

# At a Glance-June 2012

## HIGHLIGHTS

- Despite - world oil prices volatility, the annual inflation rate -declined from 7.1% in June 2011 to 2.5% June 2012. In comparison to May 2012 inflation rose by 2.1 percentage point. The rise in price for June 2012 was driven by local commodities food prices.
- The decline in world oil prices help to lower fuel cost for June 2012.
- Trade deficit gap has widened in June 2012 by T\$4.4 million. For the same period export declined by T\$0.3 million at the same time import increased by T\$4.3.
- Total Cash Remittances slightly declined in June 2012 to T\$8.7 million from the previous month, down by \$1.1 million, and 22.5% lower in comparing to the level in June last year. The appreciation of Tongan pa'anga against NZ and Aust. dollars has had an impact on the declination of cash remittances but the real flow on effect of comes from the global economic crisis that everyone felt recently.
- Tourist receipts declined in June 2012 to T\$3.4 million compared to T\$6.3 million in previous month and T\$4.7 million a year ago. The declined in tourist receipt also is strongly link to global economic crisis as well as the continue surged of the Tongan pa'anga against its main trading partners currencies.
- The level of foreign reserves slightly increased in June 2012 to T\$246.1 million, up by T\$1.1 million from the previous month; this is primarily due to receipts of foreign aid and remittances, which offset import payments and loan repayments during the month.
- Total revenue declined in June 2012, down by T\$3.51 million compared to previous month, due to a fell in collection of taxes on income & profits and domestic goods & services. Year on year, total revenue was T\$18.58 million lower because of the last payment of tax arrears from Tonga Sat received in June 2011.
- Total expenditure was T\$7.81 million higher in June 2012 than in the previous month, due to interest payments made on domestic bonds and other purchases of goods and services.

	(T\$m unless otherwise indicated)			% change from		YEAR TO DATE (YTD) July 2011-June 2012		
	June 2011	May 2012	June 2012	May 2012	June 2011	Values (T\$m)	% of Budget (2011/12)	% of GDP <sup>1</sup> (2011/12)
<b>FISCAL INDICATORS (GFS Basis)</b>								
<b>Total Revenue &amp; Grants</b>	<b>41.59</b>	<b>14.77</b>	<b>18.75</b>	<b>+26.9%</b>	<b>-54.9%</b>	<b>223.12</b>	<b>107.93%</b>	<b>28.55%</b>
Total Revenue	29.38	14.31	10.80	-24.5%	-63.2%	144.26	103.58%	18.46%
Grant (excl in-kind grants)	12.21	0.46	7.95	+1628.3%	-34.9%	78.86	116.92%	10.09%
<b>Total Expenditure &amp; Net Lending</b>	<b>24.08</b>	<b>16.91</b>	<b>25.19</b>	<b>+49.0%</b>	<b>+4.6%</b>	<b>198.35</b>	<b>99.14%</b>	<b>25.38%</b>
Expenditure (excl in-kind grants)	24.06	16.91	24.72	+47.4%	+2.7%	197.40	99.62%	25.26%
Total Net Lending	0.02	0.00	0.10 <sup>2</sup>			0.95	49.59%	0.12%
<b>Total Public Debt</b>	<b>304.32</b>	<b>357.2</b>	<b>352.09</b>	<b>-1.4%</b>	<b>+15.7%</b>			<b>45.05%</b>
<b>ECONOMIC ACTIVITY INDICATORS</b>						<b>YTD Values (July 2011-June 2012)</b>	<b>% change from prev. YTD (July 2010-June 2011)</b>	<b>YTD (July 2011-June 12) as a % of GDP</b>
Exports (OET Basis)	0.8	0.7	0.4	-35.2%	-45.7%	7.8	-30.4%	0.99%
Imports (OET Basis)	21.2	15.3	19.5	+27.1%	-8.1%	221	-4.2%	28.28%
Cash Remittances	11.2	9.8	8.7	-10.8%	-22.5%	112.3	-23.3%	143.37%
Tourist Receipts	4.7	6.3	3.4	-45.2%	-26.9%	60.4	-0.82%	7.73%
<b>MONETARY INDICATORS</b>								
Official Foreign Reserves	203.8	245.0	246.1	+0.45%	+20.8%	<i>Note: 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.</i>		
Import Cover (months)	7.7	9.2	9.2	-	+19.6%			
Private Sector Credit	267.5	240.3	241.4	+0.46%	-9.76%			
Inflation	7.1%	0.4%	2.5%	+2.1% point change	-4.6% point change			
Retail Fuel Prices (monthly average)								
Petrol (T\$/litre)	2.96	2.94	2.87	-2.4%	-3%			
Diesel (T\$/litre)	2.29	2.97	2.93	-1.3%	-3.6%			

<sup>1</sup> Nominal GDP 2011/12: 781.5 million

<sup>2</sup> The change in the figures under the Fiscal Indicators from the previous At a Glance June 2012 report released in August 2012 was revised due to structural errors, particularly for the 'Net Lending' figures.

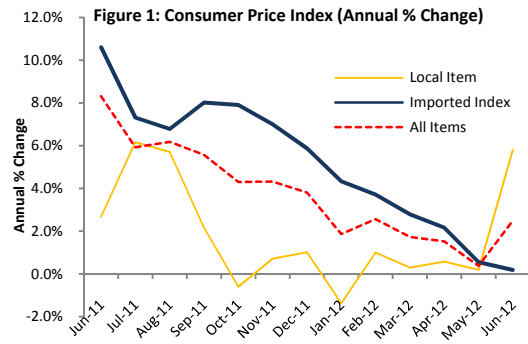
The annual inflation rate has been increased in June 2012 to 2.5% from the previous month, up by 2.1 percentage points and much lower than the annual rate for June 2011 of 7.1%. The Local annual inflation rate was increased by 0.2% to a new high of 3.8% in May 2012

The Imported Index for the month was 0.3% - that was lower than 0.5% for the June period. The rise in the price of Local Index was cause by a dramatic increase in prices of local seafood such as tuna & octopus and local vegetables such as head cabbage, pele & lu leaves. The fell in the price of Imported Index primarily due to a declining in price of petrol both diesel and unleaded.

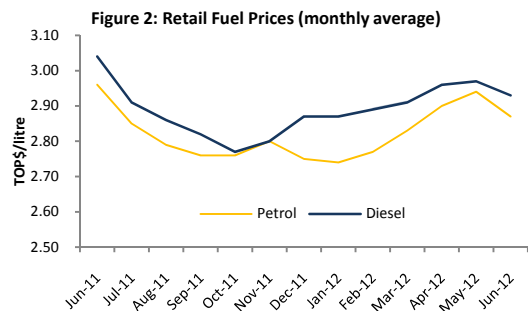
Monthly average retail fuel prices decreased in June 2012 compared to the previous month, in which unleaded petrol was down by \$0.07 seniti/litre to \$2.87/litre, and diesel down by \$0.04 seniti/litre to \$2.93/litre. According to Competent Authority, the continous fell in prices of fuel during May to June 2012 were mainly due to fall in the world market price below US\$100/barrel, slow demand for and increase supply of fuel mainly from the OPEC countries.

Total cash remittances declined in June 2012 to \$8.7 million compared to \$9.8 million recorded in previous month, with an aggregated total for the 12 months to June 2012 standing at \$112.3 million, representing 22.5% that is lower than what was received 12 months ago. The appreciation of the Tongan pa'anga against NZ and Aust dollars (*main sources of household remittances*) exacerbates the declined in remittances during June 2012. Remittances from US have increased by 9.8% to reach a new level of 51.8%. During June 2012, the Free Wesleyan Church of Tonga held their church conference together with the opening ceremony of the new building of Constitution Church of Tonga; and most of their families and relatives overseas donate by providing food items through transfer companies instead of being captured in cash remittances, which also reflect by a 27.1% increase in imports payment compared to May 2012.

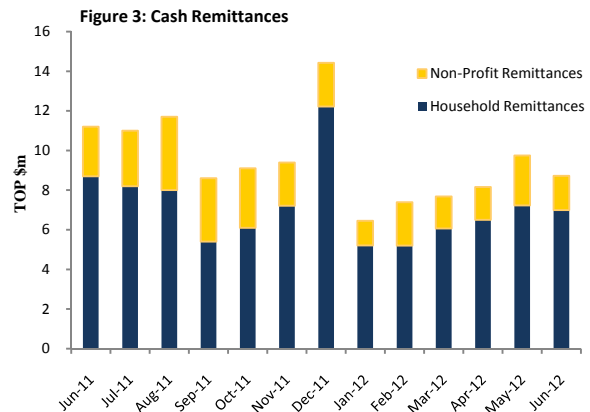
Tourist receipts declined in June 2012, down by 45% compared to the previous month and 27% compared to a year ago. However provisional data from Statistics on tourist arrivals (*by air*) shows an increase in June 2012, up by 34% in comparing to the previous month and 14% in comparing to the same month last year. The declined were due weakening or uncertain economic conditions in some source countries such as United States, Australia and particularly New Zealand.



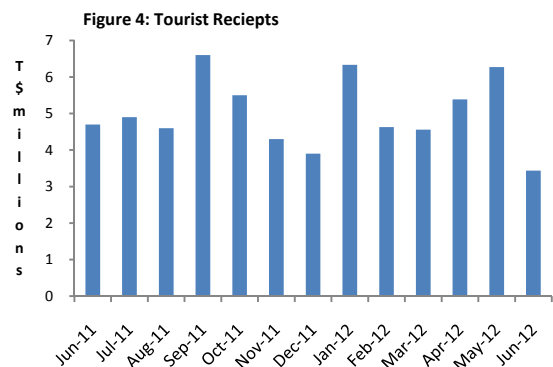
Source: Tonga Statistics Department



Source: Tonga Statistics Department



Source: National Reserve Bank of Tonga



Source: Tonga Statistics Department

Trade deficit gap has widened in June 2012 by T\$4.4 million. For the same period export declined by T\$0.3 million at the same time import increased by T\$4.3. Year-on-Year comparison on trade deficit recorded a decline of T\$1.2 million. Export was mainly driven by the primary sector (sandalwood 97%).

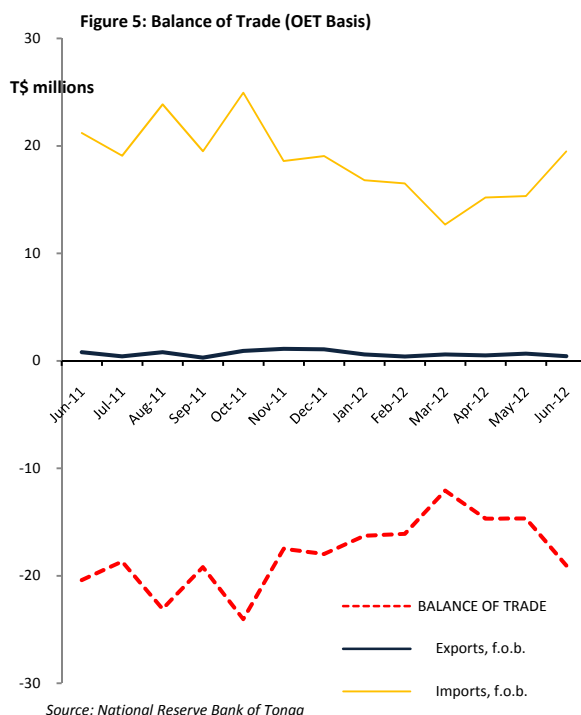
The imposition of a partial moratorium on harvesting of sea cucumber (the Minister for MAFFF reopened the moratorium late June) and total banning of scandal has been a major contributing factors to the declined of commodities in the export sector. Exacerbate further the poor performances of the export sector, coconut and Kava production also dropped by 69% and 40%. Volume of aquarium exported for June 2012 was also declined by almost 60% in comparison to the previous month however fish export has increased by 50%. The increased on harvesting of Tuna (up by 132%) has been the main driving factor for the industry export performances. On the year-on-year comparison export sectors hasn't done too well, export receipts declined by 46%.

Import for the month of June 2012 has increased by T\$4.2 million to a high of T\$19.5. Commodities were mainly imported from the United States of 62%.

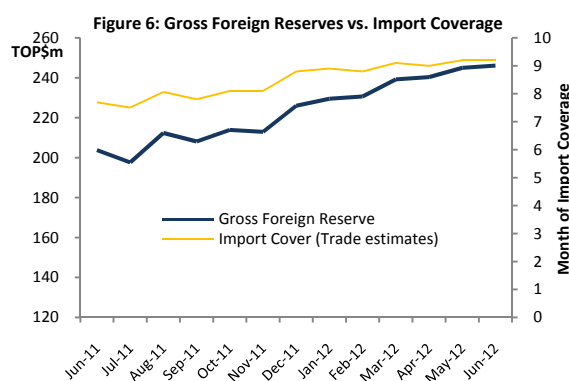
Level of foreign reserves increased in June 2012, up by \$1.1 million, to \$246.1 million, from \$245 million in the previous month and \$203.8 million in the same month last year. Months of import coverage stays the same at 9.2 months in June 2012 compare to previous month and increase from 7.7 months in June 2011. The increase in foreign reserves was mainly due to the receipt of foreign aid and remittances, which offset import payments and loan repayments during the month.

Tongan Pa'anga Exchange Rates			
	June-12	May-12	June-11
AUD\$	0.5657	0.5738	0.5496
NZD\$	0.7223	0.7393	0.7125
USD\$	0.5685	0.5612	0.5858

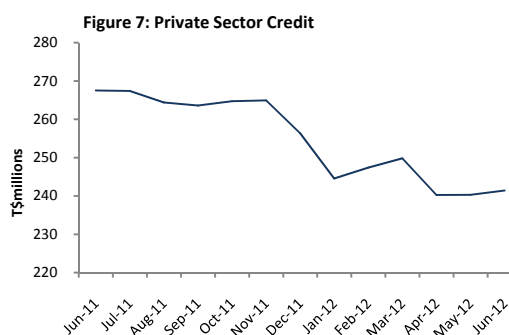
The level of credit to the private sector in June 2012 amounted to \$241.4 million compared to \$240.3 million in the previous month and \$267.5 million in June last year. The roses in private sector credit mainly reflected in the slow economic recovery and write off of bad loans compared to the previous month. Growth in private sector credit expected to slowly pick up in the next six months mainly due to new loans expected to be made to public enterprises. Liquidity in the banking system is expected to remain high from the receipts of aid funds from Tonga's development partners.



Source: National Reserve Bank of Tonga



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