

Monthly Economic Update April 2017

Ministry of Finance & National Planning



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July 2017

Highlights:

Inflation	1
Tax Revenue	2
Expenses	2
Fuel Prices	3
Arrival	3
Departures	3
Foreign Reserve	4
Import & Export	4

Key Indicators	(T\$m unless otherwise indicated)			% change	
	Apr-16	Mar-17	Apr-17	Annual	Monthly
FISCAL INDICATORS (Government Financial Statistics (GFS) Basis)					
Total Revenue & Grants	24.2	23.1	21.3	-12.1	-7.8
Total Revenue	16.8	20.8	18.3	8.8	-12.0
Grant (cash grants)	7.4	2.3	3	-59.5	30.4
Budget Support	-	-	2.2		
Project Support	7.4	2.3	0.8	-89.2	-65.2
Expenses	18.0	23.8	18.5	2.7	-22.3
Gross Operating Balance	6.2	-0.7	2.8	-54.9	-500.0
Net Acquisition of Non-financial Assets	1.4	1.0	1.5	9.0	50.0
Net Borrowing/Lending Requirement	4.9	-1.7	1.3	-73.3	-176.5
Total Public Debt (\$million)	435.5	N/A	N/A		
ECONOMIC ACTIVITY INDICATORS (OET basis)					
Exports (Customs Data)	2.20	3.37	7.56	244.0	124.2
Imports (Customs Data)	33.68	42.24	42.53	26.3	0.7
Adjusted Cash Remittances (Ann Total)	239.4	273.7	273.8	14.4	0.0
MONETARY & PRICE INDICATORS					
Official Foreign Reserves	322.9	366	371.7	15.1	1.6
Import Cover (months)	6.7	6.7	6.8	1.5	1.5
Inflation (annual % change)	-0.9	5.4	8.8	-1077.8	63.0
Retail Fuel Prices:					
Petrol (T\$/litre)	2.12	2.56	2.48	17.0	-3.1
Diesel (T\$/litre)	2.02	2.51	2.46	21.8	-2.0

Note: Fiscal data are provisional (unless indicated) and still subject to change until audited

Inflation

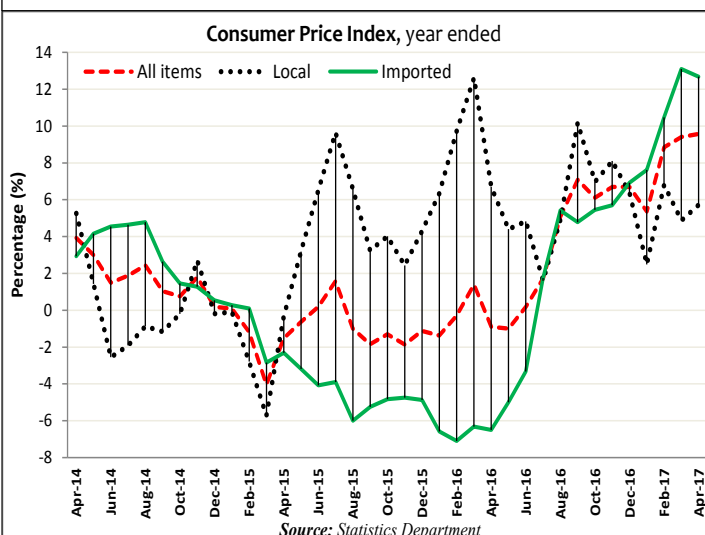
The annual inflation rate for April 2017 is estimated at 9.6 percent. This is slightly higher than 9.4 percent in the previous month and almost a double the National Reserve Bank of Tonga's inflation reference target of 5 percent.

	Jan-17	Feb-17	Mar-17	Apr-17
All items	5.4	8.8	9.4	9.6
Imported	7.6	10.5	13.1	12.7
Local	2.5	6.8	4.9	5.7

The April 2017 inflation is way above the 0.9 percent deflation recorded for April 2016 which continues to reflect the recent hike in international fuel prices that was started around May 2016 as well as supply side impact of kava products and taxation policy change impact on prices of imported goods. Prices by-products of kava, as well as seeds, for production has increased.

Imported goods recorded a 12.7 percent annual inflation rate while domestic goods recorded a 5.7 percent annual inflation rate. Bulk of the increase in annual inflation rate of the imported items continue to reflect the increase in fuel prices.

The monthly change in the CPI is driven by goods in household operations. The household operations goods moved up by 1.1 percent due to an increase in prices of domestic fuel and power items such as electricity and petroleum gas. Food group recorded an increase by 0.5 percent due to increase in prices of some local fruits and vegetables as a result of seasonality in weather. However, transportation group recorded a decrease in its prices due to decrease in price of both petrol and diesel compare to previous month.



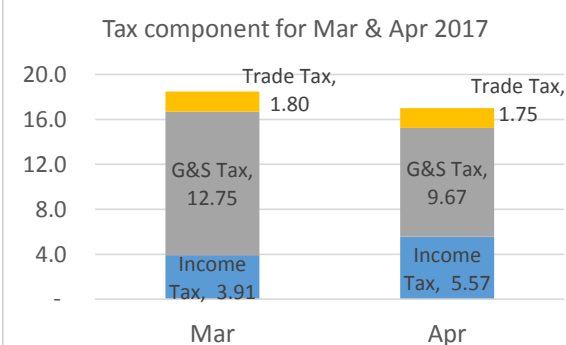
Tax Revenue

Total Tax Revenue for April 2017 has slightly dropped from \$18.5 million, by 0.8 percent., to \$17.01 million. This decline is due to huge fall in the performance of Taxes on goods and services (G&S) by 24 percent compared to previous month. Although there were increases in Taxes on income and Taxes on international trade but both increase were less to offset the decline in the Taxes on Goods and Services.

Tax Revenue (\$million)	Jan	Feb	Mar	Apr
Taxes on income	3.78	1.80	3.91	5.57
Taxes on property	0.02	0.03	0.04	0.01
Taxes on G & S	12.08	7.93	12.75	9.67
Taxes on trade	1.60	1.55	1.80	1.75
Total	17.48	11.30	18.50	17.01

Taxes on trade (international trade) for April is around the same level (around \$1.8 million) as in March 2017, which is consistent with the import data discussed in Trade section in *page 4*.

Taxes on Goods and Services



As discussed above, taxes on G&S reflected a decline in the collection of consumption tax (CT) for April compared to previous month. This is mainly due to decline in the collection of domestic CT from local businesses by \$2.8 million from \$2.83 million recorded for March 2017 (*refer table below*). Other CT related taxes recorded a fall but not significant.

Taxes on G&S (\$million)	Jan	Feb	Mar	Apr
Consumption Tax	6.53	4.22	8.52	5.01
CT - Import	4.26	3.78	5.54	4.76
CT - Domestic	2.17	0.40	2.83	0.03
Government CT	0.08	0.04	0.09	0.06
CT Recovered	0.03	0.01	0.06	0.15
Excises	5.00	3.34	3.92	4.33
Taxes on specific activities	0.55	0.37	0.31	0.33
Total	18.62	12.15	21.26	14.68

Excise tax has recorded an increase for April 2017 by 7 percent from \$3.9 million recorded in March 2017.

Grant and Non-Tax

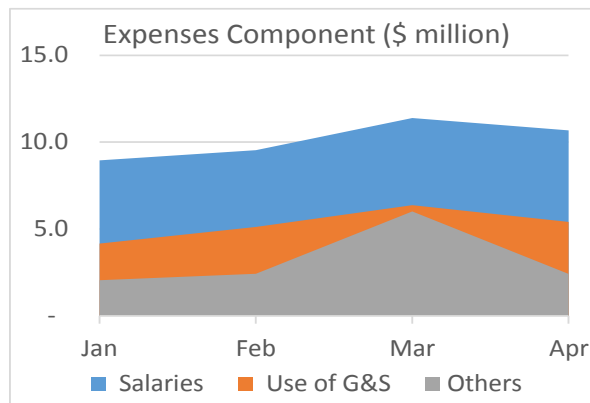
Grant has recorded an increase by 0.7 million while Non-Tax revenue fell by a million compare to previous month. Non-tax revenue maintain a very low collection compared to Tax revenue. However, a review has been proposed to conduct on non-tax revenues.

Other Revenue (\$million)	Jan	Feb	Mar	Apr
Grant	0.1	0.6	2.3	3.0
Non-tax revenue	1.9	2.2	2.3	1.3

Non-Tax Revenue (\$million)	Jan	Feb	Mar	Apr
Property income	0.64	0.94	0.83	0.27
Sales of G&S	1.20	0.92	1.20	0.94
Fines, penalties, & forfeits	0.06	0.05	0.05	0.04
Voluntary transfers other than	-	-	-	-
Misc. & unidentified rev	0.01	0.26	0.26	0.05
Total	1.91	2.17	2.34	1.30

Expenses

Expenses is still dominates by Compensation of Employees with 58% although it declines by \$0.7 million from the \$11.4 million recorded in March 2017.



Use of goods and services is the second largest expense category with 29%. The level of expenses on this category decrease by a million compared to the previous months.

The rest of other expenses maintained their trend except for the significant increase in March 2017 which was triggered by the payment of interest on foreign debt.

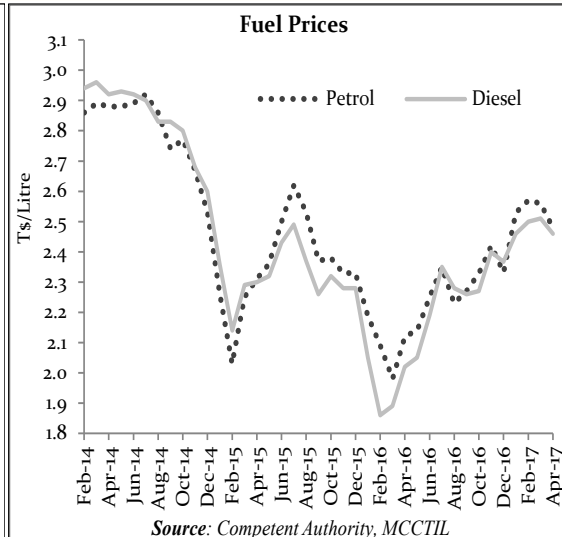
Note

Please note that this analysis of revenue and expenses is based on the Government Finance Statistics format. Some of the numbers may be different with other reporting and this is due to differences (slightly) in the classification and grouping of individual revenue items according to the international standard of classifications.

Fuel Prices

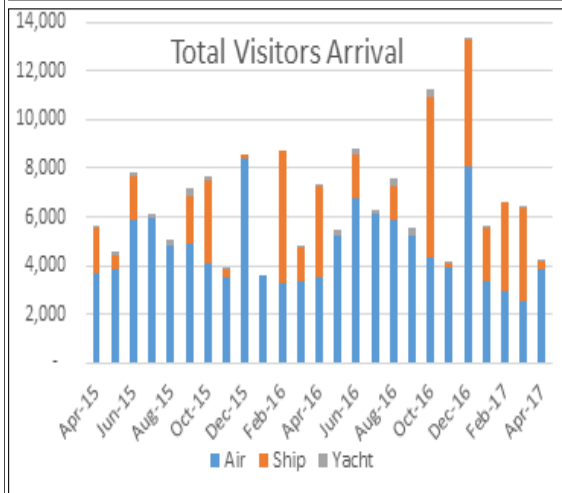
The domestic prices for petrol and diesel for April 2017 was recorded at \$2.48 and \$2.46 per liter respectively. This represents a 3.13 percent and 1.99 percent decrease for both fuel and diesel respectively from previous month. This decline is driven by favorable changes in exchange rate and international price of petrol. This decline in fuel prices will have an income effect on consumer's purchasing power.

On annual basis, fuel prices for April 2017 were higher than the fuel prices in April 2016 by 17 percent and 21.8 percent for petrol and diesel respectively.

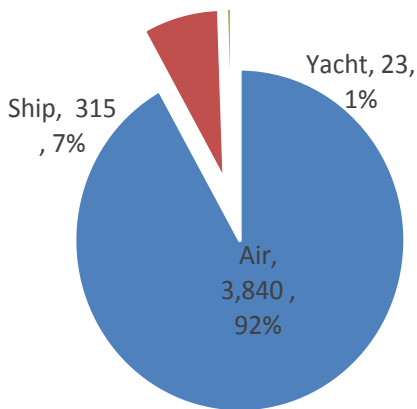


Arrival

The number of visitors that arrived in Tonga in April 2017 was recorded at 4,178. This is less than the arrivals for March 2017 by 34.8 percent and 42.3 percent compared to same period in 2016. The fall in numbers of arrival was in line with the decline in number of ship visited the Tonga and so as the number of arrivals, by 92 percent, and also due to less festivities held in Tonga during the review month. Around 92 percent of the arrival arrived on Air, 7 percent arrived on ships and the rest comes in yacht.



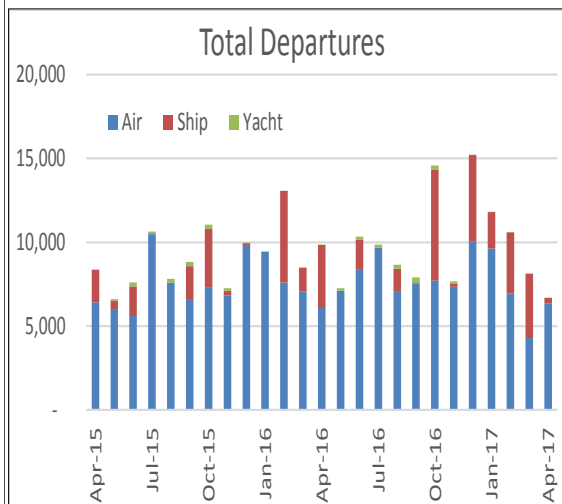
Types of Arrival in April 2017 (%)



	Arrivals	Departures	Net
Total (12 months)	4,178	10,857	-6,679
Total	4,178	6,679	-2,501
Air	3,840	6,359	-2,519
Ship	315	315	0
Yacht	23	5	18

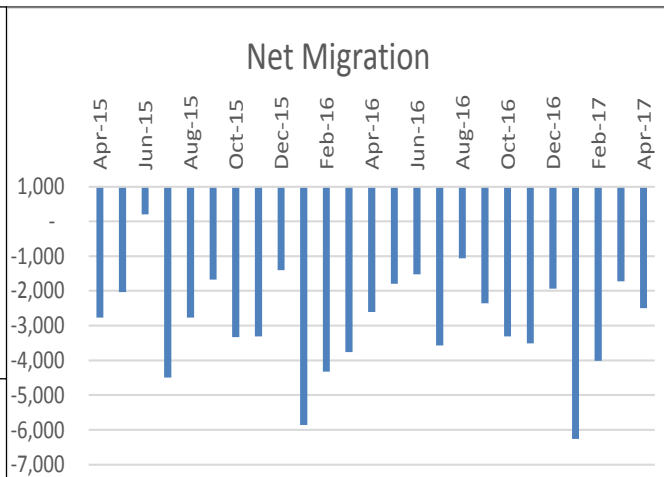
Departures

Total Departures for April 2017 was recorded at 6,679 which is a reduction by 17.9 percent from previous month. This is the lowest since April 2015. Air departures is the largest than the other mode of transportation.



Net Migration

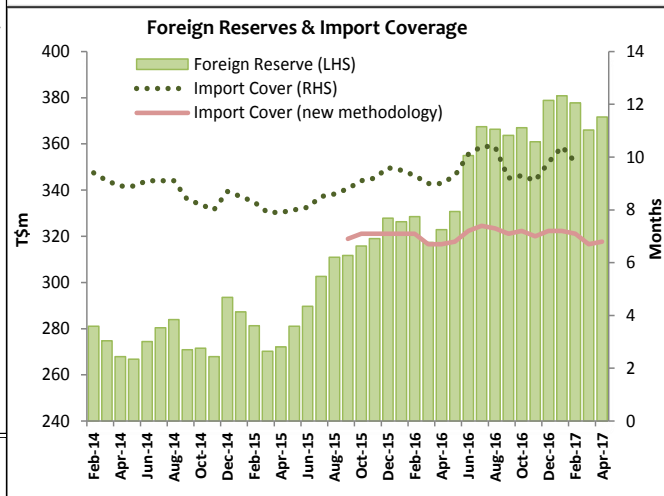
Net Migration continues to dominate by Departures is recorded to be higher than the arrival by 2,501. This is higher than the net migration of 1,723 recorded for March 2017 but still below the monthly average of 2,868 since April 2015. as reflected in the chart of Net Migration this is a concern for the country as we need to look at the structure of our labour force as it might affect our production.



Foreign Reserves

Foreign Reserves increased over the month of April 2017 to \$371.7 million from \$366.0 million in March. This increase reflected the higher level of inflows, mainly from foreign aid and remittances, into the country.

The level of foreign reserves for February 2017 is equivalent to 6.8 months of import cover which remains above the NRBT's minimum range of 3-4 months. The 6.8 months of import coverage supports positive outlook for economic growth in outer years and also highlights the fact that Tonga continues to remain in a comfortable external position.

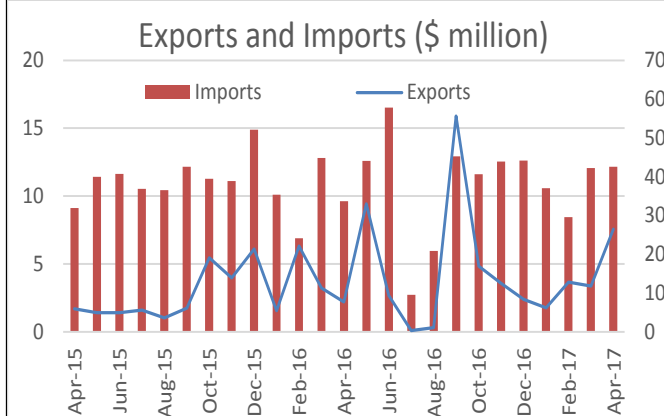


Sources: National Reserve Bank of Tonga

Import & Exports (Customs Data)

The indicative trade data from Customs shows that imports for April 2017 has almost maintained the same level of imports, over \$42 million, as in the previous month. In comparison to same period last year, the imports for April 2017 was higher by 26 percent.

Exports for April 2017 has increased by 124 percent from March 2017 and further increased by 243.9 percent compared to same period last year. The increase was associated with favorable weather conditions resulted in the increased production in the agricultural sector.



Source: Customs Data