

# At a Glance-August 2012

## HIGHLIGHTS

- The annual inflation rate in August 2012 was -0.6% (*Figure 1*), the second deflation since October 2009. The August 2012 deflation compared to 0.9% inflation rate recorded in the previous month, was mainly due to a significant fall in local food prices – particularly vegetables.
- Despite an increase in cash remittances in August 2012 from the previous month – which was in line with the weakening of the Tongan pa'anga against the US dollar; still this level has continued to decline compared to the August months of previous years (*Figure 4*).
- On an y-o-y comparison foreign reserves has increased from \$212.4 to a record level of \$252.7 in August 2012. However in contrast, foreign reserves monthly performances has continued along the same trend (*see Figure 5*). Enhancing foreign reserves performance was due to the continuance inflow of remittances, export receipts and donor funds and the decline in import payments for the month.
- Export receipts has improved slightly for the month of August 2012 compared to the previous month (*Figure 6*). Main driving factor behind the increase in export receipts came from marketing of marine products (coral), cassava and watermelons exports<sup>1</sup>. Cassava exports in August 2012 reached 70% high but still lower in comparison to the same month last year. On an y-o-y comparison the difference in export receipts between the two periods indicated that the Tongan pa'anga has appreciated over the New Zealand<sup>2</sup> and Australian dollar during the same period (*Figure 9*).
- The appreciation of the Tongan Pa'anga hasn't had too much of an effect on imports level for the month of August 2012 (*Figure 6*). It was further highlighted by the declined in importing of wholesale and retail goods- thus resulting in a trade deficit of around \$14 million.
- Tourism receipts declined in August 2012 after a good surge in receipts from the tourism sector in the previous month (*Figure 7*). The influx of tourist for the Royal wedding and church festival activities in July 2012 has made receipt from the sector look atypical. The year-on-year arrivals in August 2012 fell by almost 50% due to high numbers of yacht arrivals in August 2011, though receipts remained almost the same.
- Total revenue slightly increased in August 2012 from the previous month, mainly from tax revenue, although cash grants level was 50% lower y-o-y; due to injections of budget support and donor funds received in August 2011. Expenditure also increased in August 2012 mainly from expenditures on capital assets including the second payment made for the Ha'apai Water Project and other capital expenditures.

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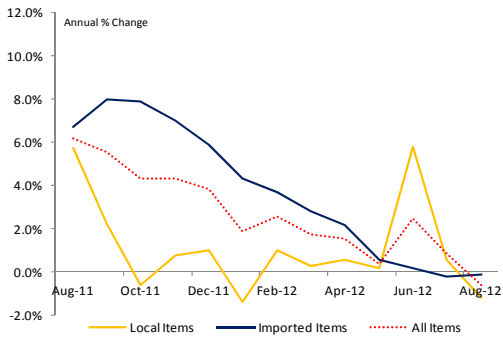
<sup>1</sup>Source: Quarantine

<sup>2</sup>Tonga's major exporting country for cassava

	(T\$m unless otherwise indicated)			% change from		YEAR TO DATE (YTD) July 2012-Aug 2012		
	August 2011	July 2012	August 2012	July 2012	August 2011	Values (T\$m)	% of Budget (2012/13)	% of GDP <sup>3</sup> (2012/13)
<b>FISCAL INDICATORS (Government Financial Statistics Basis)</b>						(16.7% of year)		
<b>Total Revenue &amp; Grants</b>	<b>32.41</b>	<b>13.96</b>	<b>14.79</b>	<b>+5.9%</b>	<b>-54.4%</b>	<b>28.76</b>	<b>13.20%</b>	<b>3.67%</b>
Total Revenue	12.30	12.60	13.61	+8.0%	+10.7%	26.22	17.56%	3.34%
Grant (cash grants)	18.89	1.36	1.18	-13.2%	-93.8%	2.54	3.71%	0.32%
<b>Total Expenditure &amp; Net Lending</b>	<b>15.84</b>	<b>14.75</b>	<b>16.77</b>	<b>+13.7%</b>	<b>+5.9%</b>	<b>31.52</b>	<b>14.90%</b>	<b>4.02%</b>
Expenditure (incl. cash grants)	15.77	14.90	16.66	+11.8%	+5.6%	31.56	14.96%	4.02%
Total Net Lending	0.07	(0.15)	0.11			(0.04)		
<b>Total Public Debt</b>	<b>295.5</b>	<b>349.9</b>	<b>355.2</b>	<b>+1.5%</b>	<b>+20.2%</b>			<b>45.28%</b>
<b>ECONOMIC ACTIVITY INDICATORS</b>						YTD Values (July 2012-August 2012)	% change from prev. YTD (July 2011-Aug 2011)	YTD Values (July 12-Aug12) as % of GDP
Exports (OET Basis)	0.8	0.5	0.6	+20.0%	-25.0%	1.1	-8.2%	0.14%
Imports (OET Basis)	23.9	17.3	14.8	-14.5%	-38.1%	32.1	-25.4%	4.09%
Cash Remittances	11.7	8.2	10.1	+23.2%	-13.7%	17.2	-24.0%	2.19%
Tourism Receipts	4.6	8.4	4.5	-46.4%	-2.2%	12.8	+35.0%	1.63%
Visitor Arrivals (number) <sup>4</sup>	8685	6024	4540	-24.6%	-47.7%	10564	-36.3%	
<b>MONETARY INDICATORS</b>								
Official Foreign Reserves	212.4	251.1	252.7	+0.6%	+19.0%	<b>Note:</b> (i) 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.  (ii) Economic & Monetary data for the month of August 2012 are still provisional numbers.		
Import Cover (months)	8.1	9.4	9.5	+1.1%	+17.3%			
Inflation (annual % change)	6.1%	0.9%	-0.6%	-1.5% point change	-6.7% point change			
Retail Fuel Prices (monthly average)								
Petrol (T\$/litre)	2.79	2.74	2.72	-0.7%	-2.5%			
Diesel (T\$/litre)	2.86	2.82	2.80	-0.7%	-2.1%			

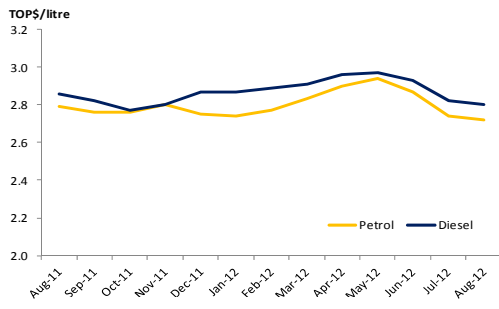
<sup>3</sup> Nominal GDP 2012/13: T\$784.5 million (estimate)<sup>4</sup> Excluding returning residents

Figure 1: Consumer Price Index (Inflation)



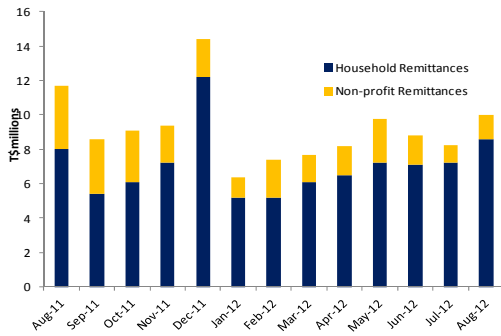
Source: Tonga Bureau of Statistics

Figure 2: Retail Fuel Prices (monthly average)



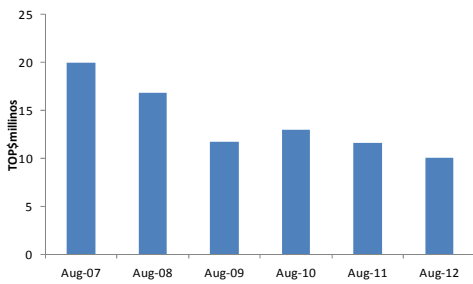
Source: Tonga Bureau of Statistics

Figure 3: Cash Remittances



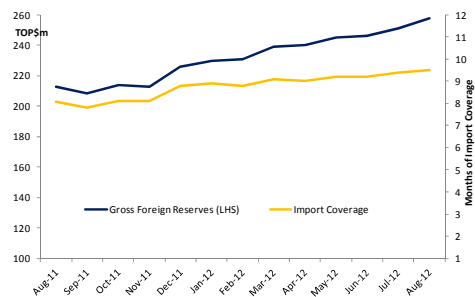
Source: National Reserve Bank of Tonga

Figure 4: Cash remittances in August months



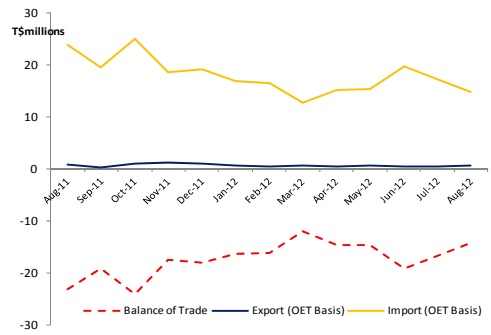
Source: National Reserve Bank of Tonga

Figure 5: Foreign Reserves & Import Coverage



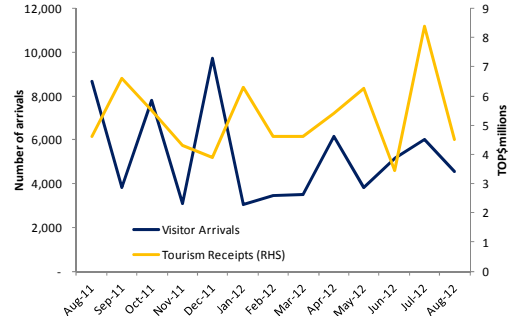
Source: National Reserve Bank of Tonga

Figure 6: Balance of Trade (OET Basis)



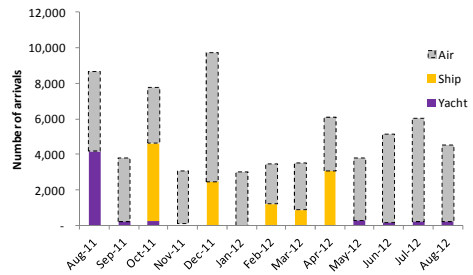
Source: National Reserve Bank of Tonga

Figure 7: Tourism Receipts & Visitor Arrivals



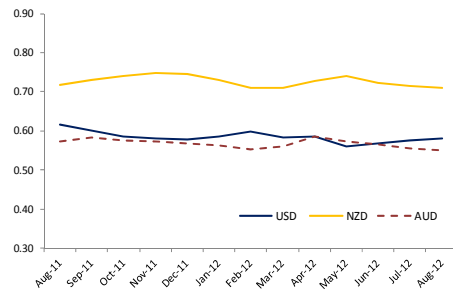
Sources: National Reserve Bank of Tonga, Tonga Bureau of Statistics

Figure 8: Visitor Arrivals by Mode of arrival to Tonga



Source: Tonga Bureau of Statistics

Figure 9: Tongan Pa'anga Exchange Rates



Source: National Reserve Bank of Tonga