

Remittance Receipts

December 2016

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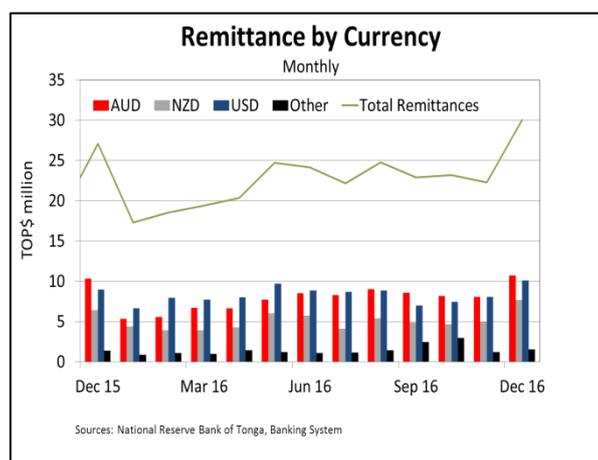
*TOP \$m	Dec 16	Nov 16	Oct 16	Sept 16
Remittance Receipts	30.01	22.26	23.20	22.93
Private Transfers	28.75	20.30	21.23	20.68
Employee Compensation	1.08	1.32	1.36	1.76
Private Capital Transfers	0.10	0.59	0.54	0.43
Social Benefits	0.08	0.05	0.07	0.06

**Month-ended*

Remittance hits \$30M for the very first time

Remittance receipts hits a new monthly record of \$30 million with a yearly record of \$269.8 million in December 2016. In 2016, the monthly average for remittance was at \$22.5 million.

Over the month, remittances rose by \$7.8 million as both private transfers and social benefits increased by \$8.5 million and \$0.03 million respectively. Over the year, all categories of remittance increased with the exception of social benefits, as lower receipts of individuals' pension benefits from abroad. Private transfers was the major contributor to the yearly trend rose by \$38.3 million (18.4%). The rise in remittances over the year was supported by the celebrations during the year including Tupou College 150th anniversary, Queen Mother's 90th birthday, Latter Day Saints Tonga Mission 100th anniversary, family reunions in addition to annual events such as Mother's Day, church conferences, Children's White Sunday, Heilala and Christmas festivities.



Sources: National Reserve Bank of Tonga, Banking System

Although total remittances reached the highest level in December, total remittances for the month represented 33% of the total overseas exchange transaction (OET) receipts, compared to 43% in the previous month. This is due to the increase in other receipts particularly official grants.

Despite the weakening of the New Zealand dollar (NZD) and the Australian dollar (AUD) against Tongan Pa'anga (TOP) during the month, remittance receipts in all currencies rose over the year with the New Zealand dollar (NZD) increasing the most by \$2.71 million (54.7%) followed by the Australian dollar (AUD) with \$2.68 million (33.2%). Remittances to Tonga may not be sensitive to exchange rate fluctuations but driven by the basic needs of families and friends in the Tonga, major celebrations and annual events.

Remittances in United States dollar (USD) rose by \$2.05 million (25.5%) supported by the strengthening of the USD against TOP over the month. In December, AUD continued to be the dominant currency for receipts of remittances with 35.8%, USD followed with 33.6% and NZD with 25.5%.

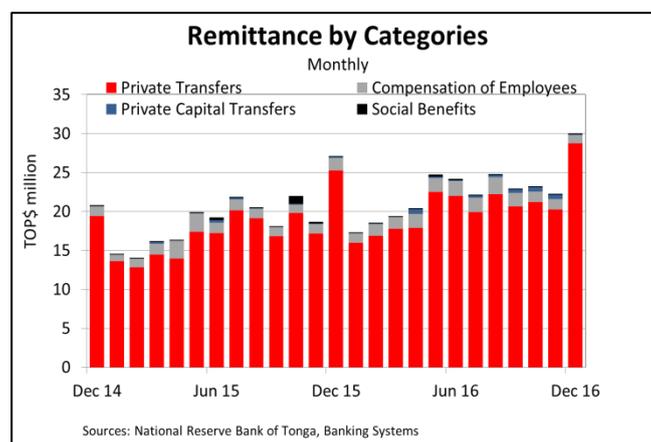
Foreign Exchange Dealers (FEDs) continued to be the preferred medium for transferring of remittances. In December 2016, 90% (\$27.1 million) of the total remittance receipts during the month were received via FEDs, compared to 89% (\$19.8 million) of the previous month and 91% (\$24.5 million) in December 2015.

Private Transfers

Private transfers at \$28.8 million, represented 96% of the total remittance receipts and 31% of the total OET receipts. Family support receipts via FEDs in AUD, NZD and USD rose by \$3.0 million, \$2.9 million and \$1.8 million respectively.

Employee Compensation¹

Compensation of employees fell by 18.0% (\$0.2 million) to \$1.1 million over the month, representing 4% of the total remittances. Receipts from Recognised Seasonal Employer (RSE) Scheme workers fell by \$0.4 million (70.4%), whereas other wages and salaries rose by a \$0.1 million (16.3%). In the 12 months to December 2016, employee compensation reached a total of \$19.3 million. Total employee compensation over the year, was mainly for other wages and salaries (including Tongans working abroad and Tongan residents serving foreign organizations locally) at \$10.70 million (55%) and the remaining 45% were from RSE.



Private capital transfers & Social benefits

Other private transfers for capital expenditures fell by \$0.5 million (83.2%) to \$0.1 million in December. During the month, there were lower receipts by households for house construction and renovation related activities compared to the previous month. Social benefits on the other hand rose by \$0.03 million (53.9%) over the month. Private capital transfers and social benefits accounted for only 0.6% of the total remittance receipts.

Outlook

Remittance receipts are expected to decline in the following months after the peak Christmas holiday season and festivities in December. The NRBT will continue to closely monitor the remittance receipts given it is the largest source of foreign exchange inflow for the economy.

¹ Employee compensation is the sum of wages and salaries from the Recognised Seasonal Employer (RSE) program, Tongan residents working short term overseas, and resident employees serving foreign organizations.

Table 1

Remittance Receipts							
TOP\$ millions							
	Month Ended				Year Ended		<i>Shares of totals*</i>
	Dec-16	Nov-16	Oct-16	Sep-16	Dec-16	Dec-15	
Total	30.01	22.26	23.20	22.93	269.8	228.1	100.0
Private transfers	28.75	20.30	21.23	20.68	246.3	208.0	91.3
Compensation of Employees	1.08	1.32	1.36	1.76	19.31	17.21	7.2
Private capital transfers	0.10	0.59	0.54	0.43	3.26	1.20	1.2
Social benefits	0.08	0.05	0.07	0.06	0.93	1.69	0.3

Sources: NRBT, Banking System, Foreign Exchange Dealers

Table 2:

Remittance Receipts by Currency							
TOP\$ millions							
	Month Ended				Year Ended		<i>Shares of totals*</i>
	Dec-16	Nov-16	Oct-16	Sep-16	Dec-16	Dec-15	
Total	30.01	22.26	23.20	22.93	269.81	228.10	100.0
Australian Dollar (AUD)	10.73	8.05	8.18	8.55	93.34	79.15	34.6
US Dollar (USD)	10.09	8.04	7.42	7.00	98.99	84.33	36.7
New Zealand Dollar (NZD)	7.66	4.96	4.65	4.92	60.04	50.61	22.3
Tongan Pa'anga (TOP)	0.93	0.69	2.47	2.04	11.06	7.44	4.1
Euro (EUR)	0.16	0.15	0.11	0.10	1.43	1.46	0.5
Japanese Yen (JPY)	0.10	0.07	0.11	0.09	1.78	1.08	0.7
Fijian Dollar (FJD)	0.17	0.12	0.14	0.11	1.49	1.89	0.6
British Pound (GBP)	0.05	0.05	0.02	0.03	0.39	0.62	0.1
Chinese Yuan (CNY)	0.00	0.00	0.00	0.00	0.00	0.00	0.0
Other	0.13	0.13	0.11	0.09	1.30	1.50	0.5

Sources: NRBT, Banking System, Foreign Exchange Dealers