

# At a Glance

## May 2009

Release date: June 2009

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May:

### Economic Indicators

Headline Indicators	May 09 Values (\$m Pa'anga unless otherwise indicated)	Change (vs Apr 09 unless otherwise indicated)
<b>Economic Activity</b>		
Exports	N/A	
Imports	N/A	
Electricity consumption	N/A	
Tourist Receipts	N/A	
Air arrivals (number)	N/A	
- year to date		
Outstanding housing loans	N/A	
Remittances	\$12.2	↓18.1%
<b>Monetary Indicators</b>		
Annual Inflation	1.9%	↑26.3%
Retail Fuel Prices	Petrol: \$2.15/ltr Diesel: \$2.09/ltr	↓3.15% ↑1.95%
Foreign Reserves	\$132.1	↓0.38%
Import cover	4.6 months	↓2.13%
Total liquidity	273.4	↑1.7%
Balance of Payments	\$2.0	=
Current Account Balance	-\$6.3	
<b>Fiscal indicators</b>		
Revenue (after 92% of year)	52.6%	\$177.4
Expenses (after 92% of year)	47.4%	\$159.7
<b>Donor Activity</b>		
Aid revenue received	\$39.9	
Aid expenditure	\$14.6	

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#### Summary

- ◆ Inflation starts to rise after striking the lowest rate since 1997.
- ◆ Remittances decreased by \$2.7 million pa'anga from previous month.
- ◆ Governments overall position for the eleven months to April 09 records a surplus of \$17.8 million pa'anga.

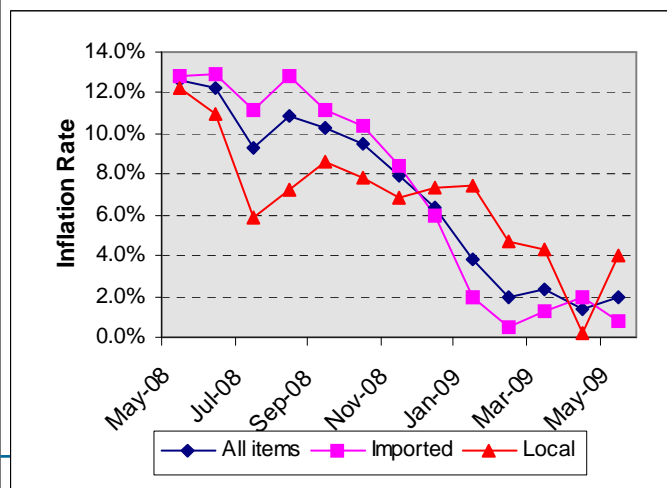
## Inflation: Rising Again

The inflation rate for May 09 has slightly increased to 1.9% after striking the lowest level since January 1997.

This rise in inflation was driven by 8.7% increase in local transportation, 8.1% increase in food and 6.1% increase in other goods and services. Both imported tobacco & alcohol and housing increased dramatically but were offset by falls in transportation and household operations.

Inflation has increased by 0.5% from the

**Figure 1: Components of Inflation from May 08—May 09**



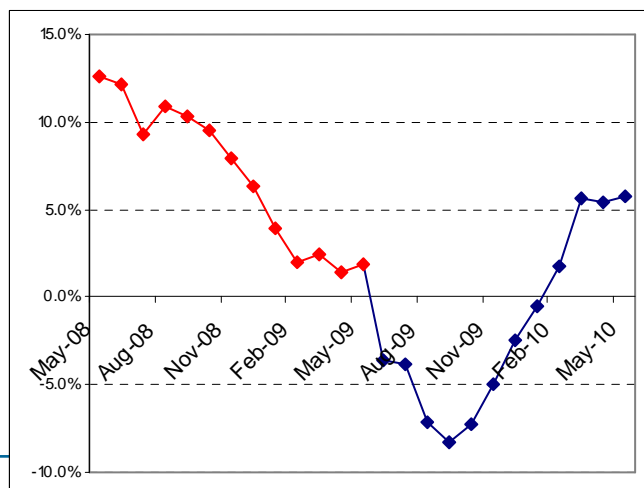
previous month but lower than the 12.6% in the corresponding period of last year.

**Table 1: Inflation Rate (%)**

	May-09	Apr-09	May-08
Imported	0.7	2.0	12.8
Local	4.0	0.2	12.3
Average inflation	1.9	1.4	12.6

Source: Statistics Department

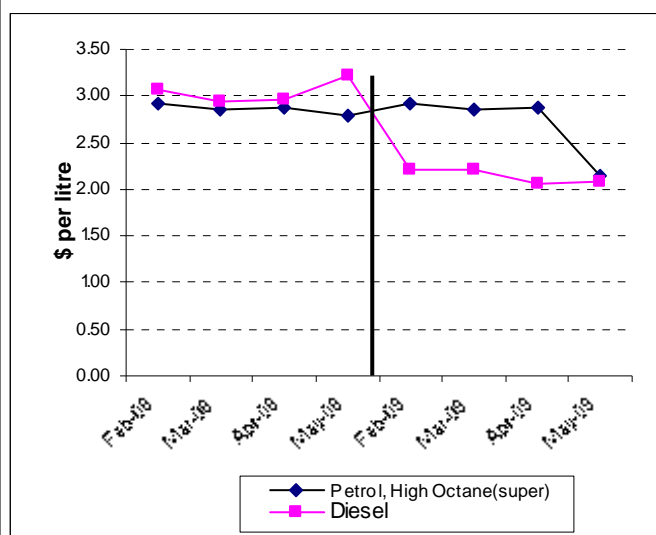
**Figure 2: Actual & Projected Inflation May 07- May 10**



## Fuel Prices

The retail price of petrol decreased by 7 seniti (3.2%) in May 09 from the previous month and lowered by 65 seniti (23.2%) than the corresponding period of last year.

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



The price of diesel increased by 4 seniti (or 2%) from April 09 and decreased by \$1.14 (or 35.3%) from May 08.

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

	Petrol (\$ per litre)	Diesel (\$ per litre)
May 09	2.15	2.09
April 09	2.22	2.05
May 08	2.80	3.23

Source : Ministry of Labour, Commerce & Industries

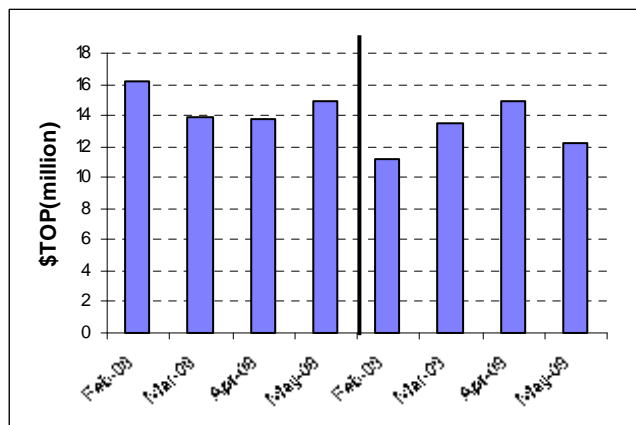
Fuel prices have remained under \$3.00 per litre since December 2008.

## Remittances

Remittances decreased by \$2.7 million pa'anga (or 18%) from \$14.9 million pa'anga in April 09 to \$12.2 million pa'anga in May 2009. This is \$2.7 (or 18%) million pa'anga lower than in May 2008.

Household remittances decreased by \$3.0 million pa'anga and non-profit organizations remittances increased by \$0.3 million pa'anga.

**Figure 4: Total Private Remittances Feb-May 2008 compared to 2009**



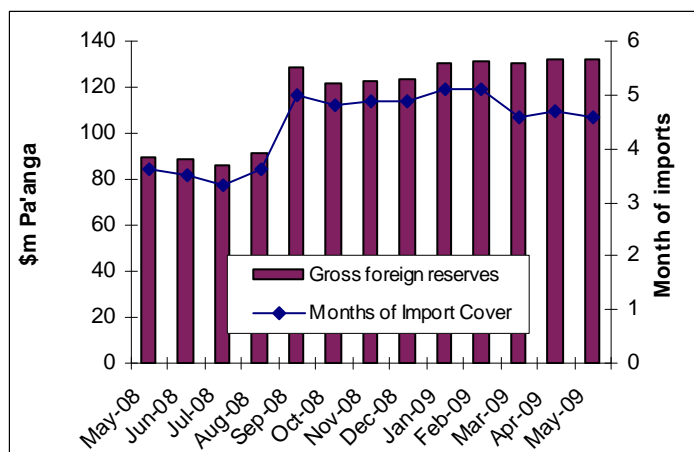
Source: National Reserve Bank of Tonga

## Reserves slightly decrease

Official foreign reserves slightly decreased by \$0.5 million pa'anga from \$132.6 million pa'anga in April 2009 to \$132.1 million pa'anga this month. Foreign reserves have increased by \$42.6 million pa'anga compared to the same period of the previous year.

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

**Figure 5: Official Foreign Reserve from May 08-May 09**



Source: National Reserve Bank of Tonga

## Government Fiscal Performance (GFS basis)

### 1. Overall result for April

- ◆ The Government's overall position for the eleven months to May 2009 was a \$17.7 million pa'anga surplus.
- ◆ The overall position for May alone was a \$0.82 million pa'anga deficit.
- ◆ This is a decrease by 187% from the previous month and 56% lower than the overall position of the corresponding month last year.

### 2. Revenue

- ◆ Aggregate level of Revenue and Grants for Jul-May 08/09 was \$177.5 million pa'anga which is 80% of original budget estimates and 65% from tax items, 13% from non-tax and 22% from Grants.
- ◆ Total Revenue and Grants increased by 118.4% from December 08.

### 3. Expenditure and Net Lending

- ◆ Total Expenditure and Net Lending was \$147.4 million pa'anga.
  
- ◆ This was shared between current expenditure of \$131.1 million pa'anga (89%), Capital Expenditure of \$11.9 million pa'anga(8%) and net lending of \$3.8 million pa'anga (3%).

### Debt Management

- ◆ Total debt is estimated at \$205.62 million pa'anga or 33.86% of GDP (\$607.2m). Of this, external debt is \$183.17 million pa'anga(30.17% of GDP) and domestic debt \$22.45 million pa'anga (3.70% of GDP)
  
- ◆ Total Debt Servicing consumes 2.22% of GDP (\$13.47m/\$607.2m), 7.59% or (13.47m/\$177.50m) of recurrent revenue and 8.43% or (\$13.47m/159.8m) recurrent expenditure.
  
- ◆ Remaining total debt service payment projections to June 2009 are \$2.67 million pa'anga.
  
- ◆ Total budget service estimates remaining as at end of May 2009 are \$7.04 million pa'anga.