

Remittance Receipts

May 2017

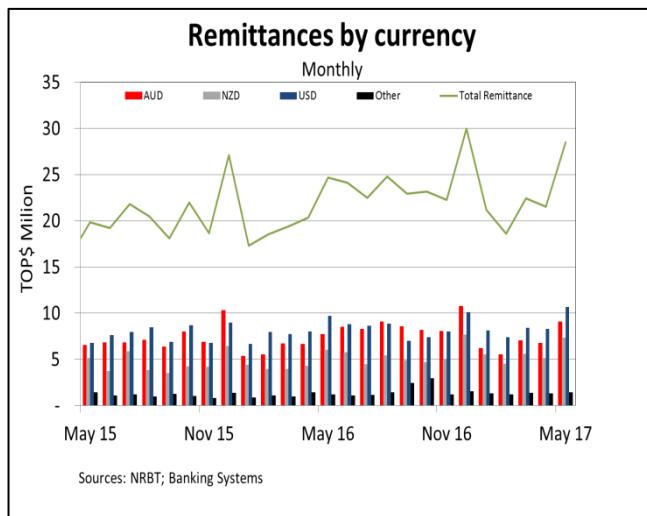
Release date: 15 August 2017

*TOP \$m	May 17	Apr 17	Mar 17	Feb 17
Remittance Receipts	28.50	21.52	22.42	18.64
Private Transfers	26.67	20.13	21.16	17.53
Employee Compensation	1.16	0.91	0.99	0.92
Private Capital Transfers	0.59	0.34	0.21	0.14
Social Benefits	0.08	0.14	0.06	0.04

*Month-ended

The “family” month of May recorded hike in remittance receipts

May is known to be the “family” month, where Tonga celebrates Children’s White Sunday, Mother’s Day and Father’s Day. Correspondingly, May records high remittance receipts from families and friends abroad to their relatives remaining in Tonga. In addition, annual church conferences were also held during the month of May. Remittance receipts rose by \$7.0 million (32.4%) over the month, representing 40% of the total overseas exchange transaction (OET) receipts. All categories of remittances rose over the month with the exception of social benefits. Remittance receipts in May was the second highest month of receipts compared to a high of \$30 million recorded in December 2016. In year ended terms, total remittance receipts were 13.9% (\$34.4 million) higher than it was a year ago, reaching an annual high record of \$282.1 million.



Remittances received in the major currencies rose over the month with the receipts in United States Dollar (USD) and Australian Dollar (AUD) increasing by \$2.4 million each, in addition to the New Zealand Dollar (NZD) receipts which grew by \$2.2 million. USD continued to be the dominant currency, representing 37% of the total remittances receipts. AUD followed with 32% and NZD with 26%. In the 12 months period to May 2017, majority of the remittances were in USD (36%) and AUD (34%) which coincided with the positive economic growth in these countries.

Foreign Exchange Dealers (FEDs) continued to be the preferred channel for receiving of remittances. During the month, around 88% of the total remittance receipts were received via FEDs, compared to 86% in the previous month and 88% in May 2016.

Private Transfers

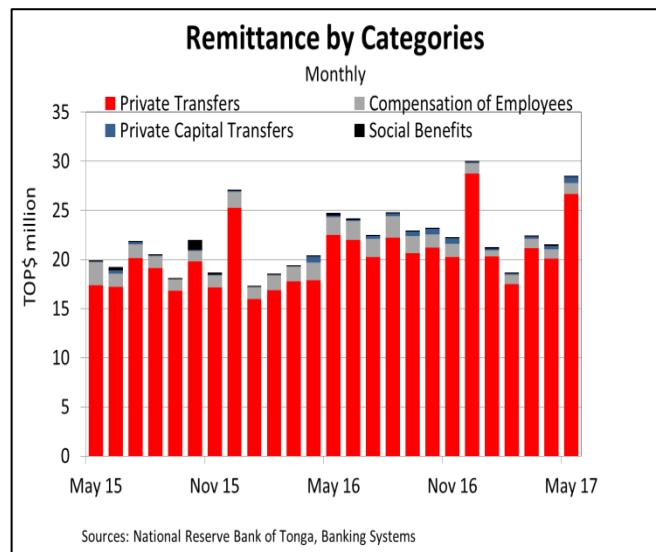
Private transfers, which are mostly receipts for family support and gifts, hold the largest component of total receipts, representing 94% of the total remittance receipts and 37% of the total OET receipts. Private transfers rose by \$6.5 million (33%) to \$26.7 million in May, mainly higher receipts of family support from friends and families abroad. It is the second to the highest recorded in December 2016 (\$28.8 million). Family support receipts via FEDs in AUD rose by \$2.4 million in addition to USD and NZD receipts which both increased by \$2.2 million and \$2.0 million respectively.

In the 12-month period to May 2017, private transfers rose by around 15% (\$34.6 million), largely owing to higher receipts for family support.

Employee Compensation¹

Employee compensation rose by \$0.2 million (26.9%) over the month and accounted for around 4% of the total remittance receipts. Both receipts from the other wages & salaries and Recognised Seasonal Employer (RSE) Scheme workers rose over the month by \$0.18 million and \$0.06 million respectively.

In year ended terms, total compensation of employees decreased by \$0.9 million due mainly to receipts from RSE. Over the year, around 65% of the total compensation of employees was for other wages and salaries whereas the remaining 35% were from RSE workers.



Private capital transfers & Social benefits

Private transfers for capital expenditures, pensions and other social benefits received by individuals accounted for only 2% of the total remittance receipts in May 2017. There were higher receipts by households for house construction and renovation related activities compared to the previous month, which resulted in a \$0.3 million (75.0%) increase in private transfers for capital expenditures. Social benefits, on the other hand, fell by \$0.06 million (40.7%) over the month.

Over the year, private capital transfers rose by \$1.9 million whereas social benefits fell by \$1.2 million (57.6%).

Outlook

Remittance receipts are anticipated to remain at high levels in the upcoming months as annual events such as church conferences and Heilala festivities approach in addition to the schools' anniversaries' celebration (Tonga High School & Mailefhi Siu'ilikutapu College). The Reserve Bank 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		Shares of totals*
	May-17	Apr-17	Mar-17	Feb-17	May-17	May-16	
Total	28.50	21.52	22.42	18.64	282.1	247.7	100.0
Private transfers	26.67	20.13	21.16	17.53	261.4	226.8	92.6
Compensation of Employees	1.16	0.91	0.99	0.92	16.1	16.95	5.7
Private capital transfers	0.59	0.34	0.21	0.14	3.77	1.86	1.3
Social benefits	0.08	0.14	0.06	0.04	0.88	2.08	0.3

Sources: NRBT, Banking System

Table 2:**Remittance Receipts by Currency**

TOP\$ millions

	Month Ended				Year Ended		Shares of totals*
	May-17	Apr-17	Mar-17	Feb-17	May-17	May-16	
Total	28.50	21.52	22.42	18.64	282.12	247.67	100.0
Australian Dollar (AUD)	9.08	6.74	7.03	5.54	95.91	84.40	34.0
US Dollar (USD)	10.66	8.29	8.43	7.39	101.84	95.51	36.1
New Zealand Dollar (NZD)	7.32	5.15	5.56	4.53	65.88	54.30	23.4
Tongan Pa'anga (TOP)	0.96	0.76	0.83	0.66	12.22	7.07	4.3
Euro (EUR)	0.11	0.13	0.15	0.12	1.52	1.39	0.5
Japanese Yen (JPY)	0.09	0.19	0.12	0.15	1.44	1.63	0.5
Fijian Dollar (FJD)	0.10	0.09	0.11	0.11	1.41	1.55	0.5
British Pound (GBP)	0.06	0.06	0.05	0.04	0.49	0.49	0.2
Chinese Yuan (CNY)	0.00	0.00	0.00	0.00	0.00	0.00	0.0
Other	0.11	0.11	0.13	0.11	1.41	1.34	0.5

Sources: NRBT, Banking System