

Monthly Economic Update

April 2016

Ministry of Finance and
National Planning



Key Indicators

	(T\$m unless otherwise indicated)			% change from	
	Apr 2015	Mar 2016	Apr 2016	Apr 2015 to Apr 2016	Mar 2016 to Apr 2016
FISCAL INDICATORS (Government Financial Statistics (GFS) Basis)					
Total Revenue & Grants	14.1	20.8	28.0	99.1%	34.6%
Total Revenue	12.6	19.6	13.2	5.0%	-32.7%
Grant (cash grants)	1.5	1.2	7.4	393.3%	516.7%
Budget Support	-	-	-	-	-
Project Support	1.5	1.2	7.4	393.3%	516.7%
Total Expenditure & Net Lending	0.2	-0.8	2.3	844.6%	-387.5%
Expenditure (incl. cash grants)	2.3	-0.2	3.5	50.9%	-1850.0%
Total Net Lending	0.1	0.5	1.1	15.8	1.2
Total Public Debt	396.7	435.5	446.4	12.5%	2.5%
ECONOMIC ACTIVITY INDICATORS (OET basis)					
Exports	0.80	1.30	2.20	174.7%	69.1%
Imports	18.3	25.9	33.7	84.0%	30.0%
Travel Receipts	5.4	5.0	N/A	0.0%	0.0%
Adjusted Cash Remittances (Annual Total)	225.6	242.3	N/A	0.0%	0.0%
MONETARY & PRICE INDICATORS					
Official Foreign Reserves	272.1	317.3	322.9	18.7%	1.8%
Import Cover (months)	7.9	9	9		
Inflation (annual % change)	-1.5	1.4	-0.9		
Retail Fuel Prices:					
Petrol (T\$/litre)	2.31	1.98	2.12	-8.2%	7.1%
Diesel (T\$/litre)	2.30	1.89	2.02	-12.2%	6.9%

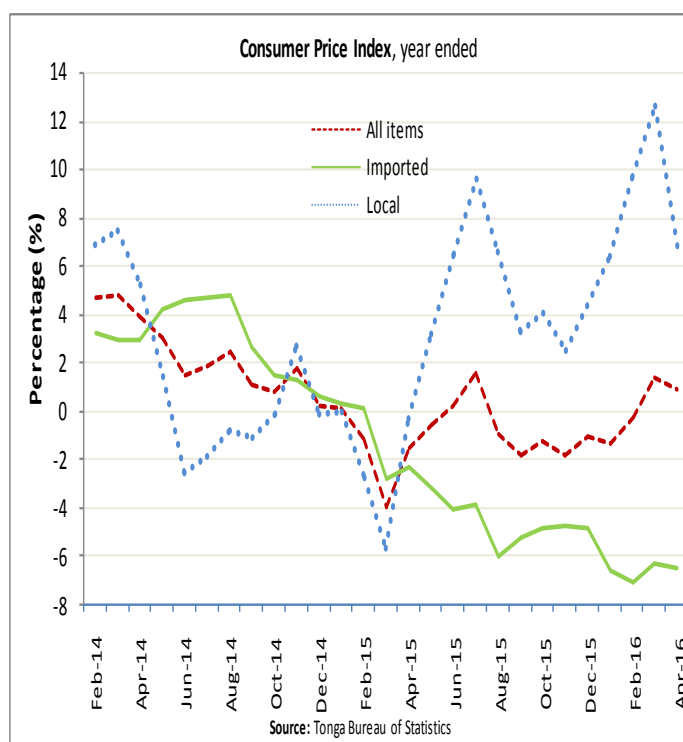
Release date: June 2016

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Inflation

Annual rate of inflation for April 2016 declined by 0.9%, compared to 1.4% inflation in March, 2016 which was the first inflation since July 2015. The annual inflation for the corresponding period a year ago was -1.5%. The monthly deflation in April was in line with a decrease in import prices by 6.5% also an increase in local prices by 6.6%, mainly due to a significant increase in prices of Kava.



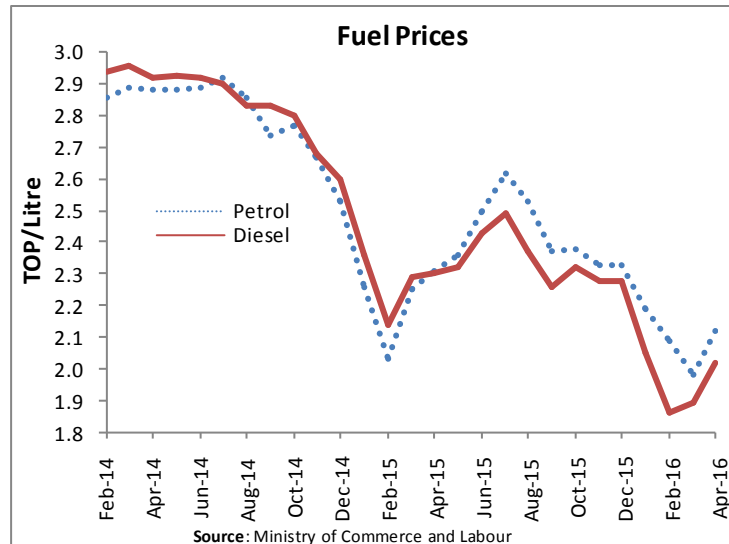
Indicators Digest

- ◆ Deflation 0.9% for April 2016
- ◆ Retail price of diesel increased by 13 senti compared to March 2016
- ◆ Retail price of petrol increased by 14 senti compared to March 2016
- ◆ Foreign reserves remain high at \$TOP 322.9 million, equivalent to 9 months of import cover.
- ◆ Tongan pa'anga depreciates relative to AUS and NZ dollars.

Fuel Prices

Increasing in global oil prices caused an increase in domestic fuel prices for April 2016. Domestic petrol prices increased by 7% compared to previous month but decreased by 8% when compared to the same period in the previous year.

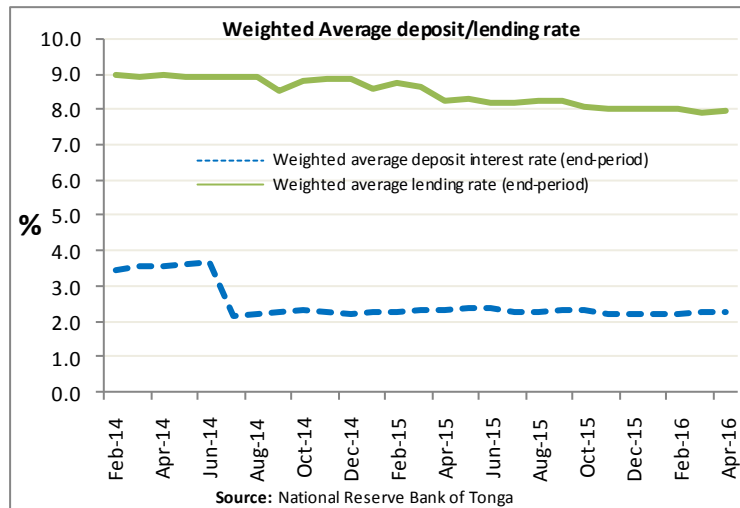
Diesel prices increased by 7% compared to March 2016 and declined further by 12% compared to the same period a year ago. These changes reflect that most likely fuel prices will continue to increase.



Lending and Deposits Rate

Both lending and deposit rates slightly increased in April 2016 by 0.4% and 1% respectively. By comparing these two rates to the same period over a year ago, both rates declined by 3% and 4% respectively.

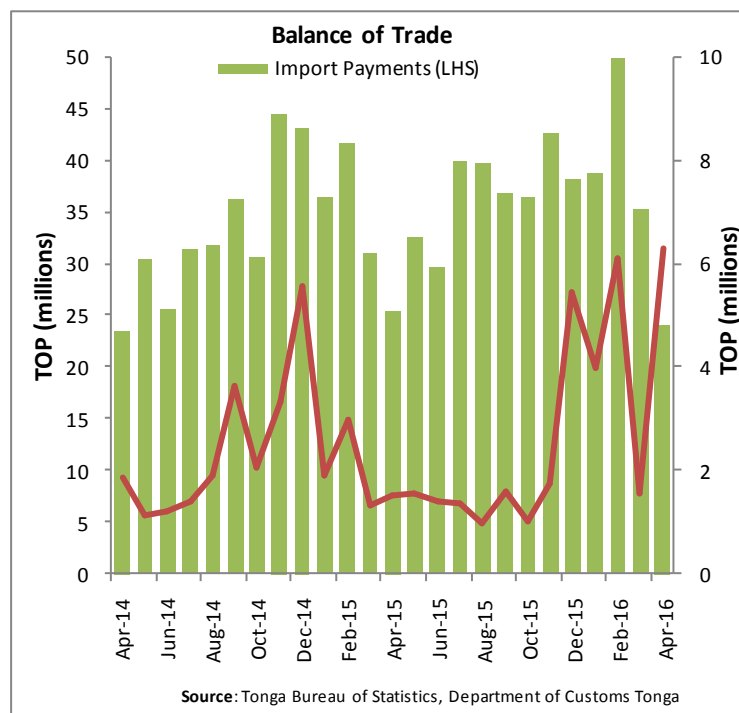
The increase in weighted average lending rate was due to an increase in business loan interest from 7.07% to 7.20% in April, 2016.



Trade

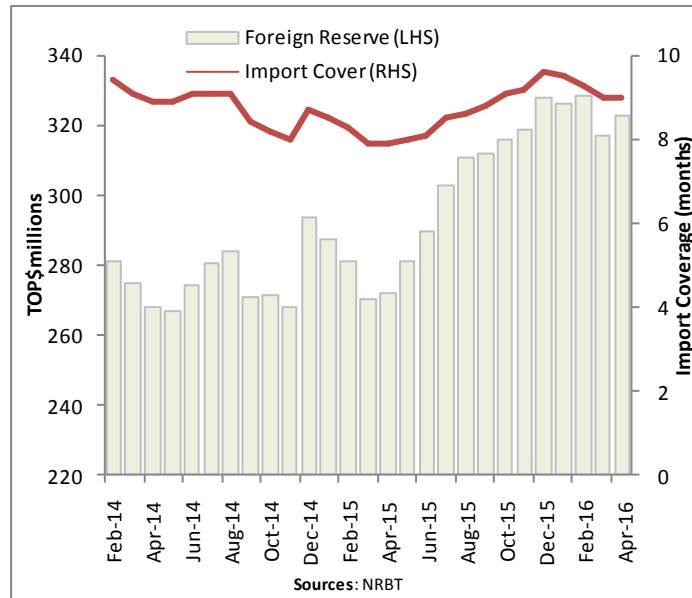
Export receipts for April 2016 declined by 57% compared to March 2016 and significantly increased by 56% compared to the same period a year ago. The decline on the monthly trend was due to a decrease in export volumes of Mineral Products and Live Animal and Animal Products.

Import payments decreased by 25% when comparing to March 2016 and increased by 14% compared to the corresponding period a year ago. This decline results from a decrease in import payments for machinery, mechanical and electrical appliances.



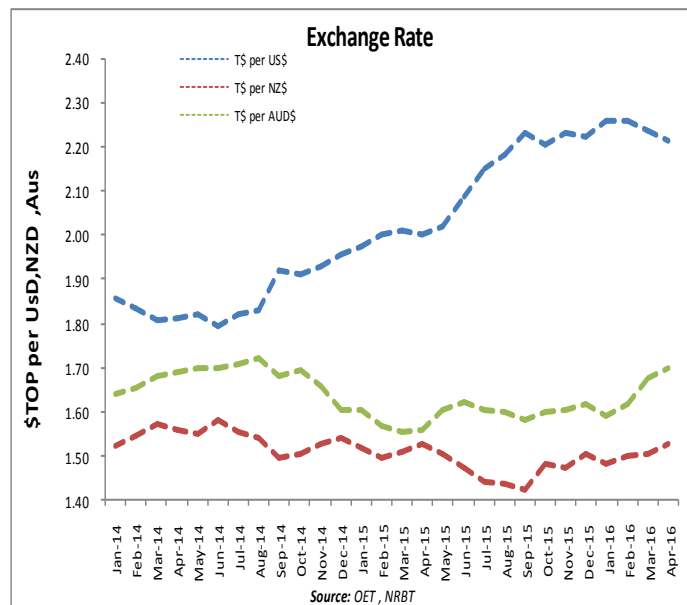
Foreign Reserves

Foreign Reserves remain high at TOP\$322.9 million, increasing by 1.8% compared to March 2016 and significantly increased by 18.7% compared to the same period a year ago. The level of foreign reserves for April 2016 was equivalent to 9 months of import cover which is well above more than double the NRBT's minimum range of 3-4 months.



Exchange Rate

Nominal and Real Trade Weighted Index both slightly declined by 0.005% compared to March 2016. By comparing these two rates to the same period over a year ago, both rates declined by 0.06% respectively. This is due to depreciation of Tongan Pa'anga against New Zealand and Australian dollars. Depreciation of Tongan Pa'anga leads to a higher cost of imports such as meat which increased throughout the month mainly because Tonga imports meat from New Zealand and Australia. However this depreciation benefits recipients of foreign exchange such as individuals receiving remittances.



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