

At a Glance - August 2011

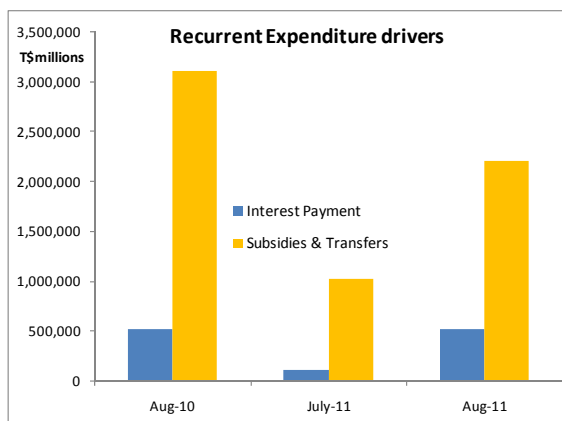


SUMMARY

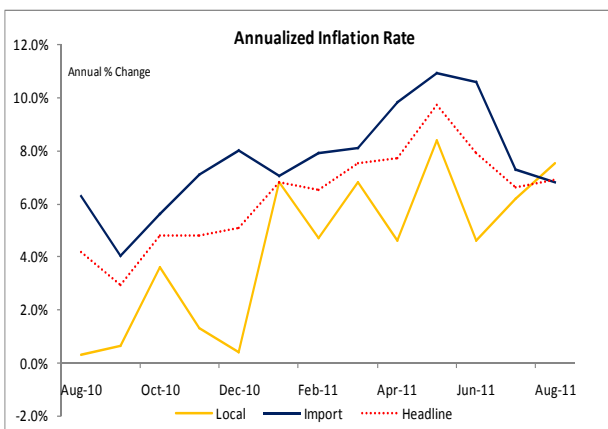
- * Despite a fall in fuel prices in August 2011 from the previous month, an increase in food prices caused the annual inflation rate in August 2011 to increase to 6.9% from 6.6%.
- * Fuel prices continued to decrease in August 2011 from the previous month due to a drop in world crude oil prices during this period.
- * The level of foreign reserves increased in August 2011 from the last month mainly due to receipts from official foreign aid, and months of import coverage remained well above the adequate level.
- * The total money supply declined in August 2011 from the previous month due to fall in the amounts of currency outside banks, saving deposits, term deposits and foreign currency accounts.
- * Total revenue and grants in August 2011 were boosted by funds received as budget support from the European Union of about T\$12.8 million. Total domestic revenue was T\$2.55 million (23.3%) higher in August 2011 compared to July 2011. It was also 35.1% above the August 2010 level.
- * Total recurrent expenditure was T\$2.82 million higher in August 2011 than in the previous month, due to interest payments made on domestic bonds and subsidies for non-government schools.

	(T\$ m unless otherwise indicated)			% change from		YEAR TO DATE (July 2011-August 2011)		
	Aug 2010	July 2011	Aug 2011	July 2011	Aug 2010	Values (TOP\$ m)	% of Budget (2011/12)	% of GDP (2011/12)
FISCAL INDICATORS (GFS Basis)							(16.7% of yr)	
Total Revenue & Grants	12.75	14.72	30.03	+104.0%	+135.5%	44.75	14.5%	5.96%
Total Revenue	10.00	10.96	13.51	+23.3%	+35.1%	24.47	9.7%	3.26%
Grants	2.75	3.76	16.52	+339.4%	+500.7%	20.28	30.1%	2.70%
Total Expenditure & Net Lending	15.29	12.88	15.72	+22.0%	+2.8%	28.60	14.3%	3.81%
Total Expenditure	15.27	12.83	15.65	+22.0%	+2.5%	28.48	14.2%	3.79%
Total Net Lending	0.02	0.05	0.07	+40.0%	+250.0%	0.12		0.02%
OVERALL BALANCE ¹	-2.54	1.84	14.31			16.15		2.15%
Total Public Debt (cumulative)	270.5	287.7	295.5					39.36%
MONETARY INDICATORS								
Official Foreign Reserves	174.1	197.6	212.4	+7.5%	+22.0%			28.3%
Money Supply (M ₂)	288.9	306.4	294.2	-4.0%	+1.8%			39.2%
Import Cover	7.2 [†]	7.5 [†]	8.1	+8.0%	+12.5%			
Annualized Inflation	4.2%	6.6%	6.9%	+0.3% <i>point change</i>	+2.7% <i>point change</i>			
Retail Fuel Prices: Petrol	T\$2.42/liter	T\$2.85/liter	T\$2.79/liter	-2.1%	+15.3%			
Diesel	T\$2.46/liter	T\$2.91/liter	T\$2.86/liter	-1.7%	+16.3%			

Note: ¹Overall Balance excludes all loan funded transactions. This means the deficit only covers government and grant funded expenditure only, not loan funded as shown in the full details in the budget statement.

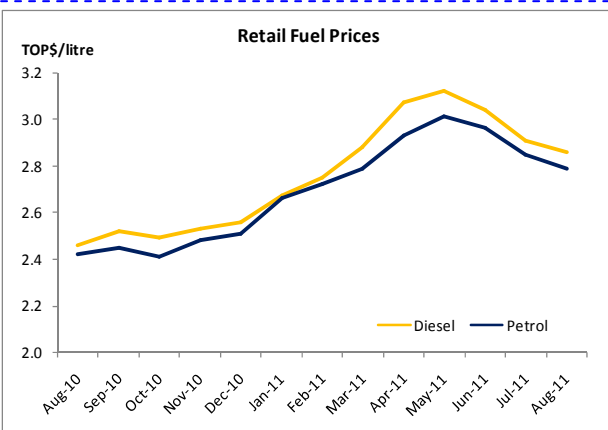


The 22.0% increase in recurrent expenditure in August 2011 compared to the previous month, were driven by: interest payments made mainly on domestic bonds and subsidies for non-government schools.



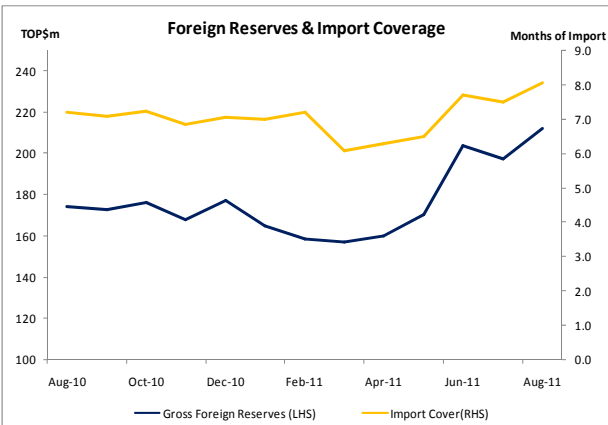
Source: Tonga Statistics Department

The annual inflation rate increased to 6.9% in August 2011 from 6.6% in the previous month and 4.2% in August 2010. The increase over the month was mainly due to an increase in local food prices. This was partly offset by a decrease in retail fuel prices. However the annual inflation rate in August 2011 remained well above the level for the corresponding period last year.



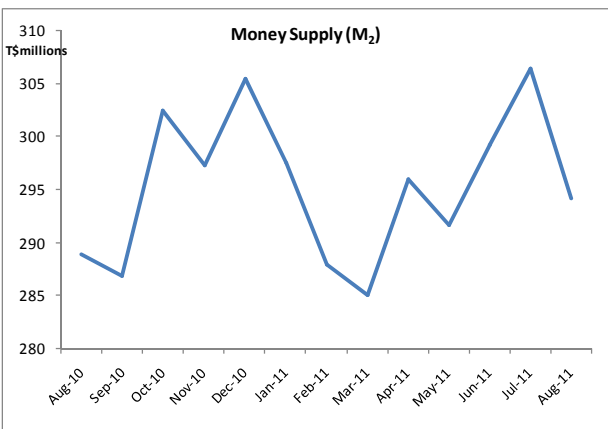
Source: Tonga Statistics Department

Retail fuel prices continued to decline for the third month in-a-row in August 2011. Compared to July 2011, petrol fell by 2.1% and diesel by 1.7%. The decline in August 2011 was mainly due to a drop in the world crude oil prices to around US\$105/barrel from US\$114/barrel (or 8%) from the previous month. However prices remain well above the August 2010 levels: by 15.3% for petrol and 16.3% for diesel fuel.



Source: National Reserve Bank of Tonga

The level of foreign reserves held by the Reserve Bank of Tonga, increased to T\$212.4 million in August 2011 up from T\$197.6 million in the previous month and T\$174.1 million in August 2010. The increase over the month was mainly due to receipts from official foreign aid, the European Union in particular. Also the months of import coverage increased to 8.1 months during the same period, which is well above the National Reserve Bank of Tonga’s “adequate” level of 4 months.



Source: National Reserve Bank of Tonga

The level of money supply declined by T\$12.2 million to T\$294.2 million in August 2011, a decline of 4.0% during the month. This decline was mainly due to a fall in the amount of currency outside banks, saving deposits, term deposits and foreign currency accounts.