

At a Glance

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March 2009

Economic Indicators

Headline Indicators	Mar 09 Values (\$m Pa'anga unless otherwise indicated)	Change (vs Feb 09 unless otherwise indicated)
Economic Activity		
Exports	\$ 1.8	↑ 2%
Imports	\$15.3	=
Electricity consumption	N/A	
Tourist Receipts	\$2.7	↑17.39%
Air arrivals (number)	3,023	↑14.2-%
- year to date		↓8.11%
Outstanding housing loans	N/A	
Remittances	\$13.5	↑ 21%
Monetary Indicators		
Annual Inflation	2.4%	↑ 26%
Retail Fuel Prices	Petrol: \$2.06/ltr Diesel: \$2.21/ltr	↑ 8.99% ↓ 0.45%
Foreign Reserves	\$130.6	↓ 0.38%
Import cover	4.6 months	1.5%
Total liquidity	N/A	
Balance of Payments	-\$0.5	↓170.3%
Current Account Balance	-\$4.2	↓11.94%
Fiscal indicators		
Revenue (after 75% of year)	\$152.06	↑12.31%
Expenses (after 75% of year)	\$133.42	↑17.6%
Donor Activity		
Aid revenue received	\$2.2	
Aid expenditure	\$1.4	

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Summary

- ◆ Inflation slightly increase after it hits the lowest month ever in the last decades.
- ◆ Remittances increase by \$2.3 million pa'anga from previous month.
- ◆ Fishing industry has increased slightly with total catches increased by 7%.
- ◆ Governments overall position for nine months to March 09 records a surplus of \$18.64 million pa'anga.

Inflation: Started to rise

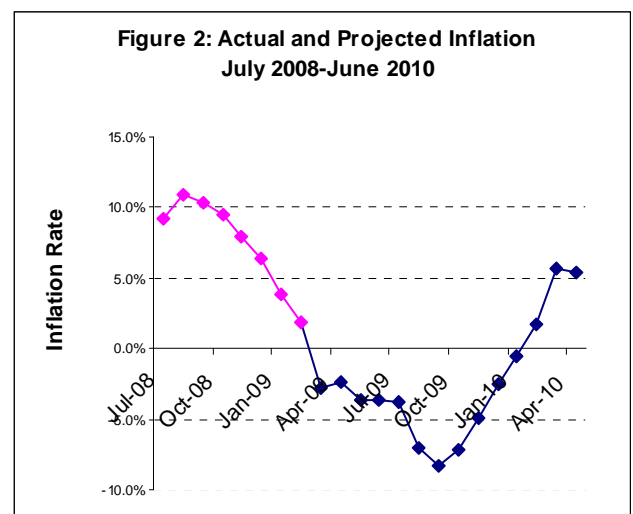
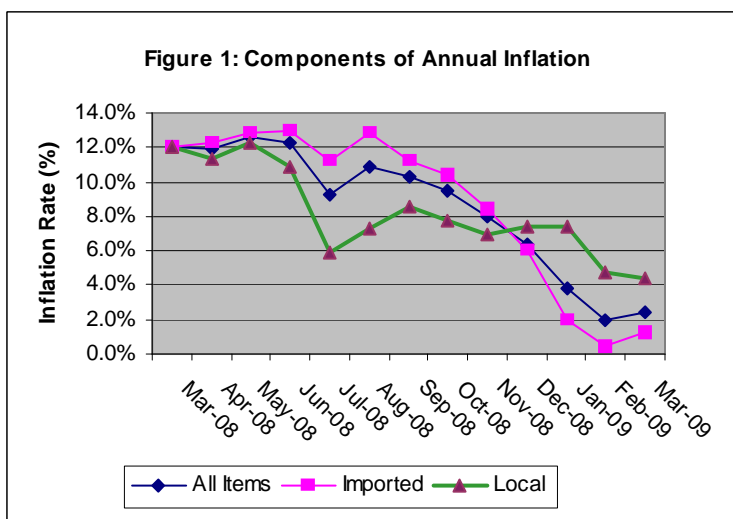
Inflation rate rose slightly after striking to the lowest rate ever since January 1997. Inflation was 0.5% higher than the previous month and 9.6% lower than the same period last year.

The rise of inflation rate is mainly attributable to the increase in transportation (3.1%) mainly due to the increase in price of petrol during the month. Local & imported food increased by 0.8% and tobacco & alcohol increased by 0.3%.

Table 1: Inflation Rate (%)

	Mar-09	Feb-09	Mar-08
Imported	1.3%	0.4%	12.0%
Local	4.3%	4.7%	12.0%
Average inflation	2.4%	1.9%	12.0%

Source: Statistics Department, 2009



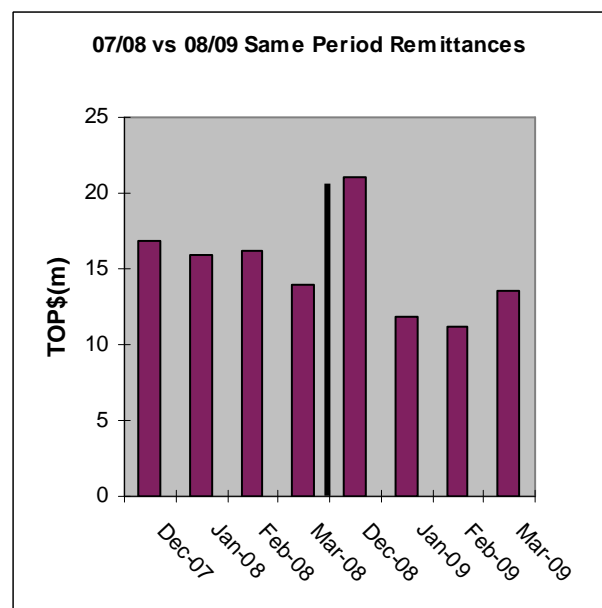
Remittances:

Remittances increased by \$2.3 million pa'anga to \$13.5 million pa'anga in March 09 from \$11.2 million pa'anga in February 2009. This is \$0.4 million pa'anga less than in the same period of the previous year. Household remittances have increased by \$1.4million pa'anga and non-profit remittances by \$0.9 million pa'anga.

Remittances have shown sign of increase and are expected to increase in the coming months due to seasonal fruit-picking workers on hand.

Table 2: Monthly Remittances (T\$m)

	Dec-08	Feb-09	Mar-09
Household Remittances	19.9	9.5	10.9
Non-Profit	1.1	1.7	2.6
Private	21.0	11.2	13.5

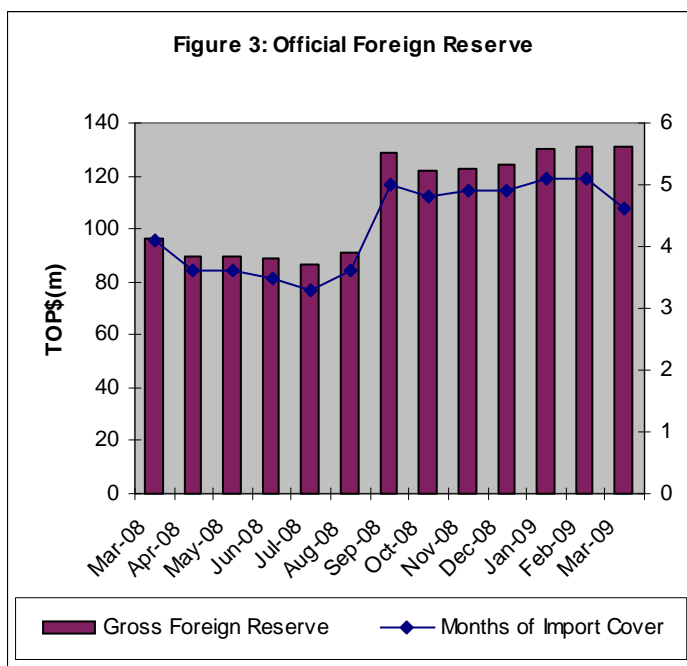


Sources : National Reserve Bank of Tonga

Reserves decrease slightly

Official foreign reserves for March 2009 show a decrease by \$0.5 million pa'anga from \$131.1 million pa'anga in February 2009 to \$130.6 million pa'anga this month and an increase by \$34.3 million pa'anga as compared to same period of previous year. Import Cover was 4.6 which is still well above the NRBT target of around 4 months of import cover.

The reason behind this movement was mainly due to large import payments and also the increase in oil prices for the month.



Source: National Reserve Bank of Tonga, 2008

Fisheries

Fuel Concession Committee figures shows that total catches for March 2009 increased by 7% from the previous month but declined by 24% from the corresponding period in 2008 .

Total exports and consumption slightly increased by 4.6% and 9.7% respectively from February 2009.

The cancellation of flights during the eruption of the new volcanic island at Ha'apai have affected tones of fish due to be exported to the US and Japanese market during the month.

Three extra vessels operated in March with more ice-blocks and baits available.

Table 3: Fisheries

	Fishing Vessels	Fuel (litres)	Exports (kg)	Local (kg)
Qtr Mar-08	17	80,570	89,721	95,562
Feb-09	15	42,900	23,363	26,312
Mar-09	18	52,800	24,443	28,871

Source: Fisheries Department

Government Fiscal Performance (GFS basis)

1. Overall result for March

- ◆ The Government's overall position for the nine months to March 2009 was a \$18.64 million pa'anga surplus.
- ◆ The overall position for March alone was \$0.65 million pa'anga deficit.
- ◆ This is a decrease by 126% from the previous month and 118% lower than the overall position same period last year.

2. Revenue

- ◆ Accumulated Total Revenue and Grants of \$112.52 million pa'anga of current revenue, tax revenue contributes 61% while 13% comes from non tax revenue.
- ◆ Total Revenue and Grants increased by 84.4% from December 08.

3. Expenditure and Net Lending

- ◆ Total Expenditure and Net Lending was \$133.42 million pa'anga.
- ◆ This was shared between current expenditure of \$119.12 million pa'anga(89%), Capital Expenditure of \$10.66 million pa'anga(8%) and net lending of \$3.65 million pa'anga(3%).

Debt Management

- ◆ Total debt slightly decreased to \$210.95 million pa'anga which is 35.04% of GDP due to favourable exchange rate movements. Of this, external debt is recorded at \$188.50 million pa'anga (31.31% of GDP) and domestic debt at \$22.45 million pa'anga (3.73% of GDP)
- ◆ External debt decreased to \$189.80 million pa'anga and domestic debt remains at \$22.4 million pa'anga
- ◆ Total Debt Servicing consumes 1.28% of GDP (\$7.72m/\$602.1m) and 5.53% or (7.72m/\$139.59m) of current revenue and 5.07% or (\$7.72m/152.17m) to recurrent expenditure.
- ◆ Remaining total debt service payments for March to June 2009 is \$9.88 million pa'anga.
- ◆ Total guaranteed debt as at end of March 2009 records at \$9.67 million pa'anga.

New Planning Framework

1. National Strategic Planning Framework

In February, 25th 2009, a Draft of the National Strategic Planning Framework had been approved by His Majesty's Cabinet to proceed with the procedures of formulating the next Plan. The current plan is the "Strategic Development Plan Eight, SDP8". The new planning framework or predecessor of SDP8 is now known as 'Strategic Development Plan Framework'. The formulation started with an inception workshop on the 23rd of March. Subsequently, the consultations with the Line Ministries will start on the 2nd week of April to re-emphasize their part to play on the Framework. Furthermore, the Final Framework is targeted to start in the beginning of next year and it will be implemented in 5 – 10 years.

2. Regional Development Committees

The cabinet approved the establishment of regional committees with the aim to support the development of the regions such as Ha'apai, Niuaus and 'Eua whereas Vava'u is under the Ministry of Foreign Affairs.

2.1 Ha'apai Development Committee(HDC)

The Chairman of this committee is the Deputy Prime Minister and Minister of Health, Hon. Dr. Viliami Tangi. The current members of the committee comprise of Heads of Departments from various government ministries including MLSNR, MAFFF, MOW, Foreign Affairs and MOFP. The other members include the two (2) Ha'apai nobles & people's representatives, the governor of Ha'apai and AusAID (key donor agency). The first meeting that was held in February, 13th this year and it was basically on the preparation for the formulation of the Ha'apai Master Plan.

2.2 Niuaus Development Committee(NDC)

The Chairman for this committee was the former Minister for Ministry of Agriculture, Forestry, Fisheries and Food, Hon. Peau Haukinima. The current members of the committee comprise of Heads of Departments from various government ministries including MLSNR, MAFFF, MOW, Foreign Affairs and MOFP. The other members include one (1) noble & people's representative, and NZAID (key donor agency). The Hon. Lisiate

New Planning Framework con't

'Akolo, Minister of Labour and Commerce is currently an Acting Minister for MAFFF, hence, he also an Acting Chairman for this committee. This committee was reconvened since its last meeting was held in 2006. However, the meeting basically look at the priorities for the Niuas such as, roads, transportations, communications, power supply, agricultures, handicrafts, education, and health and how these areas can be developed.

2.3 'Eua Development Committee(EDC)

The Chairman of this committee is the Minister of Labour, Commerce and Industries, Acting Minister for MAFFF, Hon. Lisiate 'Akolo. The current members of the committee comprise of Heads of Departments from various government ministries including MAFFF, MOW, Foreign Affairs and MOFP. The other members include one (1) noble & people's representative, Tonga Water Board, representatives from the Eua Business Association, Agricultural Association and NZAID (key donor agency). The first meeting for this year was held in February, 15th. The most important issue discussed in this meeting was to inform the member that the 'Eua Master Plan was approved by the Cabinet in October, 2008 to start the implementation.

Millenium Development Goals (MDGs)

Tonga's progress towards MDG

Goal 1: Eradicate of extreme poverty and hunger

The last HIES was in 2001 and the next HIES is currently conducted this year and will be finalized by end of the year. The latest available data in 2001 recorded a 4% as proportion of population below \$1 per day, 7.7% as for poverty gap ratio and 4.9% was the share of poorest quintile (20%) in national consumption.

Goal 2: Achieve universal primary education

The Net Enrolment Rate in Primary School has been improved by 8.5% from 89.4% in 2000 to 97.9% in 2006, 88.4% in 2006 was the proportion of pupils starting grade 1 who reach last grade of primary school and 99.4% was the literacy rate of 15-24 years old. With such high rate, there is a possibility that Tonga can report that

the universal primary education has been achieved.

Goal 3: Promote gender equality and empower women

The Target for this goal is to eliminate gender disparity in primary and secondary education by 2005 and all levels of education by 2015. The latest available data from MEWAC indicated that the gap in Gender disparity in both primary and secondary education are very minimal as ratio of girls to boys in primary, secondary and tertiary school are 99%, 99% and 112% respectively. For the share of women in wage employment in the non-agricultural sector, the data from the latest population census in 2006 recorded a 39.2% which is a further increased by 3.5% from the previous census in 1996 (35.7%). Since 2005, females have been continuously represented in Parliament.

Goal 4: Reduce child mortality

Child mortality rate decreased from 27% (1990 to 20% (2001) to 13.9% (2002) and then to 3% in 2006. For the latest MOH Annual Report, it recorded that the Infant Mortality Rate has slightly decrease from 12.8% in 2003 to 11.8% in 2005 and then to 11.7% in 2007. From the MOH, the immunization coverage is with more than 95% of children fully immunized against measles and common infectious diseases.

Goal 5: Improve Maternal Health

Maternal mortality rate is subject to substantial fluctuations because of small absolute numbers. It varied from 196 in 1995, 78.2 in 2002, 227.8 in 2006 and 36.5 in 2007. This is calculated using the standard formula per 100,000 live births. Various factors has contributed to the big decrease in the maternal mortality rate as from 227.8 in 2006 to only 36.5 in 2007, such as attended by trained and skilled personnel, high access of the population to health care facilities and high immunization coverage. As mentioned above the proportion of births attended by skilled health personnel is high with 98% in 2007. Contraceptive rate was dropped down from 33.0% in 2000 to 27.7% in 2007, Adolescent birth rate per 1000 women is decreasing from 25.7% in 1990 to 23% in 1995 and then to 17.9% in 2000 and antenatal care coverage (at least one to four visits) 2007 data shows a rate of 98.7%.

Millennium Development Goals (MDGs) con't

Goal 6: Combat HIV/AIDS, malaria and other diseases

Malaria case is not applicable here in Tonga, the focus is falling into combating the HIV/AIDS and Non-Communicable Diseases (NCD). From MOH, the cumulative figure of HIV/AIDS from 1987 to 2008 is 17 people, Level of contraceptive use was 27.7% in 2008 and 3 children were orphaned by HIV/AIDS in 2002. Tonga is also witnessing a changing disease pattern, for instance, rising levels of non-communicable diseases, obesity and increasing alcohol abuse. The prevalence rate of diabetes in 1998 was 8 people compared to 227 people in 2003. The incidence, prevalence and deaths rate associated with tuberculosis in 2006 was 24.5%, 34% and 2.7% respectively. The proportion of tuberculosis cases detected and cured under directly observed treatment short course recorded in 2006 was 127 people detected and 95% have been cured.

Goal 7: Ensure environmental Sustainability

The Environmental Department is the implementing agencies for the Climate Change Project funded by SPREP and they find it very useful in trying to minimize the problem of Climate Change in Tonga. Climate Change affects efforts to reduce poverty, water and food supplies, it infects the citizens with insecurity, misunderstanding and possibly fear and also climate change brings costly risks to economic and social growth. The latest available figure recorded a 5.4 in 2000 and 5.0 in 2005 as proportion of land area covered by forest, 1.19 in 2004 as for the CO₂ emissions, total, per capita and per \$1 GDP and 0.029 in 2005 for the consumption of ozone-depleting substances (ODS). From the latest Population Census in 2006, it recorded that the proportion of households using an improved drinking water source in Tonga in the urban area was 99% and 97% in rural area and 98% in total. Again in 2006, the proportion of urban and rural households using an improved sanitation facility was 100% in the urban area, 99.5% in the rural area and 99% in total.

Goal 8: Develop a global partnership for development

The latest available data recorded that the ODA re-

ceived in Small Developing States as a proportion of their gross national income was 9.62% in 2006, 8% in 2000 both for the ODA received in Small Developing States, millions of US\$1 and Developing countries and least developed countries, admitted free of duty. From the Statistics Department, the Debt service as a percentage of exports of goods and services was 9.8% in 2007. In cooperation with the private sectors, it makes available benefits of new technologies, especially information and communications for Tonga. The latest available data (Population Census 2006) recorded 17.98 for telephone lines per 100 population, 29.29 for cellular subscribes per 100 population and 3100 for internet users per 100 population. The data could be change as one communication company has entered the Kingdom lately.