

# Remittance Receipts

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## January 2021

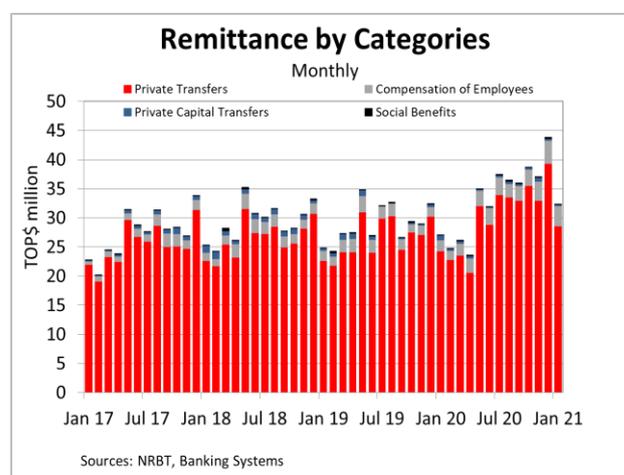
	TOP\$ millions				Year Ended		Shares of totals*
	Month Ended				Jan-21	Jan-20	
	Jan-21	Dec-20	Nov-20	Oct-20	Jan-21	Jan-20	
Total	32.3	43.8	37.0	38.7	403.2	350.3	100.0
Private transfers	28.5	39.3	33.0	35.5	364.5	318.7	90.4
Compensation of Employees	3.5	3.9	3.3	2.8	33.0	23.7	8.2
Private capital transfers	0.2	0.4	0.7	0.3	4.2	6.1	1.0
Social benefits	0.1	0.2	0.1	0.1	1.5	1.7	0.4

\*Based on year ended remittances receipts numbers

Sources: NRBT, Banking System, Foreign Exchange Dealers

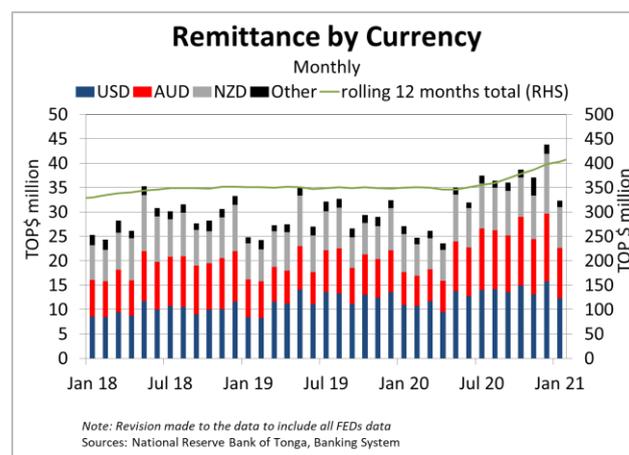
### Lower remittances for the New Year following the hike during Christmas

As usual for every year, remittance receipts declined in January 2021 following the significant rise in the peak season month of December 2020. Hence, total remittance receipts fell by \$11.5 million (26.2%) in January 2021. Remittance receipts for the month accounted for 40.3% of the total Overseas Exchange Transactions (OET), which is higher than the 30.4% share in December 2020, attributing to the fall in total OET receipts. The decline in all categories of remittance receipts, specifically for private transfers, largely drove the lower monthly movement.



Over the year, remittance receipts rose significantly by \$52.9 million (15.1%) to a new record high of \$403.2 million.

Receipts by currency from all of Tonga's major trading currencies declined in January 2021, especially receipts in New Zealand Dollar (NZD) by \$3.9 million (32.0%), followed by the Australian Dollar (AUD) and US Dollar (USD) by \$3.6 million (26.2%), and \$3.4 million (21.3%) respectively.



Although the AUD and NZD appreciated over the month, the USD still holds the highest share of the total remittance receipts at 38.4%, followed by the shares of AUD and NZD at 31.7% and 25.8%, respectively.

Although the share of remittance receipts transferred via Foreign Exchange Dealers (FEDs) fell by 0.2% to 86.7% over the month, it continued to be the preferred choice for the transfer of remittance receipts due to its ease of access and convenient services. However, the remaining 13.7% were transferred via banks.

## Private Transfers

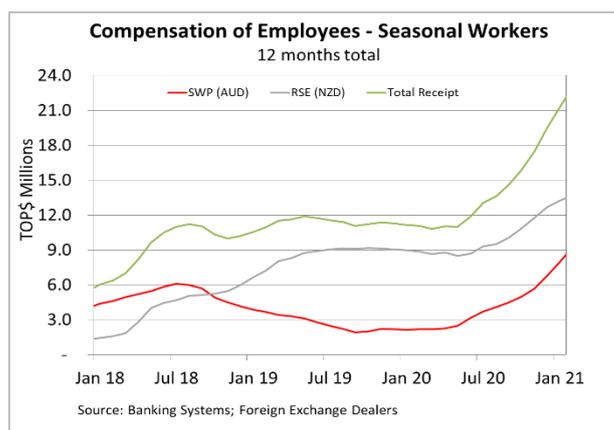
Over the month, private transfer receipts fell by \$10.8 million (27.4%). Receipts of private transfer in NZD, AUD and USD all declined by \$3.6 million, \$3.6 million and \$3.1 million, respectively. However, private transfer receipts continue to hold the highest share of total remittance receipts at 88.3%, slightly lower than 89.8% in the previous month.

Annually, private transfer receipts rose by \$45.8 million (14.4%), driving the annual increase in total remittance receipts. This accounts for 90.4% of the total annual remittance receipts reflecting the importance of overseas family support from abroad towards households and the Tongan economy.

## Employee Compensation<sup>1</sup>

The total compensation of employees declined by \$0.4 million (11.1%) in January 2021 and is largely driven by the decrease in receipts from seasonal workers in New Zealand by \$0.2 million (13.0%). This increase in the New Zealand dollar receipts outweighed the slight rise in receipts from Australia by \$0.002 million (0.2%). The receipts from seasonal workers amounted to a total of \$2.6 million, while other wages and salaries mostly for repatriates of international organizations in Tonga fell over the month by \$0.2 million to a total of \$0.9 million.

Annually, the total compensation of employee receipts increased by \$9.3 million (39.2%). The seasonal workers' receipts continue to hold the highest share of the total compensation receipts at 64.4% (compared to 61.9% share in December 2020), while the remaining 35.6% share is from other wages and salaries. Receipts from seasonal workers in Australia and New Zealand increased by \$5.8 million (275.2%) and \$4.3 million (47.7%), respectively.



## Private capital transfers & Social benefits

During the month, private capital transfers declined again by \$0.1 million (36.7%) in January 2021. Social benefits slightly fell during the month by \$0.1 million (62.1%), consisting mostly of pension funds. Annually, the private capital transfers and social benefits fell by \$2.0 million (32.0%) and \$0.2 million (11.7%), respectively.

## Outlook

As the economies abroad slowly recover from the downside effects of COVID-19, remittance receipts are expected to slowly pick up in the near future, and may be supported by the ongoing departure of seasonal workers to Australia, and other domestic activities such as the Kava Idol competition as well as fund raising activities by communities and schools.. Nevertheless, the uncertainties associated with COVID-19 remains a risk to the outlook. As such, the Reserve Bank continues to closely monitor movements in remittance receipts as it is the largest source of foreign exchange inflow for the Tongan economy.

<sup>1</sup> 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		<i>Shares of totals*</i>
	Jan-21	Dec-20	Nov-20	Oct-20	Jan-21	Jan-20	
Total	32.33	43.82	37.05	38.69	403.21	350.30	100.0
Australian Dollar (AUD)	10.23	13.87	11.30	14.07	125.12	93.55	31.0
US Dollar (USD)	12.42	15.78	13.12	14.92	156.53	144.46	38.8
New Zealand Dollar (NZD)	8.35	12.29	8.95	8.13	101.55	91.84	25.2
Tongan Pa'anga (TOP)	0.85	1.10	1.47	0.90	11.81	12.63	2.9
Euro (EUR)	0.12	0.22	0.16	0.21	1.93	1.86	0.5
Japanese Yen (JPY)	0.12	0.17	0.07	0.14	1.36	1.84	0.3
Fijian Dollar (FJD)	0.05	0.09	0.05	0.06	0.84	1.69	0.2
British Pound (GBP)	0.08	0.13	0.10	0.12	0.94	0.63	0.2
Chinese Yuan (CNY)	0.00	0.00	0.00	0.00	0.00	0.01	0.0
Other	0.11	0.18	1.83	0.13	3.13	1.79	0.8

\*Based on year ended remittances receipts numbers

Sources: NRBT, Banking System, Foreign Exchange Dealers