

At a Glance for March 2012



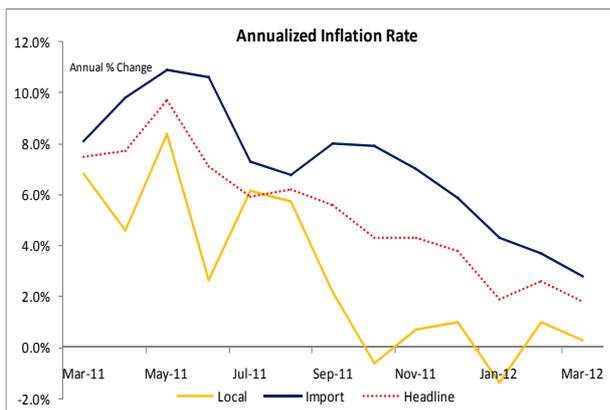
HIGHLIGHTS

- * Drop in food prices largely contributed to the declined in the annual inflation rate to 1.8% in March 2012, compared to 2.6% in the previous month.
- * Retail fuel prices for March 2012 more or less at similar the same price level from 2011, concerns over current and potential supply disruptions in the global oil market has been the major elasticity factor responsible for maintaining retail price at such a high level.
- * Although remittances increased in March 2012 from last month, it was still 30% lower than the level a year ago due to fall in receipts from household and non-profit remitters.
- * On a 12 months cumulative basis, total remittances for March 2012 continued its steady declining despite the slight increase in remittances from non-profit sources.
- * Despite export receipts increasing in March 2012 from the previous month, it still remained 27% lower than receipts earned a year ago.
- * The convenience of using foreign credit card such as VISA, Master Cards etc in EFTPOS and ATM; the increasing overseas arrival for His late Majesty's funeral and the ANZ bank launched of its remittances card helped contribute to the level of tourism receipts in March 2012.
- * The level of foreign reserves continued to increase in March 2012 mainly due to the receipt of official foreign aid which more than offset the official capital outflows and import payments during the month.
- * Total revenue increased in March 2012 largely due to grant funds received from AusAID for Health and Education's staffs salaries amounting to around T\$8.9 million.

| | (T\$m unless otherwise indicated) | | | % change from | | YEAR TO DATE (July 2011-March 2012) | | |
|--|-----------------------------------|---------------|---------------|--------------------|--------------------|-------------------------------------|---|---|
| | March 2011 | Feb 2012 | March 2012 | Feb 2012 | March 2011 | Values (TOP\$m) | % of Budget (2011/12) | % of GDP ¹ (2011/12) |
| FISCAL INDICATORS (GFS Basis) | | | | | | | (75% of yr) | |
| Total Revenue & Grants | 12.99 | 11.96 | 20.14 | +68.4% | +55.0% | 168.94 | 81.7% | 22.50% |
| Total Revenue | 11.59 | 9.27 | 10.88 | +17.4% | -6.1% | 107.82 | 78.3% | 14.36% |
| Grant (cash grants) | 1.40 | 2.69 | 9.26 | +244.2% | +561.4% | 61.12 | 90.6% | 8.14% |
| Total Expenditure & Net Lending | 14.04 | 15.19 | 18.64 | +22.7% | +32.8% | 140.91 | 60.7% | 18.77% |
| Expenditure (cash grants) | 14.09 | 15.14 | 18.61 | +22.9% | +32.1% | 140.13 | 70.7% | 18.66% |
| Total Net Lending | -0.05 | 0.05 | 0.03 | | | 0.79 | 41.4% | 0.11% |
| Total Public Debt | 314.1 | 334.3 | 347.8 | +4.0% | +10.7% | | | 46.32% |
| ECONOMIC ACTIVITY INDICATORS | | | | | | YTD (July 2011-March 2012) | % change from prev. YTD (July 2010-Mar 2011) | YTD (July 2011-Mar 12) as % of GDP 2011/12 |
| Exports (OET Basis) | 0.6 | 0.3 | 0.4 | +33.3% | -33.3% | 5.9 | -0.8% | 0.8% |
| Imports (OET Basis) | 17.7 | 16.9 | 12.7 | -24.9% | -28.2% | 171.4 | -3.3% | 22.8% |
| Private Remittances (cash-basis) | 11.0 | 7.4 | 7.7 | +4.1% | -30.0% | 85.7 | -22.4% | 11.4% |
| Tourist Receipts | 3.9 | 4.6 | 4.6 | 0% | +17.9% | 45.3 | -4.3% | 6.0% |
| MONETARY INDICATORS | | | | | | | | Mar 12 % of GDP |
| Official Foreign Reserves | 157.1 | 230.6 | 239.2 | +3.7% | +52.3% | | | 31.9% |
| Import Cover | 6.1 | 8.8 | 9.1 | +3.4% | +49.2% | | | |
| Annualized Inflation Rate | 7.5% | 2.6% | 1.8% | -0.8% point change | -5.7% point change | | | |
| Retail fuel prices: Petrol | T\$2.80/litre | T\$2.81/litre | T\$2.88/litre | +2.5% | +2.9% | | | |
| Diesel | T\$2.89/litre | T\$2.91/litre | T\$2.93/litre | +0.7% | +1.4% | | | |

Note: Overall Balance is not shown because it does not include total expenditure i.e. In-kind expenditure and transactions funded by the Chinese loan which this data is not available on a monthly basis.

¹ Nominal GDP 2011/12: T\$750.8 million



Source: Tonga Statistics Department

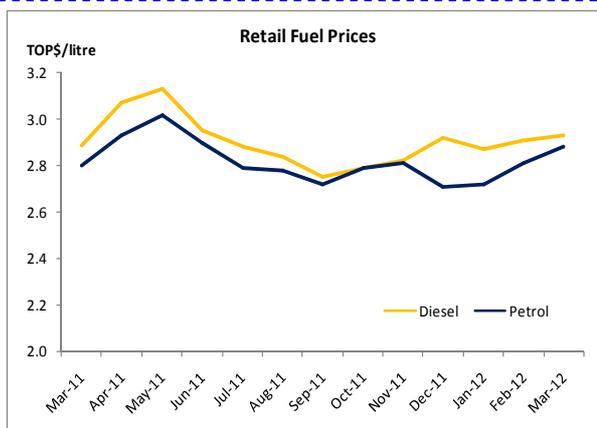
Headline inflation continued to fall in March 2012 down to 1.8% from 2.6% in the previous month and 7.5% in the March 2011.

Import inflation was lower in March 2012 compared to the previous month mainly due to lower imported food prices—particularly for the meat, fish & poultry sub-group.

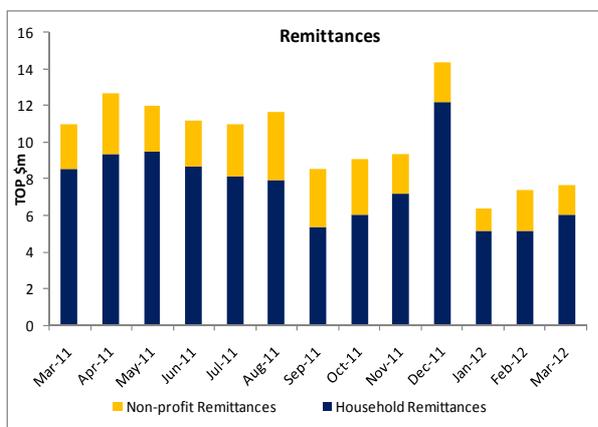
Local inflation decreased in March 2012 over the month; largely due to lower local food prices—namely for fruits and vegetables.

Retail fuel prices² in March 2012 seemed to regain early 2011 highs, underpinned by concern over current and potential supply disruptions in the global oil market.

Diesel price continued to increase in March 2012 up by T\$0.07/litre from the previous month and was higher by T\$0.08/litre in comparison to March 2011. Movements on petrol prices almost mirror the trend of diesels.



Source: Ministry of Labour, Commerce & Industries

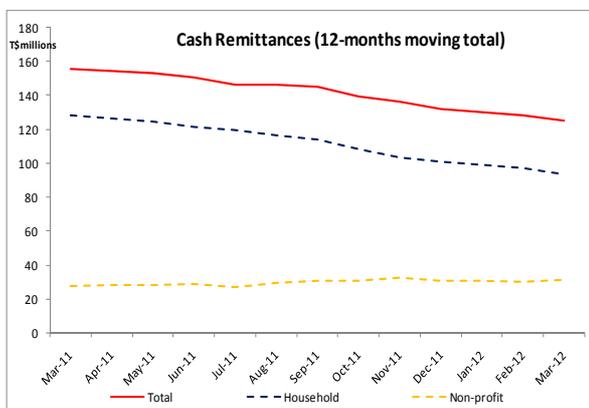


Source: National Reserve Bank of Tonga

The level of total remittances increased in March 2012 to T\$7.7 million up by T\$0.3 million from the previous month. The increased in remittances was due to the rise in household remittances which offset a fall in remittance from non-profit sources. On a year-on-year comparison, total remittances dropped in March 2012 down by 30%; due to lower remittances from both household and non-profit sources.

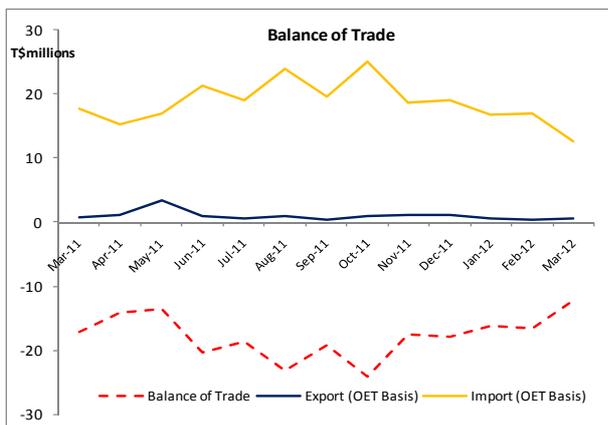
New technology employed by Digicel's mobile money services and Melie-mei-Langi's shopping arrangements have also affected remittances, that is through in-kind remittances; which is on the rise but by how much, is yet to be ascertained.

On a 12-months cumulative basis, total remittances seem to be on a steadily declining trend. In March 2012, the level of total remittances continued to decline compared to the level a year ago; down from T\$155 million to just T\$122 million. And despite a slight increased in remittances from non-profit at the same period, it wasn't sufficient enough to offset the decline in household remittances; which resulted in an overall reduction of total remittances. The strengthening of the Tongan Pa'anga against the US and Australian dollars may also have contributed to the fall in total remittances over the year.



Source: National Reserve Bank of Tonga

² Retail fuel prices in Tongatapu only



Source: National Reserve Bank of Tonga

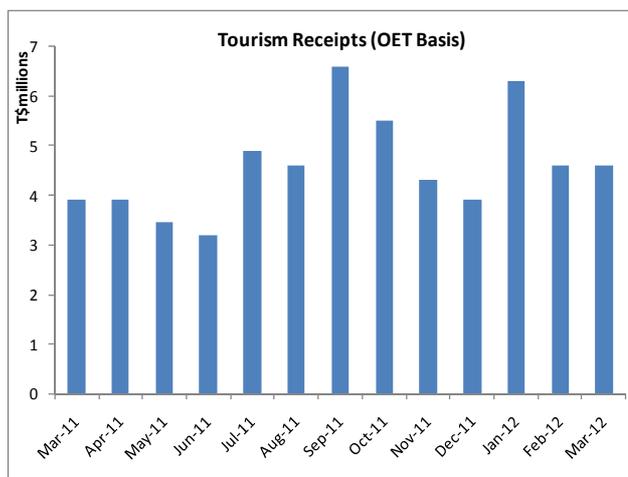
In March 2012 compared to the last month, export receipts slightly increased to T\$0.4 million (up by T\$0.1 million), while imports value was down by T\$4 million to T\$13 million. This resulted in a trade deficit of T\$12 million in March 2012 compared to a deficit of T\$17 million in the previous month.

However, export receipts in March 2012 was 27% lower and imports value was 28% lower also, compared to the same month last year.

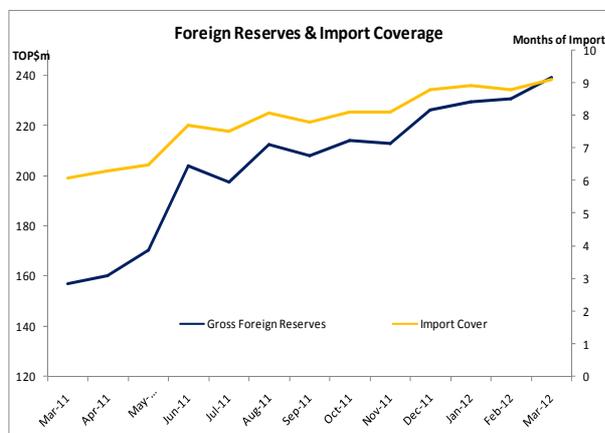
OET—Overseas Exchange Transactions

In March 2012 Tourism receipts was more or less steady-at around T\$5 million; although it was 16% higher than the receipts recorded a year ago.

The convenience of using foreign credit card such as VISA, Master Cards etc in EFTPOS and ATM; the increasing overseas arrival for His late Majesty's funeral and the ANZ bank launched of its remittances card (Pacific Money Transfer Card- where recipients in the Pacific can receive funds from their families in Australia through ATMs and EFTPOS terminals using ANZ VISA cards) may have contributed to the level of tourism receipts in March 2012

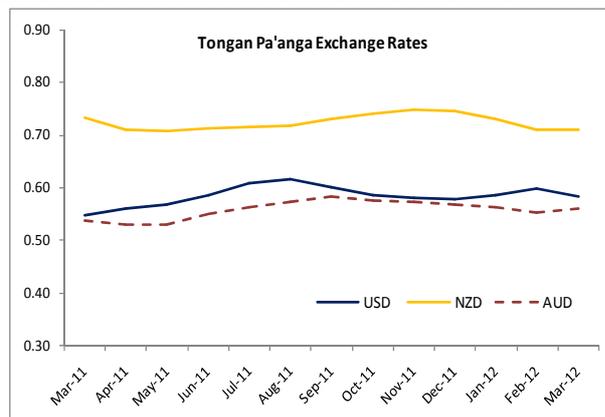


Source: National Reserve Bank of Tonga



Source: National Reserve Bank of Tonga

The level of foreign reserves continued to increase in March 2012 to T\$239.2 million compared to T\$230.6 million in the previous month and T\$157.1 million in the same month last year. The rise over the month was mainly due to the receipt of official foreign aid which more than offset the official capital outflows and import payments during the month.



Source: National Reserve Bank of Tonga

| | Mar-12 | Feb-12 | Mar-11 |
|-----|--------|--------|--------|
| AUD | 0.5597 | 0.5541 | 0.5375 |
| NZD | 0.7091 | 0.7101 | 0.7317 |
| USD | 0.5840 | 0.5978 | 0.5471 |