

# At a Glance

## December 2010

Inside AAG  
December:

### Economic Indicators

Gross Domestic Product	2008/09	2009/10	2010/11 forecast
GDP (at constant market price)	-0.4	-1.2	1.4

Headline Indicators	December 2010 Values (\$m Pa'anga unless otherwise indicated)	% change from November 2010	% of GDP (10/11)
<b>Economic Activity</b>			
Export (OET basis)	\$0.4	↓ 50%	0.05%
Imports (OET basis)	\$16.1	↓ 10.6%	2.1%
Remittances	\$16.7	↑ 22.6%	2.2%
<b>Monetary Indicators</b>			
Foreign Reserves	\$177.5	↑ 5.7%	23%
Import cover	7.5 months	↑ 5.4%	
<b>Fiscal Indicators (YTD)</b>			
<b>Revenue &amp; Grants</b>			
<i>(Budget 2010/11 \$193.5m)</i>			
Recurrent Revenue	\$65.12	49.1% of Budget	8.26%
<b>Expenditure</b>			
<i>(Budget 2010/11 \$205.6m)</i>			
<b>Expenditure &amp; Net Lending</b>			
Recurrent Expenditure	\$74.73	61% of Budget	10.7%
<b>Donor Activity</b>			
Aid revenue received	\$11.45	(YTD) \$24.03	3.44%
Aid expenditure	\$3.72	(YTD) \$19.68	2.82%
Total Public Debt	\$ 298.5(YTD)	↑ 2.26%	38.7%

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#### Summary

- ◆ Inflation rate rose to 5% due to increase in fuel and food prices.
- ◆ Remittances recorded this month was \$16.7m, and this is the highest since January 2010.
- ◆ Foreign Reserves increased by \$9.5 million pa'anga to \$177.5 million and cover 7.5 months of imports.
- ◆ Total public debt as at 31st December 2010 is estimated at \$298.5 million pa'anga or 38.7% of GDP
- ◆ The Government's Overall Position recorded a deficit of \$5.12 million pa'anga.

## Inflation

Annual inflation rate for the month December 2010 stands at 5% compared to 4.8% in November 2010 and 1.2% in 2009.

Compared to the local and imported indices of November 2010, local index has increased by 0.1% while the imported index went up by 0.4% during December 2010.

Main attributions to this 0.3% increase from November 2010 were the high imported food prices and the transportation group due mainly to increase in prices of fuel (petrol & diesel)

## Fuel Prices

Petrol prices increased by \$0.03 seniti to \$2.51/litre, while Diesel prices also increased by \$0.03 seniti to \$2.56/litre in December 10 from the previous month .

West Texas Intermediate (WTI) crude oil spot prices averaged over \$89 per barrel in December, about \$5 per barrel higher than the November average, as expectations of higher oil demand, combined with unusually cold weather in both Europe and the U.S Northeast, lifted prices.

Energy Information Administration (EIA) has forecasted that WTI crude oil spot prices will rise to about \$92 per barrel. Energy price forecasts are still uncertain.

EIA expected a continue tightening of world oil markets over the next 2 years. There are many significant uncertainties that could push oil prices higher or lower than expected. Should OPEC not increase production as global consumption recovers, oil prices could be significantly higher than the central forecast. The rate of economic recovery, both domestically and globally, also remains uncertain due to a variety of factors including fiscal issues facing national and sub-national government.

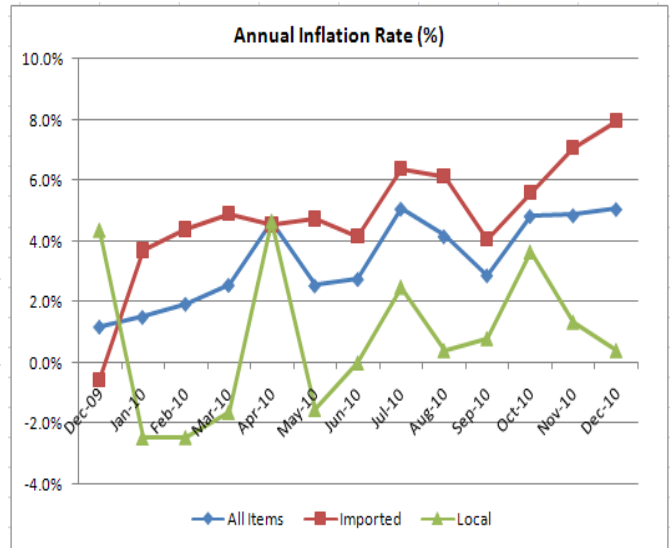
## Remittances

Total Private Remittances received for the month of December 2010 increased by 22.6% from November 2010. Household remittances increased by 46% while non-profit remittances decreased by 36%.

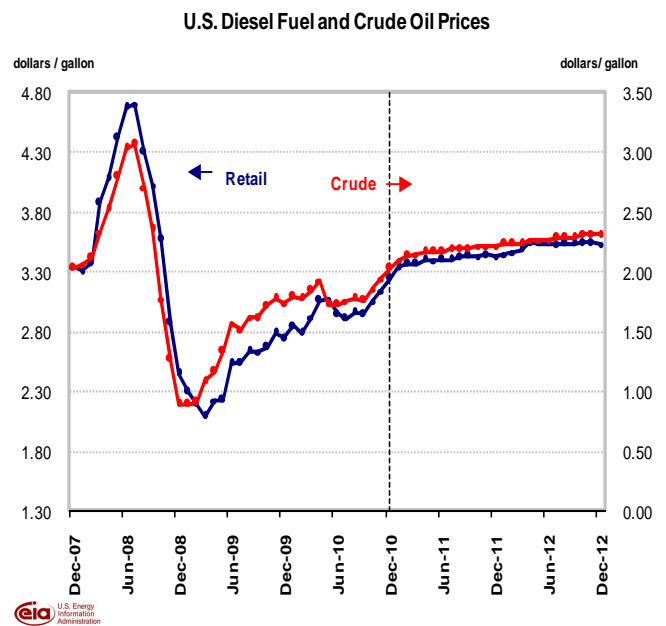
As shown by the graph, in comparison to the fourth quarter of 2008, total private remittances declined by 15.2% and increased by 1.6% on the same period of 2009 and 2010 respectively.

## Commercial Banks Lending

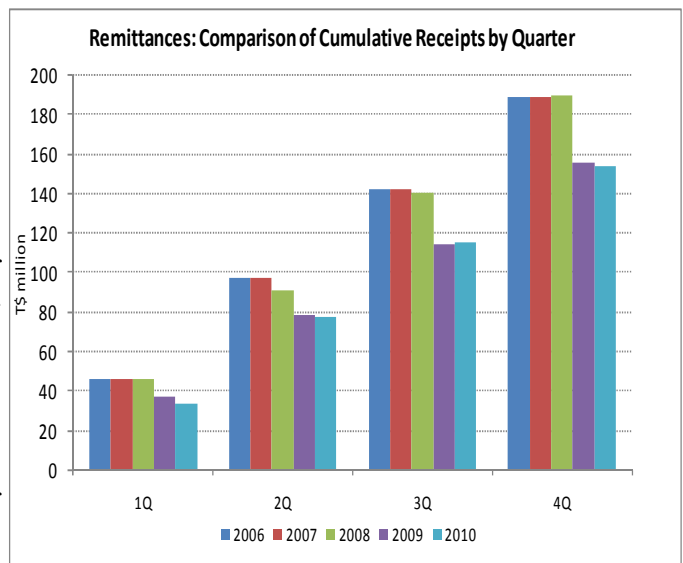
Commercial banks credit declined from \$263.9 million pa'anga in November 2010 to \$262.5 million pa'anga



Source: Tonga Statistics Department



Source : Short-term Energy Outlook, December2010



Source: National Reserve Bank of Tonga

in December 2010. .This slight decline is due to fall in lending to housing, agriculture and industrial sector

## Gross Foreign Reserve

The official foreign reserves recorded a total of \$177.5 million pa'anga in December 2010, an increased by \$9.5 million pa'anga from \$168.0 million pa'anga recorded in November 2010 and \$160.4 million pa'anga in December 2009.

This is equivalent to 7.5 months of imports. This increase is mainly due to higher import payments particularly fuel.

## Money Supply & Total Liquidity

The level of Money Supply recorded in December 2010 increased by \$8.2 million pa'anga to \$305.5 million pa'anga from \$297.3 million pa'anga in November 2010. Total Liquidity also increased by \$7.9 million pa'anga to \$310.9 million pa'anga in December 2010.

The increased in both money supply and total liquidity is mainly due to increase in both demand deposit and currency outside the banks.

## Debt Management

Total Public Debt as at 31st December 2010 was estimated at \$298.5 million pa'anga. Of this amount, external debt amounted to \$260.94 million pa'anga or 33% of GDP and domestic debt amounted to \$37.57 million pa'anga or 5% of GDP.

Total Public Debt increased by \$8.27 million pa'anga between September and December 2010 and this was mainly due disbursement of Road Project in November 2010 the Reconstruction in December 2010. Most of the major borrowing currencies had also depreciated during this period.

Total debt service (expenditure) at the end of December 2010 is estimated at \$5.89 million and this consumed 1% of GDP.

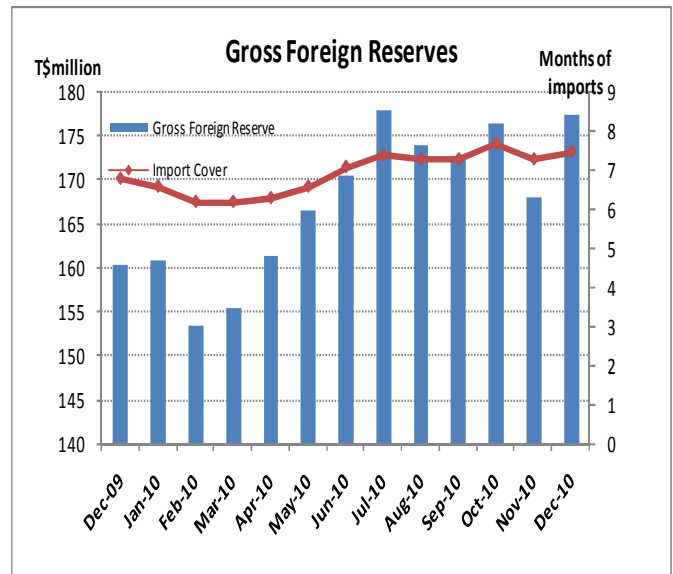
## Government Fiscal Performance (GFS basis)

### 1. Overall Fiscal Position

- ◆ The Government's overall position at the end of December 2010 recorded a deficit of \$5.12 million pa'anga.

### Revenue

- ◆ Accumulated total Revenue and Grants to December 2010 was \$89.30 million pa'anga of which \$65.26 million pa'anga from recurrent



Source: National Reserve Bank of Tonga

revenue and \$24.04 million pa'anga from grants.

- ◆ Of this total revenue and grants 62% are from tax revenue, 11% from non-tax revenue and 27% from grants.

### Expenditure

- ◆ Accumulated Total Expenditure and Net Lending was 94.42 million pa'anga of which \$74.73 million pa'anga from government fund and \$19.68 million pa'anga from grants.
- ◆ Of this total accumulated expenditure and net lending, 93% were Current Expenditures, 6% spending on Capital Expenditures and 1% on Net Lending.
- ◆ Approximately 48% of total current expenditures spent on wages and salaries and 28% on purchases of goods and services.

### December 2010:

- ◆ Total Revenue and Grants for December 2010, was \$21.73 million pa'anga of which \$10.27 million are current revenue and \$11.46 million pa'anga are from grants.
- ◆ Total Expenditure and Net Lending amounted to \$15.75 million pa'anga of which \$12.03 million are government fund and \$3.72 million are grants.
- ◆ The overall balance for December 2010, is a surplus of \$5.98 million pa'anga.