

Remittance Receipts

July 2020

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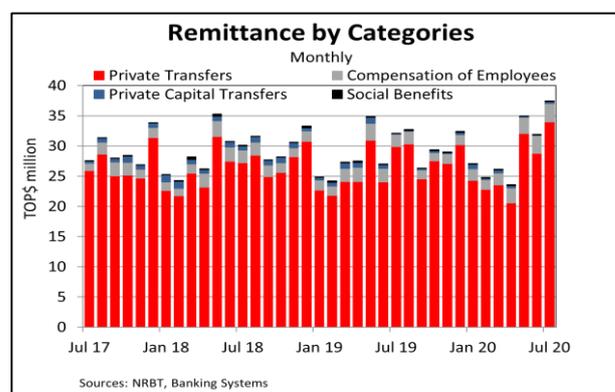
	TOP\$ millions				Year Ended		Shares of totals*
	Month Ended				Jul-20	Jul-19	
	Jul-20	Jun-20	May-20	Apr-20			
Total	37.5	31.9	35.0	23.6	355.8	349.3	100.0
Private transfers	34.0	28.8	32.0	20.6	325.6	315.4	91.5
Compensation of Employees	3.0	2.9	2.7	2.5	25.0	23.9	7.0
Private capital transfers	0.3	0.1	0.2	0.4	3.8	8.5	1.1
Social benefits	0.2	0.1	0.1	0.1	1.4	1.6	0.4

*Based on year ended remittances receipts numbers

Sources: NRBT, Banking System, Foreign Exchange Dealers

Remittance receipts at new record high amidst COVID-19

Despite expectations of a downturn due to the impacts of COVID-19, Tonga's remittance persistently remains at very high levels over the past few months to July 2020. Even without the annual festivities that usually attracts remittance such as the church conferences, the Heilala Week Festival and the Agricultural show, the inflow of remittances still increased in all categories and all major currencies. Higher family support in July 2020 indicates the willingness of

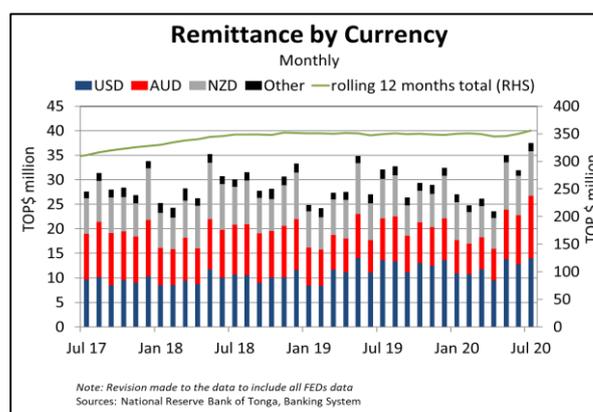


relatives abroad to support their families despite the global economic downturn imposed by the COVID-19 pandemic. Total remittance receipts for July 2020 recorded a new high record rising by \$5.6 million (17.4%) from the previous month. This is the highest monthly remittance receipt since 2014 surpassing the remittance receipt recorded in May 2020 at \$35.0 million and higher than that of July 2019 at \$32.1 million.

Total remittance receipts for July 2020 accounted for 54.5% of the total Overseas Exchange Transaction (OET) receipts, which is higher compared to the 27.9% share in June 2020. This was due to the \$45.7 million decrease in total OET receipts in July 2020 owing much to the slowdown of the inflow of official receipts after hiking at the end of the fiscal year in June 2020.

Over the year to July 2020, the total remittance receipts rose by \$6.5 million (1.8%), driven mostly by higher private transfers and compensation of employees, partially offsetting the decline in private capital transfers and social benefits.

Remittances received from Tonga's major trading currencies all rose over the month particularly the AUD rising by \$2.7 million (27.2%) over the month. The appreciation of the USD, AUD and NZD against the TOP also contributed to the higher monthly movements. However, the United States Dollar (USD) continued to be the dominant currency amongst Tonga's major trading currencies with a 37.3% share of the total



remittance receipt for July 2020. This was followed by the Australian Dollar (AUD) and New Zealand Dollar (NZD) at 33.9% and 24.4% shares respectively.

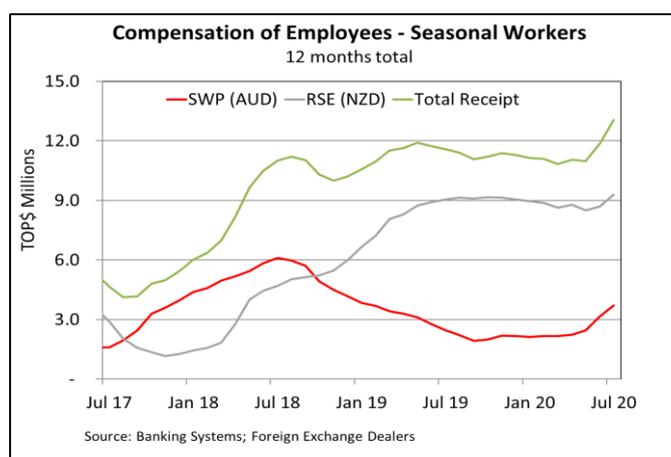
The share of total remittance receipts transferred via Foreign Exchange Dealers (FEDs) fell by 0.3% to 85.4% in July, while the share of banks gained by 0.3% to 14.6%, and has been consistently gaining over the past 2 months. One of the FEDs has closed down office since the beginning of the pandemic as its overseas counterpart ceased its money transfer operations, thus its market share has been picked up by the banks and other FEDs. Nevertheless, FEDs continue to be the preferred channel for remittance transfers due to its convenience, ease of access and affordable service fees. Since the beginning of the pandemic, the usage of financial digital products/applications for money transfers has been quite popular and is contributing to the overall rise in remittances in Tonga.

Private Transfers

Private transfer receipts rose by \$5.2 million (17.9%) in July 2020 following the decline in the previous month. These receipts are mainly family support for families from friends and relatives abroad. Despite the difficulties associated with COVID-19 by our major remitting countries, the increasing private transfer receipts indicates that our overseas diaspora may not be experiencing financial hardships yet. This may be a result of the effective policy responses rolled out by these countries to combat the global pandemic, in addition to our strong traditions and close family ties especially during difficult times. Private transfer receipts in AUD increased the most by \$2.8 million followed by the USD and the NZD rising by \$1.2 million and \$1.0 million respectively. Private transfer receipts continued to hold the highest share of total remittance receipts at 90.6% (higher than the 90.2% share in the previous month). Over the year to July 2020, private transfers receipts increased by \$10.2 million (3.2%) driving the annual growth in remittances.

Employee Compensation¹

The total compensation of employees slightly rose by \$0.1 million (3.9%) in July 2020. The receipts from Seasonal Workers Programs (SWP) in Australia slightly fell by \$0.03 million (-3.4%) after rising in June 2020. Meanwhile, receipts from seasonal workers in New Zealand slightly rose by \$0.04 million (3.9%) contributing \$1.1 million to the total Employee Compensation receipts. While Tonga starts to repatriate some of our seasonal workers from New Zealand, it is understood that this process may take a while given the travel restrictions and the quarantine requirements. The workers in Australia however, are being reshuffled to other work or farmers where they can still earn income. Over the year to July 2020, the total compensation of employee's receipts rose by \$1.1 million (4.4%) to \$25.0 million, of which the share of receipts from RSE/SWP was 51.7% (compared to 48.9% in the year to June 2020), while Other wages and salaries which are mostly for expatriates and local employees of International organizations in Tonga accounted for only 48.3%. Hence, RSE workers from New Zealand contributed the most to the annual seasonal workers' receipts with \$9.3 million, while \$3.7 million was contributed by seasonal workers from Australia.



Private capital transfers & Social benefits

Over the month, private capital transfers and social benefits marginally rose by \$0.2 million and \$0.1 million respectively. Private capital transfers are funds received by households mostly for capital projects

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.

such as private households construction and renovations, whilst social benefits are mainly receipts of pension funds. Annually, private capital transfers and social benefits receipts both fell by \$4.7 million (55.1%) and \$0.2 million (9.6%) respectively.

Outlook

The economic health of our major remitting countries is expected to deteriorate due to the global pandemic seriously affecting travel, tourism, trade and related business sectors. Surges in unemployment levels are expected to reduce income levels and consequently the remittance receipts. However, coordinated, targeted and swift policy measures to counteract the economic fallout by our major remitting countries may be an upside risk to the outlook. Nevertheless, the Reserve Bank will continue to closely monitor external and domestic developments that may affect remittance receipts given it is the largest source of foreign exchange inflow for the Tongan economy.

Remittance Receipts by Currency							
TOP\$ millions							
	Month Ended				Year Ended		<i>Shares of totals*</i>
	Jul-20	Jun-20	May-20	Apr-20	Jul-20	Jul-19	
Total	37.49	31.93	34.97	23.58	355.79	349.34	100.0
Australian Dollar (AUD)	12.70	9.99	10.11	6.41	99.95	104.04	28.1
US Dollar (USD)	13.97	12.77	13.82	9.48	147.14	129.61	41.4
New Zealand Dollar (NZD)	9.16	8.05	9.65	6.34	90.23	95.44	25.4
Tongan Pa'anga (TOP)	1.08	0.70	0.89	1.01	11.67	12.30	3.3
Euro (EUR)	0.20	0.13	0.14	0.10	1.82	1.93	0.5
Japanese Yen (JPY)	0.11	0.07	0.12	0.07	1.61	1.91	0.5
Fijian Dollar (FJD)	0.08	0.07	0.07	0.05	1.28	1.63	0.4
British Pound (GBP)	0.07	0.06	0.07	0.03	0.65	0.75	0.2
Chinese Yuan (CNY)	0.00	0.00	0.00	0.00	0.01	0.01	0.0
Other	0.10	0.10	0.10	0.09	1.43	1.70	0.4

*Based on year ended remittances receipts numbers
Sources: NRBT, Banking System, Foreign Exchange Dealers