

# Remittance Receipts

## February 2021

Release date: 9 June 2021

	TOP\$ millions				Year Ended		Shares of totals*
	Month Ended				Feb-21	Feb-20	
	Feb-21	Jan-21	Dec-20	Nov-20			
Total	32.9	32.3	43.8	37.1	411.3	350.8	100.0
Private transfers	28.9	28.6	39.3	33.0	370.7	319.7	90.1
Compensation of Employees	3.5	3.5	3.9	3.3	34.9	23.8	8.5
Private capital transfers	0.3	0.2	0.4	0.7	4.2	5.8	1.0
Social benefits	0.1	0.1	0.2	0.1	1.5	1.5	0.4

\*Based on year ended remittances receipts numbers

Sources: NRBT, Banking System, Foreign Exchange Dealers

## Households' support drives remittance receipts increase

In February 2021, remittance receipts slightly increased by \$0.5 million (1.6%). This was largely driven by more support for households, specifically private transfers and private capital transfers. Total remittance receipts for the month represented 58.3% of the total Overseas Exchange Transactions (OET), compared to the 40.3% share in the previous month due to the fall in total OET receipts.

Remittance receipts rose over the year by \$60.5 million (17.3%) to a new level high of \$411.3 million.

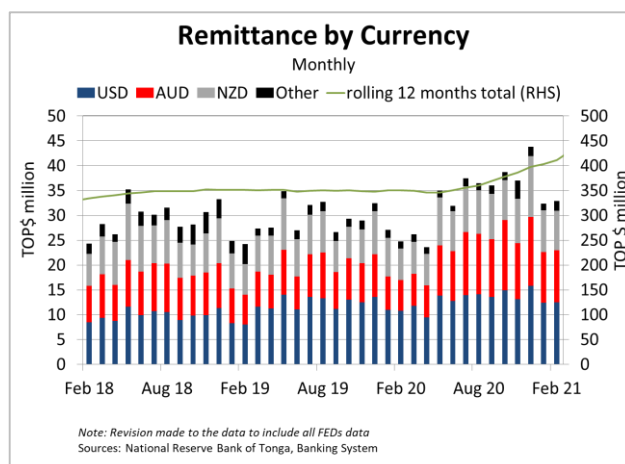
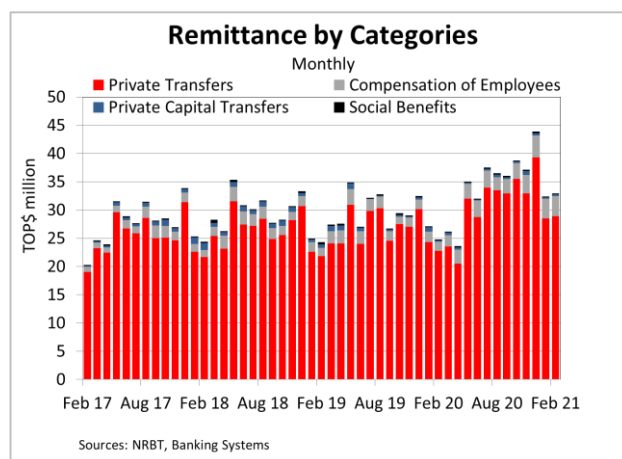
Receipts by currency increased were largely mainly on receipts in Australian Dollar (AUD) by \$0.2 million (2.4%), followed by the rise in US Dollar receipts by \$0.05 million (0.4%). This also coincides with the AUD and USD strengthening against the Tongan Pa'anga during the month. However, receipts in New Zealand Dollar slightly fell by \$0.4 million (4.6%).

The USD continued to hold the highest share of remittance receipts at 37.9%, followed by the AUD and NZD at 31.9% and 24.3%, respectively.

Foreign Exchange Dealers (FEDs) continued to be the preferred channel for remittance receipts with 86.3% share (although slightly lower than 86.7% share in the previous month). This is mainly attributed to its affordable service fees and ease of access. However, the share of remittance transferred via banks slightly rose by 0.4% to a total share of 13.7%.

### Private Transfers

During the month, private transfer receipts rose by \$0.4 million (1.4%). The monthly increase largely stemmed from private transfers in AUD by \$0.1 million (8.3%). Meanwhile, receipts in NZD and USD both

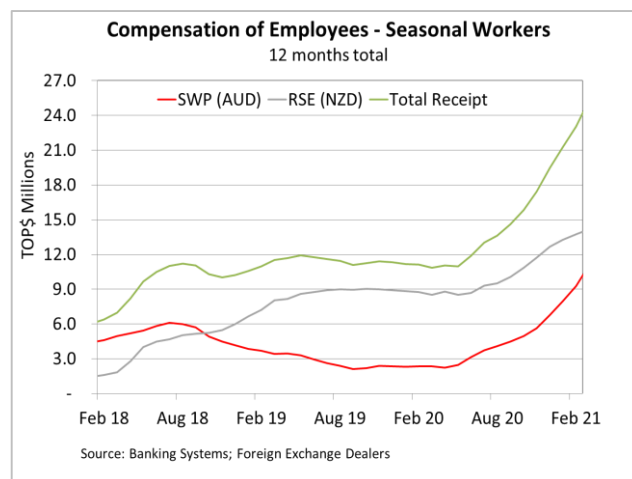


fell by \$0.1 million (15.0%) and \$0.1 million (8.5%), respectively. Private transfer receipts still hold the largest share of total remittance receipts at 88.1% compared to the 88.3% share in January 2021.

Over the year to February 2021, private transfer receipts rose by \$51.0 million (16.0%) and accounts for 90.1% of the total annual remittance receipts. Hence, this indicates the significant financial support from the Tongan diaspora towards households disposable income and may contribute towards higher consumption spending, which supports local businesses and the economy as a whole.

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

During the month, the total compensation of employees rose by \$0.1 million (2.3%). This was largely driven by the \$0.1 million (16.2%) increase in receipts from other wages and salaries, mostly for expatriates of international organizations in Tonga. Thus, it outweighed the fall in total receipts from seasonal workers by \$0.1 million (2.4%), despite the slight rise in receipts from seasonal workers in Australia by \$0.2 million (12.4%). Meanwhile, monthly receipts from seasonal workers in New Zealand slightly fell by \$0.2 million (16.7%) in February 2021.



In year ended terms, total receipts from seasonal workers accounted for 65.9% (compared to 64.4% share in January 2021) of employees' total compensation, while the remaining 34.1% attributes to other wages and salaries. Receipts from seasonal workers in Australia and New Zealand increased by \$6.9 million (296.2%) and \$5.0 million (57.1%). Overall, the total compensation of employees rose by \$11.1 million (46.6%). The departure of more than 100 seasonal workers for Australia during the month may continue to support the inflow of seasonal workers receipts to the country.

### Private capital transfers & Social benefits

Private capital transfers slightly rose by \$0.1 million (26.6%) over the month. Social benefits, which are mostly pension funds, edged up by \$0.002 million (2.3%). Over the year to February 2021, private capital transfers fell by \$1.6 million (27.6%) which may reflect the recovery of damaged household buildings from previous cyclones. Meanwhile, social benefits slowly rose by \$0.01 million (0.7%).

### Outlook

Remittance receipts are expected to increase in the upcoming months, driven by higher private transfers and contributions to ongoing fundraising activities. The ongoing repatriation of seasonal workers abroad may also contribute positively to the outlook. Nevertheless, the associated uncertainties surrounding the COVID-19 pandemic remains a risk to the outlook, hence the Reserve Bank continues to closely monitor

<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.

developments in remittance receipts as the highest source of foreign exchange inflow for the Tongan economy.

### Remittance Receipts by Currency

TOP\$ millions

	Month Ended				Year Ended		Shares of totals*
	Feb-21	Jan-21	Dec-20	Nov-20	Feb-21	Feb-20	
Total	32.86	32.33	43.82	37.05	411.34	350.80	100.0
Australian Dollar (AUD)	10.49	10.24	13.87	11.30	129.45	92.19	31.5
US Dollar (USD)	12.46	12.42	15.78	13.12	158.20	146.92	38.5
New Zealand Dollar (NZD)	7.97	8.35	12.29	8.95	103.13	91.67	25.1
Tongan Pa'anga (TOP)	0.94	0.85	1.10	1.47	11.85	12.32	2.9
Euro (EUR)	0.14	0.12	0.22	0.16	1.97	1.82	0.5
Japanese Yen (JPY)	0.09	0.12	0.17	0.07	1.34	1.81	0.3
Fijian Dollar (FJD)	0.06	0.05	0.09	0.05	0.81	1.69	0.2
British Pound (GBP)	0.10	0.08	0.13	0.10	0.98	0.59	0.2
Chinese Yuan (CNY)	0.00	0.00	0.00	0.00	0.00	0.01	0.0
Other	0.61	0.11	0.18	1.83	3.62	1.77	0.9

\*Based on year ended remittances receipts numbers

Sources: NRBT, Banking System, Foreign Exchange Dealers