

# At a Glance

## February 2010

Inside AAG  
February:

### Economic Indicators

Gross Domestic Product	2008/09	2009/10 forecast	
Real GDP (at constant market price)	- 0.4	-1.2	
<b>Headline Indicators</b>	<b>February 10 Values</b>	<b>% change from</b>	<b>% of GDP (09/10)</b>
	<b>(\$m Pa'anga unless</b>	<b>January 10</b>	
	<b>otherwise indi-</b>	<b>cated)</b>	
<b>Economic Activity</b>			
Exports (OET basis)	\$0.3	↑ 50.0%	0.04%
Imports (OET basis)	\$11.6	↓ 38.0%	1.66%
Electricity consumption	N/A	N/A	
Tourist Receipts	\$2.9	↓ 36.0%	0.41%
Outstanding housing loans	\$96.8	=	
Outstanding Business Loans	\$140.5	↓ 1.1%	
Remittances	\$10.1	↓ 5.6%	1.45%
<b>Monetary Indicators</b>			
Annual Inflation	1.9%	↑ 27.0%	
Retail Fuel Prices	Petrol: \$2.45/ltr	↑ 17.0%	
	Diesel: \$2.41/ltr	↓ 2.43%	
Foreign Reserves	\$153.5	↓ 4.54%	21.9%
Import cover	6.4 months	↑ 5.9%	
Money Supply	\$287.4	↑ 0.1%	41.1%
Domestic Credit	\$295.9	↑ 0.9%	42.3%
Total liquidity	\$291.9	↓ 0.1%	41.8%
Balance of Payments	-\$7.2	↓ 19%	
Current Account Balance	\$1.0	9.3%	0.14%
<b>Fiscal indicators (YTD)</b>			
Revenue ( 66% of year)	\$105.40	47.9% of Budget	15.1%
Government Revenue	\$91.46	41.6% of Budget	13.1%
Expenses (66% of year)	\$121.24	59.8% of Budget	17.3%
Government Expenses	\$107.92	53.2% of Budget	15.4%
<b>Donor Activity</b>			
Aid revenue received	\$1.52	(YTD) \$13.94	0.2%
Aid expenditure	\$0.63	(YTD) \$13.32	0.1%

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#### Summary

- ◆ Tongan economy is projected to contract by 1.2% this FY 2009/10. A further decline from -0.4% of 2008/09.
- ◆ February remittances recorded the lowest ever in past decade of \$10 million pa'anga.
- ◆ Overall Balance of Payment recorded a deficit of \$7.2 million pa'anga for February 10.
- ◆ Total public debt as at 28th February 2010 is \$234.37m.

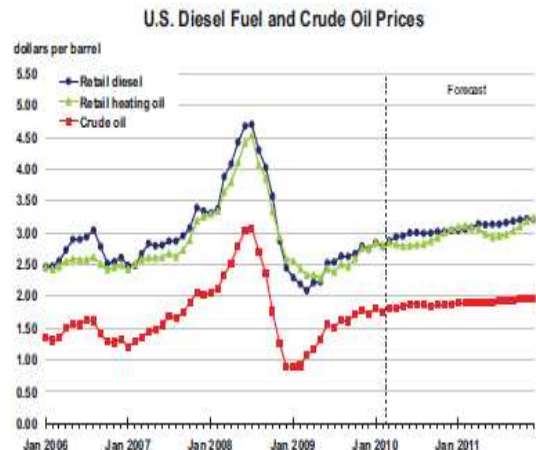
## Oil Prices

Local fuel prices continued to rise since October 09. Petrol prices increased by 3.4% and Diesel by 1.3% from the previous month. Compared to the corresponding month of the previous year petrol and diesel prices increased by 29.6% and 8.6% respectively.

According to Energy Information Administration [EIA] (U.S) world Oil prices rose from a low this year of US\$71.15 per barrel at the beginning of February to \$80 per barrel at the end of the month.

The West Texas Intermediate (WTI) spot price decreased from US\$78.33 per barrel in January to \$76.39 in February 10. EIA expects WTI prices to average above US\$81 per barrel for the second half of this year and US\$85 per barrel in 2011. World oil prices will likely continue to firm and increase slightly in response to the global economic recovery.

**Figure 1: Short-Term Energy Outlook**



Source: Short-Term Energy Outlook, March 2010



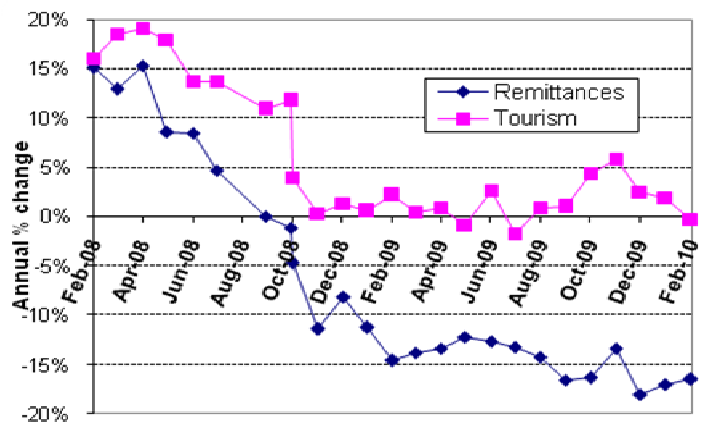
## Tourism & Remittances

Total Remittances recorded for the month of February declined by 6% and 11.7% from January 10 and February 09 respectively. This is the lowest ever recorded in the past decade of \$10.1m pa'anga.

Tourist Receipts for the month of February decreased by 36% to \$2.9m pa'anga from the previous month.

It is expected that remittances and tourist receipts will remain the same or slightly decrease for the second quarter until remitting countries slowly recovered from the economic crisis.

**Figure 3: Annual Growth for Tourism & Remittances (Feb 08-Feb 10)**



Source: National Reserve Bank of Tonga/ Ministry of Tourism

## Monetary Sector Development

### Money Supply & Total Liquidity

- ◆ Total Money Supply at end of February was slightly increase to \$287.4m pa'anga from \$287.10m of previous month and \$273.5m pa'anga of the corresponding month of previous years. Total Liquidity was \$291.9m and increase from \$291.5m pa'anga of January 10 and \$278.0m pa'anga of February 2009.
- ◆ Increased in Demand Deposit and Currency Outside Banks has contributed to this slight increase.

### Monetary Financial Institutions Deposits

- ◆ Deposits held within commercial banks declined to \$286.6m pa'anga in February 10 from \$290.6m pa'anga in January 10.

### Non-monetary and monetary financial institutions Lending

- ◆ Financial Institutions lending portfolio continue to decline due to decrease in lending to agricultural and industrial sector.

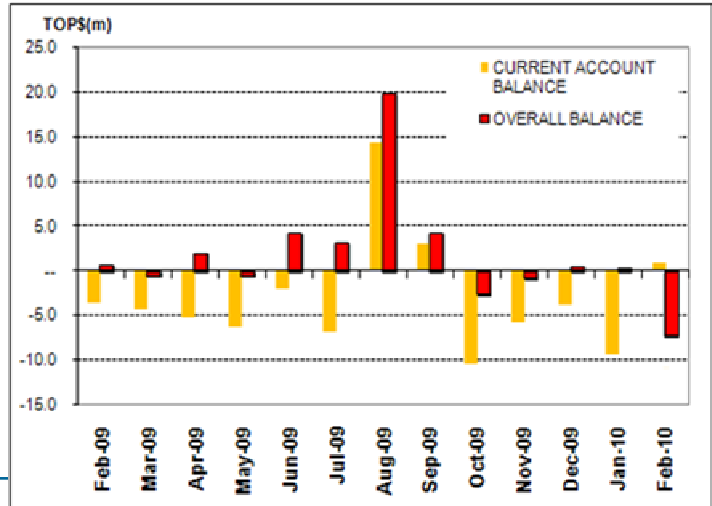
## External Sector Development

### Balance of Payment

The overall balance of payment for February 2010 declined by \$6.8m pa'anga to -\$7.2m pa'anga from previous month.

Current account balance shows a surplus of \$1.0million pa'anga due to surpluses in services, investment income and transfer balances while merchandise trade showed a huge decline.

**Figure 4: OET BOP and Current Account Balance**



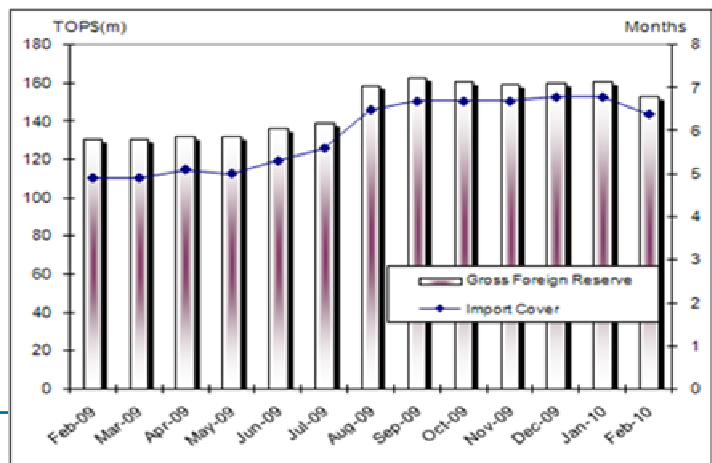
Source: National Reserve Bank of Tonga/ Ministry of Tourism

### Gross Foreign Reserve

Official foreign reserve recorded for the month was \$153.5 million pa'anga which is equivalent to 6.4 months of imports.

This is a decline by 4.54% from the previous month and increased by 17.1% from the corresponding period of last year. The decline was mainly due to large official capital outflow during the month.

**Figure 5: Gross Official Foreign Reserve**



Source: National Reserve Bank of Tonga

### Government Fiscal Performance (GFS basis)

#### Overall fiscal position

- ◆ The Government's overall position for July-Feb 10 was a deficit of \$15.84m pa'anga. This is made up of \$0.62m pa'anga surplus from Grants and \$16.46m pa'anga deficit from Government fund.
- ◆ The overall balance for this month was \$1.59 million pa'anga deficit consisting of \$0.89m pa'anga surplus from Grants and a deficit of \$2.48m pa'anga from Government fund.

#### Revenue

- ◆ Aggregate Revenue and Grants for Jul-Feb 10 was \$105.40m pa'anga of which \$91.46m from government revenue and \$13.94m pa'anga from grants.

#### Expenditure and Net Lending

- ◆ Total expenditure and net lending for Jul-Feb 10 recorded a \$121.24m pa'anga of which \$107.92 are government expenditures and \$13.32m pa'anga are grant expenditures.

### Debt Management

- ◆ Total public debt as at 28th February 2010 is \$234.37m or 36.57% of GDP. Of this external debt is \$204.92m (31.98% of GDP) and domestic debt is \$29.45m (4.60% of GDP).
- ◆ Total public debt decreased by \$0.51m pa'anga from January 2010 to February 2010.
- ◆ Total Debt Servicing at the end of February 2010 is \$22.06m or 3.44% of GDP, 14.12% of recurrent revenue and 14.10% of recurrent expenditure.
- ◆ Total guaranteed debt is estimated at \$4.24m as at 28th February 2010.