

Remittance Receipts

September 2020

Release date: 29 December 2020

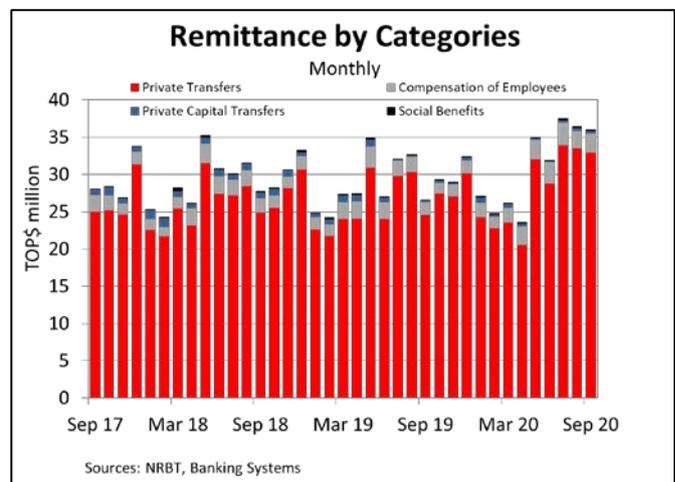
	TOP\$ millions				Year Ended		Shares of totals*
	Month Ended				Sep-20	Sep-19	
	Sep-20	Aug-20	Jul-20	Jun-20	Sep-20	Sep-19	
Total	36.0	36.5	37.5	31.9	369.2	349.4	100.0
Private transfers	33.0	33.5	34.0	28.8	337.2	316.8	91.3
Compensation of Employees	2.6	2.3	3.0	2.9	26.3	23.7	7.1
Private capital transfers	0.3	0.4	0.3	0.1	4.2	7.2	1.1
Social benefits	0.1	0.2	0.2	0.1	1.5	1.7	0.4

*Based on year ended remittances receipts numbers

Sources: NRBT, Banking System, Foreign Exchange Dealers

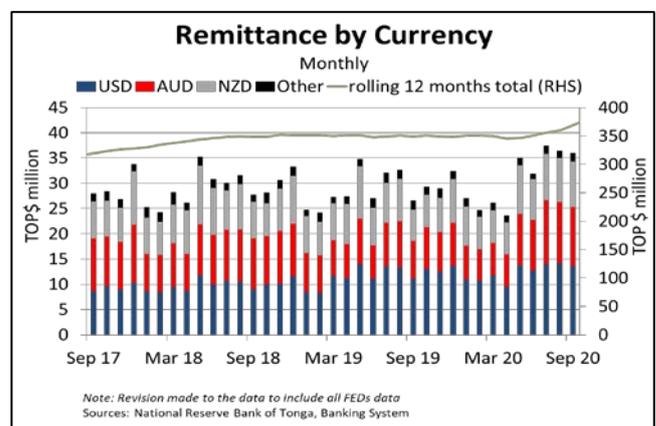
Remittances continue to wind down in September

Similar to previous years, remittance receipts fell in September 2020 by \$0.5 million (1.3%). The decline of private transfer receipts, private capital transfers, and social benefits drove the remittances for the month lower, outweighing the rise in compensation of employees. Nevertheless, remittance receipts for September was significantly higher by \$9.3 million (35.1%) compared to the same month in 2019. Events during September such as the Women's Annual Roll Call (Taliui Sepitema) are usually positive contributors to the inflow of receipts.



Total remittances accounted for 50.4% of the total Overseas Exchange Transaction (OET) receipts which is lower than the 62.1% share in August 2020 and was due to the \$11.5 million rise in total OET receipts. The increase in private transfers and compensation of employees outweighed the decline in private capital transfers and social benefits. It contributed to the rise in total remittance receipts by \$19.8 million (5.7%) over the year to September 2020.

The decline in Australian Dollar (AUD) and United States Dollar (USD) receipts by \$0.5 million (3.9%) and \$0.6 million (4.0%) respectively, contributed to the decline in remittances received from Tonga's major trading currencies during the month. Meanwhile, the New Zealand Dollar (NZD) receipts slightly increased by \$0.3 million (3.7%) and may partly be due to the appreciation of the NZD against the TOP. Moreover, the USD continued to hold the largest share of the total remittance receipts amongst Tonga's major trading currencies at 37.7%.



This was followed by the AUD and NZD at 32.3% and 25.3% respectively.

Due to its convenience and ease of access, Foreign Exchange Dealers (FEDs) continued to be the preferred channel for the transfer of remittance receipts. Thus, 87.0% of the total remittance receipts were transferred via FEDs, while 13.0% were through the banks. However, the share of remittances transferred via FEDs slightly fell by 0.7%. This may be partly due to the decline in the number of FEDs that operated during the month.

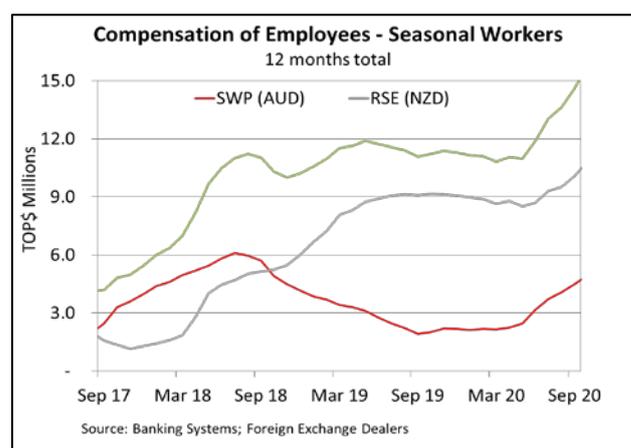
Private Transfers

Private transfer receipts declined in September 2020 by \$0.6 million (1.7%). These are receipts from friends and families abroad mostly as gifts and for family support. Private transfer receipts in AUD and USD declined over the month by \$0.5 million and \$0.4 million, respectively. They outweighed the \$0.3 million rise in NZD. Although businesses have resumed operations abroad, the wind-down of government social benefit packages, particularly in the US may contribute to the slowdown in private transfer receipts for the month. Nevertheless, private transfer receipts still maintain the largest share of total remittance receipts at 91.6% (slightly lower than the 92.0% in August 2020).

Meanwhile, the annual movement for September 2020 recorded an increase in private transfer receipts rising by \$20.4 million (6.4%) driving the overall rise in remittances over the year. The closing of the borders also contributed to the strong growth in remittances because the FEDs and Banks no longer exchange foreign currency notes. All remittances are therefore transferred through the banks and FEDs.

Employee Compensation¹

The total compensation of employees rose by \$0.3 million (11.8%) in September 2020. The \$0.2 million (26.1 %) rise in receipts from other wages and salaries of mostly expatriates and local employees of international organizations in Tonga drove this increase. Meanwhile, receipts from seasonal workers (including New Zealand and Australia) rose by \$0.1 million (3.8%). In total receipts from seasonal workers contributed \$1.5 million while other wages and salaries contributed \$1.1 million to the monthly movement. Although the uncertainty about COVID-19 pandemic remains high, businesses within the fruit picking industry have resumed operations with increased demand for labour. This indicates more job opportunities for seasonal workers abroad, hence poses a positive outlook for employee compensation receipts.



Over the year to September 2020, the total compensation of employee's receipts rose by \$2.6 million (10.8%) to \$26.3 million. The other wages and salaries component accounts for a 44.4% share of the total compensation of employees receipts. In comparison, receipts from the RSE/SWP contributed 55.6% (compared to 54.0% share for July 2020). Furthermore, New Zealand seasonal workers remitted \$10.1 million of the total seasonal workers' annual receipts, while \$4.5 million were from seasonal workers in Australia.

Private capital transfers & Social benefits

In September 2020, receipts mostly for household construction and refurbishments received through private capital transfers fell by \$0.1 (30.1%) million. Additionally, social benefits, primarily for pension funds, declined by \$0.03 million (18.3%). Annually, the private capital transfers and social benefits receipts decreased by \$3.1 million (42.4%) and \$0.1 million (8.6%) 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

Despite the uncertainty surrounding the COVID-19 pandemic, business activities abroad continue to recover in line with the easing of lockdown restrictions. Further, 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.

Remittance Receipts by Currency							
TOP\$ millions							
	Month Ended				Year Ended		Shares of totals*
	Sep-20	Aug-20	Jul-20	Jun-20	Sep-20	Sep-19	
Total	35.99	36.46	37.49	31.93	369.18	349.41	100.0
Australian Dollar (AUD)	11.63	12.10	12.70	9.99	107.09	100.20	29.0
US Dollar (USD)	13.58	14.15	13.97	12.77	150.37	134.57	40.7
New Zealand Dollar (NZD)	9.09	8.77	9.16	8.05	93.49	93.82	25.3
Tongan Pa'anga (TOP)	1.07	0.84	1.08	0.70	11.53	12.77	3.1
Euro (EUR)	0.25	0.20	0.20	0.13	1.98	1.93	0.5
Japanese Yen (JPY)	0.14	0.12	0.11	0.07	1.47	2.02	0.4
Fijian Dollar (FJD)	0.06	0.07	0.08	0.07	1.11	1.63	0.3
British Pound (GBP)	0.07	0.09	0.07	0.06	0.67	0.73	0.2
Chinese Yuan (CNY)	0.00	0.00	0.00	0.00	0.01	0.01	0.0
Other	0.11	0.13	0.10	0.10	1.44	1.73	0.4

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