

# At a Glance

## November 2009

**Inside AAG**  
**November:**

### Economic Indicators

| Headline Indicators            | November 09 Val-<br>ues (\$m Pa'anga<br>unless otherwise<br>indicated) | October 09 Val-<br>ues (\$m Pa'anga<br>unless otherwise<br>indicated) | Change (vs Octo-<br>ber 09 unless other-<br>wise indicated) |
|--------------------------------|------------------------------------------------------------------------|-----------------------------------------------------------------------|-------------------------------------------------------------|
| <b>Economic Activity</b>       |                                                                        |                                                                       |                                                             |
| GDP (at constant market price) | (2008/09) <b>-0.4</b>                                                  | (2009/10) <b>0.4</b>                                                  |                                                             |
| Exports (OET basis)            | \$1.2                                                                  | \$ 0.9                                                                | ↑ 33.3%                                                     |
| Imports (OET basis)            | \$16.8                                                                 | \$22.4                                                                | ↓ 25.0%                                                     |
| Electricity consumption        | N/A                                                                    | N/A                                                                   |                                                             |
| Tourist Receipts               | \$2.0                                                                  | \$3.0                                                                 | ↓ 33.3%                                                     |
| Air arrivals (number)          | N/A                                                                    | 3,537                                                                 |                                                             |
| - year to date                 | N/A                                                                    | 40,820                                                                |                                                             |
| Outstanding housing<br>loans   | \$97.5                                                                 | \$98.6                                                                | ↓ 1.12%                                                     |
| Outstanding Business<br>Loans  | \$143.9                                                                | \$144.0                                                               | ↓ 0.069%                                                    |
| Remittances                    | \$11.91                                                                | \$13.9                                                                | ↓ 14.32%                                                    |
| <b>Monetary Indicators</b>     |                                                                        |                                                                       |                                                             |
| Annual Inflation               | 0.4%                                                                   | -0.4%                                                                 | ↑ 80.0%                                                     |
| Retail Fuel Prices             | Petrol: \$2.31/ltr                                                     | \$2.30/ltr                                                            | ↑ 0.43%                                                     |
|                                | Diesel: \$2.34/ltr                                                     | \$2.29/ltr                                                            | ↑ 2.18%                                                     |
| Foreign Reserves               | \$159.9                                                                | \$160.7                                                               | ↓ 0.50%                                                     |
| Import cover                   | 6.7 months                                                             | 6.7 months                                                            | =                                                           |
| Money Supply                   | \$282.8                                                                | \$281.5                                                               | ↑ 0.46%                                                     |
| Domestic Credit                | \$289.1                                                                | \$287.9                                                               | ↑ 0.42%                                                     |
| Total liquidity                | \$287.6                                                                | \$286.1                                                               | ↑ 0.52%                                                     |
| Balance of Payments            | -\$0.8                                                                 | -\$2.6                                                                | ↑ 69.23%                                                    |
| Current Account Balance        | -\$7.8                                                                 | -\$12.8                                                               | ↑ 39.06%                                                    |
| <b>Fiscal indicators (YTD)</b> |                                                                        |                                                                       |                                                             |
| Revenue ( 33% of year)         | \$70.65                                                                | 32.1% of Budget                                                       |                                                             |
| Expenses (33% of year)         | \$81.30                                                                | 40.10% of Budget                                                      |                                                             |
| <b>Donor Activity</b>          |                                                                        |                                                                       |                                                             |
| Aid revenue received           | \$0.7                                                                  | (YTD) \$9.26                                                          |                                                             |
| Aid expenditure                | \$1.4                                                                  | (YTD) \$10.09                                                         |                                                             |

#### Overview:

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#### Summary

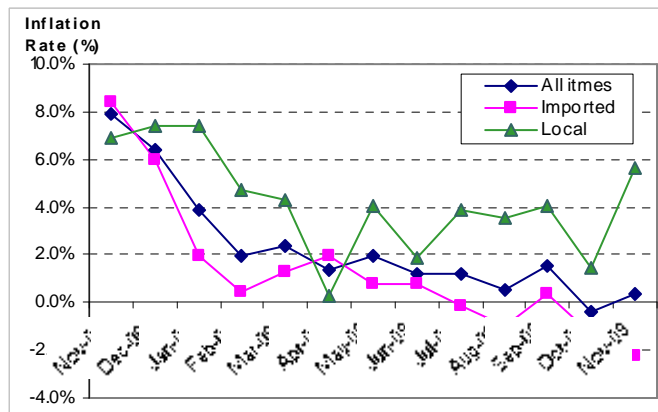
- ◆ A rise in inflation from the deflation recorded last month.
- ◆ Total Remittances for the 11 months to November 09 was \$139.94 million pa'anga which is \$28.99 million pa'anga (17.2%) lower than same period of previous year.
- ◆ A decline in imports has led to a further narrowing in the trade balance and Balance of Payment deficit.
- ◆ The Government's overall position for the first five months of the financial year is a deficit of \$10.65 million pa'anga.

## Inflation...

The annual movement of prices of goods and services for end of November 09 was **0.4%**, a rise from deflation of 0.4% recorded in October 09 and 7.9% in November 08. The local index increased by 5.6% while the imported index declined by 2.2% respectively.

Percentage change from previous month records increase in local index mainly due to rise in price of transport [increase in petrol & diesel] whilst price of imported food [meat, fish & poultry items, cereal items] decreased inline with declines in price of tobacco and alcohol.

**Figure 1: Annual Inflation Rate (%)**



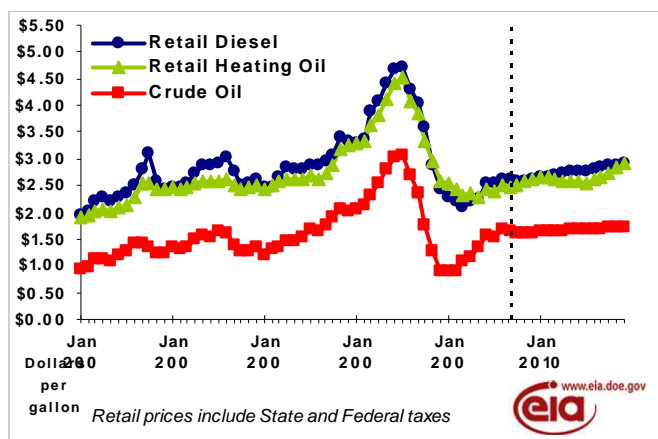
Source: Statistics Department, 2009

## Oil Prices...

Fuel Prices have started to rise after a period of decline trend from August 09.

According to Energy Information Administration (U.S), world crude oil prices were less volatile in November than previous month. West Texas Intermediate prices average \$72 per barrel in November more than \$2 per month more than the previous month. This increase reflects the improving expectations of a global recovery. EIA forecasts that WTI spot prices will weaken over the next few months, falling to about \$75 per-barrel in February and rising to about \$82 per barrel by the end of next year.

**Figure 2: Short-Term Energy Outlook (US Fuel & Diesel Crude Oil Prices)**



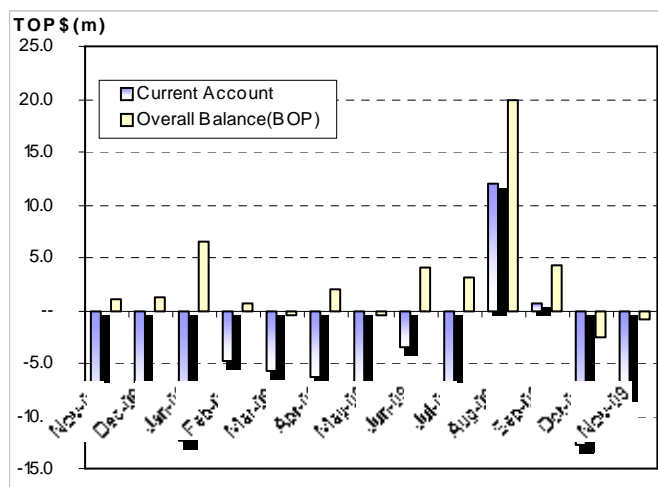
## External Sector Development...

### Balance of Payment

Weak domestic demand has led to further narrowing in the merchandise trade in November as the fall in imports outweighed the increase in exports. This narrowed the merchandise trade deficit recorded from \$21.6 million pa'anga in October to \$15.6 million pa'anga deficit in November 09.

Imports fell since the beginning of 2009 and while volatility have remained below the same period of the previous year. The merchandise trade deficit suggests a further narrowing in the current account deficit for the month of November. The capital account balance has declined by \$1.2 million pa'anga from the previous month and further declined by \$3.8 million pa'anga as compared to the same period of the previous year.

**Figure 3: OET Trade and Current Account Balance**



Source: National Reserve Bank of Tonga, 2009

## Monetary Sector Development...

### Money Supply & Total Liquidity

The level of Money Supply and Total Liquidity to the end of October 09 was \$282.8 million pa'anga and \$287.6 million pa'anga . Both increase compared to the previous month and below same period of previous year's figure. The slight increase in money supply were mainly attributable to the increase in quasi money namely saving deposits as well as demand deposits.

### Commercial Banks Lending

Commercial bank credit declined by 0.70% from October to November 09. Industrial sector which accounted 50%, Housing (34.2%) and Agriculture (4%) and non financial public enterprise(1.2%) declined while personal loans shows a slight increase. Total loans however have decline dramatically compared to same period of previous year which

reflects less intention of people to borrow due to the global economic crisis and a tightening of bank lending criteria.

### Non-monetary financial Institution (NMF) Lending

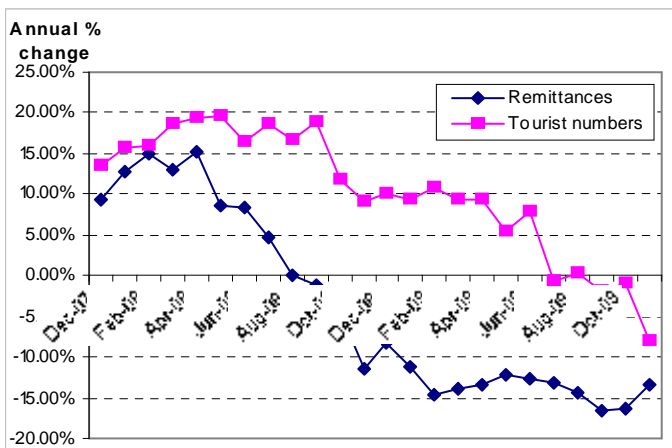
Total credit extended by NMFIs has shows a slight increase by \$0.08 million pa'anga from October 09 to \$36.5 million pa'anga in November 09. This slight increase were due mainly to other personal loans which accounted for 56% of the total loans, people get loans mainly for church and family obligations foreseen for the following month while Agriculture, Industry and Non financial Public enterprise loan remain stable from previous month.

## Tourism & Remittances...

Total Remittances for November 09 were \$11.89 million pa'anga, a decline from \$13.92 million pa'anga in October 09. Tourist Receipts for the month was recorded at \$2 million pa'anga, a decline from the previous month by \$1 million pa'anga.

The declining trend of both Tourist receipts and remittances for the month clearly reflects the spill over effects of global economic crisis from our leading trade economies namely United States of America, Australia and New Zealand This resulted in the significant drops in remittances and tourism from these countries.

Figure 4: Annual Growth for Tourism & Remittances



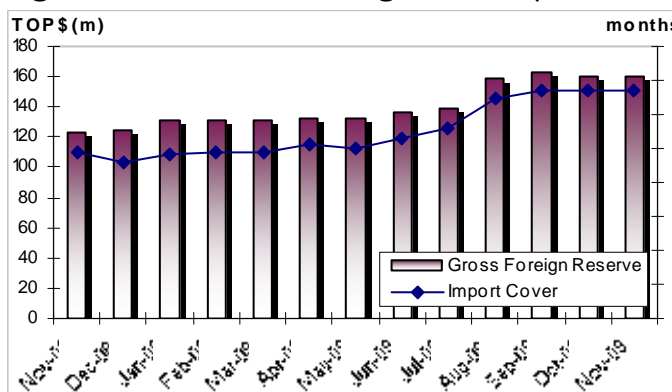
Source: National Reserve Bank of Tonga/ Ministry of Tourism, 2009

## Foreign Reserves...

The level of foreign reserve has decline for the month of November. This is a decline since it reached a peak of \$163.3 million pa'anga in September mainly due to the allocation of the special drawing rights from IMF to accelerate recovery in less developed country.

Gross Foreign Reserves were \$159.9 million pa'anga which is equivalent to 6.7 months of import. This is a decline from 160.7 million pa'anga in October and increase by \$37.2 million pa'anga compared to same period of the previous year.

Figure 5: Gross Official Foreign Reserve (Nov 08-09)



Source: National Reserve Bank of Tonga, 2009

## Government Fiscal Performance (GFS basis)

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

- ◆ The Government's overall position for the first five months of this financial year was a \$10.65 million pa'anga deficit. This is represented by \$10.74 million pa'anga deficit from Government fund and \$0.09 million pa'anga surplus from Grants.
- ◆ The overall position for November only was \$4.33 million pa'anga deficit represented by deficit from Grants of \$0.60 million pa'anga and \$3.73 million pa'anga deficit from Government Fund.

### 2. Revenue

- ◆ Aggregate Revenue and Grants for (July-November) 09 was \$70.65 million pa'anga which is 32.10% of budget estimates, 29.95% from tax items, 83.9% from non-tax and 17.32% from Grants.

### 3. Expenditure and Net Lending

- ◆ Total Expenditure and Net Lending for (July-November) 09 was \$81.30 million pa'anga which is 40.10% of the total budgeted estimates.

## Debt Management

- ◆ Total public debt as at 30th November 2009 is \$226.42m or 29.64% of GDP. Of this external debt is \$198.97m (26.04% of GDP) and domestic debt is \$27.45m (3.59% of GDP).
- ◆ Total public debt increased by \$2.07 million pa'anga between October 09 & November 09.
- ◆ Total Debt Servicing is \$10.62m or 1.39% of GDP, 12.83% of recurrent revenue and 12.04% of recurrent expenditure.
- ◆ Total guaranteed debt as at 30 Nov 09 is estimated at \$0.44m.

## National Strategic Planning Framework

Corporate Plans and Annual Management Plans are currently being reviewed to ensure their aligning with the National Strategic Planning Framework. This work will be completed at the end of February 2010.

## Regional & Rural Developments

### 2.1 Ha'apai Developments

#### ◆ Foa Causeway

Agreement to construct the Foa Causeway has been signed between the Government's of Tonga and Germany.

Target implementation of this project is next year with requirements for Work Plan and timeframe of the project to be completed first by the Ministry of Works before implementation begins.

### 2.2 'Eua Developments

- ◆ 'Eua High School renovation is currently being implemented and expected to be completed by January 2010. This is funded by the Government of Japan.
- ◆ Two new Japanese funded buildings will be added to the Niu'eiki Hospital which are Clinical Wards for non-communicable disease such as diabetes etc and a Children Ward.

### 2.3 Niua Developments

- ◆ The United Nation Development Programme (UNDP) has offered \$ USD 300K to assist with the recovery of Niua Toputapu after the Tsunami disaster.