

# At a Glance - July 2011

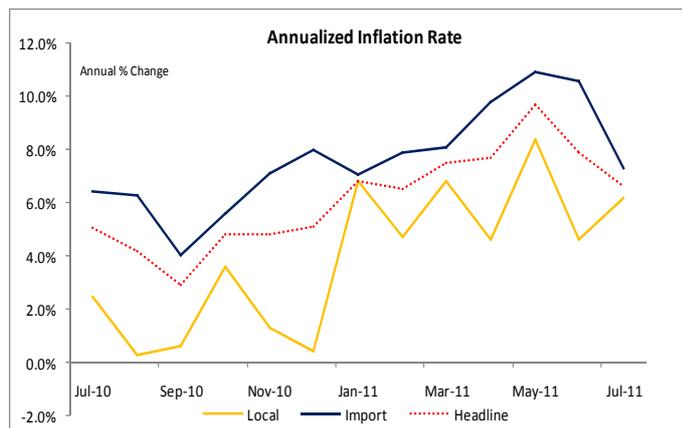


## SUMMARY

- \* Despite a rise in local food prices in July 2011 from the previous month, the decline in fuel prices caused the annual inflation rate to drop in July 2011 to 6.6% from 7.9% in June 2011.
- \* The level of remittances slightly declined in July 2011 from the previous month due to lower receipts coming from mainly household remittance sources overseas
- \* Retail fuel prices fell in July 2011 compared to the previous month due to decreasing crude oil prices in global markets.
- \* The level of foreign reserves slightly declined in July 2011 due to import payments such as fuel in particular.
- \* Export earnings remained stable in July 2011 compared to the previous month and the same corresponding period last year.
- \* Tourist receipts slightly picked up in July 2011 from the previous month following a seasonal trend while it were much lower than the level a year ago due to weakening conditions in some source countries.
- \* The level of money supply increased in July 2011 from the previous month due to increases in the amount of currency outside banks, saving deposits and foreign currency accounts.
- \* Total revenue went back to normal in July 2011 compared to the big jump in the previous month from the receipt of tax arrear received from TONGASAT in the previous month.
- \* Total expenditure similarly went back to normality compared to the previous month where loan repayments made on domestic and international debt caused the big increase.

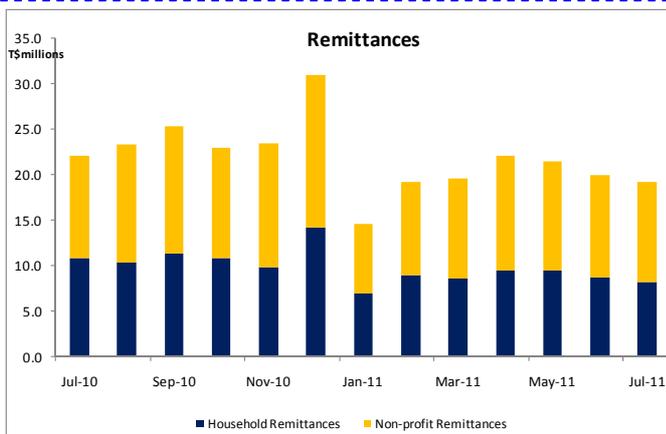
	(T\$m unless otherwise indicated)			% change from		YEAR TO DATE (July 2011)		
	July 2010	June 2011	July 2011	June 2011	July 2010	Values (TOP\$m)	% of Budget (2011/12)	% of GDP (2011/12)
<b>FISCAL INDICATORS (GFS Basis)</b>							(8% of yr)	
<b>Total Revenue &amp; Grants</b>	<b>13.33</b>	<b>84.84</b>	<b>14.72</b>	<b>-82.6%</b>	<b>+10.4%</b>	<b>14.72</b>	<b>7.1%</b>	1.96%
Total Revenue	11.62	29.32	10.96	-62.6%	-5.7%	10.96	8.0%	1.46%
Total Grants	1.70	55.52	3.76	-93.2%	+121.2%	3.76	5.6%	0.50%
<b>Total Expenditure &amp; Net Lending</b>	<b>12.27</b>	<b>67.36</b>	<b>12.88</b>	<b>-80.9%</b>	<b>+5.0%</b>	<b>12.88</b>	<b>6.0%</b>	1.72%
Total Expenditure	12.52	67.34	12.82	-81.0%	+2.4%	12.82	6.0%	1.71%
Total Net Lending	-0.25	0.02	0.05	+150.0%	-120.0%	0.05	0.3%	0.00%
<b>OVERALL BALANCE</b>	<b>1.06</b>	<b>17.50</b>	<b>1.84</b>			<b>1.84</b>		0.25%
Total Public Debt (cumulative)	269.2	304.3	287.7			0.00		0.00%
<b>ECONOMIC ACTIVITY</b>								
Export (OET basis)	1.0	0.8	0.4	-50.0%	-60.0%			0.05%
Import (OET basis)	21.9	21.2	19.1	-9.9%	-12.8%			2.54%
Remittances	11.3	11.2	11.0	-1.8%	-2.7%			1.47%
Tourist Receipts	5.6	4.7 <sup>1</sup>	4.9	+4.3%	-12.5%			0.65%
<b>MONETARY INDICATORS</b>								
Official Foreign Reserves	178.0	203.8	197.6	-3.0%	+11.0%			28.0%
Money Supply (M <sub>2</sub> )	291.2	299.2	306.4	+2.4%	+5.2%			40.81%
Import Cover	7.4 months	7.7 months	7.5 months	-2.6%	+1.4%			
Annualized Inflation	5.1%	7.9%	6.6%	-1.3% point change	+1.5% point change			
Retail Fuel Prices: Petrol Diesel	T\$2.45/litre T\$2.49/litre	T\$2.96/litre T\$3.04/litre	T\$2.85/litre T\$2.91/litre	-3.7% -4.3%	+16.3% +16.9%			

**Note:** <sup>1</sup> Overall Balance excludes all loan funded transactions. This means the deficit only covers government and grant funded expenditure only, not loan funded as shown in the full details in the budget statement. Also grant revenue and expenditure figures are still ongoing in reconciliation.



Source: Tonga Statistics Department

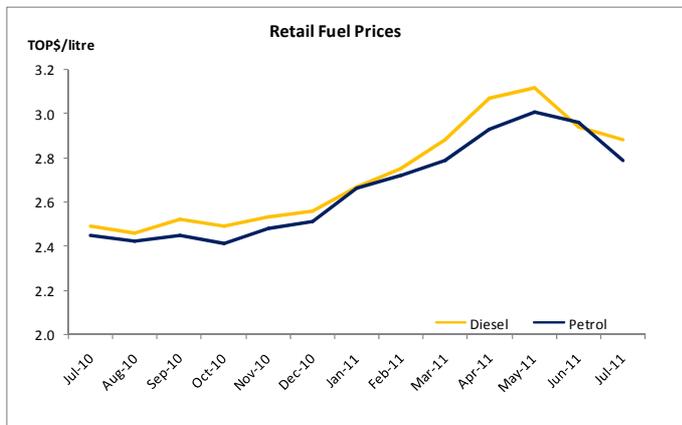
The annual inflation rate dropped in July 2011 to 6.6% from 7.9% in the previous month and 5.1% in July 2010. The decrease over the month was mainly due to a fall in fuel prices, despite an increase in local food prices. However the annual inflation rate in July 2011 compared to the same corresponding period last year was still much higher reflecting rising global food and fuel prices.



Source: National Reserve Bank of Tonga

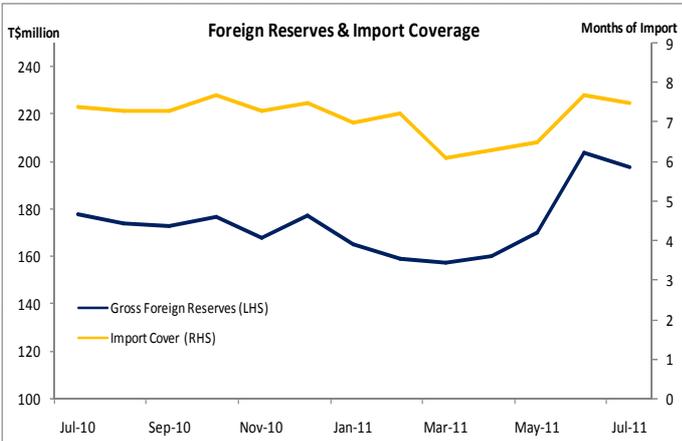
The level of remittances slightly declined in July 2011 from the previous month by T\$0.2 million (or by 1.8%) and by T\$0.3 million (or by 2.7%) from July 2010. This is due to lower receipts coming from mainly household remittance sources overseas.

However the level of future remittances is assumed it will increase because, the cost of sending money from Australia to the Pacific Islands is set to drop significantly i.e. this cost reduction will make sure less of the money ends up with the banks and wire transfer companies. For example, Westpac and Western Union use to charge a flat fee of \$30 per transaction has been reduced to just \$10 per transaction. And since Tonga is the leading recipient of remittances relative to GDP among Pacific island countries, the impact is expected to be significantly large.



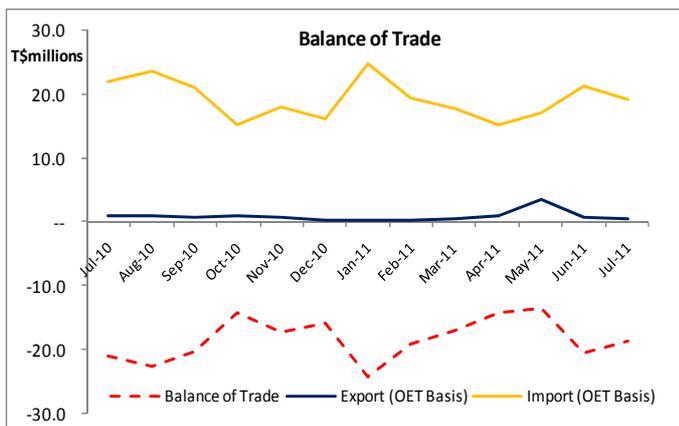
Source: Tonga Statistics Department

Retail fuel prices decreased in July 2011 compared to the previous month; whereby petrol decreased to \$2.85 per litre and diesel fell to \$2.91 per litre, due to declining crude oil prices in the global market.



Source: National Reserve Bank of Tonga

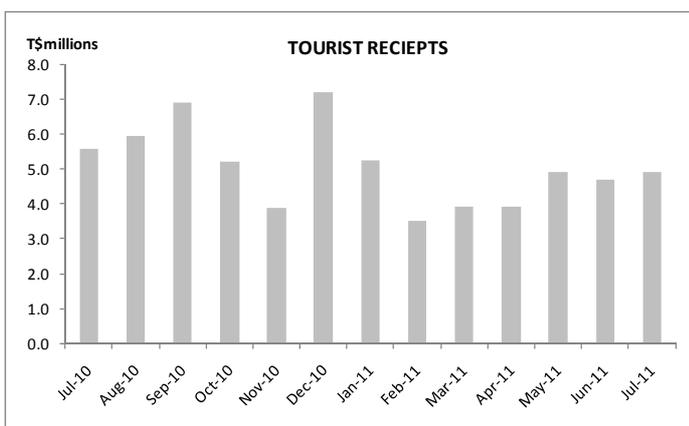
Gross official foreign reserves slightly fell in July 2011 to T\$197.6 million from T\$203.8 million in the previous month which covered imports for 7.5 months in July 2011 and 7.7 months in June 2011 due to import payments such as fuel; however it still remains well above the adequate level of 4 months of import coverage.



Source: National Reserve Bank of Tonga

The level of exports remained stable as it reached July 2011 compared to the previous month and a year ago; at an average of T\$0.9m each month.

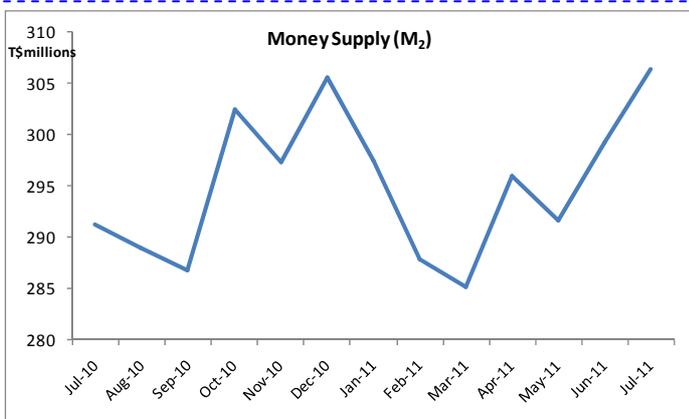
Amount of imports fell by 9.9% in July 2011 causing the balance of trade to slightly improve its deficit of T\$18.7m in July 2011 from the previous month.



Source: National Reserve Bank of Tonga

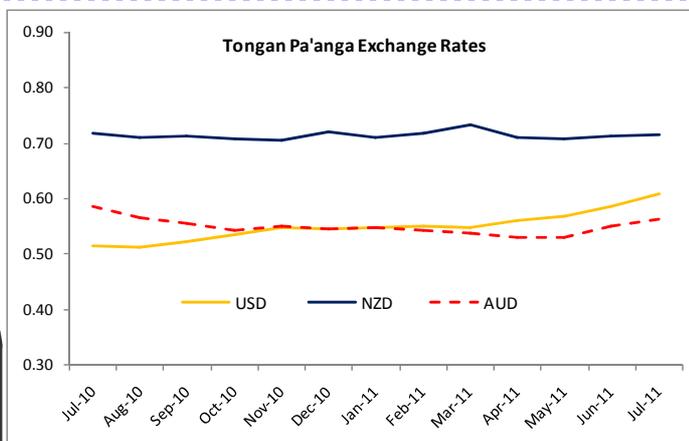
Tourist receipts slightly picked up in July 2011 compared to the previous month by T\$0.2 million; whereas compared to the same corresponding period last year, were T\$0.7 million lower. The minor increase over the month simply reflects an ongoing seasonal trend.

However the decline over the year was due to weakening or uncertain economic conditions in some source countries such as the United States, Australia and particularly New Zealand.



Source: National Reserve Bank of Tonga

The level of money supply increased to T\$306.4 million in July 2011 from T\$299.2 million in the previous month; due to an increase in the amount of currency outside banks, saving deposits and foreign currency accounts.



Source: National Reserve Bank of Tonga

**Key Statistics:**

- \*Population: 101,991 (natural growth rate = 0.4%)
- \*GDP/capita: T\$6,825 (real GDP growth rate 2011/12 = 1.2% p)
- \*Land Area: 748 sq km (Archipelago of 176 islands, 52 inhabited)
- \*Health: Infant mortality rate (2008)—16/1000