

# At a Glance

## July 2009

Inside AAG  
July:

### Economic Indicators

Headline Indicators	June 09 Values (\$m Pa'anga unless otherwise indicated)	July 09 Values (\$m Pa'anga unless other- wise indicated)	Change (vs June 09 unless otherwise indi- cated)
<b>Economic Activity</b>			
Exports ( <i>OET basis</i> )	1.2	1.2	=
Imports ( <i>OET basis</i> )	17.8	20.5	↑15.2%
Electricity consumption	N/A	N/A	
Tourist Receipts	\$2.6	\$3.2	↑23.1%
Air arrivals (number)	5,025	5,950	↑18.4%
- year to date		51,727	Excursionist July 09-N/A
Outstanding housing loans	101.3	101.3	=
Remittances	\$14.4	\$12.6	↓12.5%
<b>Monetary Indicators</b>			
Annual Inflation	1.2%	1.2%	=
Retail Fuel Prices	Petrol: \$2.20/ltr	\$2.31/ltr	↑5%
	Diesel: \$2.16/ltr	\$2.24/ltr	↑3.70%
Foreign Reserves	\$136.3	\$139.4	↑2.27%
Import cover	5.1 months	5.4 months	↑5.9%
Total liquidity	\$282.0	\$279.7	↓0.82%
Balance of Payments	\$4.1	\$3.1	↓24.4%
Current Account Balance	-\$3.4	-\$10.2	↑200%
<b>Fiscal indicators</b>			
Revenue ( 8.3% of year)		\$12.14	
Expenses (8.3% of year)		\$13.17	
<b>Donor Activity</b>			
Aid revenue received		\$1.2	
Aid expenditure		\$1.2	

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#### Summary

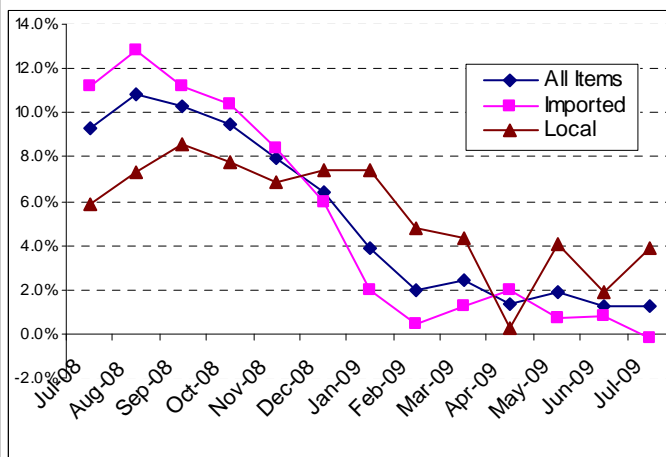
- ♦ Inflation Rate remain stable at 1.2% as compared to last month.
- ♦ Remittances dropped by \$1.7 million pa'anga from previous month.
- ♦ Foreign Reserves increased by \$3.1million pa'anga from June 09.
- ♦ Governments overall position for the first month of the financial year record a deficit of \$1.03 million pa'anga.

## Inflation: Remain Steady

The rate of inflation as recorded for July 09 remains at 1.2% compared to the previous month. This was a decrease of 87.1% compared to same period of the previous year. Annual Inflation for Local index rose by 3.9% whilst import index declined by 0.2% from previous month.

Although the rate of inflation for the month remain steady, total percentage change from previous month shows a slight increase of 0.026%. Contributions towards this percentage change records Transport Group with the highest of 0.34%, this includes rise in fuel prices followed by an increase in prices of Miscellaneous Goods at 0.03% as well as prices of Household Operations at 0.02% due

**Figure 1: Components of Inflation from July 08— July 09**



to higher prices recorded from import fuel & power and household expenses.

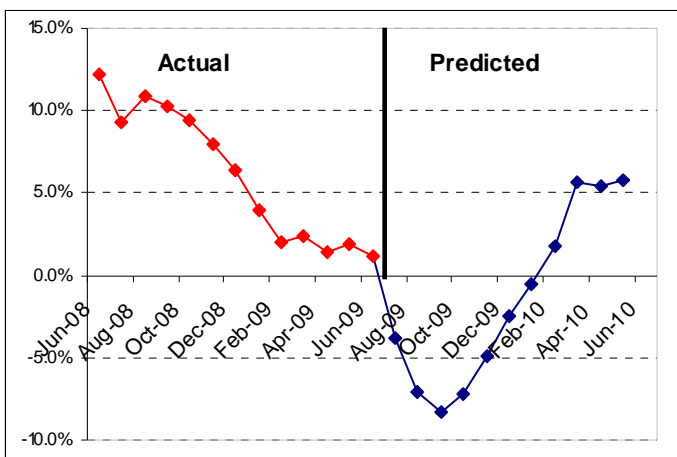
Forecasts indicated a continued downward trend of inflation for the rest of this year and it is expected to rise again beginning of 2010.

**Table 1: Inflation Rate (%)**

	July-09	June-09	July-08
Imported	-0.2	0.8	11.2
Local	3.9	1.9	5.9
Average inflation	1.2	1.2	9.3

Source: Statistics Department

**Figure 2: Actual & Projected Inflation Jun 08 - Jun 10**



## Fuel Prices: Continue Rising

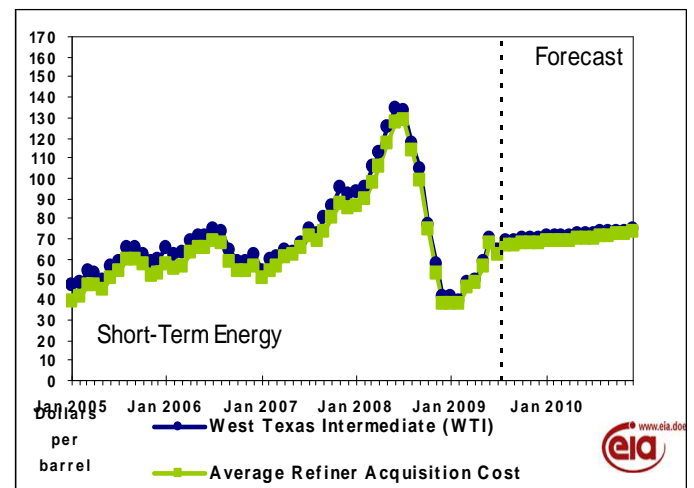
Ministry of Labour & Commerce reported domestic prices of fuel still continue its rising trend. Prices for petrol and diesel increased by 11 seniti (5%) and 8 seniti (3.7%) as compared to last month. This increase led Transportation costs to rise by 2.2% which is the highest contribution towards the inflation index position in July 09.

As compared to same period of previous year (July 08): prices of petrol and diesel are lower by 98 seniti (33.1%) and \$1.47 (40%) respectively. Fuel prices fluctuate overtime but have remained below \$3.00 pa'anga per litre since the beginning of the year.

In spite of this increase, world oil prices continue to be volatile as stated by the Energy Information Administration (EIA). The West Texas Intermediate (WTI) crude oil spot price fell from \$71.47 in June 09 to \$59.62 mid July09 then increased again to \$71.59 by end of July 09. World Oil consumption dropped sharply since the middle of 2008 in response to global economic downturn and higher prices. The WTI spot price is forecasts to rise slowly as economic conditions improve, to an aver-

age of about \$72 per barrel in 2010. It is assumed that world economy will begin to recover slightly at the end of this year, led by Asia, as reported by the Energy Information Administration of the United States.

**Figure 3: Short-Term Energy Outlook (Crude Oil Prices)**



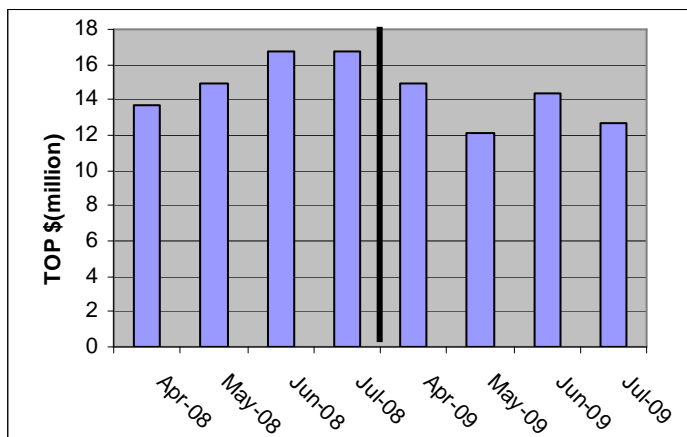
Source : Energy Information Administration, 2009

## Remittances

Remittances dropped by \$1.7 million pa'anga (or 11.9%) from \$14.35 million pa'anga recorded in June 09 to only \$12.64 million pa'anga in July 2009. This is a decrease after an increase from \$12.2 million pa'anga in June 09. This decline from previous month shows New Zealand with the highest decrease of 48.06% followed by Great Britain 41.34% as well as Japan 11.90%, USA 11.66% and Australia 0.97%. Fiji is still on a rising trend. Remittances received for the month are lower by \$4.06 million pa'anga as compared to same period of previous year. This reflects the effects of global economic downturn on these remitting countries hence mostly attributable to loss of job and therefore reducing the amount they usually send over to relatives here in Tonga. Overall remittances are slightly lower as compared to same period of previous year.

by \$0.19 million pa'anga while household remittances decreased by \$1.9 million pa'anga from previous month.

**Figure 4: Total Private Remittances Apr-July 2008 compared to 2009**



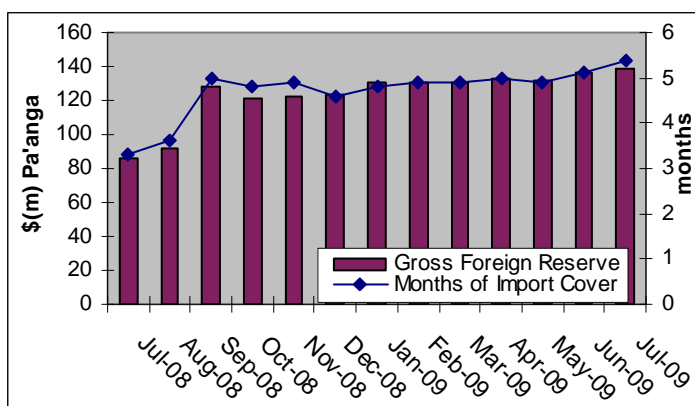
Non-profit organizations remittances increased

Source: National Reserve Bank of Tonga

## Foreign Reserves : Slightly increase

Official foreign reserves held by the Reserve Bank of Tonga increased by \$3.1 million pa'anga from \$136.3 million pa'anga in June 2009 to \$139.4 million pa'anga this month. As compared to the corresponding period of previous year, Foreign reserves held have increased by \$53.2 million pa'anga.

**Figure 5: Official Foreign Reserve (Jul 08-Jul 09)**



Source: National Reserve Bank of Tonga

## Tourism

As shown, Tourism earning for July 09 increased by \$0.6 or 23.1% million pa'anga from \$2.6 million pa'anga recorded in June to \$3.2 million pa'anga in July 09 and decrease by \$2.5 million pa'anga or 43.86% as compared to same period of previous year. Tourism earnings started to rise since April 09 and there is hope that this trend will continue on throughout the rest of this year.

arrival. Data of excursionist for July were not available by the time this report had been prepared to make any appropriate comparison with previous period.

**Table 2 : Tourist Receipts & Arrival July 2008/09**

	July 09	June 09	July 08
Tourist Receipts	3.2	2.6	5.7
Tourist Arrivals	<b>5,950</b>	<b>11,890</b>	<b>7,955</b>
◆ Air Arrival	5,950	5,354	7,717
◆ Cruise Ship Excursionist)	N/A	6,536	238

Source: National Reserve Bank of Tonga and Ministry of Tourism

Tourist arrivals number vary since the beginning of this year. Air arrivals shows an increasing trend while Excursionist number vary from month to month mostly due to number of cruise ship arrives and how many passengers on board at the time of

## Government Fiscal Performance (GFS basis)

### 1. Overall result for first month of this financial year (2009/10) July

- ◆ The Government's overall position for the first month of this financial year-July 2009 was a \$1.03 million pa'anga deficit represented by \$1.52 million pa'anga deficit from Government fund and \$0.5 million surplus from Grants.

### 2. Revenue

- ◆ Aggregate level of Revenue and Grants for July 09 was \$12.14 million pa'anga which is 5.52% of original budget estimates and 6.16% from tax items, 7.97% from non-tax and 2.59% from Grants.

### 3. Expenditure and Net Lending

- ◆ Total Expenditure and Net Lending for July 09 was \$13.17 million pa'anga which is 6.50% of the total budgeted Expenditure and Net lending and 6.66% for current expenditure, 5.00% for capital expenditure and 30% was net lending.

## Debt Management

- ◆ Total public debt as at 31st July 2009 is estimated at \$223.38m or 36.79% of GDP. Of this external debt is \$200.93m (33.09% of GDP) and domestic debt is \$22.45m (3.70% of GDP).
- ◆ Total public debt increased by \$1.57 million from June 09.
- ◆ Total Debt Servicing consumes 0.27% of GDP, 13.69% are of recurrent revenue and 13.13% are recurrent expenditure.
- ◆ Total guaranteed debt as at 31 July 09 is estimated at \$9.56m.

## National Strategic Planning Framework

The preparation of the National Strategic Planning Framework is on progress with the processes. As was mentioned in the previous month's report that the first draft or volume 1 has been completed and we are targeting to proceed with the next stage which is the review of the Ministry's Corporate Plans and Annual Management Plans and this will be the volume 2. This review will be conducting by a 2 TAs that will be funded by Government of Australia.

### 1. Regional & Rural Developments

#### 1.1 *Ha'apai Developments*

The projects that are currently implementing are on progress. The Ha'apai Master Plan preparation is on track as now await for AusAID if they have further comments on the TOR for the TA to prepare the Plan.

#### 1.2 *Niuas & 'Eua Developments*

The implementation of the current projects in these outer islands is still in progress. The renovation project on 'Eua High School has been completed and an official opening is expected next month.