

At a Glance - June 2011

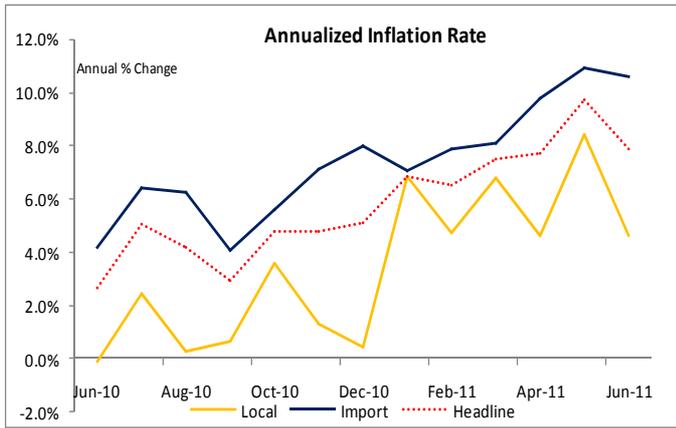


SUMMARY

- * Although the annual inflation rate in June 2011 declined from the previous month (7.9% compared to 9.7%), it was significantly above the annual rate of June 2010 (2.7%). The fall in the rate in June 2011 was primarily due to a decline in food and fuel prices, but these prices were still much higher than a year ago.
- * The level of remittances declined for the second month running. In June 2011 the total value was down 7% from the previous month. The decline was due to lower receipts from both non-profit and household sources, plus the further strengthening of the Tongan pa'anga against the US dollar.
- * Retail fuel prices fell in June 2011 compared to the previous month mainly due to a fall in global crude oil prices and the further weakening of the US dollar helping to reduce local currency prices. June 2011 prices were however around 15% higher than in June 2010.
- * Receipts of official capital inflow and foreign aid contributed to the higher level of foreign reserves in June 2011 compared to the previous month.
- * Export earnings declined in June 2011 by T\$2.6 million from the previous month primarily due to a fall in the amount of sandalwood exports.
- * Tourist receipts declined in June 2011 compared to the previous month and a year ago due to weakening or uncertain economic conditions in some source countries.
- * The level of money supply increased in June 2011 from the previous month due to an increase in currency outside banks, demand deposits, savings deposits and foreign currency accounts.
- * Total revenue increased from the previous month in June 2011 due to receipt of tax arrear from TONGASAT.
- * The increase in total GovT expenditure in June 2011 from the previous month was due to the loan repayments made on domestic and international debt in particular.

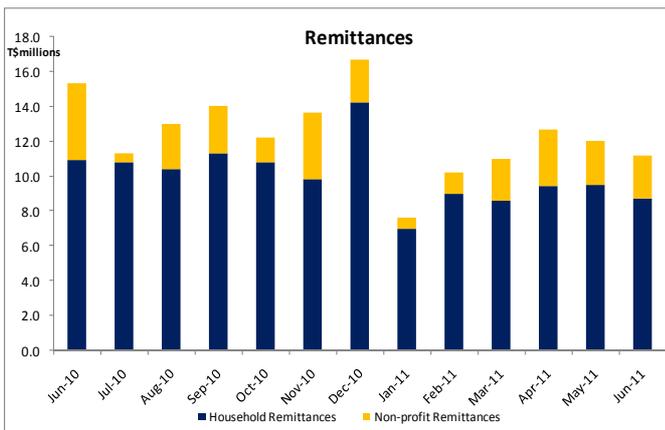
	(T\$m unless otherwise indicated)			% change from		YEAR TO DATE (July 2010-June 2011)		
	June 2010	May 2011	June 2011	May 2011	June 2010	Values (TOP\$m)	% of Budget (2010/11)	% of GDP (2010/11)
FISCAL INDICATORS (GFS Basis)							(100% of yr)	
(A) Total Revenue & Grants	19.80	18.82	84.84	+350.8%	+328.5%	247.44	127.9%	35.0%
Total Revenue	15.30	11.19	29.32	+162.0%	+91.6%	151.96	114.6%	21.5%
(B) Total Expenditure & Net Lending	21.42	14.34	67.36	+369.7%	+214.5%	235.09	114.4%	32.3%
Total GovT Expenditure	15.30	12.66	29.75	+135.0%	+94.4%	177.28	146.3%	25.1%
(A-B)OVERALL BALANCE¹	-1.62	4.48	17.48			12.35		1.7%
Total Public Debt (cumulative)	258.3	304.4	304.3			74.7		43.1%
ECONOMIC ACTIVITY							% change from (July 2009-June 2010)	
Export (OET basis)	0.9	3.4	0.8	-76.7%	-9.5%	11.2	-1.4%	1.6%
Import (OET basis)	19.1	16.9	20.2	+19.5%	+5.7%	229.6	+10.4%	32.5%
Remittances	15.4	12.0	11.2	-6.7%	-27.1%	146.3	-7.0%	20.7%
Tourist Receipts	4.6	3.5	3.2	-7.4%	-30.8%	57.9	+15.5%	8.2%
MONETARY INDICATORS								
Official Foreign Reserves	170.5	170.2	203.8	+19.7%	+19.5%			28.8%
Money Supply (M ₂)	291.5	291.6	299.2	+2.6%	+2.6%			42.3%
Import Cover	7.1 months	6.3 months	7.4 months	+17.5%	+4.2%			
Annualized Inflation	2.7%	9.7%	7.9%	-1.8(% point change)	+5.2(% point change)			
Retail Fuel Prices: Petrol	T\$2.51/litre	T\$3.01/litre	T\$2.90/litre	-5.7%	+16%			
Diesel	T\$2.56/litre	T\$3.13/litre	T\$2.94/litre	-5.3%	+15%			

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. Also grant revenue and expenditure figures are still being reconciled.



Source: Tonga Statistics Department

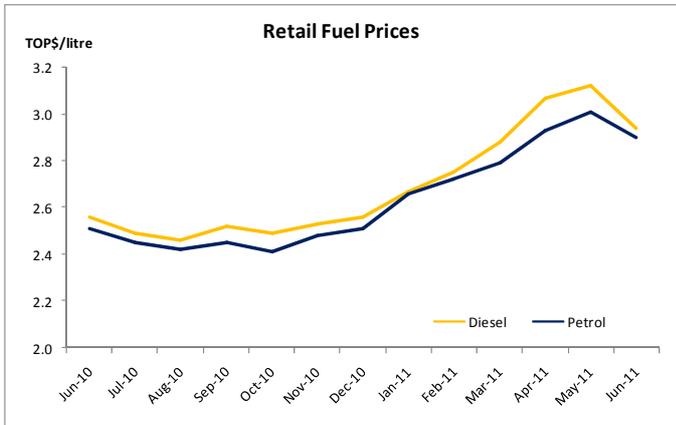
The annual inflation rate decreased in June 2011 to 7.9% from 9.7% in the previous month and 2.7% in June 2010. The decrease over the month was due to a significant fall in both food and fuel prices, which offset price increases for household operations due to the rise in the price of electricity in the previous month. However the annual inflation rate in June 2011 was still much higher than a year ago reflecting rising global food and oil prices and higher excises on tobacco and alcohol.



Source: National Reserve Bank of Tonga

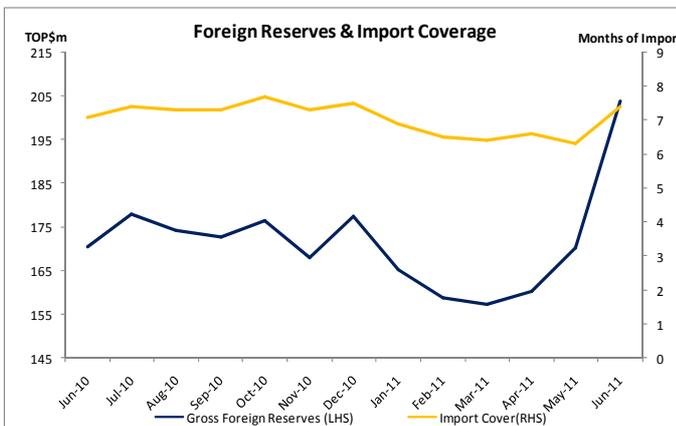
The level of remittances in June 2011 was down by T\$0.8 million (7%) from the previous month and was 27% lower than the level a year ago. The decline over the month continues to be driven by fall in receipts from both non-profit and household sources, plus the further strengthening of the Tongan pa'anga against the US dollar by 3% during the month, further suppressed the value of remittances in pa'anga terms.

However in June 2011, the Free Wesleyan Church of Tonga held their usual church conference, whereby most of their families from overseas contribute, by providing food items through transfer companies instead of being captured in remittances.



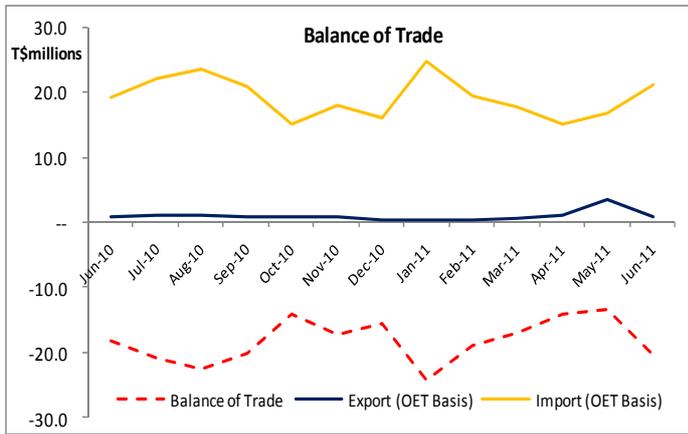
Source: Ministry of Labour, Commerce & Industries

Retail fuel prices dropped in June 2011 compared to the previous month due to the following; crude prices fell sharply in early May 2011 dropping by around US\$10/barrel a day. Petrol was down by around US\$6/bbl and diesel by US\$11.50/bbl, freight cost for transporting fuel from Singapore to Fiji remained steady during May 2011 and the weakening of the US dollar has also helped the drop in local currency prices.



Source: National Reserve Bank of Tonga

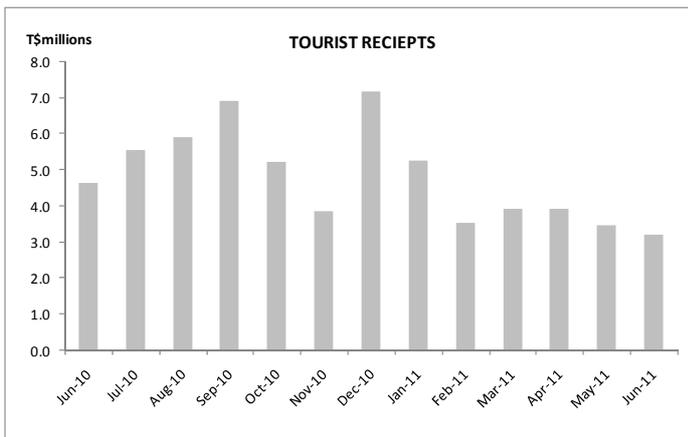
Official foreign reserves rose to a record high of T\$203 million in June 2011 up by T\$33.6 million (20%) from the previous month, which is equivalent to 7.4 months of imports, still at comfortable levels of above 4 months of imports. This significant increase over the month was mainly due to receipts of official capital inflow and foreign aid.



Source: National Reserve Bank of Tonga

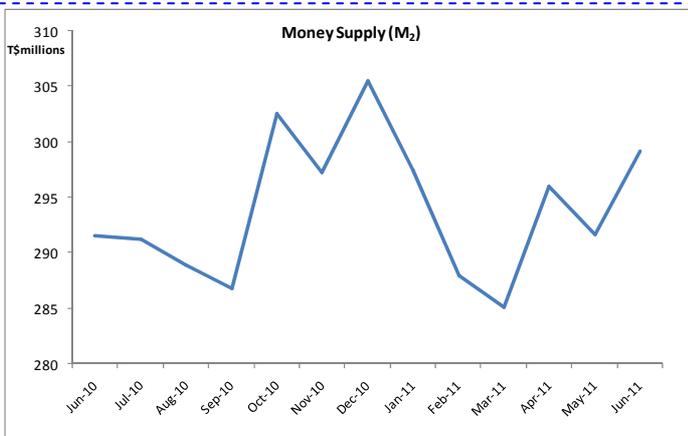
Export earnings declined in June 2011 by T\$2.6 million from the previous month primarily due to a fall in the amount of sandalwood exports. According to data from the quarantine service, sandalwood exports were down by almost 40% from the previous month.

Imports rose by 19.5% causing the balance of trade to worsen to a deficit of T\$19.4m in June 2011.



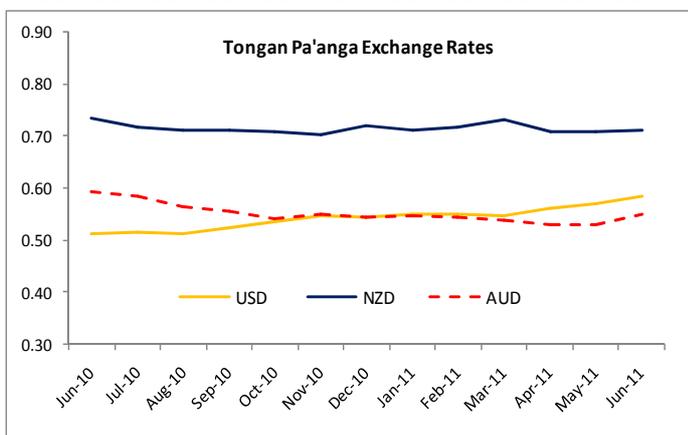
Source: National Reserve Bank of Tonga

Tourist receipts declined slightly in June 2011 compared to the previous month. Revenues were down by T\$0.3 million (7.4%) on the month and were 31% lower than the level a year ago. The declines were due to weakening or uncertain economic conditions in some source countries such as the United States, Australia and particularly New Zealand.



Source: National Reserve Bank of Tonga

Money supply increased in June 2011 by T\$7.7 million compared to the previous month. This was despite a fall in term deposits. However an increase in currency outside banks, demand deposits, savings deposits and foreign currency accounts, all contributed to the increase.



Source: National Reserve Bank of Tonga

Key Statistics:

- *Population: 101,991 (natural growth rate = 0.4%)
- *GDP/capita: T\$6,424 (real GDP growth rate 2010/11 = 1.5% (p))
- *Land Area: 748 sq km (Archipelago of 176 islands, 52 inhabited)
- *Health: Infant mortality rate (2008)—16/1000