

Remittance Receipts

September 2021

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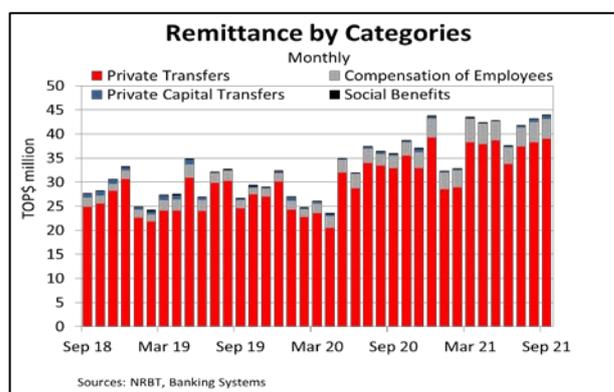
	TOP\$ millions				Year Ended		Shares of totals*
	Month Ended				Sep-21	Sep-20	
	Sep-21	Aug-21	Jul-21	Jun-21	Sep-21	Sep-20	
Total	44.0	43.2	41.9	37.6	480.2	369.2	100.0
Private transfers	39.0	38.3	37.5	33.8	429.0	337.2	89.3
Compensation of Employees	4.1	4.2	3.9	3.5	45.4	26.3	9.5
Private capital transfers	0.8	0.6	0.4	0.3	4.5	4.2	0.9
Social benefits	0.1	0.1	0.1	0.1	1.3	1.5	0.3

*Based on year ended remittances receipts numbers

Sources: NRBT, Banking System, Foreign Exchange Dealers

Higher remittance receipts in September.

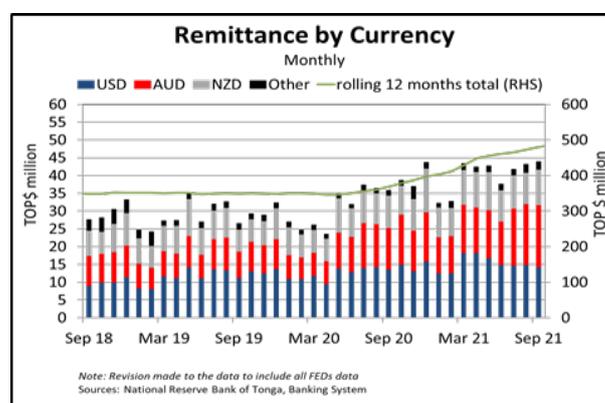
Total remittance receipts increased by \$0.7 million (1.7%) in September 2021 to \$44.0 million. Higher receipts for private transfers and private capital transfers contributed to the increase over the month. On average, the monthly remittance receipts are much higher in the 12 months to September 2021 at \$40.0 million compared to an average of \$30.8 million in the 12 months to September 2020. Tonga's remittance flows continue to rise despite the economic impacts of the global pandemic. The women's annual roll call and the Tongan churches' annual offerings may have also contributed to the increase in remittance receipts in September.



In the year to September 2021, the total remittance receipts rose significantly by \$111.0 million (30.1%), which is attributed to the rise in private transfers, compensation of employees, and private capital transfers, offsetting the decline in social benefits.

Total remittance receipts accounted for 58.9% of total Overseas Exchange Transactions (OET) receipts, which is lower than the 64.9% share in August 2021. This is attributed to the \$8.0 million increase in total OET receipts underpinned by higher official receipts over the month.

Remittance receipts in Australian Dollars (AUD) held the highest share of total remittance receipts in September 2021 at 39.9%. The shares of US Dollar (USD) and New Zealand Dollar (NZD) remittance receipts followed at 32.1% and 22.5%, respectively. Remittances receipts in NZD and AUD increased in September 2021 by \$1.1 million (12.2%) and \$0.4 million (2.6%), respectively. However, remittance receipts in USD declined over the month by \$0.7 million (5.0%).



Foreign Exchange Dealers (FEDs) remained the preferred channel for remittance transfers over the month, with a total share of 87.3% (compared to 87.5% in August 2021). Affordable services fees, competitive exchange rates, and convenience are key factors why FEDs remain highly competitive in the market. The remaining 12.7% are transferred via banks, which rose from 12.5% share in the previous month. De-risking policy decisions by domestic and global banks resulting in the closure of FEDs' bank accounts may affect remittance flows into Tonga.

Private Transfers

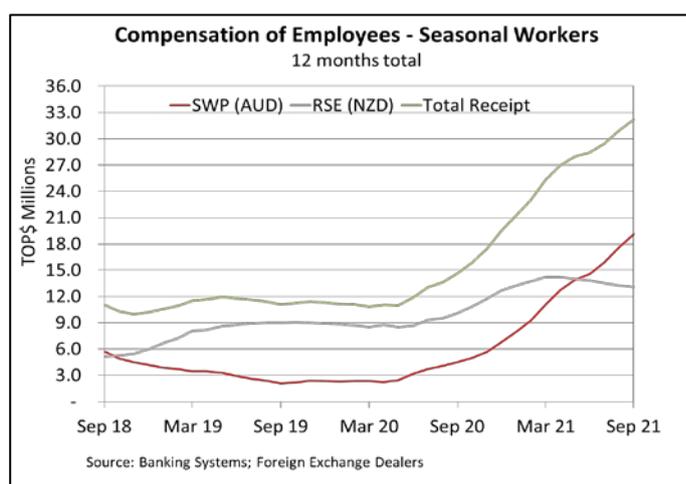
Private transfer receipts rose by \$0.7 million (1.9%) to \$39.0 million in September, mostly for family support and gifts from abroad. It holds the largest component of total remittance receipts with a 88.8% share and 52.3% share of the total OET receipts. Private transfer receipts in AUD and NZD increased by \$0.6 million and \$0.9 million each, whereas the USD receipts declined by \$0.8 million.

The total private transfer receipts also rose over the year to September 2021 by \$91.7 million (27.2%), driven mainly by receipts for family support. Despite the ongoing economic impacts of the global pandemic, private transfers consistently remained at high levels, reflecting the strong Tongan diaspora support to their families in their times of need.

Employee Compensation¹

Receipts for compensation of employees fell over the month by \$0.1 million (2.4%), due to lower receipts from seasonal workers in Australia of \$0.2 million (6.7%). Meanwhile, seasonal workers' receipts from New Zealand rose by \$0.1 million (9.4%). However, other wages and salaries slightly rose over the month by \$0.01 million (0.6%).

In year-ended terms, the compensation of employees increased by \$19.1 million (72.7%). Receipts from seasonal workers continue to hold the highest share of the compensation of employees at 71.0%. Meanwhile, the remaining 29.0% is attributed to other wages and salaries. Seasonal workers' receipts from Australia and New Zealand both continued to rise over the year by \$14.6 million (324.8%) and \$3.0 million (30.1%), respectively. This reflects the ongoing deployment of seasonal workers from Tonga to Australia. Successful agreements on quarantine-free travel from Tonga to New Zealand will also support the steady inflow of seasonal workers' receipts going forward.



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Private capital transfers & Social benefits

In September 2021, private capital transfers rose over the month by \$0.1 million (18.1%) mostly for private households' construction and renovation works. On the other hand, social benefits slightly fell by \$0.01 (12.6%), consisting mostly of pension funds. In year-ended terms, private capital transfers increased by \$0.4 million (8.9%) while social benefits receipts decreased by \$0.2 million (10.9%).

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.

Outlook

Remittance receipts are expected to continue rising in the coming months, in response to local events and celebrations such as school anniversaries, end of year prize giving awards and other preparations leading up to the festive season. Downside risks to the forecast are the emergence of new COVID-19 variants in major remitting countries, which can affect the income levels of our source country remitters and further disrupt the mobility of seasonal workers. The Reserve Bank will continue to monitor the trends in remittance receipts, as it is one of the highest sources of foreign exchange inflow for the Tongan economy.

Remittance Receipts by Currency							
TOP\$ millions							
	Month Ended				Year Ended		Shares of totals*
	Sep-21	Aug-21	Jul-21	Jun-21	Sep-21	Sep-20	
Total	43.96	43.23	41.86	37.65	480.21	369.18	100.0
Australian Dollar (AUD)	17.55	17.12	16.04	12.25	163.00	107.09	33.9
US Dollar (USD)	14.12	14.87	14.61	14.82	180.07	150.37	37.5
New Zealand Dollar (NZD)	9.91	8.84	9.37	8.74	113.02	93.49	23.5
Tongan Pa'anga (TOP)	1.78	1.85	1.23	1.29	14.89	11.53	3.1
Euro (EUR)	0.16	0.13	0.16	0.14	1.95	1.98	0.4
Japanese Yen (JPY)	0.14	0.16	0.15	0.15	1.54	1.47	0.3
Fijian Dollar (FJD)	0.06	0.07	0.06	0.05	0.78	1.11	0.2
British Pound (GBP)	0.11	0.08	0.12	0.09	1.22	0.67	0.3
Chinese Yuan (CNY)	0.00	0.00	0.00	0.00	0.00	0.01	0.0
Other	0.12	0.12	0.12	0.12	3.75	1.44	0.8

*Based on year ended remittances receipts numbers
Sources: NRBT, Banking System, Foreign Exchange Dealers