

Remittance Receipts

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August 2021

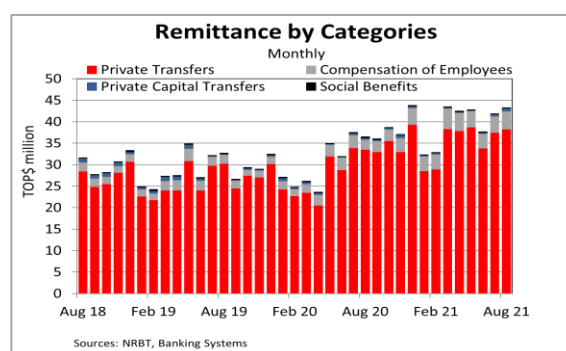
	TOP\$ millions				Year Ended		Shares of totals*
	Aug-21	Jul-21	Jun-21	May-21	Aug-21	Aug-20	
Total	43.23	41.86	37.65	42.79	472.25	359.83	100.0
Private transfers	38.31	37.48	33.82	38.73	422.88	328.83	89.5
Compensation of Employees	4.19	3.86	3.45	3.85	43.88	25.45	9.3
Private capital transfers	0.64	0.42	0.26	0.15	4.07	4.12	0.9
Social benefits	0.09	0.10	0.11	0.07	1.41	1.43	0.3

*Based on year ended remittances receipts numbers

Sources: NRBT, Banking System, Foreign Exchange Dealers

Remittance receipts continue to rise in August

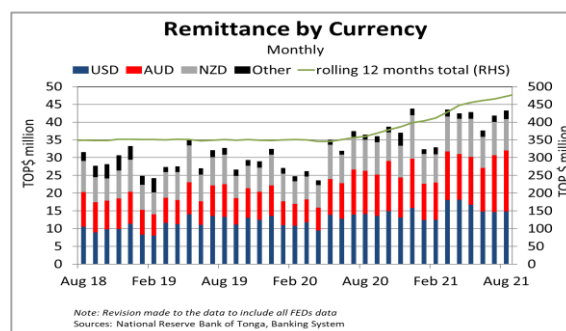
Total remittance receipts increased by \$1.4 million (3.3%) in August 2021 to \$43.2 million. Higher receipts for private transfers, compensation of employees, and private capital transfers contributed to the increase over the month. On average, the monthly remittance receipts are much higher in the 12 months to August 2021 at \$39.4 million compared to an average of \$30.0 million in the 12 months to August 2020.



In the year to August 2021, the total remittance receipts significantly rose by \$112.4 million (31.2%), which is attributed to the rise in private transfers and compensation of employees offsetting the fall in private capital transfers and social benefits.

Total remittance receipts accounted for 64.9% of total Overseas Exchange Transactions (OET) receipts, slightly lower than the 65.7% share in July 2021. This is attributed to the \$2.9 million increase in total OET receipts underpinned by improvements in all OET accounts over the month, particularly the current account.

Remittance receipts in Australian Dollars (AUD) held the highest share of total remittance receipts in August 2021 at 39.6%. The shares of US Dollar (USD) and New Zealand (NZD) remittance receipts followed at 34.4% and 20.4%, respectively. Remittance receipts in AUD and USD increased in August 2021 by \$1.1 million (6.7%) and \$0.3 million (1.7%), respectively. However, remittance receipts in NZD declined over the month by \$0.5 million (5.7%).



Foreign Exchange Dealers (FEDs) remained the preferred channel for remittance transfers over the month, with a total share of 87.5% (compared to 88.2% in July 2021). Affordable services fees, competitive exchange rates, and convenience are key factors as to why FEDs remain highly competitive in the market. The remaining 12.5% are transferred via banks, which rose from 11.8% 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

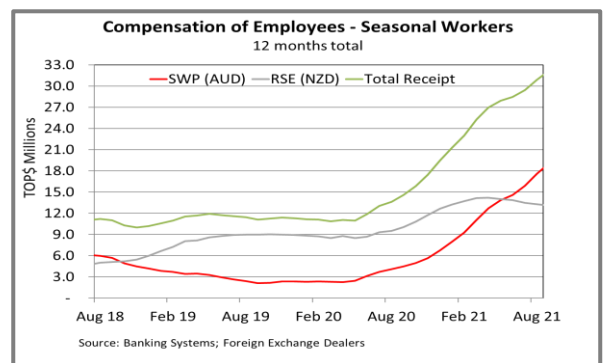
Private transfer receipts slightly rose by \$0.8 million (2.2%) to \$38.3 million in August, which consists mostly of family support and gifts from abroad. It holds the largest component of total remittance receipts with a 88.6% share and 58.6% share of the total OET receipts. Private transfer receipts in AUD and USD increased by \$0.7 million and \$0.3 million each, whereas the NZD receipts declined by \$0.4 million.

The total private transfers receipts also rose over the year to August 2021 by \$94.1 million (28.6%), driven mainly by receipts for family support. Private transfers consistently remained at high levels despite the ongoing economic impacts of the global pandemic, reflecting the strong support from the Tongan diaspora to their families in their times of need.

Employee Compensation¹

Receipts for compensation of employees rose over the month by \$0.3 million (8.4%), due to higher receipts from seasonal workers in Australia of \$0.2 million (9.6%). Meanwhile, seasonal workers' receipts from New Zealand fell by \$0.1 million (16.1%). However, other wages and salaries increased over the month by \$0.3 million (25.4%).

In year-ended terms, the compensation of employees increased by \$18.4 million (72.4%). Receipts from seasonal workers continue to hold the highest share of the compensation of employees at 70.4%. Meanwhile, the remaining 29.6% is attributed to other wages and salaries. Seasonal workers' receipts from Australia and New Zealand both continued to rise over the year by \$13.5 million (331.4%) and \$3.8 million (39.6%), respectively. Successful agreements on quarantine free travel from Tonga to New Zealand will also support the steady inflow of seasonal workers' receipts going forward.



Private capital transfers & Social benefits

In August 2021, private capital transfers rose over the month by \$0.2 million (54.6%) mostly for private households' construction, and renovation works. On the other hand, social benefits slightly fell by \$0.02 million (15.0%), consisting mostly of pension funds. In year-ended terms, private capital transfers and social benefits both decreased by \$0.1 million (1.2%) and \$0.02 million (1.2%), respectively.

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 the Women's annual roll calls in September (Taliui Sepitema), and other preparations leading up to the festive season. Downside risks to the forecast are the emergence of new and more contagious COVID-19 variants in major remitting countries, which can affect the income levels of our source country remitters and further disrupt the movement 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*
	Aug-21	Jul-21	Jun-21	May-21	Aug-21	Aug-20	
Total	43.23	41.86	37.65	42.79	472.25	359.83	100.0
Australian Dollar (AUD)	17.12	16.04	12.25	13.53	157.08	102.88	33.3
US Dollar (USD)	14.87	14.61	14.82	16.71	179.53	147.94	38.0
New Zealand Dollar (NZD)	8.84	9.37	8.74	10.73	112.19	90.64	23.8
Tongan Pa'anga (TOP)	1.85	1.23	1.29	1.23	14.18	11.80	3.0
Euro (EUR)	0.13	0.16	0.14	0.15	2.04	1.86	0.4
Japanese Yen (JPY)	0.16	0.15	0.15	0.13	1.53	1.49	0.3
Fijian Dollar (FJD)	0.07	0.06	0.05	0.08	0.78	1.15	0.2
British Pound (GBP)	0.08	0.12	0.09	0.09	1.18	0.66	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	0.14	3.74	1.42	0.8

*Based on year ended remittances receipts numbers

Sources: NRBT, Banking System, Foreign Exchange Dealers