PERSONAL REMITTANCES IN FIJI

Many individuals and families rely on their wages and salaries as the primary source of income to meet their basic needs. In Fiji and many other countries, a growing source of income is money from friends and relatives working abroad, commonly known as personal remittances. An example of this is money sent to families in Fiji by Fijian security personnel who work in the Middle East.

Personal remittances has been the second largest foreign exchange earner for Fiji since 2004 next only to tourism and out ranking our traditional foreign exchange earners such as sugar, timber, gold and garments. The significance of remittances to the Fijian economy has increased over the years particularly as it supplements household incomes as well as a major and reliable source of foreign exchange. This article analyses the recent trend in personal remittances in Fiji, sources and contribution to the Fijian economy.

From 2010 to 2012, inward personal remittances averaged around $297.2 million. In 2013, total remittances rose by 10.9 percent to a record level of $339.1 million. Since then, remittances have further increased to new record levels, reaching close to $0.5 billion at $491.7 million in 2015. As a percent of Nominal Gross Domestic Product (NGDP) inward personal remittances averaged around 4.8 percent of NGDP from 2013 to 2015 (Chart 1).

![Chart 1: Inward Personal Remittances](image-url)
The growth in remittances over the years is driven by many factors. Notably, there have been increases in the number of nurses, early childhood teachers, peacekeepers, caregivers and sports personnel working abroad. Recently, the number of military personnel serving in the Middle East has also increased. In light of this, inward remittances rose further this year, particularly in the aftermath of Tropical Cyclone Winston due to a rise in cash/gifts sent by Fijian workers, friends and relatives living abroad. In addition, the Seasonal Worker Programme in Australia and New Zealand has attracted a lot of Fijian workers for short-term employment since 2015. This can also be one of the reasons for the increase in gifts and maintenance to Fiji over the same period.

Data on personal remittances is sourced from the commercial banks and foreign exchange dealers through the Reserve Bank of Fiji’s (RBF) Overseas Exchange Transactions (OET) report. The OET report provides information on the cash reported by these institutions, also referred to as formal remittance inflows. It excludes personal remittances that are received through informal channels, which can be substantial but are difficult to adequately and accurately capture. For example, cash and other non-cash goods sent through the post office like clothes, household items etc., are considered personal remittances but may not be recorded as such. This implies that the total value of remittances received could be much higher than what is currently reported.

There are three broad categories of personal remittances (chart 2). Firstly, Gifts and maintenance capture donations and other gifts sent to individuals in Fiji by friends and relatives living abroad. Secondly, Personal receipts capture salaries and allowances of expatriates on a work permit in Fiji and pension payments for retirees residing in Fiji. Lastly, Immigration Transfers capture household and personal effects and financial claims and liabilities transferred by overseas migrants to Fiji.
Based on indicators such as the location and migrant population abroad, the major source countries of our inward personal remittances are Australia, United States of America, New Zealand, Canada, Europe and the Middle East. As such, the economic performances of these countries, and their regulations on financial activities especially fees & charges and exchange rate, have a close correlation with the amount and trends in remittances to Fiji. As noted in the Chart 1, remittances inflows declined in 2007 and 2008 during the period associated with the global financial crisis.

For many individuals and households, personal remittances help support consumption for their families, which include purchases of household goods and motor vehicles. Moreover, they may be used for social activities such as wedding, funerals and other community projects. Preferably, these funds may also be used for investment purposes like constructing houses, starting up new or supporting existing small businesses and education. As a whole, personal remittances contribute towards the country’s economic growth through consumption and investment activities, while helping reduce poverty. Through its work on financial inclusion, the RBF is committed to enhancing policies that will encourage the use of remittances for investment purposes to ensure the sustainability of its flow and benefits to the economy over the longer term. As a source of foreign exchange, personal remittances help to finance Fiji’s import needs thereby supporting our external position.

At the same time, the RBF is responsible for maintaining a sound financial system through close monitoring and regulation of remittance-related activities. Overall, the RBF continues to work closely with the government and all major stakeholders to develop policies and strategies to increase the impact of personal remittances especially for small and micro enterprises and the broader economy over the long term.