

Remittance Receipts

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April 2021

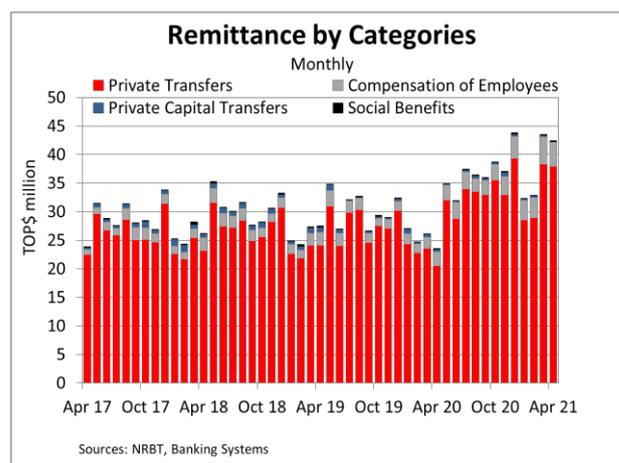
	TOP\$ millions							
	Month Ended				Year Ended		Shares of totals*	
	Apr-21	Mar-21	Feb-21	Jan-21	Apr-21	Apr-20		
Total	42.5	43.5	32.9	32.3	447.6	345.7	100.0	
Private transfers	37.9	38.3	28.9	28.6	402.9	315.6	90.0	
Compensation of Employees	4.3	4.8	3.5	3.5	39.5	23.8	8.8	
Private capital transfers	0.1	0.3	0.3	0.2	3.7	4.9	0.8	
Social benefits	0.2	0.1	0.1	0.1	1.6	1.4	0.3	

*Based on year ended remittances receipts numbers

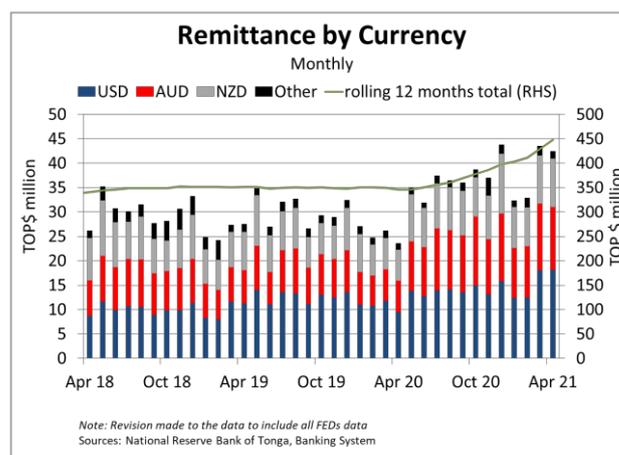
Sources: NRBT, Banking System, Foreign Exchange Dealers

Remittance receipts still high, despite slight drop over the month

Total remittance receipts slightly fell by \$1.1 million (2.4%) to a total of \$42.5 million in April 2021. Over the year, remittance receipts substantially rose by \$101.9 million (29.5%), reflecting the resilience of remittance inflows from major remitting countries, specifically the US, Australia and New Zealand. Higher family support, receipts from seasonal workers, and social benefits were key drivers for the annual rise. Thus, the lockdown of Tonga's international borders restricting travels from abroad has largely resulted in the remitting of funds to households. According to the World Bank Group, this is a similar trend observed in other low and middle-income countries such as Samoa, Marshall Islands, and the Philippines.



Total remittance receipts represented 64.1% of the total Overseas Exchange Transactions (OET), which is lower than the 68.6% share in the previous month, reflecting the overall rise in OET receipts.



Remittance receipts in US Dollar (USD) continued to hold the highest share of remittance receipts at 42.7%, followed by the Australian Dollar (AUD), and New Zealand Dollar (NZD) at 30.4% and 23.4%, respectively. In addition, receipts in NZD and USD slowly rose by \$0.11 million (1.2%) and \$0.05 million (0.3%) each, while AUD receipts fell by \$0.74 million (5.4%) during the month.

The share of remittance receipts transferred via Foreign Exchange Dealers (FEDs) rose by 0.2% to 87.3%, while the share remitted through the banks was at 12.7% compared to 12.9% in the previous months. The ease of access, affordable service fees, and the competitive exchange rates offered by FEDs are the main contributing factors to its high preference.

Private Transfers

Private transfers receipts for April 2021, mostly for family support and monetary gifts, declined by \$0.5 million (1.2%), following the hike in the previous month. Although private transfers slightly fell during the month, this is still higher than the monthly average of the first four months for 2021 at \$37.8 million. Ongoing schools' fundraising activities and the Easter holidays were the main drivers supporting the inflow of household support from abroad. However, private transfers receipts in AUD and NZD decreased by \$0.51 million (4.5%) and \$0.08 million (1.0%), respectively. Nonetheless, receipts in USD marginally rose by \$0.31 million (1.8%), which may coincide with the recovery in the US economy in the first quarter of 2021.

In year-ended terms for April 2021, private transfer receipts significantly rose by \$87.2 million (27.6%) and continue to hold the highest share of remittance receipts at 90.0%. This indicates the significance of financial support from the Tongan diaspora towards households' in their time of need.

Employee Compensation¹

The total compensation of employees decreased by \$0.5 million (1.2%) in April 2021. This was largely driven by lower receipts from seasonal workers from Australia, declining by \$0.1 million (5.0%), while receipts from New Zealand slightly rose by \$0.1 million (6.3%). The total receipts from seasonal workers slightly fell by \$0.02 million (0.5%). Meanwhile, other wages and salaries also declined over the month by \$0.5 million (31.2%). During the month, 213 seasonal workers departed for Australia, which is expected to support higher receipts.

Over the year to April 2021, the total compensation of employee receipts increased by \$15.7 million (66.1%).

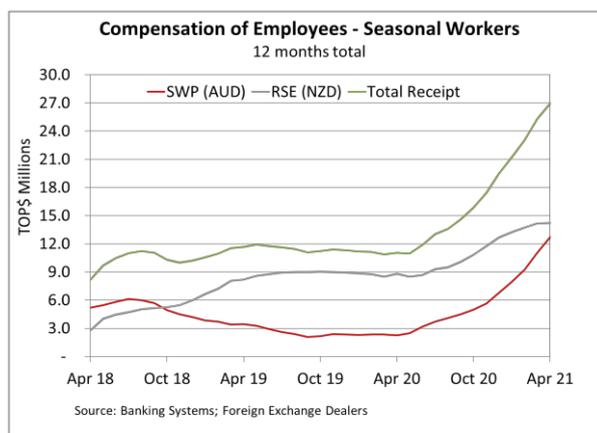
Hence, seasonal workers' receipts remained the largest component of employee compensation receipts at 68.3% share (compared to 67.1% share in March 2021). Seasonal workers receipts from Australia and New Zealand both increased by \$10.5 million (466.1%) and \$5.4 million (61.8%), respectively. The remaining 31.7% share stems from other wages and salaries, mostly for expatriate workers of international organizations in Tonga.

Private capital transfers & Social benefits

Private capital transfers receipts slightly fell by \$0.2 million (75.4%) in April 2021 and are mostly for households' constructions and renovations. Meanwhile, social benefits receipts slowly increased by \$0.1 million (58.0%). Annually, private capital transfers dropped by \$1.2 million (24.4%), while social benefits consist mostly of pension funds slightly picked up by \$0.1 million (10.2%).

Outlook

Remittance receipts are expected to remain high over the coming months, particularly for the family month of May and the upcoming Free Wesleyan Church annual conference, as well as other celebratory events. Nevertheless, the Reserve Bank will continue to closely monitor movements in remittance receipts as it is the highest 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*
	Apr-21	Mar-21	Feb-21	Jan-21	Apr-21	Apr-20	
Total	42.46	43.51	32.86	32.33	447.58	345.69	100.0
Australian Dollar (AUD)	12.89	13.63	10.49	10.24	143.04	91.29	32.0
US Dollar (USD)	18.14	18.09	12.46	12.42	173.21	145.31	38.7
New Zealand Dollar (NZD)	9.93	9.81	7.97	8.35	110.15	89.23	24.6
Tongan Pa'anga (TOP)	0.89	1.36	0.94	0.85	12.09	12.40	2.7
Euro (EUR)	0.19	0.19	0.14	0.12	2.13	1.77	0.5
Japanese Yen (JPY)	0.11	0.11	0.09	0.12	1.37	1.76	0.3
Fijian Dollar (FJD)	0.06	0.07	0.06	0.05	0.80	1.62	0.2
British Pound (GBP)	0.11	0.10	0.10	0.08	1.10	0.60	0.2
Chinese Yuan (CNY)	0.00	0.00	0.00	0.00	0.00	0.01	0.0
Other	0.14	0.14	0.61	0.11	3.68	1.70	0.8

*Based on year ended remittances receipts numbers

Sources: NRBT, Banking System, Foreign Exchange Dealers