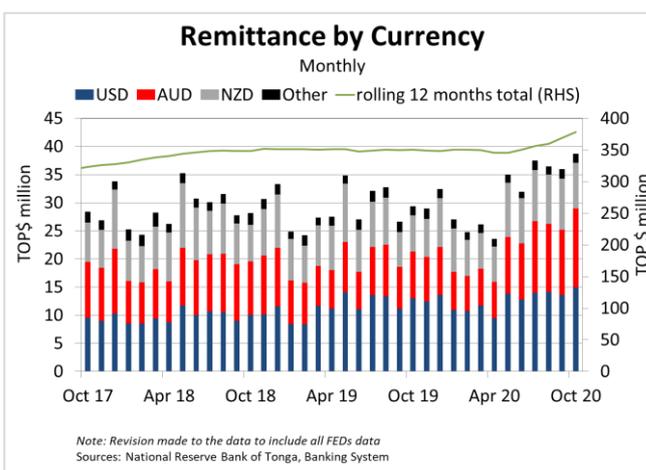
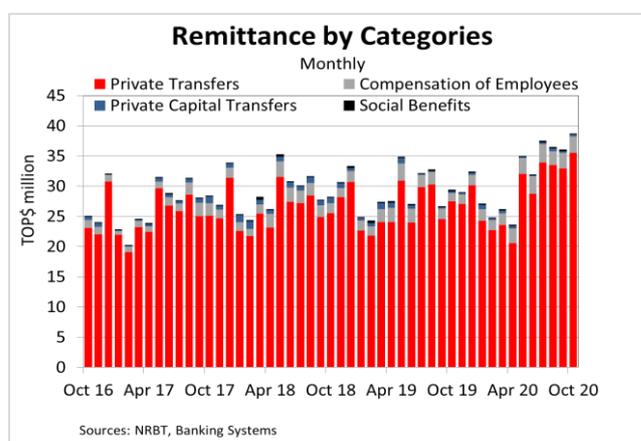
Sources: NRBT, Banking System, Foreign Exchange Dealers

Family support contributed to higher remittances

The total remittance receipts rose in October 2020 by \$2.7 million (7.5%). Private transfers and employees compensation contributed to the increase while private capital transfers and social benefits remained stable. Annually, remittance receipts also rose significantly by \$27.9 million (8.0%) reaching \$378.5 million.

Total remittances accounted for 55.3% of the total Overseas Exchange Transaction (OET) receipts, higher than the 50.4% share in September 2020 due to the decline in total OET receipts. Despite the decline in private capital transfers and social benefits, private transfers and employees' compensation still grew strongly.

Receipts in Australian Dollar (AUD) and United States Dollar (USD) increased by \$2.4 million (21%) and \$1.3 million (10%) respectively during the month. This reflects the AUD and USD appreciation against TOP. However, the New Zealand Dollar (NZD) receipts declined by \$1.0 million (11.0%) attributing to lower receipts of private transfers from New Zealand. Meanwhile, the USD continued to hold the largest share of the total remittance receipts amongst Tonga's major trading currencies at 38.6%. This was followed by the AUD and NZD at 36.4% and 21.01% respectively.



Foreign Exchange Dealers (FEDs) continued to be the preferred channel for transferring remittance receipts due to its convenience and ease of access. Remittances transmitted via FEDs rose by 1.1% to 88.1% in October 2020, and only 11.9% were remitted through the banks.

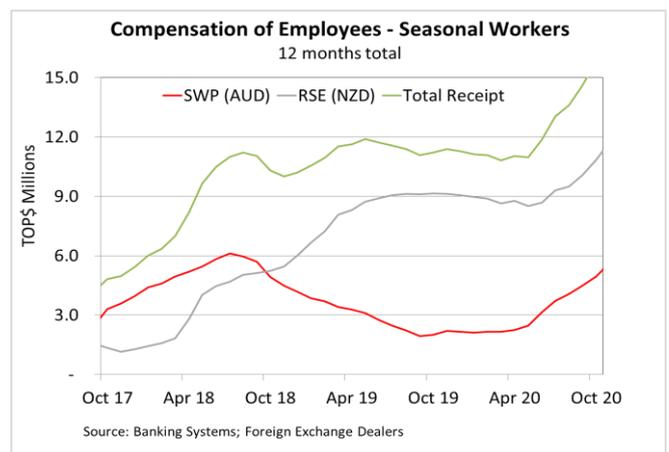
Private Transfers

Private transfer receipts increased in October 2020 by \$2.6 million (7.7%). These include receipts of gifts and family support remitted from friends and relatives overseas. The annual church donations may have contributed to the increase in the inflow of receipts. The private transfer receipts in AUD and USD have picked up by \$2.2 million and \$1.3 million, respectively and outweighed the \$0.9 million decline in NZD receipts. The rebound in the Australian economy by 3.3% reported for the September Quarter 2020 may have contributed to the rise in private transfers. The decline in the US unemployment rate may have supported the increase in private transfer receipts for the month. Furthermore, private transfer receipts are still the largest share of total remittance receipts at 91.8%, slightly higher than the 91.6% in September 2020.

In the year to October 2020, private transfer receipts increased again by \$26.5 million (8.3%) driving the overall rise in remittances. Despite the economic shocks of COVID-19 to our remitting economies, our Tongan diaspora overseas still provide financial assistance to their families here in Tonga. Additionally, the extended border lockdowns have improved the statistics on remittances as foreign cash hand-carried by travellers are now transferred through the banks and FEDs.

Employee Compensation¹

The total compensation of employees rose by \$0.2 million (6.8%) in October 2020. This was driven by a \$0.2 million (12.3%) increase in receipts from seasonal workers (including New Zealand and Australia). Meanwhile, the receipts from expatriates and local employees of international organizations in Tonga slightly declined by 1.4% to \$1.03 million. Receipts from seasonal workers have contributed \$1.7 million while other wages and salaries contributed \$1.03 million to the monthly movement. As businesses within the fruit picking industry resumed operations, receipts from seasonal workers will continue to rise despite the pandemic uncertainties.



Annually, total compensation of employee's receipts rose by \$4.2 million (18.1%) to \$27.7 million. The other wages and salaries component accounts for 37.6% share of the total compensation of employees receipts. In contrast, receipts from the seasonal workers' accounted for 62.4% (compared to 55.6% share for September 2020). Moreover, seasonal workers in New Zealand remitted back \$10.8 million of the total seasonal workers' annual receipts while \$5.0 million were from seasonal workers in Australia.

Private capital transfers & Social benefits

During October 2020, receipts mostly for household construction and refurbishments received as private capital transfers increased by \$0.03 million (9.4%). Social benefits, which includes pension funds, dropped by \$0.1 million (47.1 %). Over the year ended to October 2020, both private transfers and social benefits declined by \$2.4 million (36.8 %) and \$0.4 million (20.1%) 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.

Remittance Receipts by Currency

TOP\$ millions

	Month Ended				Year Ended		Shares of totals*
	Oct-20	Sep-20	Aug-20	Jul-20	Oct-20	Oct-19	
Total	38.69	35.99	36.46	37.49	378.50	350.57	100.0
Australian Dollar (AUD)	14.07	11.63	12.10	12.70	112.86	99.01	29.8
US Dollar (USD)	14.92	13.58	14.15	13.97	152.23	137.59	40.2
New Zealand Dollar (NZD)	8.13	9.09	8.77	9.16	95.24	93.68	25.2
Tongan Pa'anga (TOP)	0.90	1.07	0.84	1.08	11.47	12.69	3.0
Euro (EUR)	0.21	0.25	0.20	0.20	2.01	1.76	0.5
Japanese Yen (JPY)	0.14	0.14	0.12	0.11	1.45	1.74	0.4
Fijian Dollar (FJD)	0.06	0.06	0.07	0.08	1.02	1.67	0.3
British Pound (GBP)	0.12	0.07	0.09	0.07	0.76	0.70	0.2
Chinese Yuan (CNY)	0.00	0.00	0.00	0.00	0.01	0.01	0.0
Other	0.13	0.11	0.13	0.10	1.45	1.73	0.4

*Based on year ended remittances receipts numbers

Sources: NRBT, Banking System, Foreign Exchange Dealers

Outlook

The uncertainty surrounding the COVID-19 pandemic remains, however, business activities abroad continue to recover in line with the easing of lockdown restrictions. Furthermore, ongoing developments regarding COVID-19 vaccines also adds on to the pace of recovery. The departure of seasonal workers abroad in the following months provides a positive outlook to the inflow of remittances. Nevertheless, the Reserve Bank will continue to monitor the impact of COVID-19 as well as external and domestic developments on remittance receipts, given it is the largest source of foreign exchange inflow for the Tongan economy.