

At a Glance

June 2009

Release date: June 2009

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June:

Economic Indicators

Headline Indicators	May 09 Values (\$m Pa'anga unless otherwise indicated)	June 09 Values (\$m Pa'anga unless otherwise indicated)	Change (vs May 09 unless otherwise indicated)
Economic Activity			
Exports	1.4	1.2	↓14.3%
Imports	16.8	17.8	↑6.0%
Electricity consumption	N/A	N/A	
Tourist Receipts	2.5	2.6	↑4.0%
Air arrivals (number)	3,826	5,025	↑31.3%
- year to date		21,493	
Outstanding housing loans	\$101.3	\$101.3	=
Remittances	\$12.2	\$14.4	↑18.0%
Monetary Indicators			
Annual Inflation	1.9%	1.2%	↓36.8%
Retail Fuel Prices	Petrol: \$2.15/ltr Diesel: \$2.09/ltr	\$2.20/ltr \$2.16/ltr	↑2.33% ↑3.35%
Foreign Reserves	\$132.1	\$136.3	↑3.18%
Import cover	4.6 months	5.1 months	
Total liquidity	\$273.4	\$277.3	
Balance of Payments	-\$0.5	4.1	
Current Account Balance	-\$7.9	-3.4	
Fiscal indicators			
Revenue (100% of year)	\$177.4	\$198.0	
Expenses (100% of year)	\$159.7	\$187.2	
Donor Activity			
Aid revenue received		\$45.2	
Aid expenditure		\$18.4	

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Summary

- ♦ Inflation marked the end of the financial year 08/09 at its lowest in over a decade.
- ♦ Remittances increased by \$2.2 million pa'anga from previous month.
- ♦ Foreign Reserves increased by 3.18% from May 09.
- ♦ Governments overall position for the last month of the financial year record a surplus of \$10.8 million pa'anga.

Inflation: Lowest since 2003

The inflation rate struck the lowest level since January 1997. It decreased to 1.2% from 1.9% in May 2009 and 12.6% in June 08.

This decrease in the rate of inflation was mainly driven by a 17.6% decrease in imported transportation and a 8.4% decreased in household operations. These huge falls offset dramatic increases in imported food, housing and tobacco and alcohol.

Inflation was 0.7% lower than in June 08

and lower by 11.4% from the corresponding period of last year.

Table 1: Inflation Rate (%)

	Jun-09	May-09	Jun-08
Imported	0.9	0.7	12.8
Local	1.8	4.0	12.3
Average inflation	1.2	1.9	12.6

Source: Statistics Department

Figure 1: Components of Inflation from June 08— June 09

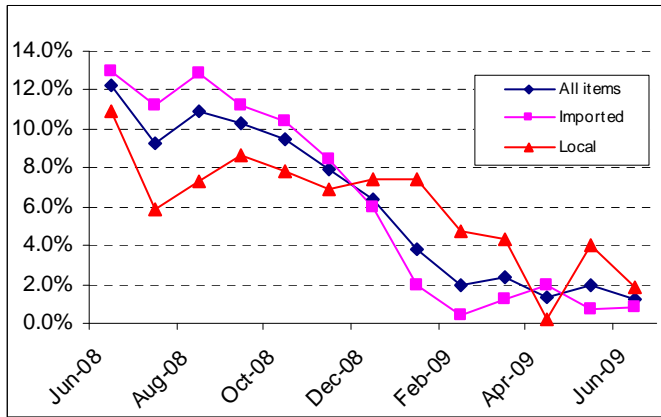
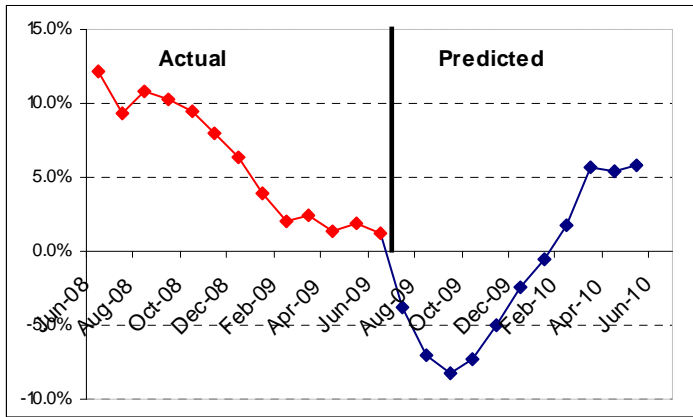


Figure 2: Actual & Projected Inflation Jun 08 - Jun 10



Fuel Prices

The retail price of fuel increased by 5 seniti (2.3%) for petrol and 7 seniti (3.4%) for diesel from last month.

The price of petrol is 89 seniti (or 28% lower than in June 09 and \$1.25 (37%) lower than in June 08.

Figure 3: Comparison Fuel Prices of same period 2008/09

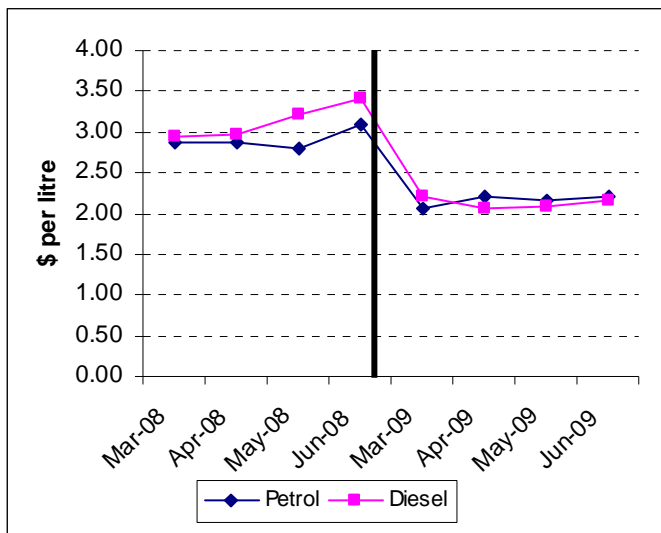


Table 2: Fuel Prices for April 09 and May 09.

	Petrol (\$ per litre)	Diesel (\$ per litre)
June 09	2.20	2.16
May 09	2.15	2.09
June 08	3.09	3.41

Source : Ministry of Labour, Commerce & Industries

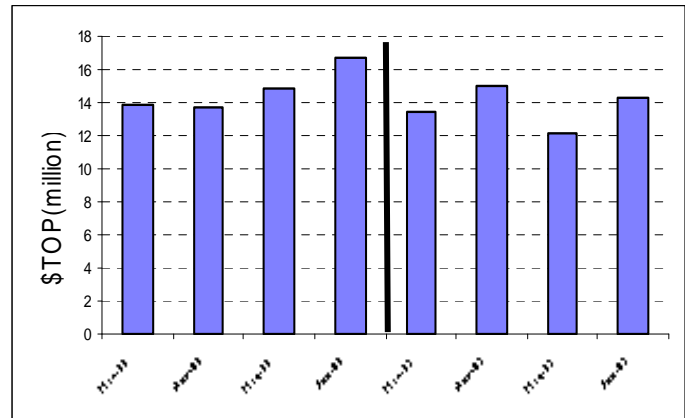
Fuel prices have remained below \$3.00 pa'anga per litre since the beginning of the year.

Remittances

Remittances increased by \$2.2 million pa'anga (or 18%) from \$12.2 million pa'anga in May 09 to \$14.4 million pa'anga in June 2009. This is \$2.4 million pa'anga or 14% lower than in June 2008.

Non-profit organizations remittances decreased by \$0.5 million pa'anga and household remittances increased by \$2.7 million pa'anga as compared to previous month.

Figure 4: Total Private Remittances Mar-Jun 2008 compared to 2009



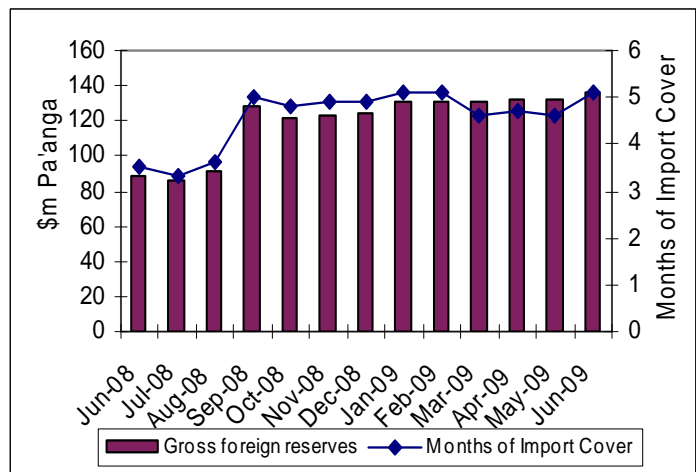
Source: National Reserve Bank of Tonga

Foreign Reserve

Official foreign reserves increased by \$4.2 million pa'anga from \$132.1 million pa'anga in May 2009 to \$136.3 million pa'anga this month. Foreign reserves have increased by \$47.2 million pa'anga compared to the corresponding period last year.

This level is still well above the NRBT target of around 4 months of import cover.

Figure 5: Official Foreign Reserve (Jun 08-Jun 09)



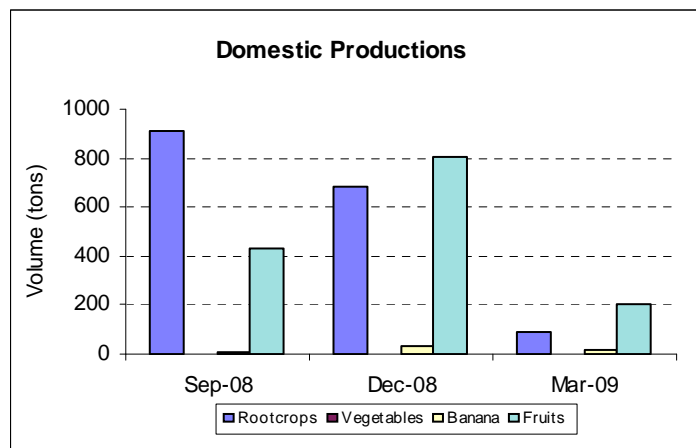
Source: National Reserve Bank of Tonga

Agriculture

Talamahu market reports show that the volume of agricultural products sold at the market for March 09 quarter has decreased by 78% from December 08 quarter and by 82% from the same quarter of the previous year.

This is due to a number of factors such as low volume of productions and roadside sellers not being captured in the official data.

Figure 6 : Domestic Productions



Source: M.A.F.F.F

Government Fiscal Performance (GFS basis)

1. Overall result for June

- ◆ The Government's overall position for the financial year ended June 2009 was a \$10.8 million pa'anga surplus represented by \$15.0 million pa'anga deficit from Government fund and \$25.9 million surplus from Grants.
- ◆ The overall position for June alone was a \$5.01 million pa'anga deficit.

2. Revenue

- ◆ Aggregate level of Revenue and Grants for Jul-Jun 08/09 was \$198 million pa'anga which is 88% of original budget estimates. Of its revenue 65% came from tax items, 13% from non-tax and 22% from Grants.

3. Expenditure and Net Lending

- ◆ Total Expenditure and Net Lending for Jul-Jun 08/09 was \$187.2 million pa'anga which is 86.7% of the total budgeted expenditure and net lending. 88.3% of expenditure was on current expenditure, 8.4% for capital expenditure and 3.3% was net lending.

Debt Management

- ◆ Total public debt as at 30th June 2009 is estimated at \$224.95m or 37.05% of GDP. Of this external debt is \$202.49 (33.4% of GDP) and domestic debt is \$22.5m (3.70% of GDP).
- ◆ Total public debt increased by \$14.0 million in the June 09 quarter.
- ◆ Total Debt Servicing consumes 2.87% of GDP (\$17.40m/\$607.2m), 8.79% or (17.40m/\$198.0m) of recurrent revenue and 9.51% or (\$17.40m/183.0m) recurrent expenditure.

National Strategic Planning Framework

The second redrafting of the new Planning Framework has been completed and will be submitted back to Cabinet for approval. The next process is the reviews of the Ministries Corporate Plans and Annual Management Plan to ensure that they are aligned with the objective under the National Strategic Planning Framework.

1. Regional & Rural Developments

1.1 *Ha'apai Developments*

The implementations of the current projects in the Ha'apai group including the installation of water tanks and upgrading of agriculture roads are on track. New projects about to be implemented in Ha'apai include the building of a fence for the Niu'ui Hospital and the construction of the Nomuka wharf. These new projects are being funded by the Government of Australia.

1.2 *Niuas Developments*

The Niuatoputapu High School was completed this month. This project was funded by a \$3.2 million Pa'anga grant from the NZAID.

1.3 *'Eua Development*

The Government of New Zealand has agreed to fund the reconstruction of the 'Eua Runway which will cost approximately \$1.2 million Pa'anga. This grant will include fencing the runway, renovation of the existing terminal building and upgrading the runway road. Furthermore, NZAID will also be replaced the signing at tourists site in 'Eua that were damaged by strong winds. This assistance will support tourism development in 'Eua.