

At a Glance

February 2009

Release date: March 2009

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February:

Economic Indicators

Headline Indicators	Feb 09 Values (\$m Pa'anga unless otherwise indicated)	Change (vs Jan 09 unless otherwise indicated)
Economic Activity		
Exports	\$ 0.6	↓ 25%
Imports	\$15.3	↓ 16%
Electricity consumption	N/A	
Tourist Receipts	\$2.3	↓ 20.7%
Air arrivals (number)	2,461	↓ 24.4% vs Jan 09
- year to date		↑ 16.3% vs Feb 08
Outstanding housing loans	N/A	
Remittances	\$11.2	↓ 5.9%
Monetary Indicators		
Annual Inflation	1.9%	↓ 48.7%
Retail Fuel Prices	Petrol: \$1.89/ltr	↓ 10.0%
	Diesel: \$2.22/ltr	↓ 10.1%
Foreign Reserves	\$131.1	↑ 0.54%
Import cover	5.1 months	=
Total liquidity	N/A	
Balance of Payments	-\$0.7	↓ 98.9%
Current Account Balance	-\$7.4	↑ 35.1%
Fiscal indicators		
Revenue (after 67% of year)	54.4%	\$135.39
Expenses (after 67% of year)	45.6%	\$113.41
Donor Activity		
Aid revenue received	\$0.5	
Aid expenditure	\$1.2	

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Summary

- ♦ Inflation recorded the lowest month ever in the last decades.
- ♦ Remittances further declined by \$0.7 million pa'anga, lowest since at least December 2004.
- ♦ Fishing industry has improved slightly with total catches increased by 40%.
- ♦ Tourist receipts has decreased by 21% so as the number of air arrivals which shows a slight decrease in tourism industry.

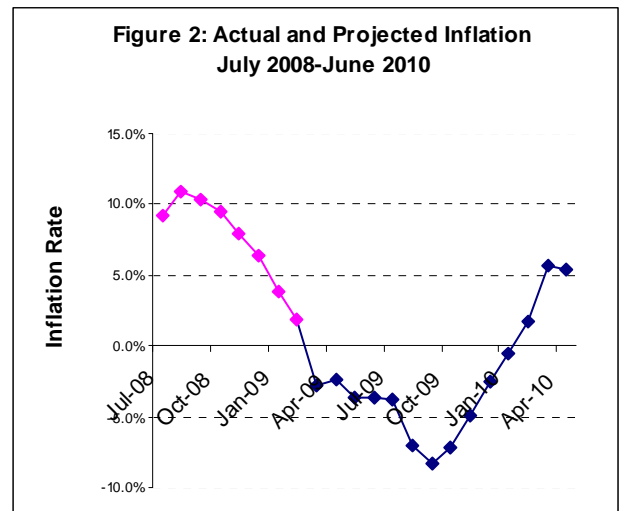
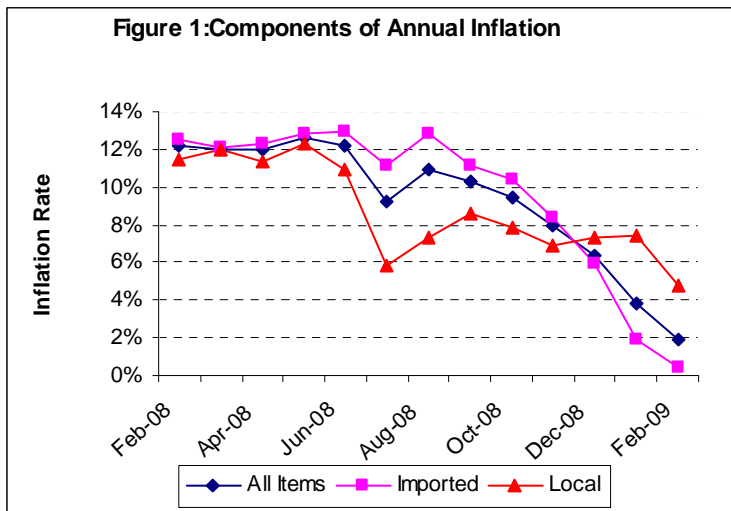
Inflation: Lowest Ever

The inflation rate has continued to ease from 3.9% to 1.9% in February 2009. Inflation was 2% lower than the previous month and 10.3% lower than the same period last year. This is the lowest monthly inflation rate since January 1997. The easing of inflation rate is mainly attributable to decline in transportation(-0.75%). Local & imported food increased but at a slower rate of 1.23% as did tobacco & alcohol by 0.08%.

Table 1: Inflation Rate (%)

	Feb-09	Jan-09	Feb-08
Imported	0.4%	1.9%	12.5%
Local	4.7%	7.4%	11.5%
Average inflation	1.9%	3.9%	12.2%

Source: Statistics Department, 2009



Inflation is forecasted to continue falling as reduction in exchange rate and international fuel prices reduce the cost of imported goods.

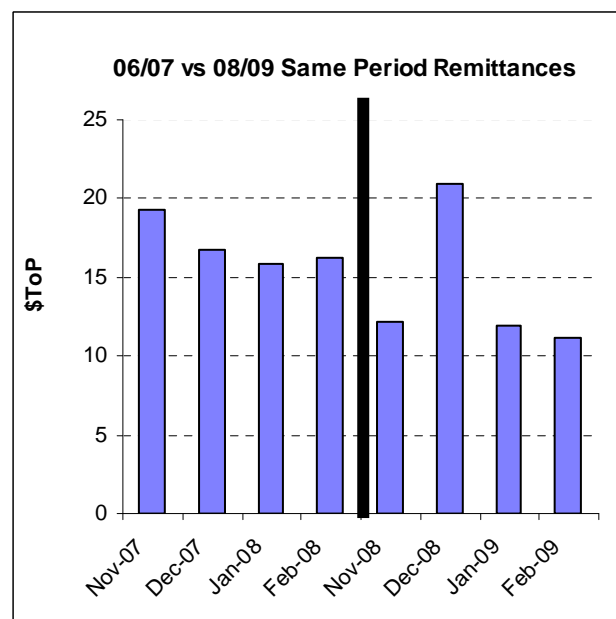
Remittances:

Remittances have further declined by \$0.7 million to \$11.2 million for February 09 from the previous month. Household remittances have decreased by 0.68% and non-profit remittances remains steady.

Global financial crisis and economic downturn in remitting countries might be the reason why remittances are declining.

Table 2: Monthly Remittances (T\$m)

	Dec-08	Jan-09	Feb-09
Household Remittances	19.9	10.2	9.5
Non-Profit	1.1	1.7	1.7
Private	21.0	11.9	11.2

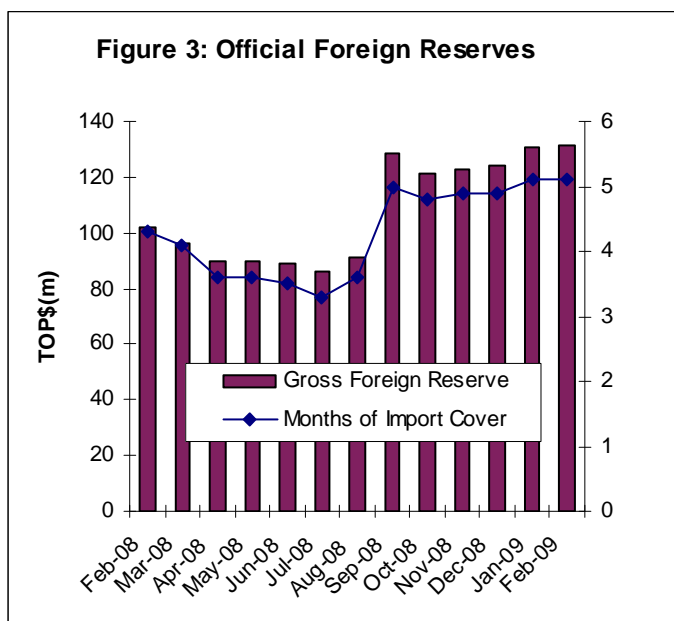


Sources : National Reserve Bank of Tonga

Reserves: Remains steady

Official foreign reserves remained steady this month and well above the NRBT target of around 4 months of import cover.

Favourable exchange rates and declining oil prices continue to contribute to this high level of reserves.



Source: National Reserve Bank of Tonga, 2008

Fisheries

Fuel Concession Committee figures shows that total catches increased by 25% from the previous month but declined by 40% from the corresponding period in 2008.

Both total exports and consumption increased by 73% and 12% respectively from January 2009. Two extra vessels operated in February with more ice-blocks and baits available.

Table 3: Fisheries

	Fishing Vessels	Fuel (litres)	Exports (kg)	Local (kg)
Feb-08	17	80,570	49,848	33,543
Jan-09	13	42,900	13,492	23,582
Feb-09	15	36,700	23,383	26,312

Source: Fisheries Department

Government Fiscal Performance (GFS basis)

1. Overall result for February

- The Government's overall position for the eight months to February 2009 was a \$21.98 surplus.
- The surplus for February was \$2.52 million surplus.

2. Revenue

- Accumulated Total Revenue and Grants was \$135.39 million. Approximately 73.9% was current revenue and 27.3% from donor's grants.
- Of the \$83.93 million of current revenue, tax revenue contributes 85% while 15 % comes from non tax revenue.
- Total revenue and grants increased by 10.9% from December 08.

3. Expenditure and Net Lending

- Total Expenditure and Net Lending was \$113.41 million.
- This was shared between current expenditure of \$102.50 million, Capital expenditure of amounted to \$7.79 million and net lending of \$3.11 million.
- Total expenditure and net lending decreased by 0.3%.

Debt Management

- Total debt slightly decreased to \$212.26 million which is 35.25% of GDP due to favourable exchange rate movements.
- External debt decreased to \$189.80 million and domestic debt remains at \$22.4m.
- Total debt servicing consumes 0.94% of GDP (\$5.63m/\$602.1m) and 4.48% or (\$5.63m/\$125.52m) of recurrent revenue.
- Remaining total debt service payments for March to June 2009 is \$11.21 million.