

At a Glance - February 2011-



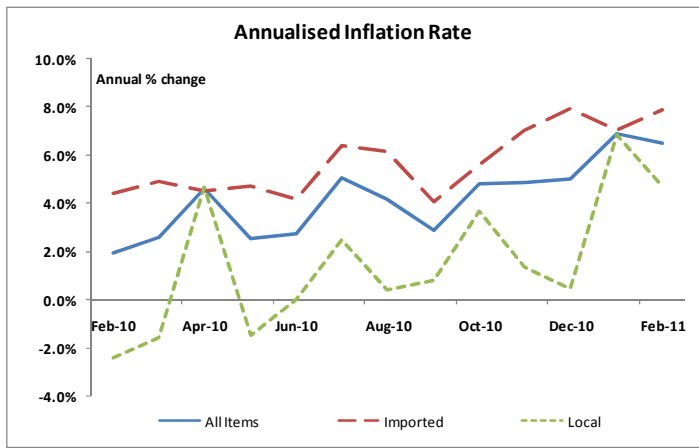
SUMMARY

- * Despite February revenue being up by 14% and expenditure down by 6% compared to Feb 2010, the overall revenue & expenditure for the current financial year is on track in achieving its targeted T\$193.5m revenue and T\$205.6m expenditure.
- * Government's overall fiscal position recorded an accumulated deficit of T\$6.33 million, this has been covered by a Treasury Bill which is due to be paid off by end of the fiscal year when the rest of the budget support is due.
- * Fuel prices continue to increase due to overseas uncertainty however the annual inflation rate fell slightly from last month due to falling local food prices.
- * Although remittances improved from last month, it is at its typical level compared to previous years.

	Feb 2011 Values (T\$m unless otherwise indicated)	% change from Feb 2010	YEAR TO DATE		
			Values (TOP\$m)	% of Budget (2010/11)	% of GDP (2010/11)
FISCAL INDICATORS				(67% of year)	
Total Revenue & Grants	12.40	+32%	116.87	60.4%	16.7%
Total Revenue	8.94	+14%	88.62	66.8%	12.7%
Aid Rev. : Project Aid	3.46		18.85	46.4%	2.7%
Budget Support Aid	0.00		9.40		1.3%
Total Expenditure & Net Lending	12.24	+26%	123.20	59.9%	17.7%
Total Expenditure	8.50	-6%	95.94	79.1%	13.7%
Aid Exp	3.74		27.26	32.3%	3.9%
OVERALL BALANCE	0.16	+149%	-6.33	52.4%	0.9%
Total Public Debt	304.14 (<i>cumulative</i>)		53.71		43.6% (<i>cumulative</i>)
ECONOMIC ACTIVITY					
Export (OET Basis)	0.3	+1.4%	5.4		0.8%
Import (OET Basis)	19.4	+67.4%	159.6		22.9%
Remittances	10.2	+0.8%	98.8		14.2%
MONETARY INDICATORS					
Foreign Reserves	158.8	+3.5			22.8%
Import Cover	6.5 months	+4.8			
Annualized Inflation	6.5%	+4.6 (% <i>point change</i>)			
Retail Fuel Prices: Petrol	2.72/litre	+11%			
Diesel	2.75/litre	+14%			

Key Statistics:

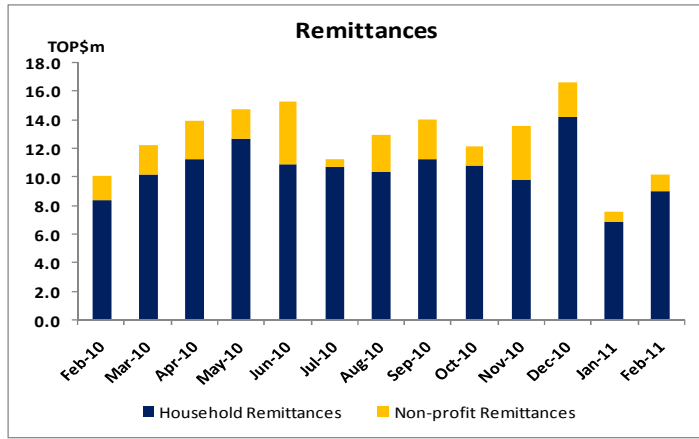
- * Population: 101,991 (*natural growth rate = 0.4%*)
- * GDP/capita: T\$6,079 (*real GDP growth rate = 0.2% (p)*)
- * Land Area: 748 sq km (*Archipelago of 176 islands, 52 inhabited*)
- * Age structure (2010 est.): 38% below 15; 8% over 60
- * Natural resources: fish, fertile soil
- * Health: *Infant mortality rate* (2008)—16/1000



Note that this section will focus on the current period and the past twelve months period.

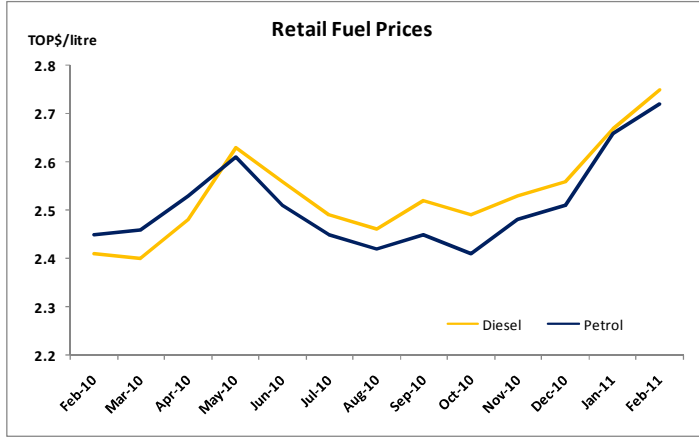
Despite the rising prices for fuel (petrol & diesel) prices and imported house maintenance goods, the annual inflation rate in Feb 2011 declined slightly from the previous month due to a significant fall in prices for local fruits & vegetables, local meat & fish and local dairy farm products.

Source: Tonga Statistics Department



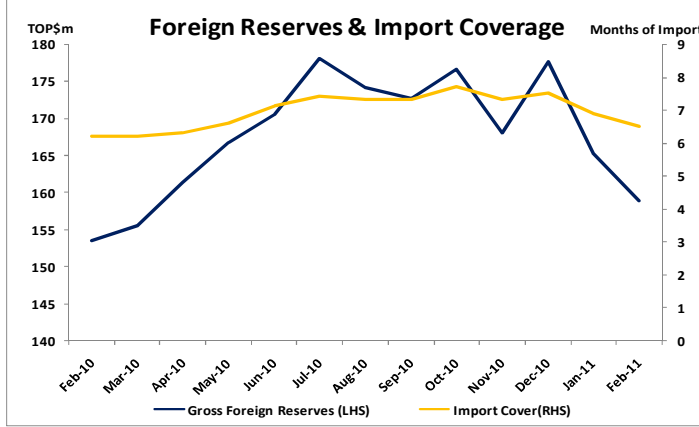
Remittances increased to its typical level compared to the same period in the past two years. As over 50% of remittances come from the United States, the slight decline in their unemployment in Feb 2011 is a good sign.

Source: National Reserve Bank of Tonga



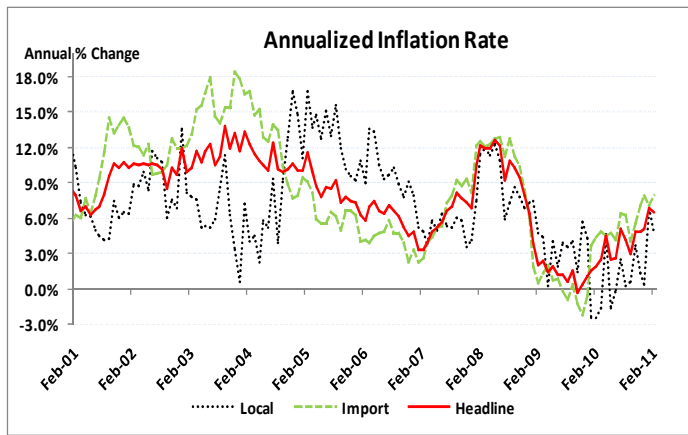
In Feb 2011, petrol prices was increased by T\$0.06 per litre and diesel prices by T\$0.08 per litre from the previous month due to the obvious global disruptions.

Source: Ministry of Labour, Commerce & Industries



The decline in foreign reserves during February 2011 was mainly due to private capital outflow and payments for imports, particularly fuel.

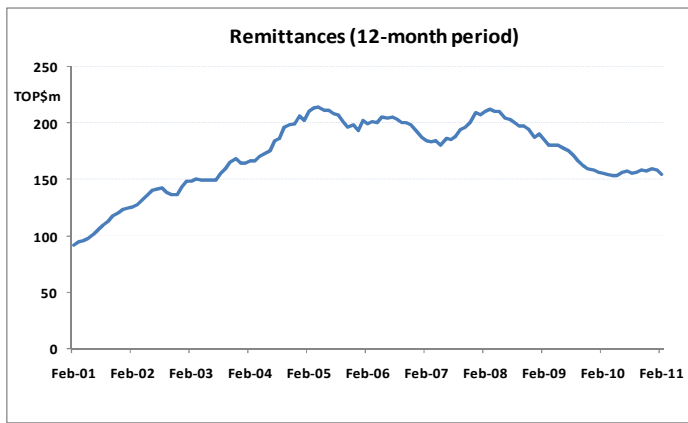
Source: National Reserve Bank of Tonga



Note that this section will cover a longer period of time for a bigger picture of economic indicators.

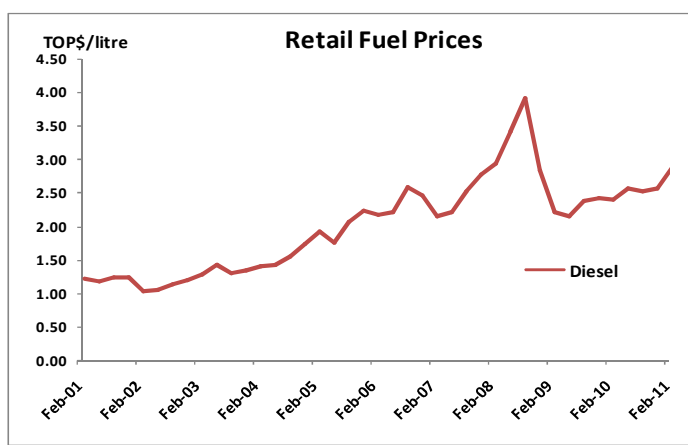
Compared to the past ten years the current inflation rate stood at a lower level, due to slow recovery in the global economy which hampered remittances and caused banks to tighten their lending conditions.

Source: Tonga Statistics Department



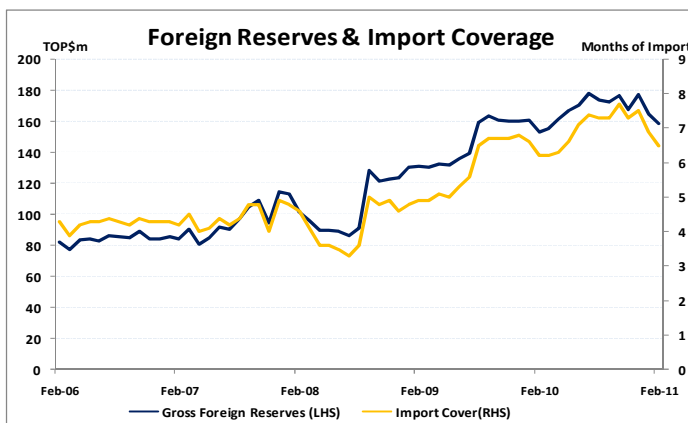
Remittances for the past ten years slowly increased and as of Feb 2011, it remained static at a level similar to that in the year 2003. The sluggish growth in remittances reflects the impact of the global economic crisis which started hitting the economy in 2008. The global crisis has pushed remittances below their average over the preceding years. The decline seems to be levelling off.

Source: National Reserve Bank of Tonga



Petrol prices tend to move along a similar trend with diesel's over the last ten years.

Source: Ministry of Labour, Commerce & Industries



Reserves and import coverage have improved over the last few years and are well above the required level of three to four months of imports.

Source: National Reserve Bank of Tonga