

# Remittance Receipts

## May 2021

Release date: 20 August 2021

	TOP\$ millions				Year Ended		Shares of totals*
	Month Ended				May-21	May-20	
	May-21	Apr-21	Mar-21	Feb-21			
Total	42.8	42.5	43.5	32.9	455.4	345.8	100.0
Private transfers	38.7	37.9	38.3	28.9	409.6	316.7	89.9
Compensation of Employees	3.8	4.3	4.8	3.5	40.7	23.6	8.9
Private capital transfers	0.1	0.1	0.3	0.3	3.6	4.1	0.8
Social benefits	0.1	0.2	0.1	0.1	1.6	1.3	0.3

\*Based on year ended remittances receipts numbers

Sources: NRBT, Banking System, Foreign Exchange Dealers

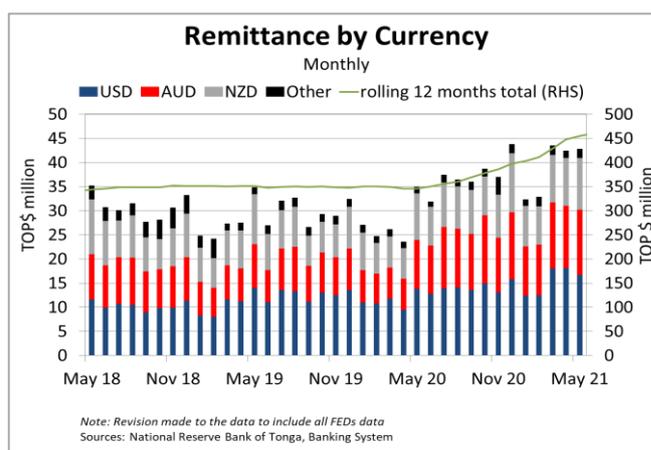
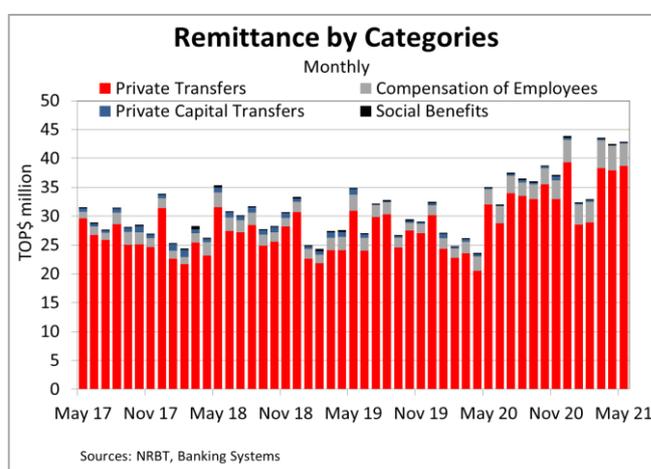
### Remittance receipts trend upward during family month of May

Remittance receipts followed their usual upward trend in May of each year. This reflects the celebration of Mothers and Fathers day as well as the Children's white Sunday. Total remittance receipts rose slightly by \$0.3 million (0.8%) in May 2021 driven by higher family support and private capital transfers. In year-ended terms, remittance receipts substantially rose by \$109.6 million (31.7%), indicating continued support from relatives abroad amidst the COVID-19 pandemic.

Total remittance receipts hold the highest share of the total Overseas Exchange Transactions (OET) at 53.0%, lower than the 64.1% 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 39.1%, followed by the Australian Dollar (AUD) and New Zealand Dollar (NZD) at 31.6% and 25.1%, respectively. Furthermore, receipts in NZD and AUD increased by \$0.8 million (8.1%) and \$0.6 million (5.0%), respectively. In comparison, USD receipts declined by \$1.4 million (7.9%) during the month and may be attributed to the depreciation of the USD against the TOP during the month.

Foreign Exchange Dealers (FEDs) continued to be the preferred choice for transferring remittance receipts with a total share of 88.8%, an increase of 1.4% from the previous month. The FEDs affordable service fees, competitive exchange rates and ease of access are key drivers of its high share of remittance receipts. Meanwhile, the percentage of remittance receipts via banks fell by 1.4% to 11.2% over the month.



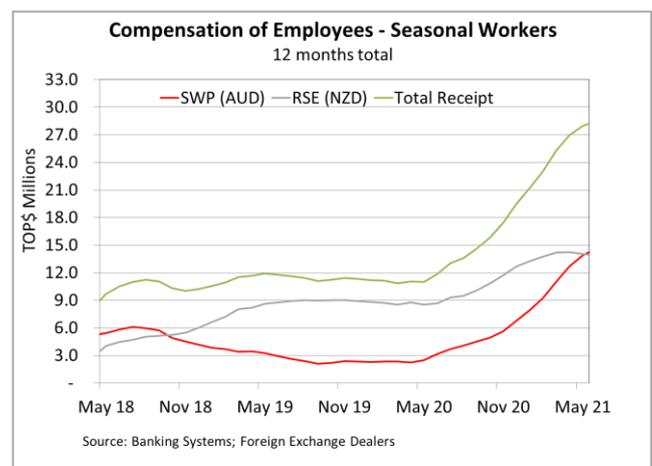
## Private Transfers

Over the month, private transfer receipts rose by \$0.8 million (2.2%). The family month of May usually records higher private transfer receipts, mostly monetary gifts from friends and relatives abroad. Private transfer receipts continue to hold the highest share of total remittance receipts at 90.5%. Moreover, private transfer receipts in NZD and AUD both increased by \$1.1 million (13.4%) and \$0.9 million (8.0%), respectively. Meanwhile, receipts in USD fell by \$1.2 million (7.1%). According to the United States Bureau of Economic Analysis, the level of personal income in the United States for April and May 2021 declined, which may have impacted the lower receipts from the United States in May 2021.

Nonetheless, private transfer receipts continued to rise by \$92.8 million (29.3%) annually and holds the largest remittance receipts share at 89.9%. This may contribute to higher household disposable income and consumption spending, supporting growth and revenue for local businesses during the COVID-19 pandemic.

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

In May 2021, the total compensation of employees decreased by \$0.4 million (10.3%). This stemmed from lower receipts from Australia and New Zealand seasonal workers, declining by \$0.3 million (15.7%) and \$0.2 million (14.3%), respectively. Hence, total receipts from seasonal workers slightly fell by \$0.5 million (15.1%). However, other wages and salaries rose over the month by \$0.05 million (5.4%). Furthermore, to assist with the labour shortages, the Western Australia government approved a chartered flight of 150 seasonal workers to arrive in late May. This will continue to support the inflow of seasonal workers receipts.



In year ended-terms, the total compensation of employee receipts substantially rose by \$17.0 million (72.2%) and is the highest annual rise recorded to date. There are a total of 940 seasonal workers in New Zealand, while a total of 3883 seasonal workers in Australia. Receipts from seasonal workers accounted for the largest component of employee compensation receipts at 68.7% share (compared to 68.3% share in April 2021). This also reflects the rising number of Foreign Exchange Dealers targeting seasonal workers and improvement in data collection. Hence, receipts from seasonal workers in Australia and New Zealand both rose by \$11.4 million (462.9%) and \$5.5 million (64.9%), respectively. The remaining 31.3% share attributes to other wages and salaries, mostly for expatriate workers of international organizations in Tonga and may include locals involved in donor partners' development projects in Tonga.

## Private capital transfers & Social benefits

Private capital transfers receipts increased by \$0.1 million (117.7%) in May 2021. This consists mostly of households' construction and renovations for the Mother's and Father's days. However, social benefits receipts slightly fell by \$0.1 million (66.6%). Over the year, private capital transfers declined by \$0.5 million (11.8%), while social benefits mainly consisting of pension funds slightly picked up by \$0.2 million (15.0%).

<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.

## Outlook

Remittance receipts are expected to slow down in the upcoming months following the rise in May. However, major events such as the Free Wesleyan Church annual conference and other celebratory events may continue to drive the inflow of remittance receipts. The Reserve Bank will continue to closely monitor movements in remittance receipts as it contributes significantly to the inflow of foreign exchange for the Tongan economy.

### Remittance Receipts by Currency

TOP\$ millions

	Month Ended				Year Ended		Shares of totals*
	May-21	Apr-21	Mar-21	Feb-21	May-21	May-20	
Total	42.79	42.46	43.51	32.86	455.39	345.80	100.0
Australian Dollar (AUD)	13.53	12.89	13.63	10.49	146.46	92.44	32.2
US Dollar (USD)	16.71	18.14	18.09	12.46	176.11	145.06	38.7
New Zealand Dollar (NZD)	10.73	9.93	9.81	7.97	111.23	88.50	24.4
Tongan Pa'anga (TOP)	1.23	0.89	1.36	0.94	12.43	12.50	2.7
Euro (EUR)	0.15	0.19	0.19	0.14	2.14	1.77	0.5
Japanese Yen (JPY)	0.13	0.11	0.11	0.09	1.38	1.72	0.3
Fijian Dollar (FJD)	0.08	0.06	0.07	0.06	0.82	1.54	0.2
British Pound (GBP)	0.09	0.11	0.10	0.10	1.12	0.62	0.2
Chinese Yuan (CNY)	0.00	0.00	0.00	0.00	0.00	0.01	0.0
Other	0.14	0.14	0.14	0.61	3.72	1.63	0.8

\*Based on year ended remittances receipts numbers

Sources: NRBT, Banking System, Foreign Exchange Dealers