

# At a Glance for February 2012

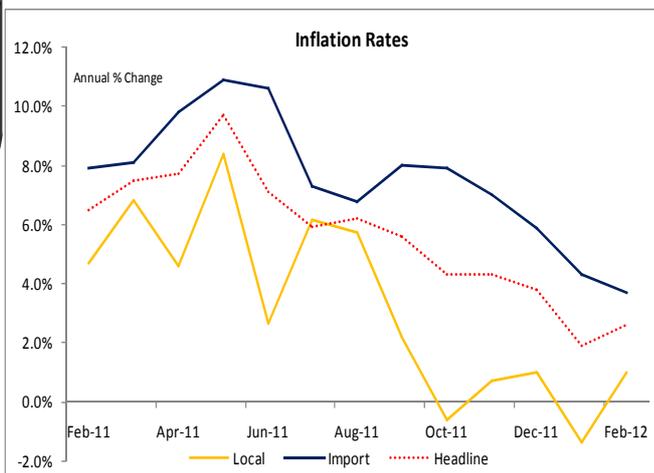


## HIGHLIGHTS

- \* In February 2012 inflation was at 2.6%, largely due to increase in domestic power prices—in line with a 6% increase in diesel prices which in turn drove the power prices up by 10% on an year-on-year basis.
- \* Forecast for fuel prices does not look favourable in the months to come due partly to supply disruptions and uncertainty in the global oil market.
- \* Total remittances went up in February 2012 from the previous month, however it remained 28% lower in comparison to the same month a year ago. The decline in household remittances by 40% plus the strengthening of the Tongan pa'anga against the US and NZ dollars exacerbated fall in total remittances.
- \* Export receipts in February 2012 remained the same compared to a year ago—actually showing an improvement compared to huge y-o-y drops in recent years (dating back to February 2007) except for February 2011.
- \* On a monthly basis, the trend of tourism receipts looked positive in February 2012 when compared to the same month last year, however, the trend on a 12-months cumulative basis say otherwise; that tourism receipts seemed to be rather fairly stable.
- \* The level of foreign reserves increased in February 2012 to \$230.6 million, up by \$1 million from the previous month; this is due largely to receipts of official foreign aid which more than offset the payments for imports during the month.
- \* The level of money supply slightly increased to \$298.3 million in February 2012 from \$297.0 million in the previous month; due to increase in both demand and saving deposits; which offset declines in currency outside banks, foreign currency accounts and term deposits.
- \* Despite recurrent revenue being lower in February 2012 than the previous month and February 2011, collection was on track for this financial year at 72%, and recurrent expenditure also remained well below the benchmark of 67%.

	(T\$m unless otherwise indicated)			% change from		YEAR TO DATE (July 2011-Feb 2012)		
	Feb 2011	Jan 2012	Feb 2012	Jan 2012	Feb 2011	Values (TOP\$m)	% of Budget (2011/12)	% of GDP (2011/12)
<b>FISCAL INDICATORS (GFS Basis)</b>							(66.7% of yr)	
<b>Total Revenue &amp; Grants</b>	<b>14.32</b>	<b>13.74</b>	<b>11.96</b>	<b>-13.0%</b>	<b>-16.5%</b>	148.80	72.0%	19.82%
Total Revenue	9.13	11.91	9.27	-22.2%	+1.5%	96.94	70.4%	12.91%
Grant (cash grants)	5.19	1.83	2.69	+47.0%	-48.2%	51.86	76.9%	6.91%
<b>Total Expenditure &amp; Net Lending</b>	<b>13.03</b>	<b>13.71</b>	<b>15.18</b>	<b>+10.7%</b>	<b>+16.5%</b>	122.28	52.7%	16.29%
Expenditure (cash grants)	13.01	13.62	15.14	+11.2%	+16.4%	121.52	61.3%	16.19%
Total Net Lending	0.02	0.09	0.05			0.76	39.8%	0.10%
Total Public Debt	304.1	334.7	334.3	-0.1%	+9.9%			44.53%
<b>ECONOMIC ACTIVITY INDICATORS</b>						<b>YTD (July 2011-Feb 2012)</b>	<b>% change from prev. YTD (July 2010-Feb 2011)</b>	<b>YTD (July 2011-Feb 12) as % of GDP 2011/12</b>
Exports (OET Basis)	0.3	0.5	0.3	-40.0%	0%	5.4	5.4	0.72%
Imports (OET Basis)	19.4	16.8	16.8	-0.6%	-13.9%	158.5	159.6	21.11%
Private Remittances (cash-basis)	10.2	6.5	7.4	+13.8%	-27.5%	78.1	99.5	10.40%
Tourist Receipts	3.5	6.3	4.6	-27.0%	+31.4%	40.9	43.5	5.45%
<b>MONETARY INDICATORS</b>								
Official Foreign Reserves	158.8	229.5	230.6	+0.5%	+45.2%			30.71%
Import Cover	7.2	8.1 <sup>f</sup>	8.8 <sup>f</sup>	+8.6%	+22.2%			
Annualized Inflation Rate	6.5%	1.9%	2.6%	+0.7% point change	-3.9% point change			
Retail Fuel Prices: Petrol (T\$/litre)	T\$2.72/litre	T\$2.72/litre	T\$2.81/litre	+3.3%	+3.3%			
Diesel (T\$/litre)	T\$2.75/litre	T\$2.87/litre	T\$2.91/litre	+1.4%	+5.8%			

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.



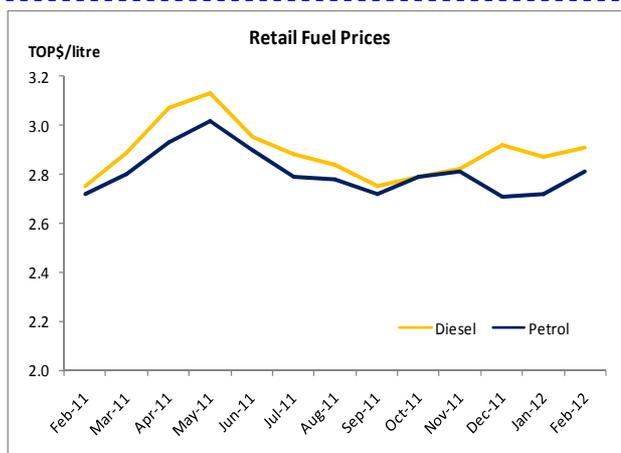
Source: Tonga Statistics Department

Consumer prices increased in February 2012 from the previous month mainly due to a rise in local fruits and vegetables. This increase offset a fall in prices of imported fruits and vegetables—in line with a decline in prices for the same food group in New Zealand (main importer) during the same period.

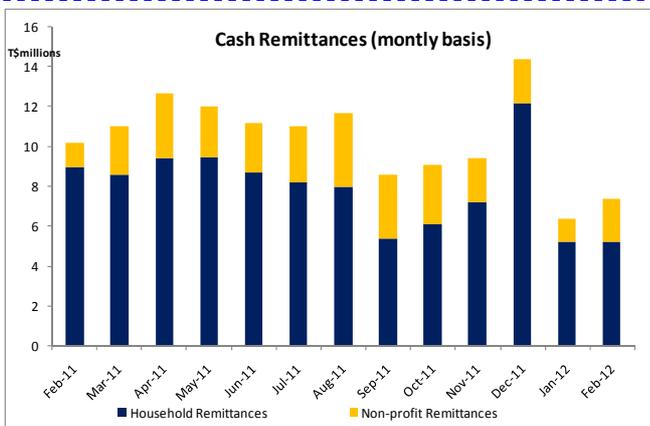
Inflation recorded 2.6% in February 2012 largely due to increase domestic power prices under the household operations group. This increase was in line with a 6% increase in diesel prices, which resulted in a 10% rise in power prices. .

Retail fuel prices in Tongatapu were increased in February 2012 compared to the previous month; in which diesel was increased by \$0.04/litre to \$2.91/litre and petrol up by \$0.09/litre to \$2.81/litre. These fuel prices remained slightly higher than prices a year ago.

As usual, changes in fuel prices were mainly due to on-going price variations in the global oil market. And in February 2012's case, oil prices were up following supply disruptions in oil producing countries and the prospect of additional production outages relating to Iran have added yet more uncertainty for the supply outlook; and may feed into higher prices in up-coming months.



Source: Ministry of Labour, Commerce & Industries

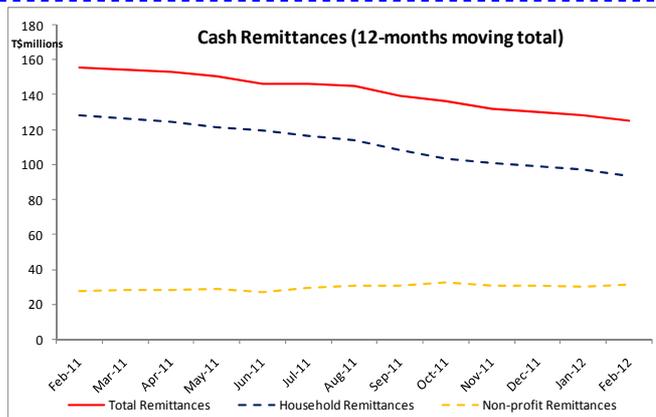


Source: National Reserve Bank of Tonga

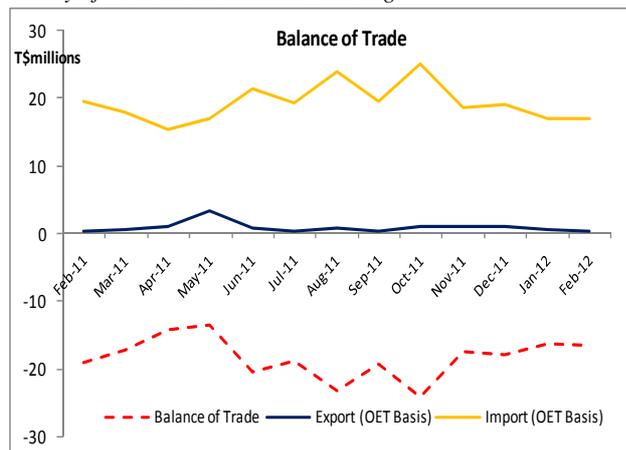
Remittances slightly increased in February 2012 from the previous month up by 14% (or by T\$0.9 million). The increased was due to a rise in remittances from non-profit sources. Even though remittances increased in February 2012 it remained 28% lower than in the same month a year ago. This year-on-year fall in February 2012 was largely contributed from more than a 40% decline in remittances from household sources plus the further strengthening of the Tongan pa'anga against the US and NZ dollars (main sources of household cash remittances).

Total private remittances, measured as an annual moving total, continued its decline in February 2012, when it reached \$125 million compared to \$128 million in the previous month and \$156 million in February 2011.

The level of household remittances largely contributed to the fall in February 2012 total remittances, down by 27% compared to the level a year ago. Despite the increase in remittances from non-profit sources during the same period, it was not sufficient enough to offset the fall in household remittances.



Source: National Reserve Bank of Tonga



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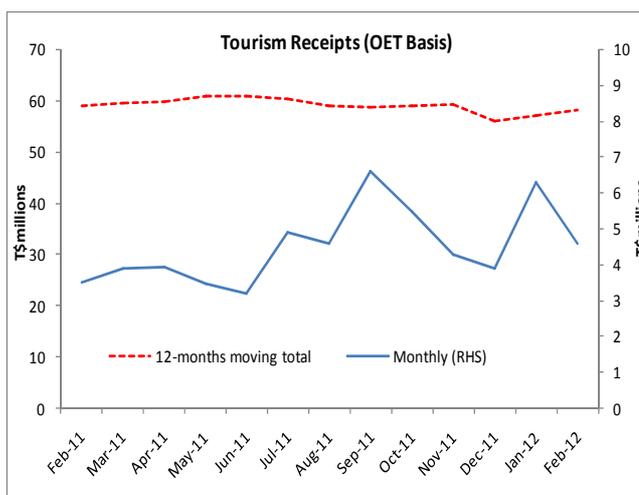
Export earnings recorded T\$0.3 million in February 2012 which was around the same amount in February 2011—actually showing an improvement compared to huge y-o-y drops in recent years (dating back to February 2007) except for February 2011. Export earnings were however 42% lower in February 2012 compared to the previous month.

Imports was worth \$16.8 million in February 2012 and didn't change much compared to the pervious month, however, was 13% lower than imports a year ago.

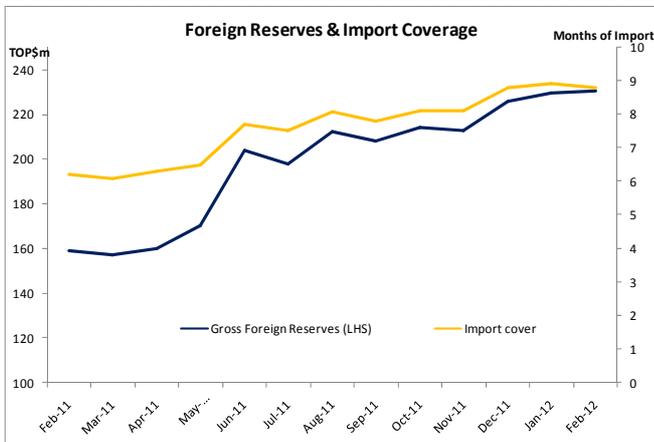
Tourism receipts (mainly sourced from foreign credit card transactions) decreased in February 2012 from the previous month—a usual trend in recent years. Despite February 2012 receipts being 31% higher than what was recorded for the same month a year ago (up by 31%), on a 12-months moving total basis, tourism receipts to February 2012 was 2% lower than to February 2011.

On a monthly basis, the trend looked positive in February 2012 when compared to the same month last year, however, the trend on a 12-months cumulative basis say otherwise; that tourism receipts seemed to be rather fairly stable.

Also in the tourism industry, Tonga welcomed its first cruise ship for 2012 in February, despite the delay in the opening date of the new Vuna Wharf which was scheduled for early 2012. Receipts from this cruise ship's passengers however, unlikely to have had a significant contributed to total tourism receipts.



Source: National Reserve Bank of Tonga

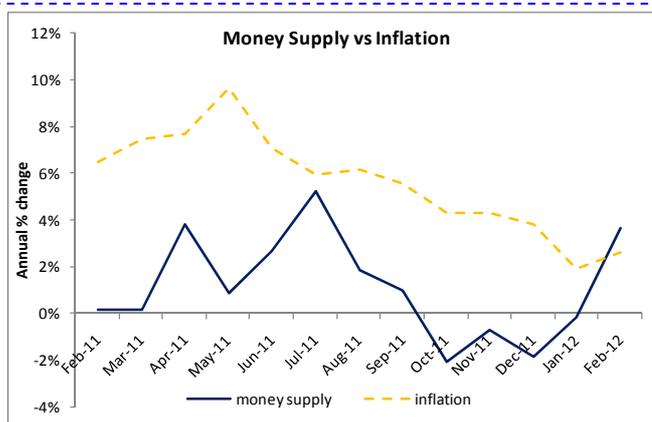


Source: National Reserve Bank of Tonga

The level of foreign reserves increased in February 2012 to \$230.6 million, up by \$1 million from the previous month; mainly due to receipts of official foreign aid which more than offset the payments for imports during the month. When compared to February 2011, the level of foreign reserves was \$72 million higher in February 2012.

February 2012 reserves were equivalent to 8.8 months of import coverage; down from 8.9 months in January 2012 and up from 6.2 months in February 2011.

The level of money supply slightly increased to \$298.3 million in February 2012 from \$297.0 million in the previous month; due to increase in both demand and saving deposits; which offset declines in currency outside banks, foreign currency accounts and term deposits. However the level of money supply in February 2012 was up by 3.6% from the same month last year; rising faster than annual inflation in at least a year.



Source: National Reserve Bank of Tonga