

At a Glance

November 2010

Inside AAG
November:

Economic Indicators

Gross Domestic Product	2008/09	2009/10	2010/11 forecast
GDP (at constant market price)	-0.4	-1.2	1.4

Headline Indicators	November 2010 Values (\$m Pa'anga unless otherwise indicated)	% change from Oct 2010	% of GDP (10/11)
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Economic Activity

Export (OET basis)	\$0.8	↓ 0.1%	0.1%
Imports (OET basis)	\$18.0	↑ 18.4%	2.3%
Remittances	\$13.7	↑ 64.5%	1.8%

Monetary Indicators

Foreign Reserves	\$168.0m	↓ 4.8%	21.5%
Import cover	7.3 months	↓ 5.2%	

Fiscal indicators (YTD)

Revenue & Grants

(Budget 2010/11 \$193.5m)

Recurrent Revenue	\$54.72	28.3% of Budget	7.02%
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Expenditure

(Budget 2010/11 \$205.6m)

Expenditure & Net Lending

Recurrent Expenditure	\$61.20	29.8% of Budget	7.85%
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Donor Activity

Aid revenue received	\$1.25	(YTD) \$12.58	1.61%
Aid expenditure	\$3.69	(YTD) \$15.86	2.03%
Total Public Debt	\$291.91 (YTD)	↑ 2.01%	37.4%

Overview:

Fuel	2
Remittances	2
Fisheries	2
Money Supply	2
Gross Foreign Reserve	3
GFS/Fiscal Performance	3
Debt	3

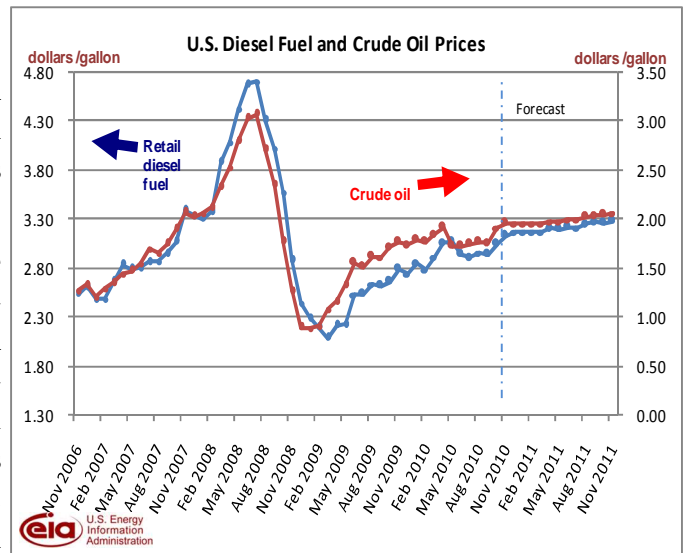
Summary

- ◆ Remittances increased by 64% in November 2010 after recording the lowest ever received last year in October 2010.
- ◆ Foreign Reserves declined by 4.82% from September 2010 but still remains above the adequate levels.
- ◆ The Government's Overall Position recorded a deficit of \$9.61 million pa'anga.
- ◆ Total public debt as at 30th November 2010 is estimated at \$291.91 million pa'anga or 37.4% of GDP.

Fuel Prices

Petrol prices increased by \$.07 senti to \$2.48/litre in November 10 from the previous month while Diesel prices increased by \$0.04 senti to \$2.53/litre this month.

The crude oil spot prices of West Texas Intermediate (WTI) was averaged over US\$84 per barrel in November according to Energy Information Administration (U.S) more than US\$2 per barrel higher than the October average as expectations of higher oil demand pushed up prices. WTI forecasted that crude oil prices to rise to US\$89 per barrel by the end of next year, US\$2 per barrel higher than in October's outlook. EIA forecast assumes that US real GDP grows at 2.7% in 2010 and 2.1% in 2011.

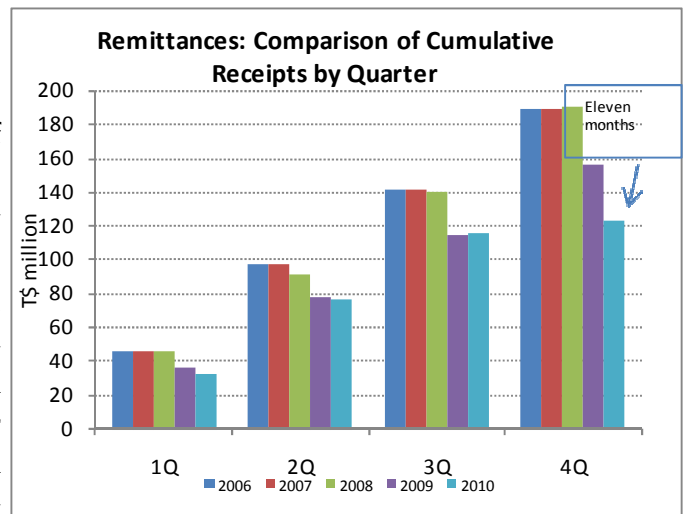


Source : Short-term Energy Outlook, November 2010

Remittances

Total Private Remittances received for the month of November 2010 increased by 64% from October 2010. Household remittances increased by 42% while non-profit increased by 174%.

As shown by the graph, on the fourth quarter of 2008, total remittances declined by 8.2% and further declined by 17.9% in 2009. As of November 2010, total private remittances increased by 64% from October 2010. It is expected that the fourth quarter of 2010 will be lower than the level received on the same corresponding period in previous years.



Source : National Reserve Bank of Tonga

Fisheries

According to Fuel Concession Committee, the total quantities of Snapper catch for the month of November 2010 was around 18,500kg with 11 active fishing vessels. In comparison to November 2009, total catch increased by 44% and this is due to increase in the number of active vessels from 7 vessels in 2009.

In Tuna fishery, total catch for November 2010 decreased by 22% and 69% from October 2010 and November 2009 respectively. This significant decline is due to decrease in number of active fishing vessels.

In 2009, fishing and exports of bech-de-mer was allowed from April 2009 to October 2009 and approximately 49,000kg was exported. High value of this export product in overseas markets diverted a few fishing vessels' resources from snapper and tuna fisheries to bech-de-mer during this season.

Fishing of bech-de-mer commenced in July 10 and ended in September 10 with a total catch of around 12,000kg. The long term sustainability of this important export product should be considered carefully.

Money Supply & Total Liquidity

The level of Money Supply for November 2010 declined to \$297.3 million from \$302.5 million pa'anga on October 2010. Total Liquidity also decreased from \$308.0 million in October to \$303.0 million pa'anga in November 2010.

Declined in both money supply and total liquidity is mainly due to decline in both demand deposit and Currency Outside banks.

Commercial Banks Lending

Commercial banks credit declined from \$267.3 million pa'anga to \$265.8 million pa'anga in October 2010. This slight decline is due to a decline in lending to house and industrial sector.

Gross Foreign Reserve

The official foreign reserves recorded a total of \$168.0 million pa'anga in November 2010, declined by \$8.5 million pa'anga from \$176.5 million recorded on October 2010 and \$159.9 million pa'anga in November 2009.

This is equivalent to 7.3 months of imports. This increased is mainly due to higher import payments mostly fuel.

Government Fiscal Performance (GFS basis)

1. Overall fiscal position

- ◆ The Government overall position at the end of November 2010 recorded a deficits of \$9.61 million pa'anga.

Revenue

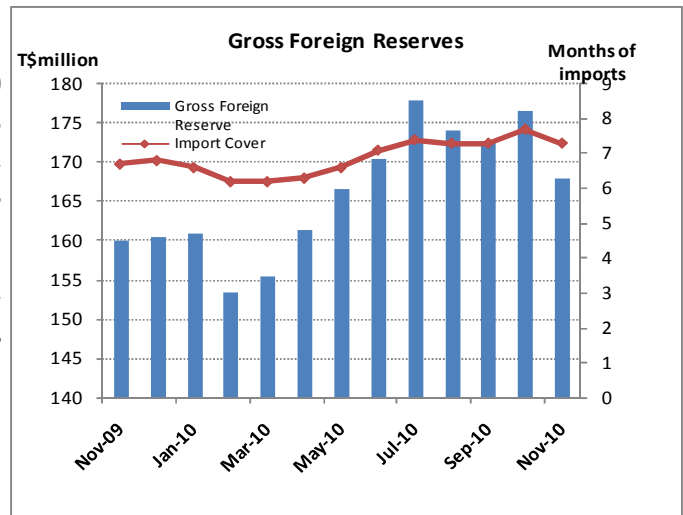
- ◆ Accumulated total Revenue and Grants to November 2010 was \$67.45 million pa'anga of which \$54.87 million pa'anga from recurrent revenue and \$12.58 million pa'anga from grants.
- ◆ Of this total revenue and grants 68% are from tax revenue, 14% from non-tax revenue and 18% from grants.

Expenditure

- ◆ Accumulated total Expenditure and Net Lending was \$77.06 million pa'anga of which \$61.20 million pa'anga from government fund and \$15.86 million pa'anga from grants.
- ◆ Of this total accumulated expenditure and net lending, 94% were Current Expenditures, 5% spend on capital expenditures and 1% on Net Lending.
- ◆ Approximately 48% of total current expenditures spent on wages and salaries and 28% on purchases of goods and services.

November 2010:

- ◆ Total Revenue and Grants for November 2010, was \$11.66 million pa'anga of which \$10.41 million are current revenue and \$1.25 million pa'anga are from grants.
- ◆ Total Expenditure and Net Lending amounted to \$16.44 million pa'anga of which \$12.75 million are government fund and \$3.69 million are grants.
- ◆ The overall balance for November 2010, is a deficit



Source : National Reserve Bank of Tonga

of \$4.78 million pa'anga.

Debt Management

Total Public Debt as at 30th November 2010 was estimated at \$291.91 million pa'anga. Of this amount, external debt amounted to \$255.38 million pa'anga or 32.8% of GDP and domestic debt amounted to \$36.53 million pa'anga or 4.7% of GDP.

Total Public Debt increased by \$5.75 million pa'anga from October 2010 and this was mainly due the 2nd disbursement of Road Project and depreciation of the major borrowing currencies which is SDR and CNY.

Total debt service (expenditure) at the end of November 2010 is estimated at \$4.81 million and this consumed 0.62% of GDP.