

February 2016 Monthly Economic Update

Ministry of Finance
and National Planning



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Key Indicators	(T\$m unless otherwise indicated)			% change from	
	Feb 2015	Jan 2016	Feb 2016	Feb 2015 to Feb 2016	Jan 2016 to Feb 2016
FISCAL INDICATORS (Government Financial Statistics (GFS) Basis)					
Total Revenue & Grants	12.6	15.6	17.4	38.1%	11.5%
Total Revenue	9.9	15.0	13.3	34.3%	-11.3%
Grant (cash grants)	2.7	0.6	4.1	51.9%	583.3%
Project Support	0.6	0.6	4.1	619.3%	583.3%
Total Expenditure & Net Lending	11.9	3.4	-6.6	-155.5%	-294.1%
Expenditure (incl. cash grants)	22.0	3.6	-6.1	-127.7%	-269.4%
Total Net Lending	-10.1	0.2	0.5	-1.0	1.5
Total Public Debt	398.5	439.9	441.4	10.8%	0.3%
ECONOMIC ACTIVITY INDICATORS (OET basis)					
Exports	1.50	1.55	1.70	13.3%	9.7%
Imports	25.4	35.3	21.2	-16.5%	-40.0%
Travel Receipts	4.4	5.0	4.9	11.4%	-2.0%
Adjusted Cash Remittances (Annual Total)	221.2	234.9	239.4	8.2%	1.9%
MONETARY & PRICE INDICATORS					
Official Foreign Reserves	281.3	326.3	328.5	16.8%	0.7%
Import Cover (months)	8.3	9.5	9.3		
Inflation (annual % change)	-1.2	-1.4	-0.3		
Retail Fuel Prices:					
Petrol (T\$/litre)	2.03	2.19	2.09	3.0%	-4.6%
Diesel (T\$/litre)	2.14	2.05	1.86	-13.1%	-9.3%

Nominal GDP 2015/16: T\$859.5 million (revised estimate by MOFNP use in the 2015/16 Budget Statement)

Highlights:

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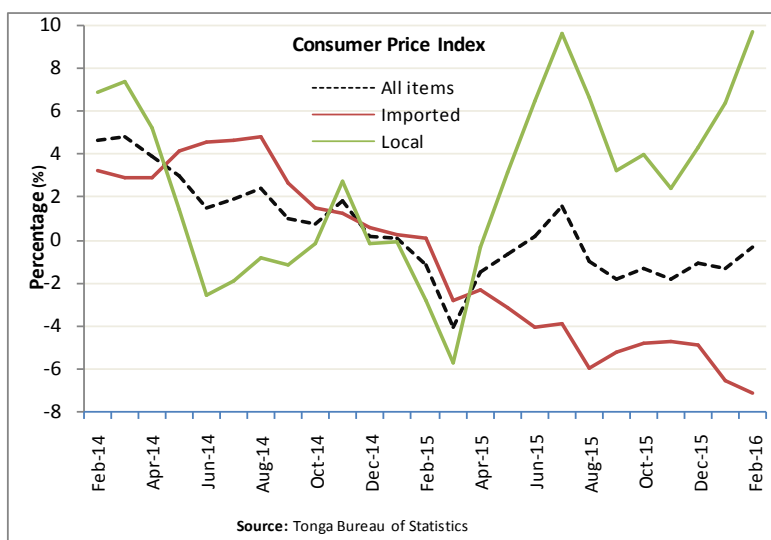
Inflation

Annual inflation rate recorded for February 2016 was -0.3%, the seventh consecutive months of deflation, since August 2015. This is weaker compared to -1.4% in January 2016 and -1.2% in the corresponding period a year ago.

The continuous deflation was mainly driven by lower imported fuel prices. The monthly deflation in February was in line with a decline

in imported prices by -7.1%. Lower imported prices were mainly due to lower prices for both fuel and food items. This has been reflected in the decrease of domestic prices of both petrol and diesel. Lo-

cal prices increased by 9.7% mainly due to increase in prices of kava, root crops, fruits and vegetables.

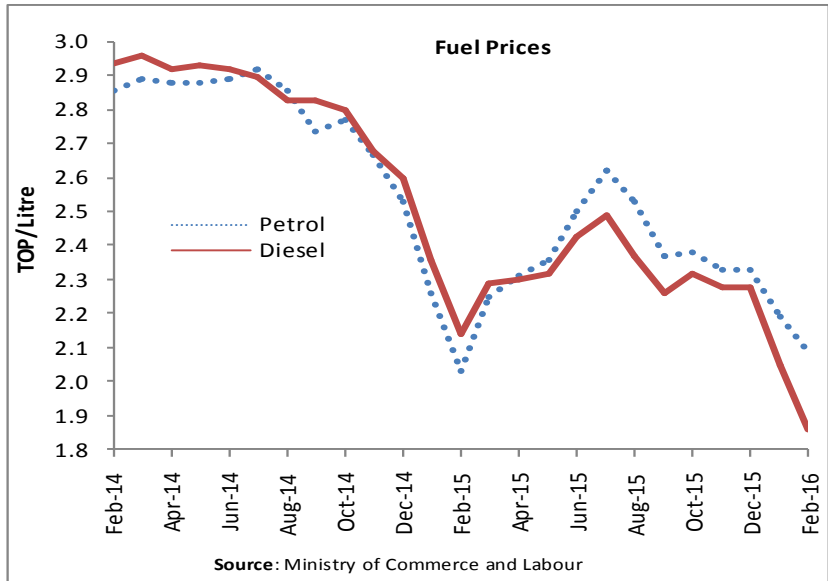


Indicators Digest

- ◆ Deflation 0.3% for February 2016
- ◆ Retail price of diesel was lowered by 10 seniti compared to Jan 2016
- ◆ Retail price of petrol was declined by 19 seniti compared to Jan 2016
- ◆ Official reserve was at \$TOP 328.5 million, equivalent to 9.3 months' import cover.
- ◆ Air Arrival lowered by 9% compared to January 2016

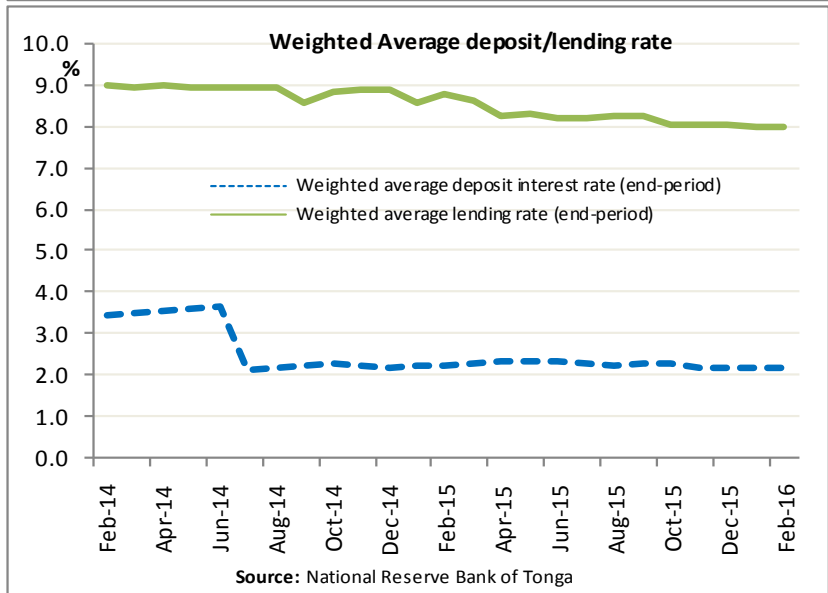
Fuel Prices

The continuous decreasing in global oil prices caused a declined in domestic fuel prices for February 2016 compared to previous month and the same period in 2015. Domestic petrol prices decreased by 4.6% compared to previous month but increase by 3.0% when compared to the same period in 2015. Diesel prices declined by 9.3% compared to January 2016 and declined further by 13.1% compared to the same period last year. However, these changes reflected fuel prices continue to decrease.



Lending and Deposits Rate

Both rates continue to remain stable in February 2016. By comparing these two rates to the same period over a year ago, weighted average deposit interest rates and weighted average lending rates both declined by 3% and 9% respectively.

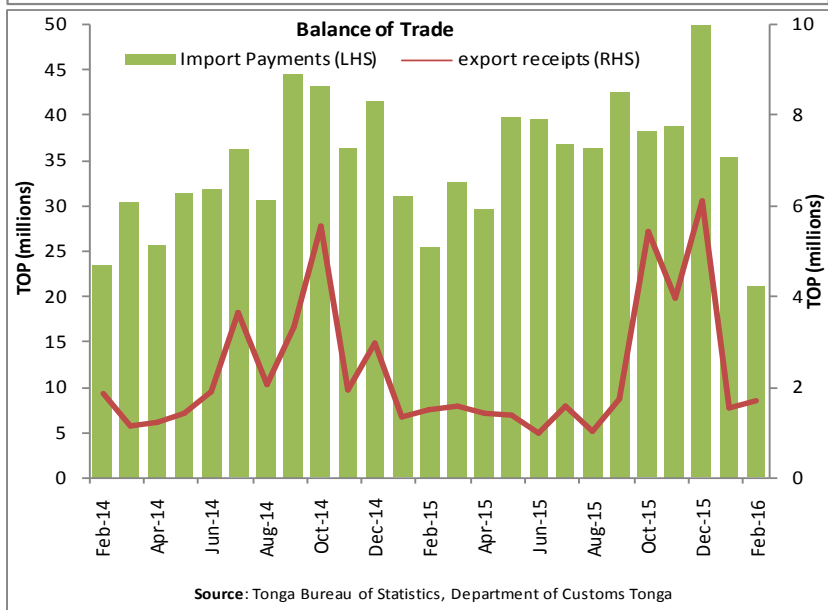


The decrease in the weighted average lending rates due to a decrease in housing lending interest rates from 8.25% in January 2016 to

Trade

The exports receipts in February 2016 was higher, by 9.8%, and 13.3%, than January 2016 and in the same period in 2015. Improvement in export receipts due to increase in export volumes of fish and the increase in exporting of kava products to overseas market.

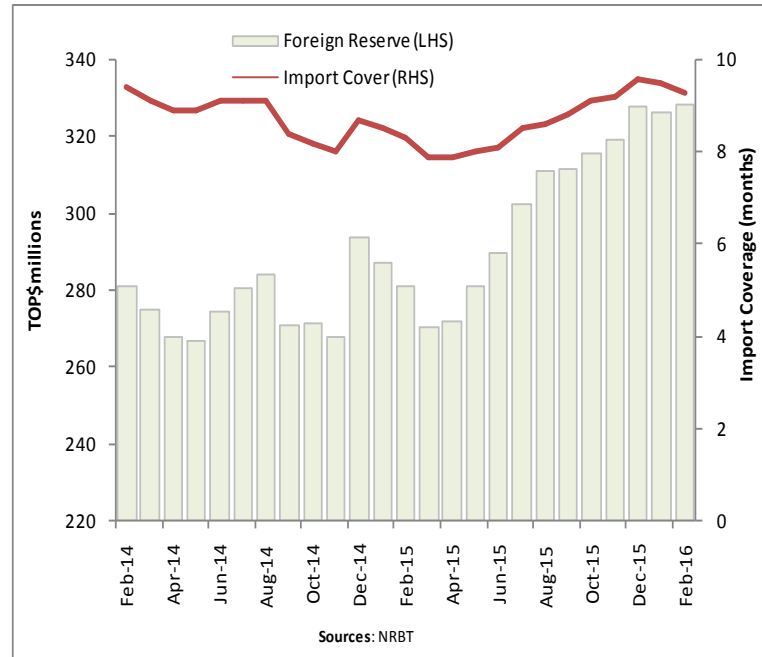
Import payments decreased when compared to January 2016 and the same period a year ago by 40.0% and 16.5% respectively. Further declined in import payments are due to lower prices of imports mainly from the continuous declin-



ing in fuel and food items imported prices.

Foreign Reserves

Foreign Reserves recorded \$328.5 million for February 2016, the highest over history, increased by 0.7% and 16.8% compared to previous month and same period in 2015 respectively. This is the eighth consecutive months of the foreign reserves remaining above the level of \$300 million, since August 2015. Foreign reserves for February 2016 was equivalent to 9.3 months of import cover. This is more than double the NRBT's minimum range of 3-4 months.

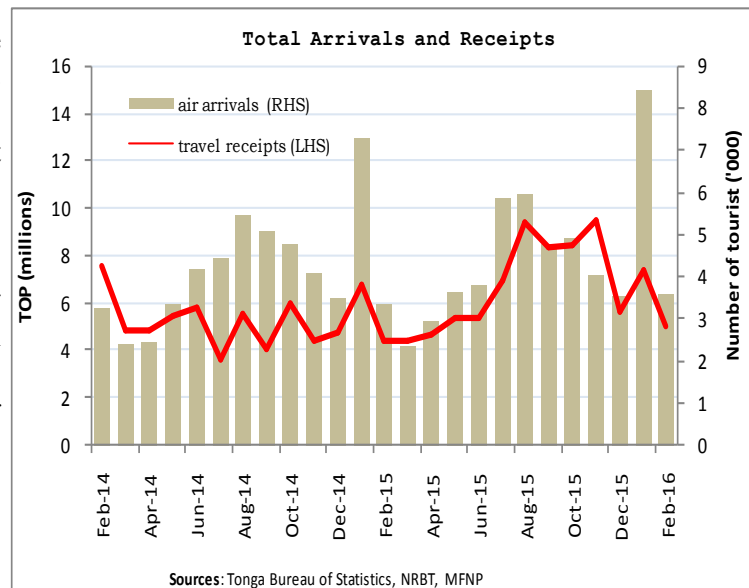


Air Arrivals

Air arrivals for February 2016 declined by 9.0% compared to January 2016 but increased by 36.9% compared to the same period over a year ago.

Travel receipts aligned with the same pattern reflected by the 2% decreased in the air arrivals compared to previous month, while it is increased, by 11%, when compared to same period a year ago.

The declined in air arrivals over the month was also related with the delayed to the flight schedules as well as schedules for other mode of transportations due to tropical cyclones—including TC Winston—in Tonga and in the Pacific region.



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