

At a Glance for January 2012

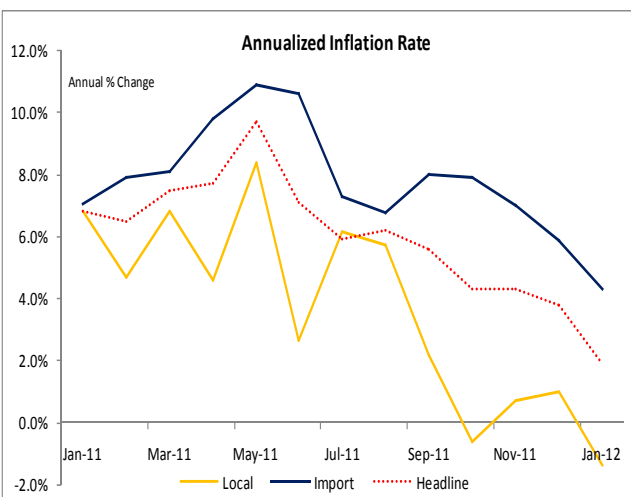


HIGHLIGHTS

- * Inflation dropped in January 2012 to 1.9% compared to 3.8% in the previous month and 6.8% in January 2011, mainly driven by a fall in fuel and local fruit & vegetable prices.
- * Retail diesel prices was up by 8% in January 2012 compared to the same month last year which resulted in an increase in electricity prices up by 10%.
- * Export receipts declined in January 2012 from the previous month down by more than 50% and despite its seasonality, this was a bigger drop compared to the drop during the same period last year. January 2012 export receipts, however, were still 25% higher than the receipts recorded a year ago
- * Although the level of foreign reserves in January 2012 increased compared to the previous month, on a y-o-y basis, the trend is a slight declined with the exclusion of donor funds .
- * The level of remittances continued to fall in January 2012 from the previous month and January 2011 in Pa'anga terms, however the remittances trend has been fairly stable in US dollar terms. Much of the loss in pa'anga terms is thus a result of the relative strength of the pa'anga rather than any decision to send less.
- * The number of tourist arrivals (by air) from New Zealand to Tonga decreased by 55% in January 2012 from the previous month supposedly due to the end of the post Christmas holiday season. January 2012 tourist arrivals were however 20% higher than in January 2011.
- * Although current government revenue declined in January 2012 compared to the previous month, mainly due to slight declines in receipts from poundage land rental and dividends from Public Enterprises; the overall revenue collection so

	(T\$m unless otherwise indicated)			% change from		YEAR TO DATE (July 2011-Jan 2012)		
	Jan 2011	Dec 2011	Jan 2012	Dec 2011	Jan 2011	Values (TOP\$m)	% of Budget (2011/12)	% of GDP (2011/12)
FISCAL INDICATORS (GFS Basis)							(58.3% of yr)	
Total Revenue & Grants	10.53	30.62	13.74	-55.1%	+30.5%	136.84	66.2%	18.23%
Total Revenue	10.14	13.14	11.91	-9.4%	+17.5%	87.66	62.9%	11.68%
Grant (budget support & cash grants)	0.39	17.48	1.83	-89.5%	+369.2%	49.18	72.9%	6.55%
Total Expenditure & Net Lending	13.03	14.24	13.70	-3.8%	+5.1%	107.08	53.5%	14.26%
Expenditure (donor & cash grants)	13.08	14.12	13.61	-3.6%	+4.1%	106.37	53.7%	14.17%
Total Net Lending	-0.05	0.12	0.09			0.71	37.2%	0.09%
Total Public Debt	303.0	342.2	334.8	-2.2%	+10.5%			44.59%
ECONOMIC ACTIVITY INDICATORS							% change from YTD (July 2010-Jan 2011)	
Exports (OET Basis)	0.4	1.1	0.5	-54.5%	+25.0%	5.1	+0.9%	0.68%
Imports (OET Basis)	24.6	19.1	16.8	-12.0%	-31.7%	141.8	+1.1%	18.89%
Private Remittances (cash-basis)	8.4	14.4	6.5	-54.9%	-22.6%	70.7	-20.8%	9.42%
Tourist Receipts	5.3	3.9	6.3	+61.5%	+18.9%	36.1	-9.6%	4.81%
MONETARY INDICATORS								
Official Foreign Reserves	165.2	226.0	229.5	+1.5%	+38.9%			30.57%
Import Cover	7.0 months	9.0 months	9.0 months	0%	+28.6%			
Annualized Inflation Rate	6.9%	3.8% ^r	1.9%	-1.9% point change	-5.0% point change			
Retail Fuel Prices: Petrol (T\$/liter)	T\$2.66	T\$2.71	T\$2.72	+0.4%	+2.3%			
Diesel (T\$/liter)	T\$2.67	T\$2.92	T\$2.87	-1.7%	+7.5%			

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.



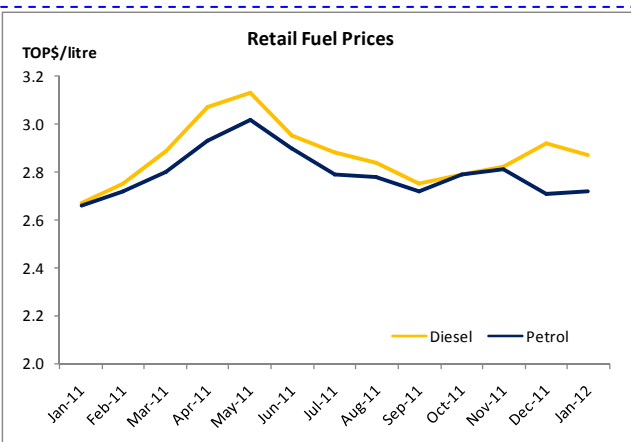
Source: Tonga Statistics Department

The annual inflation rate continued to decline down to 1.9% in January 2012 compared to 3.8% in the previous month and 6.8% in January 2011.

Import prices decreased in January 2012 over the month mainly due to a fall in fuel prices, while local prices increased due to a rise in household furniture and textile prices.

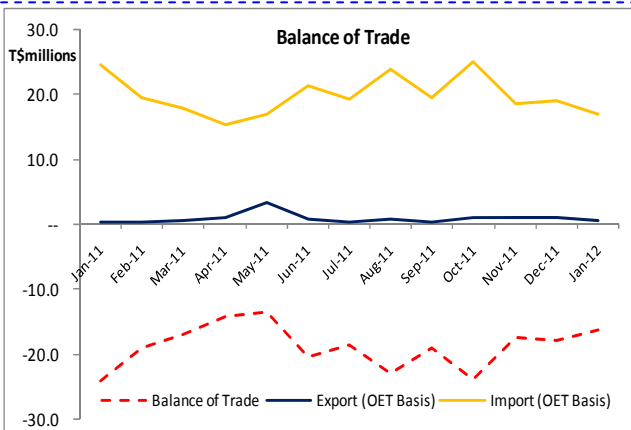
However in comparison of January 2012 to the same month last year, import prices had a lower increase mainly from tobacco and fuel prices. While local prices were much less mainly due to fall in fruit and vegetables prices.

Note that the Tonga Statistics Department has revised the Consumer Price Index (CPI) from June 2011 to December 2011, to incorporate the price changes in electricity. This price excludes the Government subsidy.



Source: Ministry of Labour, Commerce & Industries

In Tongatapu, retail price for petrol was slightly increased in January 2012 from the previous month, up by \$0.01 seniti/litre while diesel was decreased by \$0.05 seniti/litre. While compared to prices in the same month last year, petrol was up by 2% and diesel up by 8%; reflecting an increase in electricity prices in January 2012 up by 10% (y-o-y).

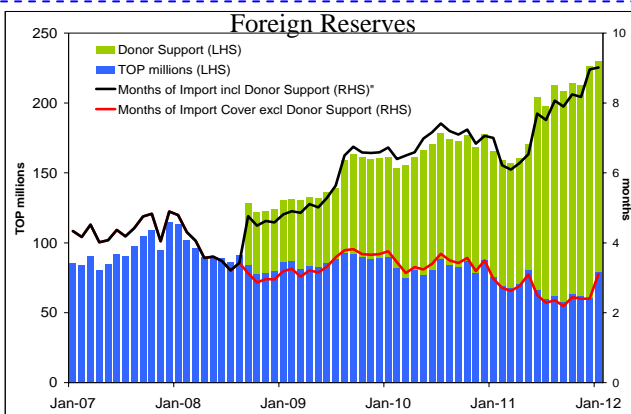


Source: National Reserve Bank of Tonga

Export receipts declined in January 2012 from the previous month down by more than 50% and despite its seasonality, this was a bigger drop compared to the drop during the same period last year. January 2012 export receipts however were still 25% higher than the receipts recorded a year ago.

Import payments decreased in January 2012 by 12% from the previous month whereas the decline on a y-o-y basis was much lower (down by 32%).

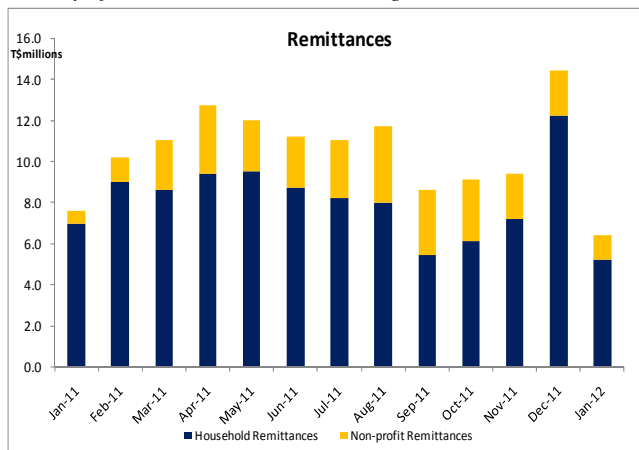
OET : Overseas Exchange Transactions



Source: National Reserve Bank of Tonga

The level of gross foreign reserves reached T\$229.5 million in January 2012 which was equivalent to 9 months of import coverage. This level was 2% higher compared to the previous month and almost 40% higher than the level in January 2011.

The increase over the month in January 2012 was mainly due to receipt of official foreign aid. However, without these donor funds coming in, foreign reserves would appear to be on a slightly declining trend.

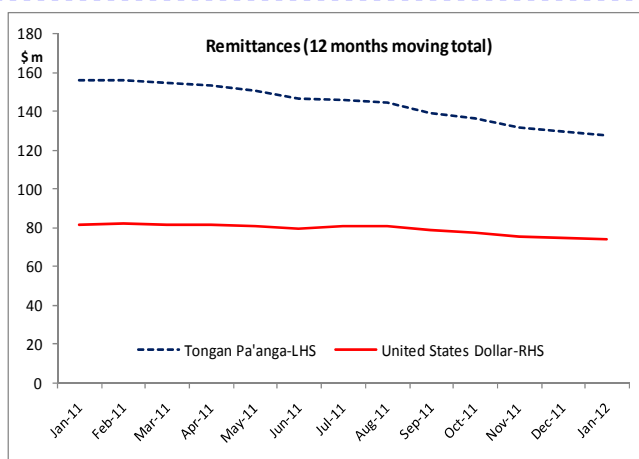


Source: National Reserve Bank of Tonga

The level of remittances in January 2012 dropped by more than 50% from the previous month which is quite a seasonal trend mainly due to the after Christmas festivities in December.

However the January 2012 level was 23% lower than the level a year ago, mainly due to a fall in remittances from household sources, particularly the United States. The U.S households represented 56% of total remittances in January 2011 and has declined to about 44% now in January 2012.

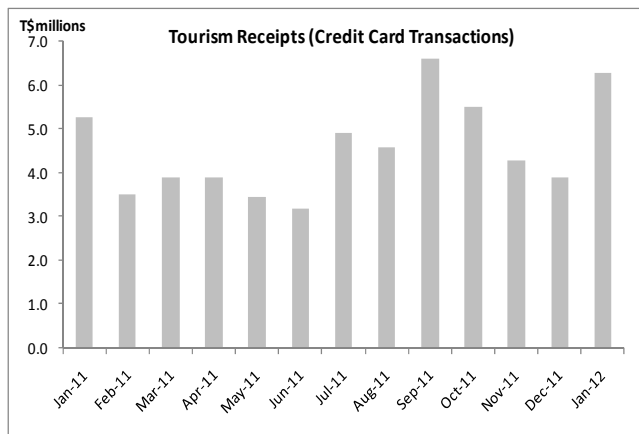
Note that this level of remittances does not take into account in-kind remittances but there is also increasing evidence that people may be shifting from sending money thru money transfer companies to using mobile-money services which charge much lower transaction fees and is relatively more convenient and accessible for them.



Source: National Reserve Bank of Tonga

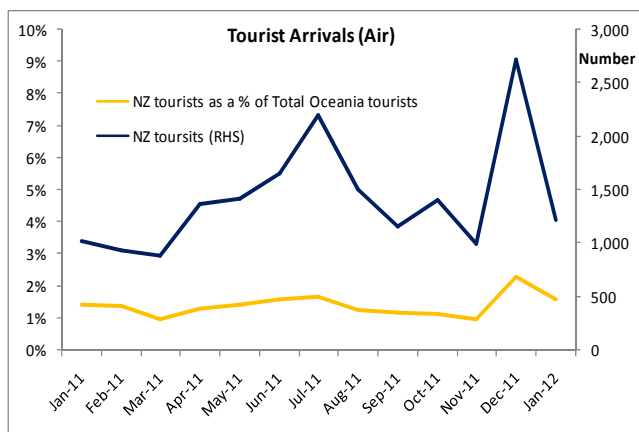
In January 2012, the level of remittances (annual moving total) continued to fall to about T\$128 million (US\$74m) from T\$130 million (US\$82) in the previous month and T\$156 million (US\$82) in January 2011. This drop was mainly due to a fall in remittances from household sources.

While despite the declining trend for remittances in Pa'anga terms over the year, instead it remains fairly stable in US dollar terms around an average of \$80 million dollars per 12 months moving total. The fall in pa'anga terms is thus nearly all a result of the relative strength of the pa'anga and not due to any decision to cut remittances by those sending.



Source: National Reserve Bank of Tonga

The level of tourism receipts (credit card transactions) recorded in January 2012, increased to T\$6.3 million from T\$3.9 million in the previous month and T\$5.3 million in the same month last year. This increase was mainly due to increase in the use of foreign card transactions (e.g. Master, Visa cards etc) and foreign cash purchases (converting foreign cash to Tongan Pa'anga). As increasing numbers of families use such credit cards to access funds from their relatives overseas, greater care is going to be needed to sort out whether a particular transaction is a remittance or tourism receipt.



Source: New Zealand Statistics

Number of tourist arrivals (by air) from New Zealand to Tonga decreased by 55% in January 2012 from the previous month but was 20% higher than the number of arrivals in January 2011. The fall over the month was quite a seasonal trend supposedly due to the post Christmas holiday season.

According to the Tonga Visitors Bureau past arrivals data, NZ air arrivals comprise over 40% on average of the total number of air arrivals coming into Tonga. While the NZ Statistics data reflect that Tonga represents only about 1% on average of the total NZ resident short-term departures to the Oceania region.