

Remittance Receipts

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June 2020

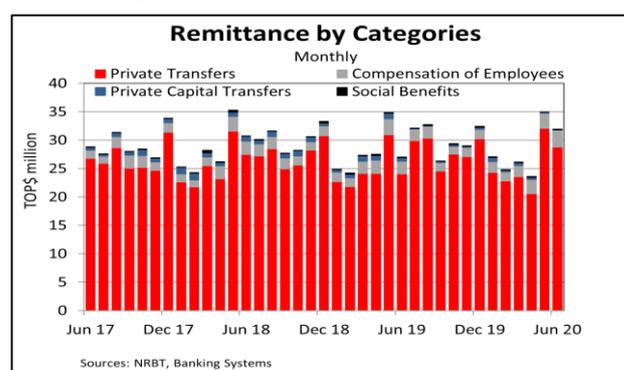
	TOP\$ millions				Year Ended		Shares of totals*
	Month Ended				Jun-20	Jun-19	
	Jun-20	May-20	Apr-20	Mar-20			
Total	31.9	35.0	23.6	26.2	350.4	347.3	100.0
Private transfers	28.8	32.0	20.6	23.6	321.5	312.7	91.7
Compensation of Employees	2.9	2.7	2.5	2.0	24.0	23.9	6.8
Private capital transfers	0.1	0.2	0.4	0.5	3.6	9.1	1.0
Social benefits	0.1	0.1	0.1	0.1	1.3	1.6	0.4

*Based on year ended remittances receipts numbers

Sources: NRBT, Banking System, Foreign Exchange Dealers

Lower family support receipts in June after hiking in May

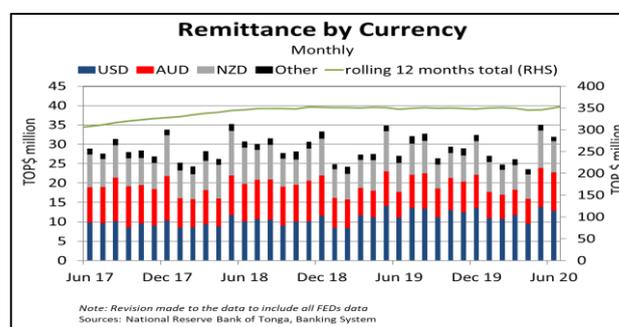
The cancellation of major events normally held in June particularly the annual conference of churches and the Heilala Festival recorded a slowdown in remittance receipts. Hence, total remittance receipts for June 2020 decreased by \$3.0 million (8.7%) from the previous month. Lower remittance receipts were largely driven by lower private transfers and private capital transfers. However, this is higher compared to the total remittance of \$27.0 million in June 2019



Total remittance receipts for June 2020 accounted for 27.9% of the total Overseas Exchange Transaction (OET) receipts, this was lower compared to the 48.3% share in May 2020. This decline was due to the \$42.2 million increase in total OET receipts in June 2020 owing much to the inflow of official receipts for the end of the fiscal year.

Over the year to June 2020, the total remittance receipts rose by \$3.1 million (0.9%), driven mostly by higher private transfers and compensation of employees partially offsetting the decline in private capital transfers.

Remittances received from Tonga's major trading currencies fell over the month particularly for New Zealand highlighting the associated impacts of the second wave of the COVID-19 lockdown. The depreciation of the USD against the TOP also contributed to the lower monthly movements, while the AUD and NZD appreciated against the TOP. Nevertheless, the United States Dollar (USD) continued to be the dominant currency amongst Tonga's major trading currencies with a 40.0% share of the total remittance for June 2020. This was followed by the Australian Dollar (AUD) and New Zealand Dollar (NZD) at 31.3% and 25.2% shares respectively.



The share of total remittance receipts transferred via FEDs fell by 1.1% to 85.7% in June, while the share of banks gained by 1.1% to 14.3%. FEDs continued to be the preferred choice for receiving remittances

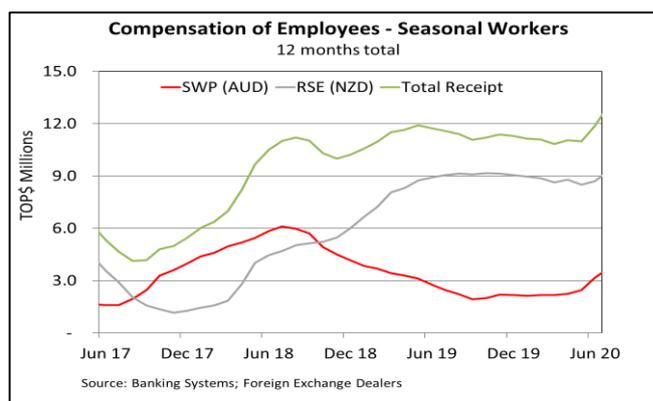
due to its convenience, competitive rates and ease of access particularly through online transfers especially during the COVID-19 lockdown and travel restrictions abroad.

Private Transfers

Private transfer receipts fell by \$3.2 million (10.1%) in June 2020 following the hike in May. The closedown of businesses in line with the escalating number of COVID-19 cases abroad may have contributed to the lower receipts remitted from families abroad. These receipts are mostly monetary gifts and for family support. Private transfers in NZD declined the most by \$1.6 million followed by the USD declining by \$1.1 million, while the AUD slightly dropped by \$0.1 million. This may also indicate that the income level of our Australian diaspora may be less affected by COVID-19 than our diaspora in New Zealand and the United States. Private transfer receipts continued to hold the highest share of total remittance receipts at 90.2% (lower than the 91.6% share in the previous month). Over the year to June 2020, private transfers receipts increased by \$8.8 million (2.8%) driving the annual growth in remittances.

Employee Compensation¹

The total compensation of employees slightly rose by \$0.3 million (9.7%) in June 2020. The \$0.4 million increase in receipts from Seasonal Workers Programs (SWP) in Australia contributed positively to the monthly movement which may also be attributed to the harvest season in most farms despite the COVID-19 lockdown which continues to provide employment opportunities to Tongan seasonal workers in the country. The receipts from the RSE program also contributed \$1.1 million in June 2020, lower than the \$1.4 million in May. Over the year to June 2020, the total compensation of employees receipts also slightly rose by \$0.1 million (0.3%). Other wages and salaries accounted for 51.1% of the employee compensation receipts particularly the wages for expatriates and local employees of International organizations in Tonga, while 48.9% were from RSE/SWP workers. In addition, RSE workers from New Zealand contributed the most to the seasonal workers' receipts with \$8.7 million, while \$3.2 million was contributed by seasonal workers from Australia.



Private capital transfers & Social benefits

Over the month, private capital transfers fell by \$0.1 million while social benefits also declined by \$0.03 million. Private capital transfers are funds received by households mostly for capital projects such as private households constructions and renovations, whilst social benefits are mainly receipts of pension funds. Annually, private capital transfers and social benefits receipts both fell by \$5.4 million (59.9%) and \$0.3 million (18.5%) respectively.

Outlook

The second wave of COVID-19 pandemic outbreaks in our major remitting countries, coupled with the repatriation of Tongan seasonal workers may have an impact on the remittance receipts in the near future. Nevertheless, the Reserve Bank will continue to closely monitor the remittance receipts given it is the largest source 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*
	Jun-20	May-20	Apr-20	Mar-20	Jun-20	Jun-19	
Total	31.93	34.97	23.58	26.15	350.42	347.33	100.0
Australian Dollar (AUD)	9.99	10.11	6.41	6.52	95.83	105.55	27.3
US Dollar (USD)	12.77	13.82	9.48	11.74	146.73	126.77	41.9
New Zealand Dollar (NZD)	8.05	9.65	6.34	6.38	89.07	95.20	25.4
Tongan Pa'anga (TOP)	0.70	0.89	1.01	1.00	11.73	12.11	3.3
Euro (EUR)	0.13	0.14	0.10	0.10	1.77	1.91	0.5
Japanese Yen (JPY)	0.07	0.12	0.07	0.13	1.66	1.89	0.5
Fijian Dollar (FJD)	0.07	0.07	0.05	0.10	1.46	1.54	0.4
British Pound (GBP)	0.06	0.07	0.03	0.05	0.65	0.72	0.2
Chinese Yuan (CNY)	0.00	0.00	0.00	0.00	0.01	0.01	0.0
Other	0.10	0.10	0.09	0.13	1.52	1.62	0.4

*Based on year ended remittances receipts numbers

Sources: NRBT, Banking System, Foreign Exchange Dealers