


# At a Glance July 2012

## HIGHLIGHTS

- The annual rate of inflation fell in July 2012 to 0.9%, which reflected a fall in both local and import price indices – mainly local fruits & vegetables and fuel prices (*Figure 1*).
- Retail fuel prices continued to fall in July 2012 from the previous month and were also lower compared year-on-year (*Figure 2*) – in line with a fall in world oil prices<sup>1</sup> from an average of US\$117/bbl to US\$103/bbl.
- Despite weakening of the Tongan Pa'anga against the US (*Figure 4*) and Australian dollars, cash remittances continued to weaken in July 2012 and was significantly lower year-on-year (*Figure 3*); which was supposedly impacted by an increase in unemployment in Australia and New Zealand, up by 0.1 and 0.2 percentage points respectively. This year-on-year fall in July 2012 cash remittances was reflected in a decline by nearly 10% fall in imports value.
- The level of gross foreign reserves continued to increase in July 2012 (*Figure 5*) mainly due to foreign aid and tourism receipts which more than offset import and airline payments (ticket sales made by companies to their overseas head offices overseas) made during the month. Also the months of import coverage increased in July 2012 – in line with a fall in imports during the same month.
- Export receipts was fairly stable in July 2012 compared to the previous month and the same month last year. However, import payments declined allegedly in line with the post-church conference impact; plus a fall in remittances during the month.
- As imports fell in July 2012 so did the amount of consumption tax (CT) collected on imports, which decreased by 5% (or down by \$0.2 million). But despite this fall, it still remained 28% higher than the amount collected in the same month last year due to lower imports in July 2011.
- Tourism receipts recorded a high of \$8.4 million in July 2012, mainly accounted for by foreign card transactions made during the week of the Royal Wedding, together with an increase in tourist departures<sup>3</sup> from both Australia and New Zealand that arrived in Tonga during July 2012 (*Figure 9*). Over 40% of those that departed from New Zealand to Tonga in July 2012 came for holiday or vacation, followed by 30% that came to visit friends and relatives (*Figure 10*). However, the peak during July 2012 remained in line with its strong seasonal trends, similar to the December periods, where a high number of short-term NZ & Australian residents arriving to Tonga is being recorded.
- Total recurrent revenue increased in July 2012 compared to the previous month, mainly from dividends from Public Enterprises, rent on tax allotments and from administration fees & charges.

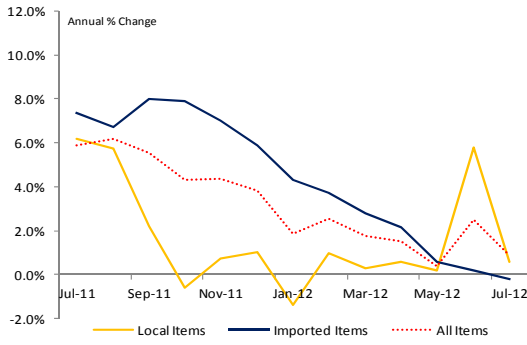
	(T\$m unless otherwise indicated)			% change from		% of Budget (2012/13)	% of GDP <sup>2</sup> (2012/13)
	July 2011	June 2012	July 2012	June 2012	July 2011		
<b>Total Revenue &amp; Grants</b>	<b>14.69</b>	<b>18.75</b>	<b>13.87</b>	<b>-26.0%</b>	<b>-5.6%</b>	<b>6.37%</b>	<b>1.77%</b>
Total Revenue	10.93	10.80	12.50	+15.7%	+14.4%	8.37%	1.59%
Grant (excl in-kind grants)	3.76	7.95	1.36	-82.9%	-63.8%	1.98%	0.18%
<b>Total Expenditure &amp; Net Lending</b>	<b>12.35</b>	<b>25.19</b>	<b>14.53</b>	<b>-42.3%</b>	<b>+17.7%</b>	<b>6.87%</b>	<b>1.85%</b>
Expenditure (excl in-kind grants)	12.29	25.09	14.52	-42.1%	+18.1%	6.88%	1.85%
Total Net Lending	0.05	0.10	0.01			1.93%	0.00%
<b>Total Public Debt</b>	<b>287.7</b>	<b>352.1</b>	<b>349.9</b>	<b>-0.6%</b>	<b>+21.6%</b>		<b>44.6%</b>
<b>ECONOMIC ACTIVITY INDICATORS</b>							
Exports (OET Basis)	0.4	0.4	0.5	+25.0%	+25.0%		
Imports (OET Basis)	19.1	19.6	17.3	-11.7%	-9.4%		
Cash Remittances	11.0	8.8	8.2	-6.8%	-25.5%		
Tourist Receipts	4.9	3.4	8.4	+147.1%	+71.4%		
<b>MONETARY INDICATORS</b>							
Official Foreign Reserves	197.6	246.1	251.1	+2.0%	+27.1%	<i>Note: Overall Budget 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.</i>	
Import Cover (months)	7.5	9.2	9.4	+2.2%	+25.3%		
Inflation	5.9%	2.5%	0.9%	-1.6% point change	-5.0% point change		
Retail Fuel Prices (monthly average)							
Petrol (T\$/litre)	2.85/litre	2.87/litre	2.74/litre	-4.5%	-3.9%		
Diesel (T\$/litre)	2.91/litre	2.93/litre	2.82/litre	-3.8%	-3.1%		

<sup>1</sup> Brent Crude Oil Spot Prices

<sup>2</sup> Nominal GDP 2012/13: T\$784.5 million

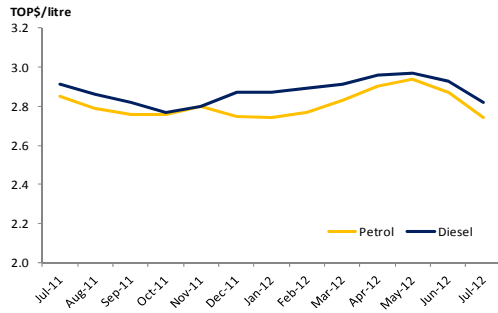
<sup>3</sup> Australian & New Zealand residents short-term departure to Tonga

Figure 2: Consumer Price Index (Inflation)



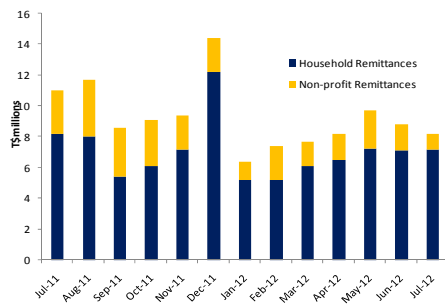
Source: Tonga Bureau of Statistics

Figure 3: Retail Fuel Prices (monthly average)



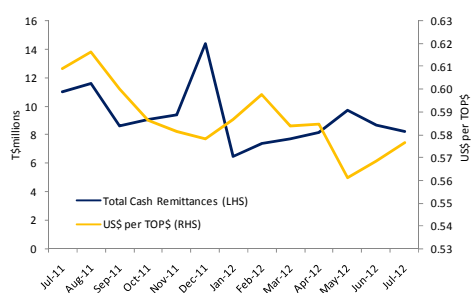
Source: Tonga Bureau of Statistics

Figure 4: Cash Remittances



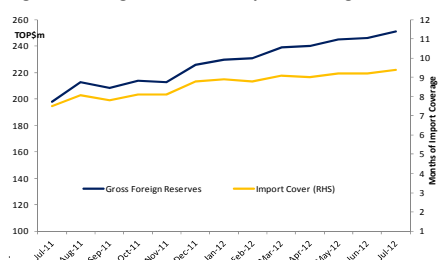
Source: National Reserve Bank of Tonga

Figure 5: Remittances vs. Exchange Rate (US\$/TOP\$)



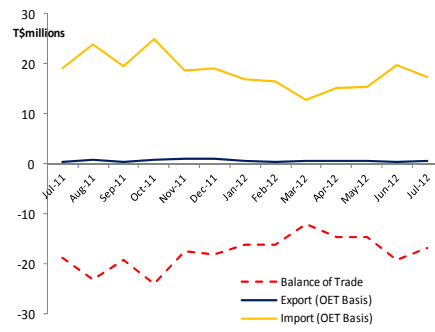
Source: National Reserve Bank of Tonga

Figure 6: Foreign Reserves & Import Coverage



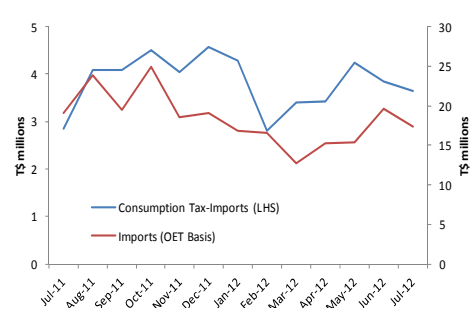
Source: National Reserve Bank of Tonga

Figure 1: Balance of Trade (OET Basis)



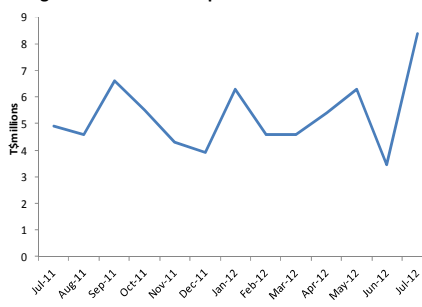
Source: National Reserve Bank of Tonga

Figure 7: Consumption Tax vs. Imports



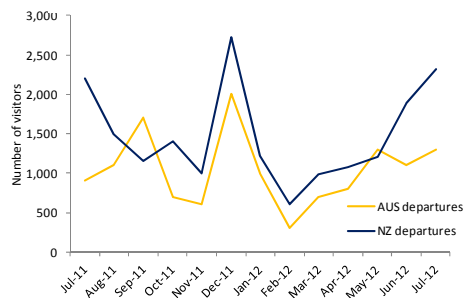
Sources: National Reserve Bank of Tonga, Ministry of Finance & National Planning

Figure 8: Tourism Receipts



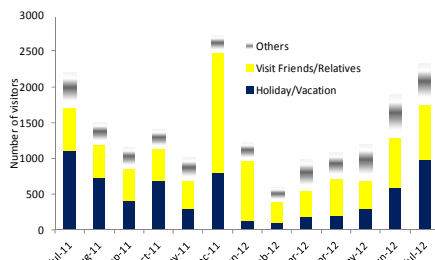
Source: National Reserve Bank of Tonga

Figure 9: Residents departures to Tonga (short-term)



Sources: Statistics New Zealand & Australian Bureau of Statistics

Figure 10: NZ Residents departures to Tonga (short-term)



Source: Statistics New Zealand