

# Remittance Receipts

## May 2015

Table 1

*TOP \$m	May 15	Apr 15	Mar 15	Feb 15
<b>Remittance Receipts</b>	<b>19.9</b>	<b>16.3</b>	<b>16.6</b>	<b>14.0</b>
Private Transfers	17.4	13.9	14.9	12.9
Employee Compensation	2.4	2.3	1.4	1.1
Private Capital Transfers	0.06	0.01	0.2	0.0
Social Benefits	0.01	0.01	0.03	0.02

\*Month-ended

### Private transfers rise in the lead up to Coronation

The total remittances receipt for the month of May was \$19.9 million, representing 37.4% of the Total Overseas Exchange Transaction (OET) Receipts. This was a \$3.6million increase from the previous month. Remittance receipts have continued to rise over the calendar year, most likely due to the upcoming coronation and Special Sundays throughout May.

The majority of remittances were received from Tonga's main trading partners; the US (34%), Australia (33%) and New Zealand (26%), with little change over the month and year to May 2015. Over May, the Australian dollar (AUD) and US dollar (USD) appreciated against the Tongan Pa'anga (TOP), benefitting recipients in Tonga. The New Zealand Dollar (NZD), on the other hand, depreciated slightly against the TOP. However, the fall in NZD had little impact on the level of remittances from New Zealand which reflects the significance of the upcoming events to the Tongan families.

#### *A change in methodology*

The calculation for Total Remittance Receipts has changed following Tonga's transition into *Balance of Payments and International Investment Position Manual 6 (BPM6)*, endorsed by the International Monetary Fund (IMF). BPM6 was first introduced in May 2014, with a one year transition period. As of May 2015, the coding for Overseas Exchange Transactions (OET) and the calculation for Remittances will be according to the new methodology.

This new coding system defines Remittances as the "household income from foreign economies arising mainly from the temporary or permanent movement of people to those economies". Under BPM6 Total Remittances is calculated as the sum of Personal transfers; Employee Compensation; Private Capital Transfers; and Social Benefits.

Previously, Remittances were calculated as the sum of Personal transfers and Non-profit Organisation transfers. The removal of these Non-profit Organisation transfers from the calculation, despite the addition of three other receipt types, has resulted in a lower Total Remittance Receipts figure under the new methodology (Refer Figure 1).

Furthermore, it appears residents are more likely to remit money through Foreign Exchange Dealers (FEDs) with 89% of Total Remittances in May received through the FEDs. Again, the most common currencies transacted through the FEDs are AUD, NZD and USD.

### Private Transfers

Total private transfers are gifts and transfers into Tongan bank accounts, and account for 88% of Total Remittance Receipts. Over May, Private Transfers rose by 25% to \$17.4 million. This is \$1.3million higher than private transfers received in May 2014, and the main cause for the overall rise in Remittance Receipts for this month. This is most likely due to money sent for preparations for a number of upcoming public celebrations such as; the Kings Coronation, White Sunday, Mother’s day and Father’s day. Given the majority of transfers were denominated in AUD, NZD and USD, the annual and monthly increase may also be due to developments in overseas economies. The unemployment rate fell over the month of May and the year ended May 2015 for both Australia and New Zealand, whilst the US economy has been steadily improving, as evidenced by the stronger USD.

Figure 1:

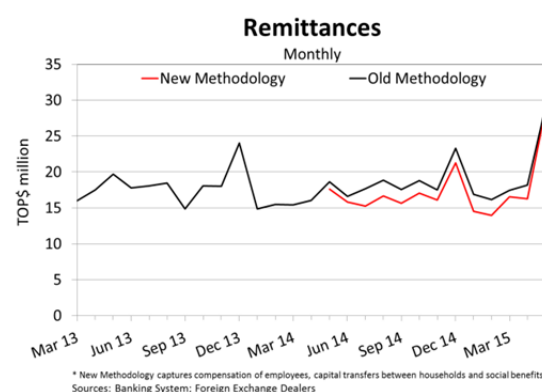


Figure 2:

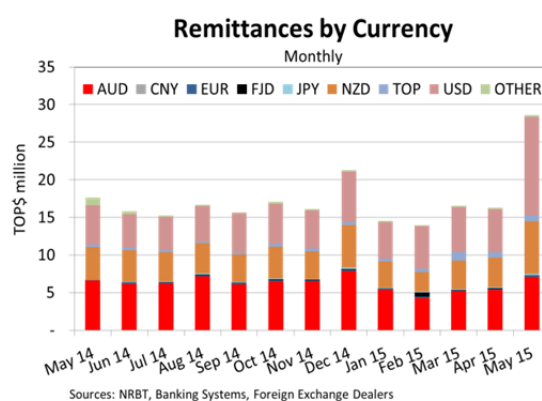
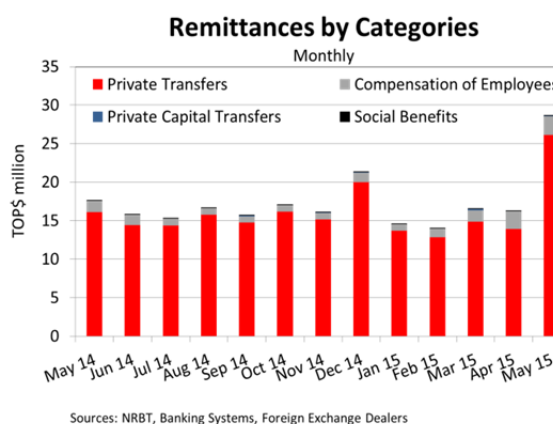


Figure 3:



### **Employee Compensation**

Employee compensation is the sum of wages and salaries received from the Recognised Seasonal Employer (RSE) program and other Tongan residents working short term overseas. This figure increased slightly by 2.4% over May to \$2.4million, representing 12% of Total Remittance receipts. However, employee compensation was 62% more in May 2015 compared to May 2014. The increases over the month and the year were due to higher remittances received from RSE workers. Approximately 60% of total employee compensation receipts were denominated in NZD as the majority of RSE programs is based in New Zealand. Other main currencies for employee receipts were TOP and USD.

### **Private Capital Transfers**

Private grants for investments and capital projects received by individuals amounted to approximately \$58,000. This represents only 0.03% of Total Remittance receipts; a slight increase from the previous month. Private Capital Transfers fluctuates considerably from month to month as these payments are rare and not the common method for money to be remitted to Tonga. In April, 90% of the Private Capital Transfers were denominated in \$TOP however sent from the US for construction purposes.

### **Social Benefits**

Pensions and other social benefits received by Tongan residents from overseas decreased to approximately \$10,000 over May. These payments were denominated in \$TOP and \$USD, and represent only 0.05% of Total Remittance Receipts.

### **Outlook**

Remittance receipts are anticipated to rise in the coming months leading up to the King's Coronation, church conference and other school reunions. The NRBT will continue to closely monitor these receipts given they are one of the biggest inflows for Tonga's economy.

**Table 1:****Remittances Receipts**

TOP\$ millions

	Month Ended				Year Ended		Shares of totals*
	May-15	Apr-15	Mar-15	Feb-15	May-15	Apr-15	
Total	19.85	16.26	16.56	13.98	199.0	196.76	100.0
Private transfers	17.40	13.92	14.90	12.85	183.57	182.29	92.3
Compensation of Employees	2.38	2.32	1.43	1.12	14.75	13.83	7.4
Private capital transfers	0.06	0.01	0.20	0.00	0.51	0.45	0.3
Social benefits	0.01	0.01	0.03	0.02	0.16	0.18	0.1

Sources: NRBT, Banking System, Foreign Exchange Dealers

**Remittances Receipts**

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	Month Ended				Year Ended		Shares of totals*
	May-15	Apr-15	Mar-15	Feb-15	May-15	Apr-15	
Total	19.85	16.26	16.56	13.98	199.00	196.76	100.0
Australian Dollar (AUD)	6.53	5.41	5.20	4.31	73.40	73.49	36.9
US Dollar (USD)	6.79	5.68	5.96	5.65	64.83	63.27	32.6
New Zealand Dollar (NZD)	5.11	3.96	3.76	2.60	48.10	47.35	24.2
Tongan Pa'anga (TOP)	0.79	0.76	1.21	0.46	5.99	5.54	3.0
Euro (EUR)	0.15	0.12	0.13	0.15	1.69	1.60	0.8
Japanese Yen (JPY)	0.15	0.08	0.06	0.07	1.13	0.98	0.6
Fijian Dollar (FJD)	0.15	0.08	0.06	0.07	1.13	0.98	0.6
British Pound (GBP)	0.09	0.04	0.06	0.03	0.54	0.91	0.3
Chinese Yuan (CNY)	0.00	0.00	0.00	0.00	0.01	0.01	0.0
Other	0.10	0.13	0.12	0.64	2.18	2.64	1.1

Sources: NRBT, Banking System, Foreign Exchange Dealers