

At a Glance -November 2011-

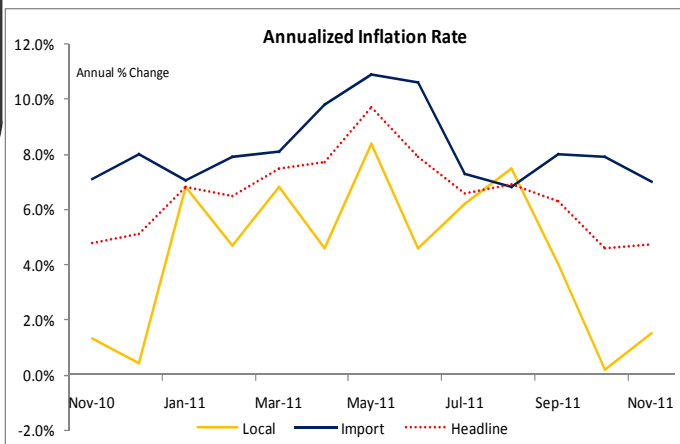


HIGHLIGHTS

- * During Nov 2010-Nov 2011 the annual inflation rate averaged at 6.6%, compared to just 3.0% in the previously same period (Nov 2009-Nov 2010); more than half this increase primarily reflects rising global prices for food and fuel.
- * Petrol prices and inflation were back to moving in the same direction in November 2011, compared to the last month where a significant drop in local food prices drove the inflation rate downwards offsetting a rise in fuel prices.
- * The level of foreign reserves in November 2011 was down by T\$1 million from the previous month due to net sales to the commercial banks partly offset by net purchases by the government.
- * The level of total public debt as at 30th November 2011 was estimated at T\$328.8 million or 44% of GDP, above the 40% approved threshold.
- * Tourist receipts in November 2011 were down by 22% from the previous month and contributing to this decline was supposedly less tourist departures from NZ to Tonga during this period plus weakening economic conditions in source countries.
- * According to the ADB, there may be weaker demand for merchandise imports in the Pacific supposedly due to the volatility in global markets and international commodity prices.
- * Private remittances in November 2011 was almost 30% lower than the level a year ago; mainly due to weakening economic conditions in source countries.
- * Despite a fall in total revenue in November 2011 from the previous month by 8.2%, the current financial year-to-date revenue collection seem to be on track.
- * Total recurrent expenditure in November 2011 increased by 31% from the previous month due to acquisitions of fixed capital assets.

	(T\$m unless otherwise indicated)			% change from		YEAR TO DATE (July 2011-Nov 2011)		
	Nov 2010	Oct 2011	Nov 2011	Oct 2011	Nov 2010	Values (TOP\$m)	% of Budget (2011/12)	% of GDP (2011/12)
FISCAL INDICATORS (GFS Basis)							(41.7% of yr)	
Total Revenue & Grants	11.79	15.92	15.33	-3.7%	+30.0%	90.34	43.7%	12.03%
Total Revenue	10.54	13.73	12.61	-8.2%	+19.6%	62.53	45.4%	8.33%
Grant (budget support & cash grants)	1.25	2.19	2.72	+24.2%	+117.6%	27.81	41.2%	3.70%
Total Expenditure & Net Lending	17.01	13.73	17.96	+30.9%	+5.6%	78.23	33.7%	10.42%
Expenditure (donor & cash grants)	15.95	13.70	17.93	+30.9%	+12.4%	77.73	39.2%	10.35%
Total Net Lending	1.06	0.03	0.03	0%	-97.2%	0.50	26.2%	0.07%
Total Public Debt	291.9	318.3	328.8					43.8%
ECONOMIC ACTIVITY INDICATORS							% change from (July 2010-Nov 2010)	
Exports (OET Basis)	0.8	0.9	0.9	0%	+12.5%	3.3	-23.3%	0.44%
Imports (OET Basis)	18.0	25.0	19.6	-21.6%	+8.9%	107.1	+7.7%	14.26%
Private Remittances	13.6	9.1	9.4	+3.3%	-30.9%	49.8	-22.4%	6.63%
Tourist Receipts	3.9	5.5	4.3	-21.8%	+11.2%	25.9	-5.7%	3.45%
MONETARY INDICATORS								
Official Foreign Reserves	168.0	213.9	212.9	-0.5%	+26.7%			28.36%
Import Cover	6.8	8.2	8.2	+9.8%	+27.5%			
Annualized Inflation Rate	4.8%	4.6%	4.7%	+0.1% point change	-0.1% point change			
Retail Fuel Prices: Petrol Diesel	T\$2.48/liter T\$2.53/liter	T\$2.79/liter T\$2.79/liter	T\$2.80/liter T\$2.81/liter	+0.4% +0.7%	+12.9% +11.1%			

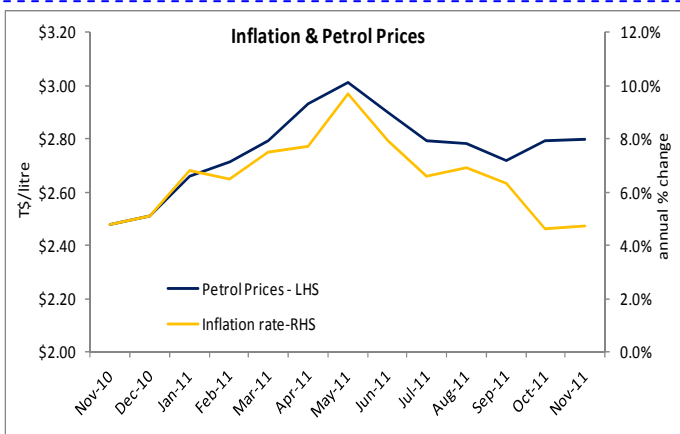
Note: Overall Balance is not shown because it does not include total expenditure i.e. In-kind expenditure and transactions funded by the Chinese loan which this data is not available on a monthly basis



Source: Tonga Statistics Department

The annual inflation rate went up to 4.7% in November 2011 from 4.6% in the previous month, mainly due to increase in both local food and imported fuel prices; offsetting a fall in prices for imported food. However November 2011 inflation rate was about the same in November 2010.

During Nov 2010-Nov 2011 the annual inflation rate averaged at 6.6%, compared to just 3.0% in the previously same period (Nov 2009-Nov 2010); more than half this increase primarily reflect rising global prices for food and fuel.

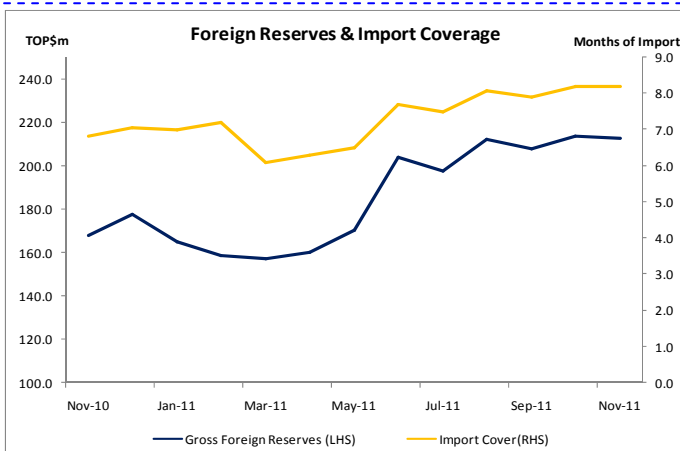


Sources: Ministry of Labour & Commerce & Industries & Tonga Statistics Department

In November 2011, petrol and diesel prices were slightly increased by T\$0.01/litre and T\$0.02/litre respectively, from the previous month; due to slight increase in global crude oil prices. However November 2011 fuel prices were 12% higher than the prices a year ago.

Petrol prices and inflation tend to move in the same direction, except in October 2011 where a significant drop in local food prices drove the inflation rate downwards offsetting a rise in fuel prices.

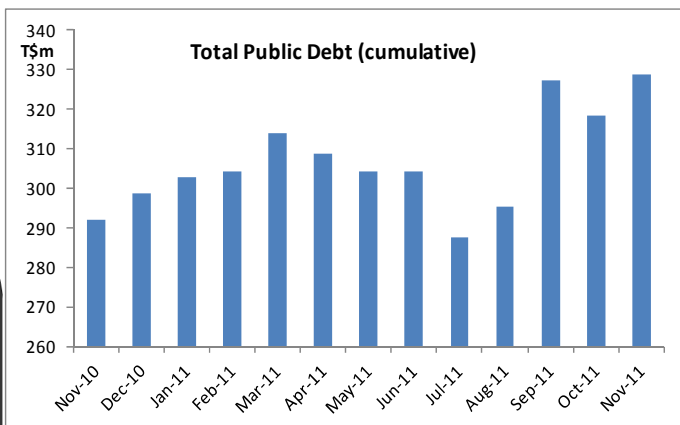
(Note: Diesel prices tend to move together with petrol prices in a similar trend)



Source: National Reserve Bank of Tonga

The level of foreign reserves in November 2011 reached T\$212.9 million compared to T\$213.9 million in the previous month and T\$168.0 million in November 2010. November 2011 reserves were equivalent to 8.2 months of import coverage which was still well above the adequate level of 4 months.

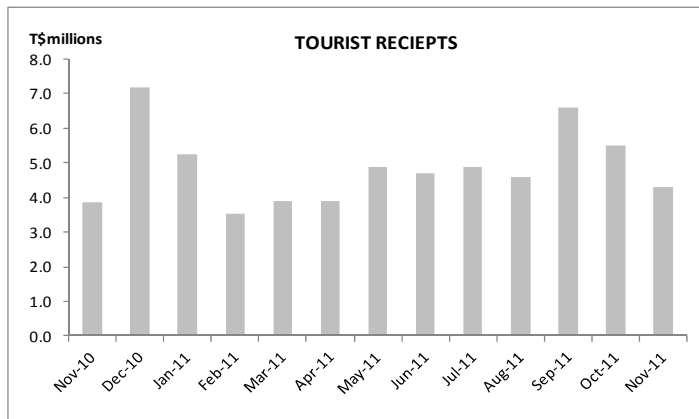
The slight decline in the level of foreign reserves over the month was due to net sales to the commercial banks partly offset by net purchases by the government.



Source: Ministry of Finance & National Planning

The level of total public debt as at 30th November 2011 was estimated at T\$328.8 million or 44% of GDP, above the government's threshold of 40%. The fluctuations in the levels of public debt is due to the timing of repayments and remaining drawdowns. No new debt were agreed to.

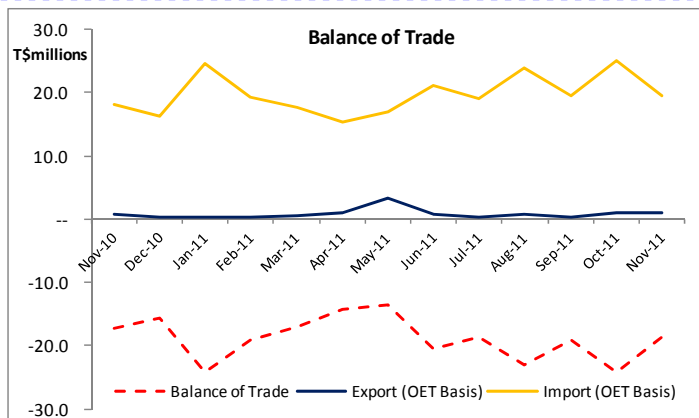
It is critical that year-end cash surpluses be used to build up Tonga's cash reserves rather than to fund additional spending. Tonga's debt payments are expected to increase by 70% in FY2014 at the start of repayments on a large loan from the EXIM Bank of China, which will have significant implications for Tonga's balance of payments.



Source: National Reserve Bank of Tonga

Tourist receipts in November 2011 were down by 22% from the previous month, but increased by 11% from the same corresponding period last year. According to Statistics New Zealand, the number of NZ tourists to Tonga were down by 13% in November 2011 from the previous month and there was little change compared to November 2010.

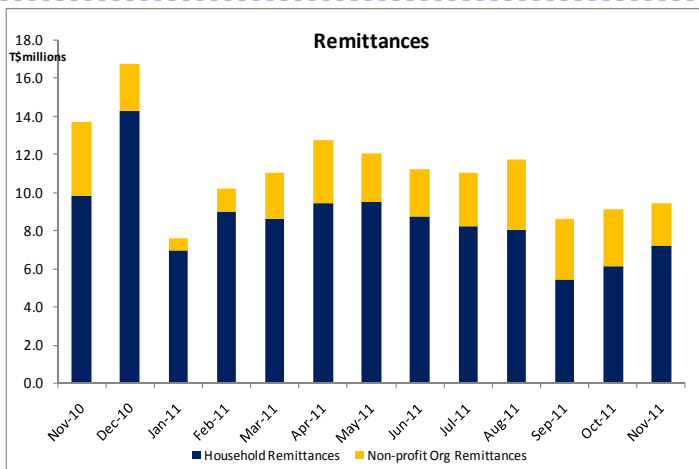
There are risks to sustaining a robust tourism performance, as there are still lingering uncertainty in global markets and in particular the recent reduction in growth forecasts for Australia and New Zealand.



Source: National Reserve Bank of Tonga

Export receipts recorded the same amount in November 2011 as the previous month's at T\$0.9 million, however this was T\$0.1 million higher than the export earnings recorded in November 2010.

Imports were down by 22% in November 2011 from the previous month resulting in a balance of trade deficit of about T\$18.7 million. However November 2011 imports value was still 9% higher than a year ago. According to the ADB, there may be weaker demand for merchandise imports in the Pacific supposedly due to the volatility in global markets and international commodity prices.



Source: National Reserve Bank of Tonga

Private remittances increased in November 2011 from the previous month by just 3%, due to more receipts from household sources, particularly the United States followed by New Zealand. However November 2011 remittances was almost 30% lower than the level a year ago, and this is a concern for the Tongan economy as most of the population rely on remittances for household consumption. Remittances still remain quite sensitive to global uncertainties.

:Sneak Preview:

- ◇ Annual inflation rate in December 2011: **4.2%**
- ◇ Official Foreign Reserves in December 2011: **T\$226 million**
- ◇ Tonga National Population Census 2011; *Preliminary Count*: **103,036**
- ◇ Estimated Total Criminal Offences as at Nov 2011: **90 (mostly Theft)**

According to the Global Findings for the Human Development Report for 2011, Tonga:

- * Ranking Number = **90**
- * Human Development Index (HDI) = **0.704**
- * Life Expectancy (Birth) = **72.3 years**
- * Mean years of schooling = **10.3 years**
- * Expected Year of Schooling = **13.7 years**

:Exchange Rates:

	Nov-11	Oct-11	Nov-10
USD/T\$	0.5813	0.5862	0.5360
NZD/T\$	0.7484	0.7392	0.7082
AUD/T\$	0.5722	0.5762	0.5421