

Remittance Receipts

December 2021

Release date: 9 June 2022

	TOP\$ millions				Year Ended		Shares of totals*
	Month Ended				Dec-21	Dec-20	
	Dec-21	Nov-21	Oct-21	Sep-21			
Total	51.9	41.6	43.9	44.0	498.1	398.0	100.0
Private transfers	46.7	37.5	39.0	39.0	444.4	360.3	89.2
Compensation of Employees	4.7	3.5	3.9	4.1	47.6	31.5	9.6
Private capital transfers	0.5	0.4	0.9	0.8	4.9	4.7	1.0
Social benefits	0.1	0.1	0.1	0.1	1.1	1.5	0.2

*Based on year ended remittances receipts numbers

Sources: NRBT, Banking System, Foreign Exchange Dealers

Remittance receipts peaked in December 2021

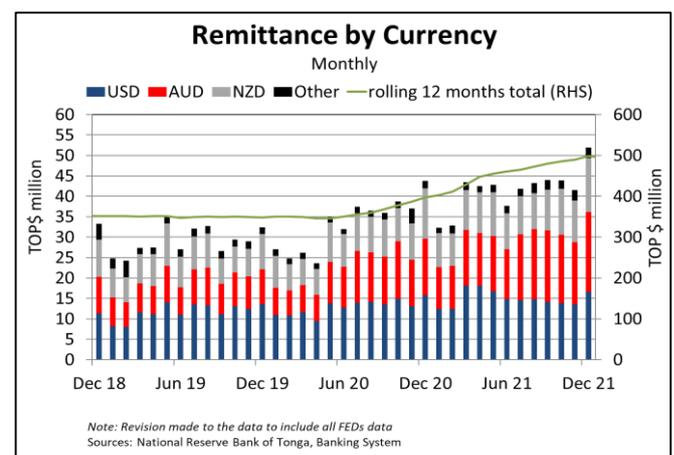
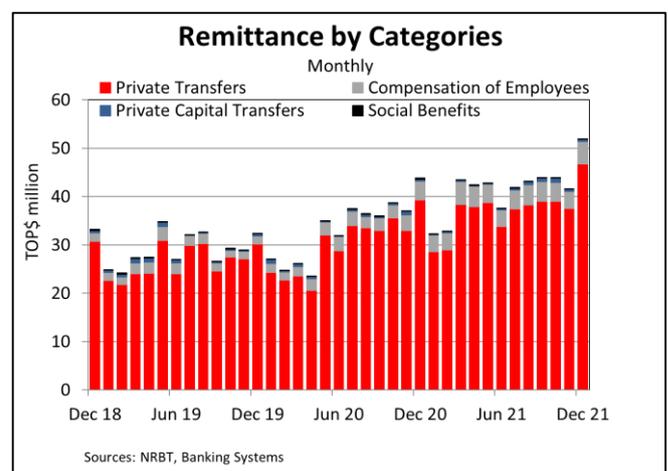
Similar to previous years, remittance receipts peaked in December in line with the Christmas holidays. Remittance receipts hit a new monthly high of \$51.9 million, which was \$10.4 million (24.9%) higher than the previous month. The significant rise in private transfer receipts drove the monthly rise in remittance receipts.

Over the year to December 2021, remittance receipts continued to rise by \$100.1 million (25.2%). The annual remittance receipts have continued with its upward growth momentum, consecutively, since June 2020. The lockdown of Tonga's international borders since early 2020, has contributed to the pick up in remittances from the diaspora who would have otherwise visited for family occasions, celebrations, and festivities and spent as a traveller. Annual remittance receipts accounted for 43.2% of Tonga's GDP, making it a significant social safety net for Tongan households.

Total remittance receipts is one of our top source of foreign exchange inflow, accounting for 45.8% of total Overseas Exchange Transactions (OET) receipts.

Remittance receipts denominated in Australian Dollars (AUD) continued to hold the highest share of 37.6% of total remittance receipts, overtaking the United States Dollar (USD) since July 2021. The USD and New Zealand Dollar (NZD) shares followed at 31.9% and 25.4%, respectively.

Foreign Exchange Dealers (FEDs) continued to be the preferred choice for the transfer of remittance receipts due to its easy access and competitive exchange rates. Hence, total FEDs' shares rose over the month by 1.5 percentage points to 88.9%. Meanwhile, the



remaining 11.1% share of remittance receipts (compared to 12.6% in November 2021) was transferred via banks.

Private Transfers

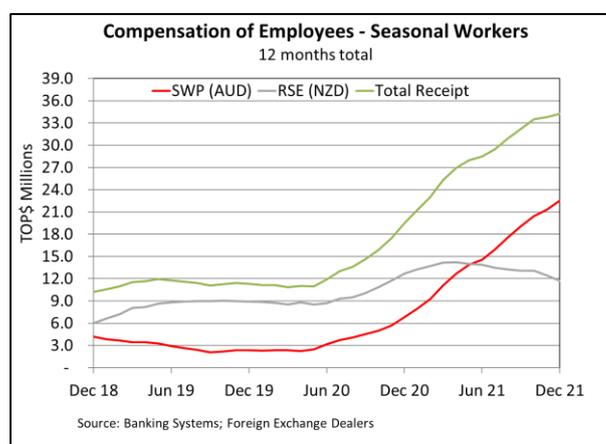
Monthly private transfer receipts, rose by \$9.2 million (24.5%), accounting for 88.6% of the overall monthly increase. Private transfer receipts in AUD, USD and NZD all increased by \$3.6 million (27.1%), \$3.0 (23.6%) million and \$2.8 million (28.7%), respectively. These are mostly receipts for family support and gifts from abroad for Christmas and end-of-year festivities.

Annually for December 2021, total private transfer receipts rose by \$84.1 million (23.3%). This is the highest annual level recorded to date, with an annual average of \$411.0 million in 2021, compared to \$330.0 million in 2020. Hence, the upturn in economic performance for Australia, New Zealand, and the US over the last quarter of 2021 may have contributed to the higher annual movements.

Employee Compensation¹

Receipts for compensation of employees rose over the month by \$1.1 million (32.6%), due to the rise in seasonal workers' receipts and other wages and salaries by \$0.9 million (37.7%) and \$0.2 million (22.0%), respectively. Receipts from seasonal workers in New Zealand and Australia rose by \$0.7 million (38.3%) and \$0.2 million (35.9%), respectively.

Over the year to December 2021, the compensation of employees grew by \$16.1 million (51.2%). Receipts from seasonal workers accounts for the highest share of the compensation of employees at 72.0%, while the remaining 28.0% is owed to other wages and salaries. Seasonal workers' receipts from Australia increased by \$15.8 million (232.6%). Meanwhile, receipts from New Zealand seasonal workers fell by \$1.0 million (7.7%), and may reflect the returning of New Zealand seasonal workers to Tonga.



Private capital transfers & Social benefits

Private capital transfers slightly rose over the month by \$0.01 million (3.2%). These are mostly for household renovations and constructions, especially during the Christmas season. However, social benefits, which are mostly pension funds slightly increased by \$0.02 (29.5%).

Annually, private capital transfers increased by \$0.3 million (5.4%) while social benefits declined by \$0.4 million (24.0%).

Outlook

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.

The internet outage from the HTHH volcanic eruption has significantly disrupted remittance flows in the first few months of 2022. The COVID-19 national lockdowns also restricted the banks and FEDs' operations which could further slow down remittances. However, remittance in-kind such as boxes and drums of food sent from family, friends, and humanitarian assistance from overseas is expected to increase significantly, in response to the disasters. Nevertheless, the risks revolving around the COVID-19 pandemic may hamper developments in Tonga's major remitting countries along with the global tensions in Europe. 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.

Remittance Receipts by Currency

TOP\$ millions

	Month Ended				Year Ended		Shares of totals*
	Dec-21	Nov-21	Oct-21	Sep-21	Dec-21	Dec-20	
Total	51.95	41.58	43.92	43.96	498.08	397.97	100.0
Australian Dollar (AUD)	19.52	15.20	16.69	17.55	175.15	121.61	35.2
US Dollar (USD)	16.59	13.53	13.88	14.12	180.26	155.07	36.2
New Zealand Dollar (NZD)	13.20	10.26	11.33	9.91	118.44	100.99	23.8
Tongan Pa'anga (TOP)	1.83	1.94	1.45	1.78	16.64	12.00	3.3
Euro (EUR)	0.19	0.18	0.09	0.16	1.82	1.95	0.4
Japanese Yen (JPY)	0.20	0.12	0.17	0.14	1.65	1.37	0.3
Fijian Dollar (FJD)	0.08	0.07	0.06	0.06	0.78	0.91	0.2
British Pound (GBP)	0.12	0.12	0.12	0.11	1.24	0.90	0.2
Chinese Yuan (CNY)	0.00	0.00	0.00	0.00	0.00	0.01	0.0
Other	0.21	0.15	0.12	0.12	2.10	3.15	0.4

*Based on year ended remittances receipts numbers

Sources: NRBT, Banking System, Foreign Exchange Dealers