

## At a Glance-October 2012

### HIGHLIGHTS

- The annual inflation rate recorded 1.2% in October 2012 compared to -0.6% in the previous month, which was mainly driven by local food and imported fuel prices which offset a fall in domestic power and imported food prices.
- Total cash remittances slightly picked up in October 2012 from the previous month, mainly for household recipients, which offset a 30% decline in remittances to non-profit organizations. During the same period, a slight decline in the unemployment rate in Australia coupled with a depreciation of the Tongan Pa'anga against both the US and NZ dollars; contributed to the increase in the October 2012 cash remittances. However this slight pick up in remittances in October 2012 still remains weak compared to October months of previous years.
- Export receipts increased in October 2012 from the previous month mainly due to proceeds from agricultural products – particularly squash exports, where more than 1,500 tonnes<sup>1</sup> were exported in October 2012 compared to around 700 tonnes in the previous month. Imports payments however declined mainly due to lower imports of fuel and construction materials.
- Tourism receipts recorded an increase in October 2012 from the previous month mainly supported by an increase in usage of foreign credit card transactions and certain events that may have also contributed, included the National Agricultural Show, Donors Forum Meeting and the Pacific Maritime Transport Alliance Conference.
- The level of foreign reserves slightly declined in October 2012 compared to the previous month mainly due to import payments for oil which more than offset increase in remittances. And despite the decline in reserves, months of import coverage remained the same at 8.1 months, mainly supported by the improved trade balance of goods during the same period.
- Total recurrent revenue improved in October 2012 compared to the previous month mainly due to an increase in receipts from income and corporate tax from small and large businesses. On the other hand, recurrent expenditure declined mainly due to a fall in interest payments on public debts, which is not unusual during this period.

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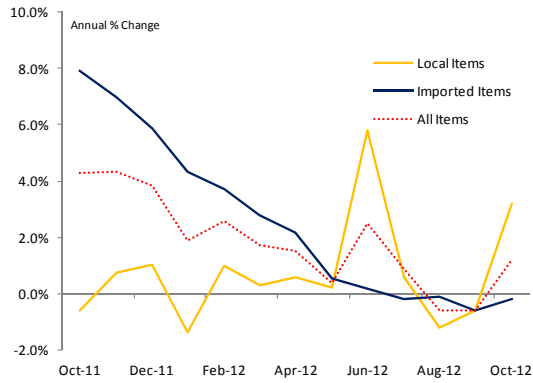
<sup>1</sup>Source: Quarantine

	(T\$m unless otherwise indicated)			% change from		YEAR TO DATE (YTD) July 2012-October 2012		
	Oct 2011	Sept 2012	Oct 2012	Sept 2012	Oct 2011	Values (T\$m)	% of Budget (2012/13)	% of GDP <sup>2</sup> (2012/13)
<b>FISCAL INDICATORS (Government Financial Statistics Basis)</b>						(33% of year)		
<b>Total Revenue &amp; Grants</b>	<b>16.02</b>	<b>10.58</b>	<b>16.08</b>	<b>+52.0%</b>	<b>+0.4%</b>	<b>56.73</b>	<b>26.04%</b>	<b>27.77%</b>
Total Revenue	13.76	9.90	14.66	+48.1%	6.5%	50.89	34.09%	19.03%
Grant (cash grants)	2.26	0.68	1.42	+108%	-37.2%	5.84	8.52%	8.74%
<b>Total Expenditure &amp; Net Lending</b>	<b>13.66</b>	<b>15.14</b>	<b>13.22</b>	<b>-12.7%</b>	<b>-3.2%</b>	<b>66.02</b>	<b>30.48%</b>	<b>27.61%</b>
Expenditure (incl. cash grants)	13.63	15.20	13.11	-13.8%	-3.8%	66.00	30.54%	27.55%
Total Net Lending	0.03	-0.06	0.11			0.02	3.15%	
<b>Total Public Debt</b>	<b>318.3</b>	<b>351.6</b>	<b>355.2</b>	<b>+1.0%</b>	<b>+11.6%</b>			<b>45.3%</b>
<b>ECONOMIC ACTIVITY INDICATORS</b>						<b>YTD Values (July 2012-Oct 2012)</b>	<b>% change from prev. YTD (July 2011-Oct 2011)</b>	<b>YTD Values (July 12-Oct 12) as % of GDP</b>
Exports (OET Basis)	0.9	0.6	1.2	+100%	+33.3%	2.9	+17.8%	+37.0%
Imports (OET Basis)	25.0	19.0	16.0	-15.8%	-36.0%	67.0	-23.4%	+8.5%
Cash Remittances	9.1	8.7	9.5	+9.2%	+4.4%	36.4	-9.8%	+4.6%
Tourism Receipts <sup>3</sup>	5.5	5.4	7.7	+42.6%	+40.0%	25.9	+19.8%	+3.3%
<b>MONETARY INDICATORS</b>								
Official Foreign Reserves	213.9	247.9	246.2	-0.7%	+15.1%	<b>Note:</b> (i) 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.  (ii) Economic & Monetary data for the month of October 2012 are still provisional numbers.		
Import Cover (months)	8.0	8.1	8.1	0.0%	+1.3%			
Inflation (annual % change)	4.3%	-0.6%	1.2%	+1.8% point change	-3.1% point change			
Retail Fuel Prices (monthly average)								
Petrol (T\$/litre)	2.76	2.79	2.87	+2.9%	+4.0%			
Diesel (T\$/litre)	2.77	2.87	2.95	+2.8%	+6.5%			

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

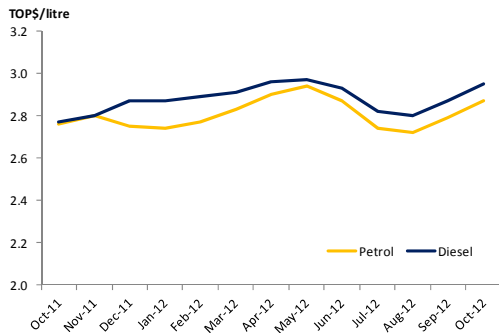
<sup>3</sup> Note there is difficulty in separation of tourism receipts from private remittances

Figure 1: Consumer Price Index (Inflation)



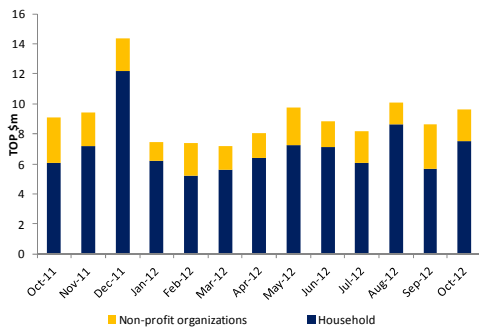
Source: Tonga Bureau of Statistics

Figure 2: Retail Fuel Prices (monthly average)



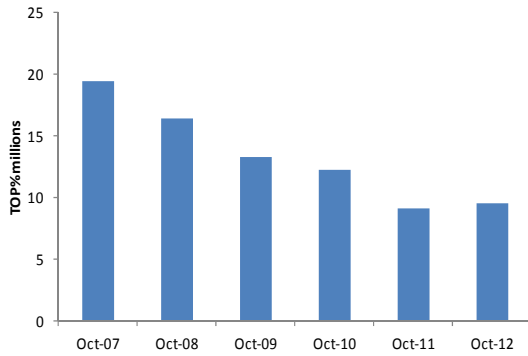
Source: Tonga Bureau of Statistics

Figure 3: Cash Remittances



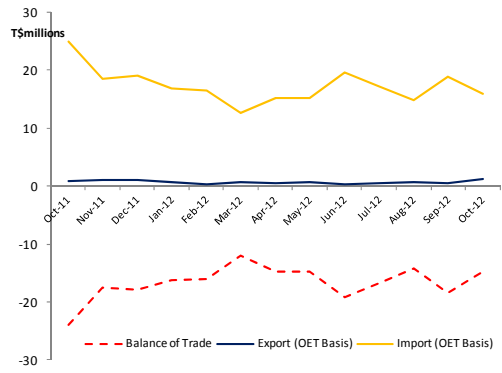
Source: National Reserve Bank of Tonga

Figure 4: Cash remittances for October months in previous years



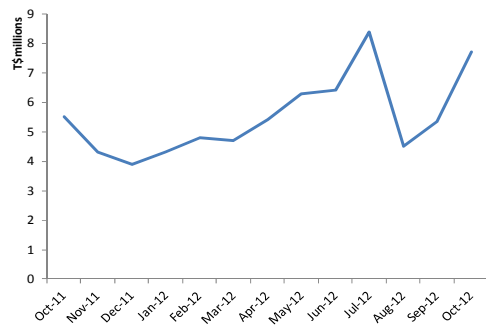
Source: National Reserve Bank of Tonga

Figure 6: Balance of Trade (OET Basis)



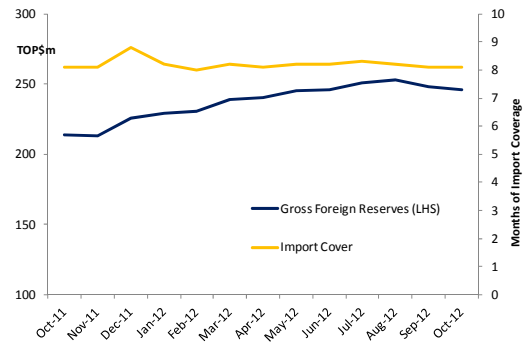
Source: National Reserve Bank of Tonga

Figure 7: Tourism Receipts



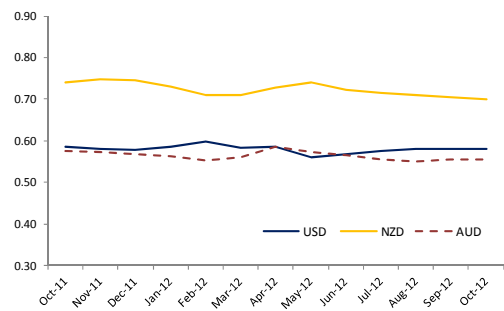
Source: National Reserve Bank of Tonga

Figure 5: Foreign Reserves & Import Coverage



Source: National Reserve Bank of Tonga

Figure 8: Tongan Pa'anga Exchange Rates



Source: National Reserve Bank of Tonga