

Remittance Receipts

July 2021

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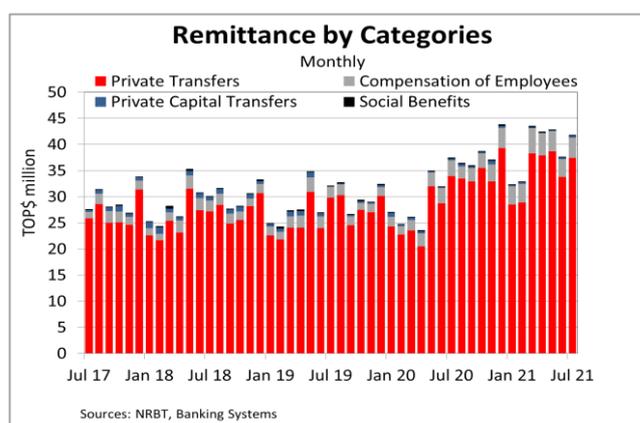
	TOP\$ millions						
	Month Ended				Year Ended		Shares of totals*
	Jul-21	Jun-21	May-21	Apr-21	Jul-21	Jul-20	
Total	41.9	37.6	42.8	42.5	465.5	356.1	100.0
Private transfers	37.5	33.8	38.7	37.9	418.1	325.6	89.8
Compensation of Employees	3.9	3.5	3.8	4.3	42.0	25.3	9.0
Private capital transfers	0.4	0.3	0.1	0.1	3.9	3.8	0.8
Social benefits	0.1	0.1	0.1	0.2	1.5	1.4	0.3

*Based on year ended remittances receipts numbers

Sources: NRBT, Banking System, Foreign Exchange Dealers

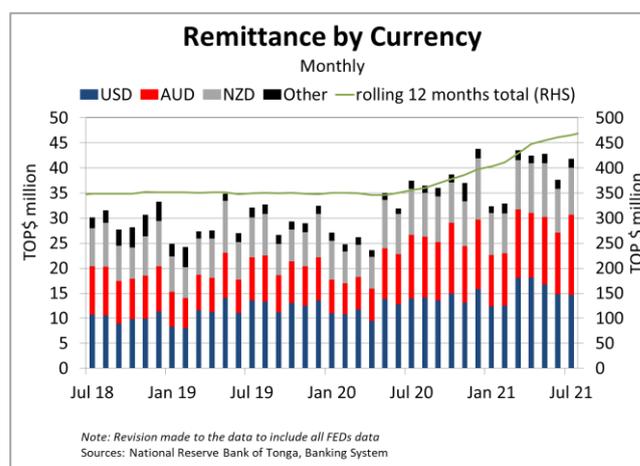
Remittance receipts positive over the month

Total remittance receipts rose in July 2021 by \$4.2 million (11.2%). Higher receipts of private transfers and compensation of employees primarily contributed to this increase and is the normal monthly trend for July as in past years. Remittance receipts rose by \$109.4 million (30.7%) and reached a new record of \$465.5 million. This new record exceeds the record set in June 2021 by \$4.4 million (0.9%).



Total remittance receipts accounted for 65.7% of the total Overseas Exchange Transactions (OET) receipts, which is significantly higher than the 30.5% share in the previous month. Lower Total OET receipts drove the higher share of remittance receipts over the month due to the significant decline official grants in the previous month.

Remittance receipts in Australian dollars (AUD) hold the highest share of remittance receipts in July 2021 at 38.3%. This is followed by the US dollar (USD) and New Zealand dollar (NZD) at 34.9% and 22.4%, respectively. Remittance receipts in AUD and NZD increased in July 2021 by \$3.8 million (31.0%) and \$0.6 million (7.1%), respectively. However, remittance receipts in USD declined over the month by \$0.2 million (1.4%).



Foreign Exchange Dealers (FEDs) remained the most preferred channel for remittance transfer over the month with a total share of 88.2% (1.5% higher than previous month), largely due to its affordable service fees, competitive exchange rates, and convenience. The remaining 11.8% is via banks.

Private Transfers

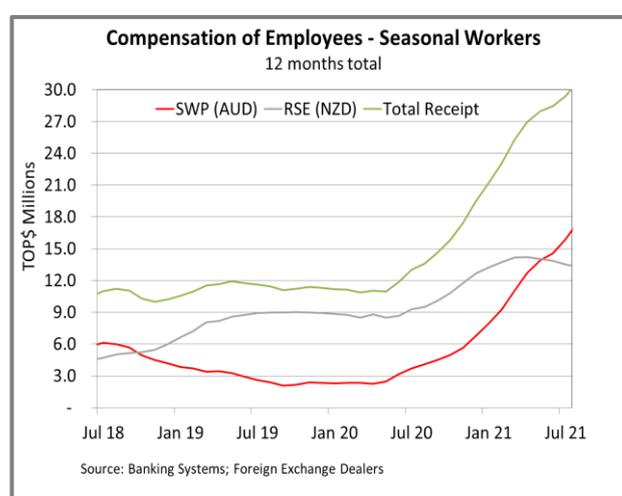
Private transfer receipts increased in July 2021 by \$3.7 million (10.8%), mostly monetary gifts receipts from families and friends abroad. This increase reflects the annual church conferences and fundraising activities (misinale) during the month. Private transfer receipts in AUD and NZD both increased by \$3.2 million (30.2%) and \$0.7 million (9.6%), respectively. Meanwhile, the USD dropped by \$0.2 million (1.4%) over the month.

Over the year to July 2021, private transfer receipts substantially rose by \$92.5 million (28.4%). They continued to hold the highest share of remittance receipts at 89.8%, thus reflecting the continued support from Tongan diaspora abroad.

Employee Compensation¹

Compensation of employees rose over the month by \$0.4 million (11.9%), mainly driven by higher receipts from seasonal workers in Australia by \$0.6 million (41.0%). In contrast, seasonal workers receipts from New Zealand dropped by \$0.1 million (15.2%). On the other hand, other wages and salaries slightly fell over the month by \$0.05 million (4.8%).

In year-ended terms for July 2021, compensation of employees increased by \$16.7 million (66.3%). Receipts from seasonal workers still remained as the highest share of the compensation of employees with 70.1%. In contrast, the remaining 29.9% attributes to other wages and salaries. Seasonal workers' receipts from Australia and New Zealand both continued to rise over the year by \$12.2 million (328.7%) and \$4.2 million (45.1%), respectively.



Private capital transfers & Social benefits

In July 2021, private capital transfers rose over the month by \$0.2 million (59.2%), mainly driven by households' construction and renovations, whilst social benefits slightly dropped by \$0.01 (9.8%). In year ended terms, private capital transfers and social benefits both increased by \$0.05 million (1.2%) and \$0.1 million (6.5%), respectively.

Outlook

Remittance receipts are expected to continue to increase in the coming months, mainly driven by annual events such as the churches' roll call in September (Katoanga Sepitema 'a e Kakai Fefine). Furthermore, the festive season is approaching, and therefore, remittance receipts are expected to pick up during this period. However, the COVID-19 pandemic and new variants in the major remitting countries may pose a risk to the income level of potential remitters, hence possibly affecting these receipts. The Reserve Bank

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.

will continue to monitor the movements in remittance receipts as it is the highest source of foreign exchange inflow for the Tongan economy.

Remittance Receipts by Currency

TOP\$ millions

	Month Ended				Year Ended		Shares of totals*
	Jul-21	Jun-21	May-21	Apr-21	Jul-21	Jul-20	
Total	41.86	37.65	42.79	42.46	465.48	356.08	100.0
Australian Dollar (AUD)	16.04	12.25	13.53	12.89	152.06	99.95	32.7
US Dollar (USD)	14.61	14.82	16.71	18.14	178.80	147.14	38.4
New Zealand Dollar (NZD)	9.37	8.74	10.73	9.93	112.12	90.23	24.1
Tongan Pa'anga (TOP)	1.23	1.29	1.23	0.89	13.17	11.97	2.8
Euro (EUR)	0.16	0.14	0.15	0.19	2.10	1.82	0.5
Japanese Yen (JPY)	0.15	0.15	0.13	0.11	1.49	1.61	0.3
Fijian Dollar (FJD)	0.06	0.05	0.08	0.06	0.77	1.28	0.2
British Pound (GBP)	0.12	0.09	0.09	0.11	1.20	0.65	0.3
Chinese Yuan (CNY)	0.00	0.00	0.00	0.00	0.00	0.01	0.0
Other	0.12	0.12	0.14	0.14	3.75	1.43	0.8

*Based on year ended remittances receipts numbers

Sources: NRBT, Banking System, Foreign Exchange Dealers