

At a Glance: March 2010

Inside AAG March:

Economic Indicators

Headline Indicators	Mar 10 Values <i>(\$m Pa'anga unless otherwise indicated)</i>	Change vs Feb 10 <i>(% unless otherwise indicated)</i>	% of GDP <i>(09/10)</i>
Economic Activity			
Remittances	\$12.2	↑ 21%	1.8%
Monetary Indicators			
Annual Inflation	2.5%	↑ 32%	
Retail Fuel Prices	Petrol: \$2.46/ltr Diesel: \$2.40/ltr	↑ 0.41% ↓ -0.41%	
Foreign Reserve	\$155.5	↑ 1.3%	22.2%
Import cover	6.5 months	↑ 1.6%	
Fiscal Indicators			
Revenue (after 75% of year)	\$133.59	↑21.5%	19.1%
<i>Government Revenue</i>	\$105.05	↑14.5%	15.0%
Expenses (after 75% of year)	\$140.95	↑14.6%	20.2%
<i>Government Expenditure</i>	\$115.72	↑6.6%	16.6%
Donor Activity			
Aid revenue received	\$0.9	↓ -0.4%	0.1%
Aid expenditures	\$2.34	↑2.7%	0.3%

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Summary

- ◆ Food items and Tobacco & Alcohol group take the lead in March inflation
- ◆ Fuel Concession Committee figures continue to reflect a depressed sector.
- ◆ Average for the annual Fuel retail price is \$2.30
- ◆ March remittances rose by \$2.07m compared to previous month, 2009/10.
- ◆ Receipts of ADB grants increase the level of foreign reserves.
- ◆ Governments overall position for nine months to March 10 records a deficit of \$7.36 million pa'anga.
- ◆ Total public debt as at Mar 10 is \$255.37m

Consumer Price Index

The annual rate of inflation at the end of March 2010 increased by 0.6% to 2.5% compared to 1.9% in February 2010 and 2.4% in March 2009.

Both local and imported components increased by 0.8% and 0.6% respectively from the previous month.

In comparing to previous month, food items had largely driven the increase with a rise of 2.8% followed by 0.6% increase in Tobacco and Alcohol.

Increases of local fruits and vegetables (*tomatoes, head cabbage, carrots, capsicum, pawpaw and other items*) and imported other food items including raw sugar, mutton flaps and local mixed string of fish.

Fisheries

Figures from the Fuel Concession Committee show that both total catches and total litres of fuel used in March 2010 is more like a half of figures recorded from a year ago. The total catches for Mar 10 declined by -0.9% from the previous month and further decreased by -50.4% from the corresponding period in 2009.

March figures also explain that 7 boats of the fishing fleet are no longer operating compared to the same period last year, and that exports and local consumption are down by 53% and 46% respectively from a year ago.

Decreased in this sector's activity is due to various factors

Oil Prices

At the national level, the price for diesel dipped slightly to \$2.40, and vice-versa for petrol to \$2.46, compared to the previous month, but were both \$0.30 above from the same period last year. The average price for petrol and diesel from Mar 09 to Mar 10 is \$2.31 and \$2.30 per litre respectively.

Energy Information Administration's (EIA) projections for West Texas Intermediate (WTI) crude oil spot prices have changed only slightly over the last five outlooks even as spot crude oil prices continue to fluctuate on a daily basis.

WTI crude oil spot prices averaged \$81 per barrel in Mar 10, slightly less than \$80 per barrel at the end of Feb 10 and to be above \$84 per barrel by the end of next year.

Table 1: Inflation Rate (%)

	Mar-10	Feb-10	Mar-09
Imported	4.9%	4.3%	1.3%
Local	-1.7%	-2.5%	4.3%
Annual inflation	2.5%	1.9%	2.4%

Source: Statistics Department, 2010

The increase in the price recorded for Imported Tobacco such as Winfield Blue and Port Royal Tobacco has contributed to the 0.6% mentioned above.

The outlook, annual inflation rate will be higher in April 10 if the world oil prices continue to trend upward with its price per barrel.

Table 2: Fisheries

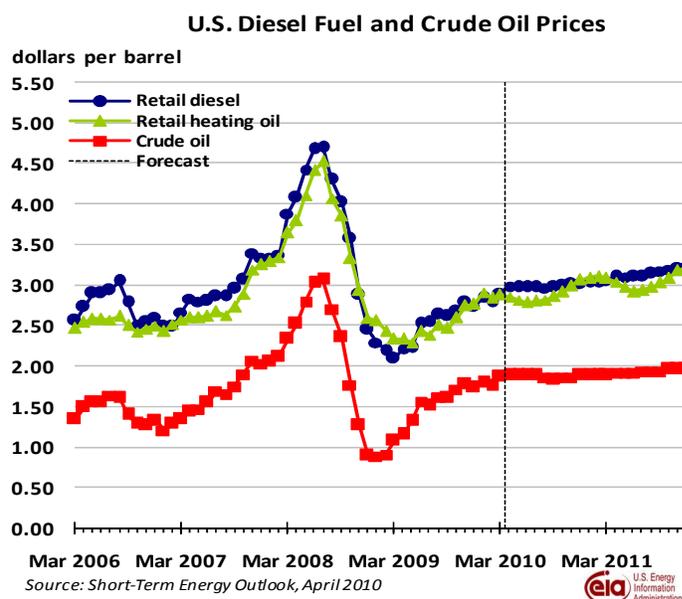
	Fishing Vessels	Fuel (litres)	Exports (kg)	Local (kg)
Mar-10	11	25,600	13,037	13,409
Feb-10	11	26,300	11,532	15,150
Mar-09	18	52,800	24,443	28,871

Sources : Fisheries Department

including the ongoing depletion in fish stocks and various fishing methods.

However, export of other marine species (sea cucumber) is expected to be slightly increase in the coming season.

Figure 1: Short-term Energy Outlook



Source: Short-Term Energy Outlook, April 2010



Remittance:

Remittances recorded in Mar 10 becomes the highest over the last three months of 2010. However, Mar figures was lower by -9.6% than the corresponding period last year. Remittances have shown sign of increase and are expected to increase in the coming months due to seasonal fruit-picking workers on hand.

The outlook, is that the remittance figures will be in line with the recovery of employment in the remitting countries.

Table 3: Monthly Remittances (T\$m)

	Mar-10	Feb-10	Mar-09
Household Re-mittances	10.2	8.4	10.9
Non-Profit	2.0	1.7	2.6
Total Private Remittances	12.2	10.1	13.5

Sources : National Reserve Bank of Tonga

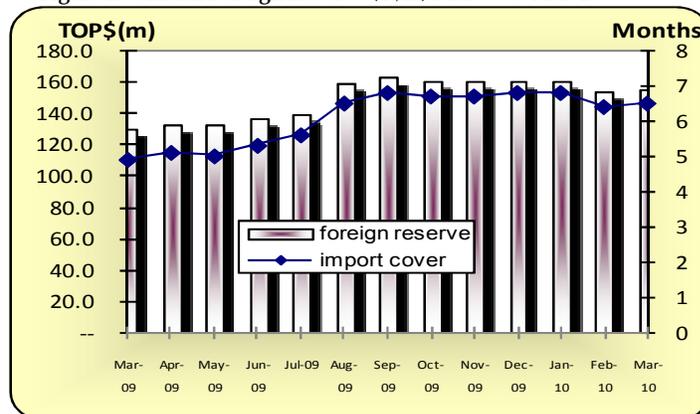
Foreign Reserve:

The level of foreign reserve recorded at the end of Mar 10, increased by \$2.2m to \$155.5m, sufficient to cover 6.5 months of import of good.

The increase is due to the receipt of grants from the Asian Development Bank which more than offset the repayment of foreign currency loans and import payments during the month.

Sources for Figure 2 : National Reserve Bank of Tonga

Figure 2: Official Foreign Reserve (T\$m) Mar-09 to Mar-10



Government Fiscal Performance (GFS basis):

Overall fiscal position

- ◆ The Government’s overall position for Jul-Mar 2010 was a deficit of \$7.36m pa’anga. This is comprises of a \$10.67m pa’anga deficit of Government Fund and a surplus of \$3.31m pa’anga from Grants.
- ◆ The overall position for March only was a surplus of \$5.74m pa’anga of which \$6.18m pa’anga surplus from Government fund and a deficit of \$0.44m pa’anga from Grants. The increase in revenue collected in Mar, compared to Feb, and the receipts of ADB budgetary support fund had contributed to March overall surplus.

Revenue

- ◆ Total Revenue and Grants received within Jul-Mar 2010 was \$133.59m pa’anga, represented by \$105.05m pa’anga from government revenue and \$28.54m pa’anga from grants.
- ◆ In March alone, total revenue and grants received was \$23.65m pa’anga, of which \$13.30m pa’anga from government revenue and \$10.35m pa’anga from grants.

Expenditure

- ◆ Total expenditure and net lending for Jul-Mar 2010 recorded a \$140.95m pa’anga of which \$115.72m pa’anga were expenditures by the government fund and \$25.23m pa’anga by grants.
- ◆ For March only, the total expenditure and net lending was \$17.91m pa’anga of which \$7.12m pa’anga were by the government fund and \$10.79m pa’anga by grants.

Debt Management

- ◆ Total public debt as at 31st Mar 2010 is \$255.37m or 36.54% of GDP. Of this external debt is \$225.92m (32.33% of GDP) and domestic debt is \$29.45m (4.21% of GDP).
- ◆ Total public debt increased by \$21.0m pa’anga from Feb 2010 to Mar 2010. However, between Dec 2009 and Mar 10, the total public debt increased by \$29.25m pa’anga due mainly to the disbursement for Reconstruction project (\$4.72m) and for Roads project (\$24.42m)
- ◆ Total Debt Servicing at the end of Mar 2010 is \$21.06m or 3.01% of GDP, 20.05% of recurrent revenue and 18.20% of recurrent expenditure.
- ◆ Total guaranteed debt is estimated at \$13.21m as at 31st Mar 2010.