

Remittance Receipts

June 2021

Release date: 1 September 2021

	TOP\$ millions						
	Month Ended				Year Ended		Shares of totals*
	Jun-21	May-21	Apr-21	Mar-21	Jun-21	Jun-20	
Total	37.6	42.8	42.5	43.5	461.1	350.7	100.0
Private transfers	33.8	38.7	37.9	38.3	414.6	321.5	89.9
Compensation of Employees	3.5	3.8	4.3	4.8	41.2	24.3	8.9
Private capital transfers	0.3	0.1	0.1	0.3	3.8	3.6	0.8
Social benefits	0.1	0.1	0.2	0.1	1.6	1.3	0.3

*Based on year ended remittances receipts numbers

Sources: NRBT, Banking System, Foreign Exchange Dealers

Remittance receipts dropped over the month

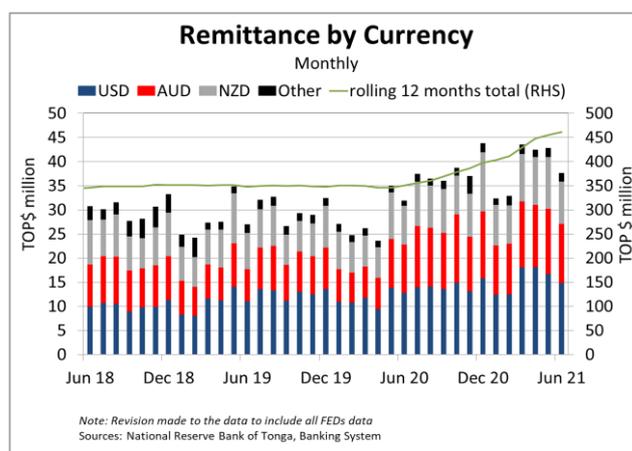
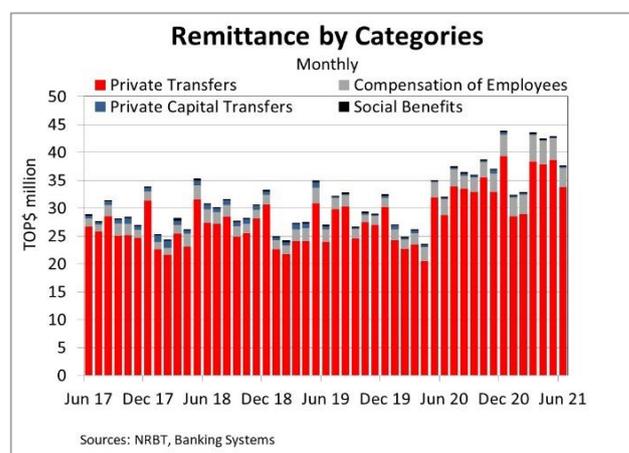
Total remittance receipts declined by \$5.1 million (12.0%) over the month to a total of \$37.6 million in June 2021, driven by the fall in private transfers and compensation of employees receipts. However, it is usual for remittance receipts to decline in June following the hike in the family month of May.

Total remittance receipts accounted for 30.5% of the total Overseas Exchange Transactions (OET) receipts, which is lower compared to the 53.3% share in the previous month.

Over the year to June 2021, remittance receipts rose significantly by \$110.4 million (31.5%) and continue to reach a new record high of \$461.1 million.

Remittance receipts from Tonga's major trading currencies fell over the month, notably the New Zealand Dollar (NZD), US Dollar (USD) and Australian Dollar (AUD), which all declined by \$2.0 million (18.5%), \$1.9 million (11.3%) and \$1.3 million (9.5%) respectively. The AUD and NZD depreciated against the TOP during the month, also contributing to the decline. Receipts in USD continues to hold the highest share of remittance receipts at 39.4%, followed by the AUD and NZD at 32.5% and 23.2% each.

Due to its affordability, ease of access and competitive exchange rates, Foreign Exchange Dealers (FEDs) continued to be the preferred channel for the transfer of remittance receipts with a total share of 86.8% (lower by 2.0%) while the remaining 13.2% (increased by 2.0%) share was remitted through the banks.



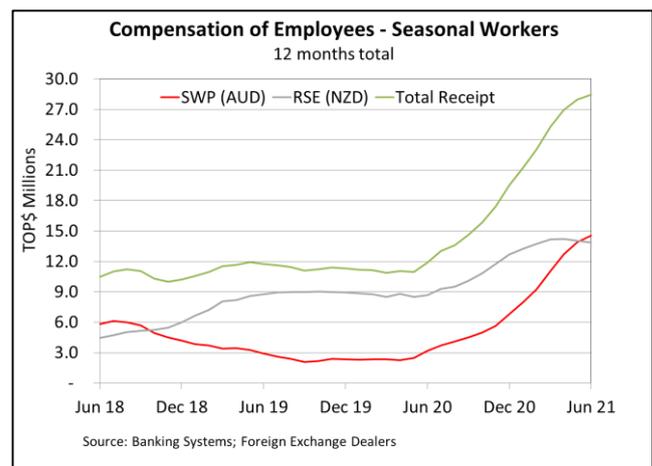
Private Transfers

Private transfers receipts for June 2021, consisted mostly of monetary gifts for family support. It declined by \$4.9 million (12.7%) following the hike in the previous month. Despite the decline in private transfers during the month, remittances reached the highest record for June in the past 7 years at \$33.8 million. Annual church conferences and school anniversaries held during the month may have contributed to the inflow of private transfers receipts. However, private transfers receipts in USD, AUD and NZD all declined by \$2.3 million (13.8%), \$1.1 million (9.4%), and \$1.7 million (18.4%), respectively.

In year-ended terms for June 2021, private transfer receipts increased significantly by \$93.1 million (29.0%) and continue to hold the highest share of remittance receipts at 89.9% indicating the willingness of Tongan diaspora abroad to support their families during these times of economic downturn.

Employee Compensation¹

The total compensation of employees continued to fall over the month by \$0.4 million (10.3%) in June 2021. This was primarily driven by lower receipts from seasonal workers from New Zealand and Australia, decreasing by \$0.3 million (21.2%) and \$0.1 million (7.9%) respectively. By end of June 2021, a total of 255 seasonal workers departed Tonga for Australia and may continue to support the inflow of receipts from seasonal workers in the upcoming months. Meanwhile, other wages and salaries also slightly fell by \$0.02 million (1.9%) during the month and are mostly for expatriate workers of international organizations in Tonga.



Over the year to June 2021, the total compensation of employee receipts rose by \$16.9 million (69.6%). Thus, seasonal workers' receipts remained the largest component of employee compensation receipts at 69.1% share (compared to 68.7% share in 2021). Seasonal workers receipts from Australia and New Zealand both increased by \$11.4 million (362.2%) and \$5.2 million (59.4%), respectively over the 12 month period to June 2021. However, this may reflect improvements in data collection and identification of receipts from seasonal workers particularly from Australia by authorised dealers. The remaining 30.9% share attributes to other wages and salaries.

Private capital transfers & Social benefits

Private capital transfers receipts slightly rose by \$0.1 million (79.2%) in June 2021 and are mainly for households' constructions and renovations. However, social benefits receipts slowly increased by \$0.04 million (64.9%) consisting mostly of retirement income. Annually, private capital transfers and social benefits both picked up by \$0.1 million (3.8%), and \$0.3 million (20.5%) respectively.

Outlook

Remittance receipts are expected to remain steady in the upcoming months, supported by ongoing family assistance and receipts from seasonal workers. However, remittance receipts are expected to slowly rise towards the end of the year as we approach the Christmas seasons and holidays. Nevertheless, the

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.

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.

Remittance Receipts by Currency

TOP\$ millions

	Month Ended				Year Ended		Shares of totals*
	Jun-21	May-21	Apr-21	Mar-21	Jun-21	Jun-20	
Total	37.65	42.79	42.46	43.51	461.11	350.71	100.0
Australian Dollar (AUD)	12.25	13.53	12.89	13.63	148.72	95.83	32.3
US Dollar (USD)	14.82	16.71	18.14	18.09	178.16	146.73	38.6
New Zealand Dollar (NZD)	8.74	10.73	9.93	9.81	111.92	89.07	24.3
Tongan Pa'anga (TOP)	1.29	1.23	0.89	1.36	13.02	12.03	2.8
Euro (EUR)	0.14	0.15	0.19	0.19	2.15	1.77	0.5
Japanese Yen (JPY)	0.15	0.13	0.11	0.11	1.46	1.66	0.3
Fijian Dollar (FJD)	0.05	0.08	0.06	0.07	0.80	1.46	0.2
British Pound (GBP)	0.09	0.09	0.11	0.10	1.14	0.65	0.2
Chinese Yuan (CNY)	0.00	0.00	0.00	0.00	0.00	0.01	0.0
Other	0.12	0.14	0.14	0.14	3.74	1.52	0.8

*Based on year ended remittances receipts numbers

Sources: NRBT, Banking System, Foreign Exchange Dealers