

Remittance Receipts

Release date: 11 April 2022

October 2021

| | TOP\$ millions | | | | Year Ended | | Shares of totals* |
|---------------------------|----------------|--------|--------|--------|------------|--------|-------------------|
| | Month Ended | | | | Oct-21 | Oct-20 | |
| | Oct-21 | Sep-21 | Aug-21 | Jul-21 | | | |
| Total | 43.92 | 43.96 | 43.23 | 41.86 | 485.43 | 378.52 | 100.00 |
| Private transfers | 39.03 | 39.04 | 38.31 | 37.48 | 432.45 | 345.25 | 89.08 |
| Compensation of Employees | 3.92 | 4.08 | 4.19 | 3.86 | 46.55 | 27.67 | 9.59 |
| Private capital transfers | 0.92 | 0.76 | 0.64 | 0.42 | 5.11 | 4.18 | 1.05 |
| Social benefits | 0.06 | 0.07 | 0.09 | 0.10 | 1.33 | 1.42 | 0.27 |

*Based on year ended remittances receipts numbers

Sources: NRBT, Banking System, Foreign Exchange Dealers

Remittance receipts in NZD rose in October 2021

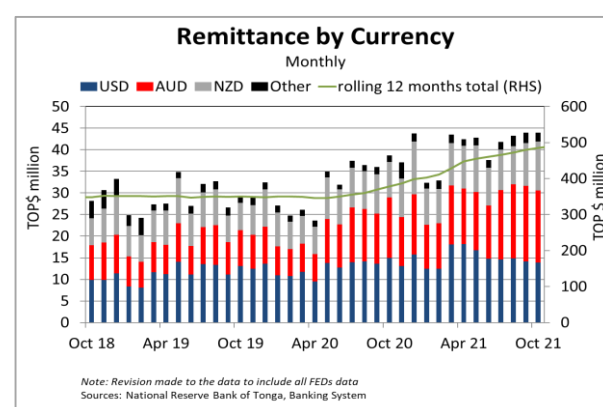
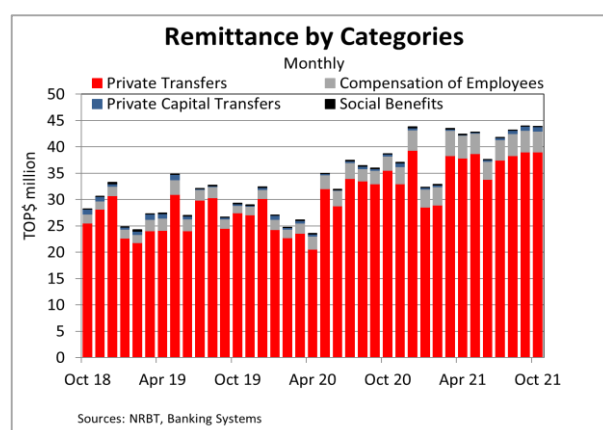
In October 2021, total remittance receipts slightly decreased by \$0.04 million (0.1%) to \$43.9 million. Lower receipts from compensation of employees and social benefits, drove the decline over the month.

Annually, remittance receipts significantly rose by \$106.9 million (28.2%), which was attributed to higher private transfer receipts, compensation of employees, and private capital transfers.

Total remittance receipts accounted for 62.1% of total Overseas Exchange Transactions (OET) receipts, higher than the 58.9% share in September 2021. This was due mainly to a \$3.8 million fall in total OET receipts, particularly the current and financial account receipts. Remittance receipts are the main source of foreign exchange inflow for Tonga, other than official transfers. It is estimated to be more than 40% of Tonga's GDP.

Remittance receipts in Australian Dollars (AUD) held the highest share of total remittance receipts in October 2021 at 38.0%. The shares of US Dollar (USD) and New Zealand (NZD) remittance receipts followed at 31.6% and 25.8%, respectively. Remittance receipts in AUD and USD both decreased by \$0.9 million (4.9%) and \$0.2 million (1.7%), respectively, in October 2021. Meanwhile, remittance receipts in NZD rose over the month by \$1.4 million (14.3%) and gained from the USD and AUD shares. The NZD, however, depreciated over the month along with the USD while the AUD appreciated.

The total share of remittance receipts transferred via Foreign Exchange Dealers (FEDs) slightly rose to 87.4% in October 2021 compared with 87.3% in the previous month. Thus, FEDs continued to be the preferred channel for remittance transfers mainly due to its ease of access, fast service, and affordable



service fees. The remaining 12.6% share represents transfers via banks. The number of FEDs operating in Tonga has continued to increase, contributing to the higher inflow of remittances.

Private Transfers

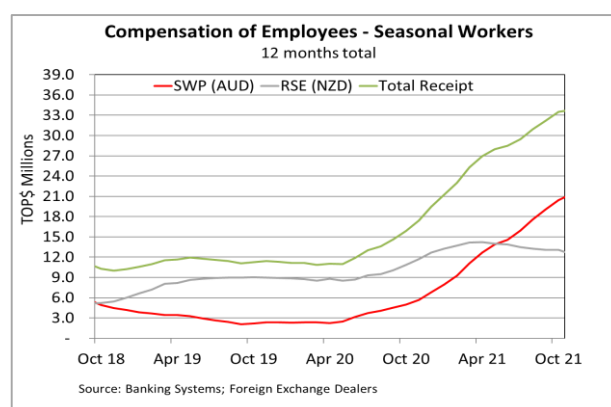
Private transfer receipts, which are mostly for family support and gifts from abroad, changed little over the month, however, still represent the highest share of total remittance receipts at 88.9% and 55.1% share of the total OET receipts. Private transfer receipts in AUD and USD both decreased by \$0.8 million (5.5%) and \$0.2 (1.6%) million each, whereas the NZD receipts rose by \$1.1 million (12.7%).

Over the year to October 2021, total private transfer receipts rose by \$87.2 million (25.3%), reflecting continued support from the Tongan diaspora abroad. It is expected that this would continue to support consumption spending, local businesses and investment opportunities.

Employee Compensation¹

Compensation of employees receipts declined over the month by \$0.2 million (4.1%). This is attributed to the \$0.4 million (29.0%) decline in other wages and salaries, outweighing the \$0.2 million (6.8%) rise in receipts from seasonal workers. Receipts from seasonal workers in New Zealand and Australia rose by \$0.2 million (23.2%) and \$0.02 million (1.1%), respectively.

In year-ended terms, the compensation of employees rose substantially by \$18.9 million (68.3%). Seasonal workers' receipts account for the largest share of compensation of employees at 72.0%, while the remaining 28.0% is from other wages and salaries. Seasonal workers' receipts from Australia and New Zealand both increased over the year by \$15.5 million (312.1%) and \$2.2 million (20.4%), respectively. Participation in the seasonal workers' schemes in Australia and New Zealand has increased, given the impact of the border closure on the tourism industry, thus sustaining a steady inflow of seasonal worker receipts to the country.



Private capital transfers & Social benefits

During the month, private capital transfers which are mostly for construction of private households and renovations, rose by \$0.2 million (21.1%). Moreover, social benefits slightly fell by \$0.02 (25.4%), consisting mostly of pension funds. Annually, private capital transfers rose by \$0.9 million (22.2%) while social benefits declined by \$0.1 million (6.3%), respectively.

Outlook

Remittance receipts are expected to rise in the last quarter of 2021 as the Christmas season nears, along with the usual end of year festivities. However, the uncertainties associated with the COVID-19 pandemic may hinder ongoing developments in Tonga's major remitting countries, disrupting employment opportunities and flow of remittance receipts. Nevertheless, the Reserve Bank will continue to monitor the movements in remittance receipts, as it is one of the highest sources of foreign exchange inflow for the Tongan economy.

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.

Remittance Receipts by Currency
TOP\$ millions

| | Month Ended | | | | Year Ended | | Shares of totals* |
|--------------------------|-------------|--------|--------|--------|------------|--------|-------------------|
| | Oct-21 | Sep-21 | Aug-21 | Jul-21 | Oct-21 | Oct-20 | |
| Total | 43.92 | 43.96 | 43.23 | 41.86 | 485.43 | 378.52 | 100.00 |
| Australian Dollar (AUD) | 16.69 | 17.55 | 17.12 | 16.04 | 165.61 | 112.88 | 34.12 |
| US Dollar (USD) | 13.88 | 14.12 | 14.87 | 14.61 | 179.03 | 152.23 | 36.88 |
| New Zealand Dollar (NZD) | 11.33 | 9.91 | 8.84 | 9.37 | 116.22 | 95.24 | 23.94 |
| Tongan Pa'anga (TOP) | 1.45 | 1.78 | 1.85 | 1.23 | 15.44 | 11.47 | 3.18 |
| Euro (EUR) | 0.09 | 0.16 | 0.13 | 0.16 | 1.83 | 2.01 | 0.38 |
| Japanese Yen (JPY) | 0.17 | 0.14 | 0.16 | 0.15 | 1.57 | 1.45 | 0.32 |
| Fijian Dollar (FJD) | 0.06 | 0.06 | 0.07 | 0.06 | 0.77 | 1.02 | 0.16 |
| British Pound (GBP) | 0.12 | 0.11 | 0.08 | 0.12 | 1.23 | 0.76 | 0.25 |
| Chinese Yuan (CNY) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.01 | 0.00 |
| Other | 0.12 | 0.12 | 0.12 | 0.12 | 3.74 | 1.45 | 0.77 |

*Based on year ended remittances receipts numbers

Sources: NRBT, Banking System, Foreign Exchange Dealers