

At a Glance

October 2010

Inside AAG
October:

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	October 2010 Values (\$m Pa'anga unless otherwise indicated)	% change from Sept 2010	% of GDP (10/11)
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Economic Activity

Export (OET basis)	\$0.9	↑ 28%	0.1%
Imports (OET basis)	\$15.2	↓ 0.27%	3.0%
Remittances	\$8.4	↓ 40%	1.1%

Monetary Indicators

Foreign Reserves	\$176.7m	↑ 2%	22.7%
Import cover	7.7 months	↑ 5%	

Fiscal indicators (YTD)

Revenue & Grants

(Budget 2010/11 \$193.5m)

Recurrent Revenue	\$44.30	22.9% of Budget	5.68%
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Expenditure

(Budget 2010/11 \$205.6m)

Expenditure & Net Lending

Recurrent Expenditure	\$48.05	23.4% of Budget	6.16%
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Donor Activity

Aid revenue received	\$6.01	(YTD) \$11.34	1.45%
Aid expenditure	\$3.65	(YTD) \$12.03	1.54%
Total Public Debt	\$286.16 (YTD)	↓ 1.40%	36.7%

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Summary

- ◆ Remittances recorded the lowest ever received for during the recession period which declined by 40% from September 10.
- ◆ Foreign Reserves increased by 2% and equivalent to 7.7 months of import cover.
- ◆ The Government's Overall Position also recorded a deficit of \$4.30 million pa'anga.
- ◆ Total public debt as at 31st October 2010 is estimated at \$286.16 million pa'anga or 36.7% of GDP.

Fuel Prices

Petrol prices slightly declined from \$2.45/litre in Sept 2010 to \$2.41/litre. Diesel prices also decline to \$2.49/litre from \$2.52/litre.

According to Energy Information Administration (U.S), the price of West Texas Intermediate (WTI) crude oil to average about US\$83 per barrel this winter (October-March 2011). Projected prices rise gradually to US\$87 per barrel by the fourth quarter of 2011 as US and global economic conditions improve.

Growth in global oil consumption remains strong which in line with the world projected growth in world real GDP (weighted by oil consumption) which is 3.9% in 2010.

Tourism

Comparing July and Aug 2010 to the corresponding period last year, total monthly visitors dropped by 18% and increased by 40% respectively. For the month of September 10, total monthly visitors increased by 4% from September 2009, and 55% from August 2010.

The increased in total visitors from last month is mainly attributed to a significant increased of 113% in Cruise Ships passengers and Crews arrivals while air visitors increased by 12%. New Zealand still has the highest total number of air visitors to the country followed by Australia and United States of America.

Increased in tourist arrivals for September 10 is also in line with the increased in tourist receipts of \$6.9 million pa'anga compared to \$5.9 million pa'anga in August 10.

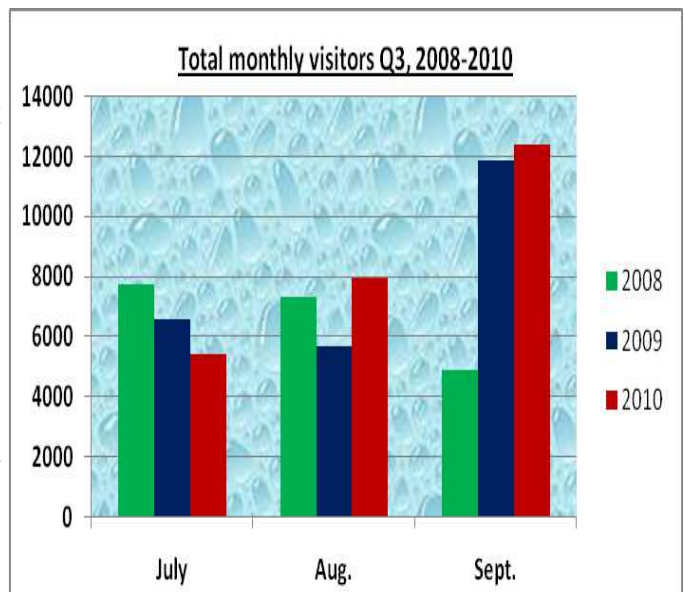
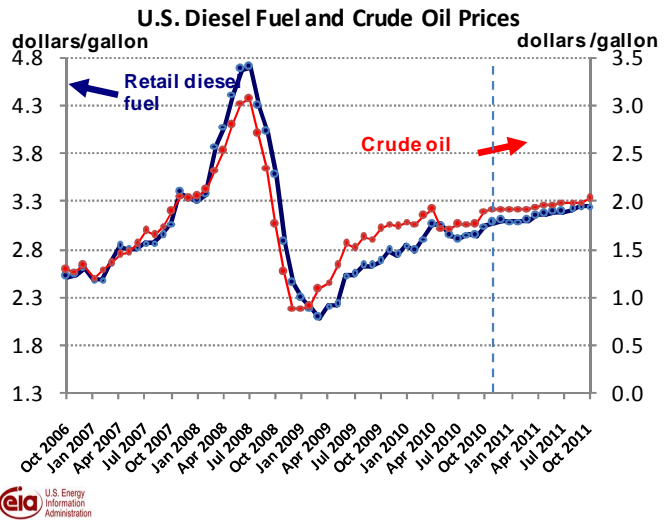
Remittances

This month records the lowest remittances ever send into the country for the last five years. It was expected that the lowest remittances received was \$10m pa'anga in February 2010, but \$8m pa'anga received this month is lower than the recession period.

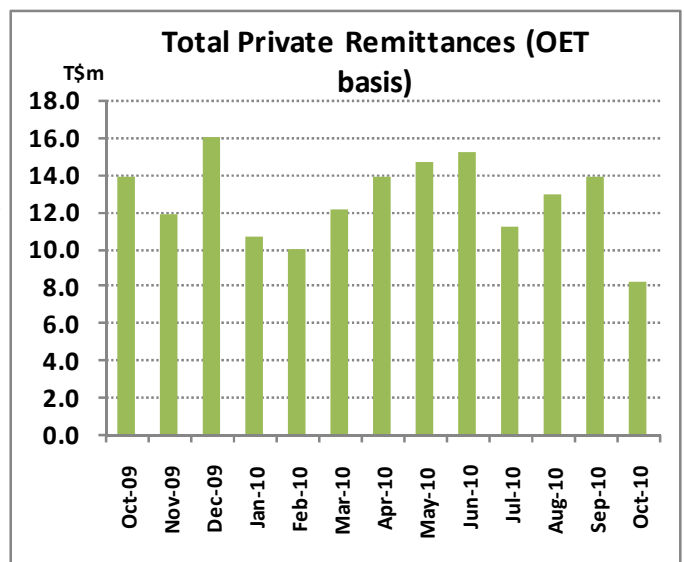
The major declined is mainly due to decline in remittances from United States. Although the unemployment rate in US remains unchanged but worker's hours had been cut back particularly part time workers and unable to find full time job. The rate of unemployment in Australia and New Zealand has also slightly increased.

Money Supply & Total Liquidity

The level of Money Supply for the month of October 2010 was \$302.5 million pa'anga while Total Liquidity was \$308.0 million pa'anga. Money Supply increased by \$15.7 million pa'anga from the previous month and \$21.0 million pa'anga from October 2009. Total Liquidity increased



Source : Tonga Visitors Bureau



Source : National Reserve Bank of Tonga

This increased is mainly due to a significant increased in Demand Deposits while there's a slight increased in Currency Outside banks and Foreign currency accounts.

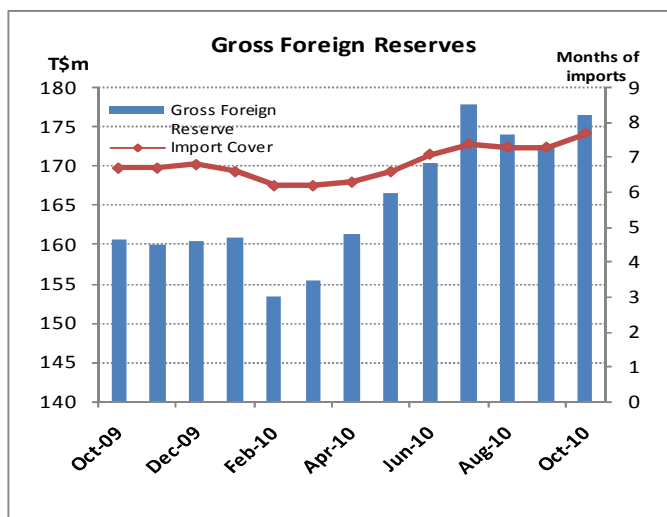
Commercial Banks Lending

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 rose by \$3.8 million pa'anga from \$172.7 million pa'anga in September 2010 to \$176.5 million pa'anga in October 2010. It also increased by \$15.8 million pa'anga from October 2009.

This is equivalent to 7.7 months of imports. This increase is mainly due to the receipts of funds for Vaiola hospital reconstruction.



Source : National Reserve Bank of Tonga

Government Fiscal Performance (GFS basis)

1. Overall fiscal position

- ◆ The Government overall position at the end of October 2010 was a deficit of \$4.30 million pa'anga. This consists of \$0.70 million and \$4.30 million pa'anga deficits from both Grants and Government fund.

2. Revenue

- ◆ Total Revenue and Grants was \$55.78 million pa'anga of which \$44.44 million pa'anga from recurrent revenue and 11.34 million pa'anga from grants.

3. Expenditure

- ◆ Total Expenditure and Net Lending was \$60.08 million pa'anga of which \$48.05 million pa'anga from government fund and \$12.03 million pa'anga from grants.

Debt Management

Total public debt at the end of October 2010 is estimated at \$286.16 million pa'anga, equivalent to 36.71% of GDP. Of this external debt was \$249.71 million (32.03% of GDP) and domestic debt was \$36.45 million (4.68% of GDP).

Total public debt decreased by \$4.07 million between September 2010 and October 2010. This was mainly due to depreciation of the main borrowing currencies such as CNY and SDR.

Total debt service (expenditure) as at 31 October 2010 is estimated at \$4.66 m and this consumed 0.6% of GDP.