

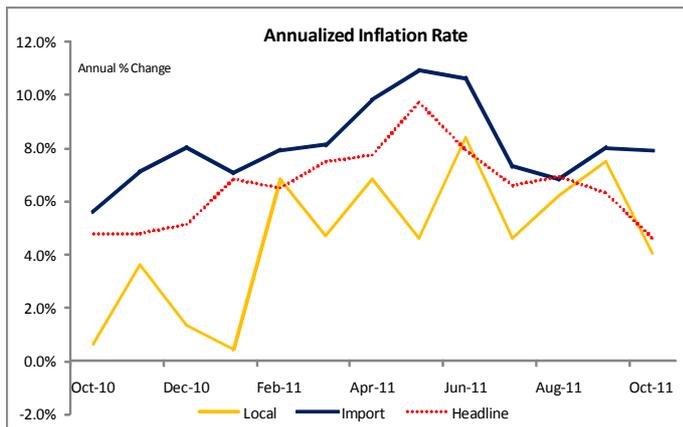
At a Glance -October 2011-

SUMMARY

- * The annual inflation rate plunged to 4.6% in October 2011 (the lowest since Oct 2010) from the last month mainly due to a significant fall in local food prices; however still remains higher than the rate a year ago due to rising imported food and fuel prices.
- * Total private remittances slightly picked up in October 2011 from the previous month up by 6% due to receipts from household sources; as over 50% was from the U.S reflecting its economy's slow recovery. October 2011 remittances were however 25% lower than the level last year.
- * The level of official foreign reserves increased in October 2011 from the last month to T\$213.9 million at an equivalent to 8.2 months of import cover, due to higher official capital inflows for the reconstruction of the Vaiola hospital and infrastructure development.
- * Export receipts slightly increased in October 2011 from the previous month primarily due to larger exports of watermelons.
- * Tourist receipts declined in October 2011 from the previous month by 17% due to weakening or uncertain economic conditions in some source countries such as Australia and New Zealand. October 2011 tourist receipts however were 6% higher than in October 2010.
- * The level of money supply in October 2011 increased from the last month due to an increase in term deposits, currency outside banks and foreign currency accounts, which however offset a fall in demand and saving deposits in the same period.
- * The level recurrent revenue increased in October 2011 compared to the previous month and October 2010 mainly due to an increase in non-tax revenue. Recurrent revenue collection overall seems to be on track with 36% received within 33% of the financial year.
- * Recurrent expenditure declined in October 2011 from the last month and the same corresponding month last year, mainly due to a fall in capital expenditure. Total net lending declined from the previous month and October 2010, mainly due to a fall in equity payments made to other enterprises.

	(T\$m unless otherwise indicated)			% change from		YEAR TO DATE (July 2011-Oct 2011)		
	Oct 2010	Sept 2011	Oct 2011	Sept 2011	Oct 2010	Values (TOP\$m)	% of Budget (2011/12)	% of GDP (2011/12)
FISCAL INDICATORS (GFS Basis)							(33.3% of yr)	
Total Revenue & Grants	19.23	13.63	15.92	+16.8%	-17.2%	74.99	36.3%	9.99%
Total Revenue	13.22	11.71	13.73	+17.3%	+3.9%	49.91	36.2%	6.65%
Grant (budget support & cash grants)	6.01	1.92	2.19	+14.1%	-63.6%	25.08	37.2%	3.34%
Total Expenditure & Net Lending	17.05	17.85	13.65	-23.5%	-19.9%	60.19	25.9%	8.02%
Expenditure (donor & cash grants)	16.83	17.54	13.62	-22.3%	-19.1%	59.72	30.1%	7.95%
Total Net Lending	0.22	0.31	0.03	-86.4%	-90.3%	0.47	24.6%	0.06%
Total Public Debt (cumulative)	286.2	327.3	318.3					42.4%
ECONOMIC ACTIVITY							% change from (July 2010-Oct 2010)	
Remittances	12.2	8.6	9.1	+5.8%	-25.4%	40.4	-20.0%	5.4%
Tourist Receipts	5.2	6.6	5.5	-16.7%	+5.6%	21.6	-8.5%	2.9%
Exports (OET Basis)	0.9	0.3	0.9	+200.0%	+1.8%	2.4	-30.9%	0.3%
Imports (OET Basis)	15.2	19.5	25.0	+28.2%	+65.0%	87.5	+7.4%	11.7%
MONETARY INDICATORS								
Official Foreign Reserves	176.5	208.1	213.9	+2.8%	+21.2%			28.5%
Import Cover	7.2 months	7.9 months	8.2 months	+3.8%	+13.3%			
Money Supply (M ₂)	302.5	289.6	296.2	+2.3%	-2.1%			39.5%
Annualized Inflation Rate	4.8%	6.3%	4.6%	-1.7% point change	-0.2% point change			
Retail Fuel Prices: Petrol Diesel	T\$2.42/liter T\$2.49/liter	T\$2.72/liter T\$2.75/liter	T\$2.79/liter T\$2.79/liter	+2.6% +1.5%	+15.3% +12.0%			

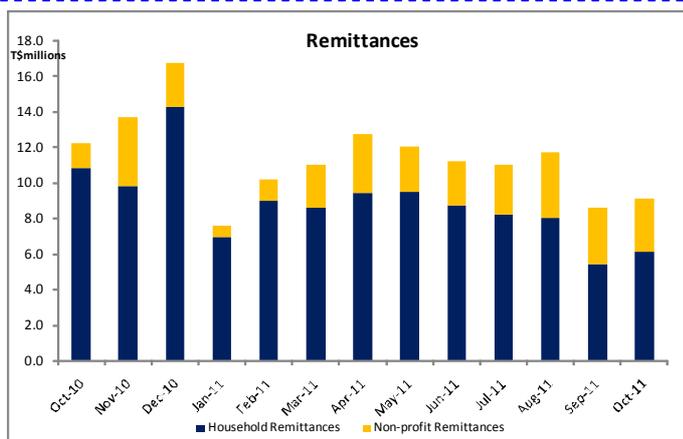
Note: Overall Balance is not shown because it does not include total expenditure i.e. In-kind expenditure and transactions funded by the Chinese loan which this data is not available on a monthly basis



Source: Tonga Statistics Department

The annual inflation rate plunged in October 2011 to 4.6% from 6.3% in the previous month and the lowest since 4.8% in October 2010. The decrease over the month reflected a significant fall in food prices particularly for local fruits & vegetables and local fish items.

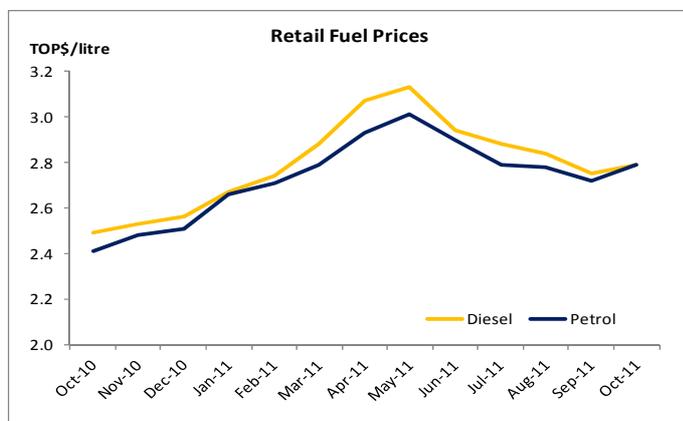
However the annual inflation rate in October 2011 was still much higher than a year ago due to rising global food and oil prices.



Source: National Reserve Bank of Tonga

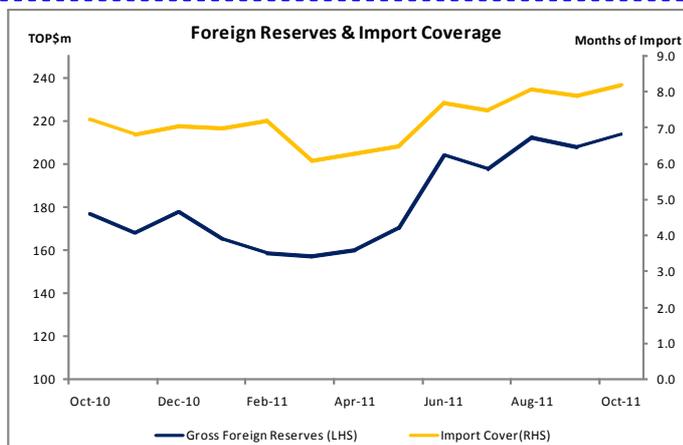
The level of remittances in October 2011 was up by T\$0.5 million (6%) from the previous month but was 25% lower than the level a year ago. The increase over the month was driven by receipts from household sources which offset the fall in remittances from non-profit organisations.

Over 50% of household remittances in October 2011 were received from the United States, supposedly reflecting the slight recovery in the U.S economy; with an advanced estimate of real GDP growth rate of 2.5% in the third quarter of 2011.



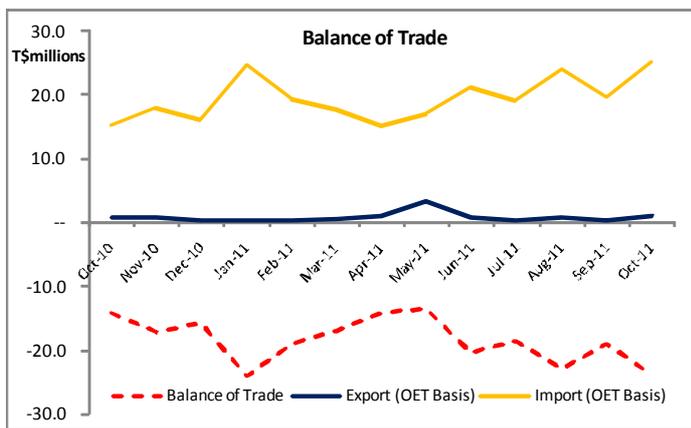
Source: Ministry of Labour, Commerce & Industries

Retail fuel prices was increased in October 2011 from the last month; in which petrol increased by T\$0.07 (3%) and diesel by T\$0.04 (2%). However, when compared to October 2010, petrol had increased by 15% and diesel by 12%; reflecting rise in global oil prices.



Source: National Reserve Bank of Tonga

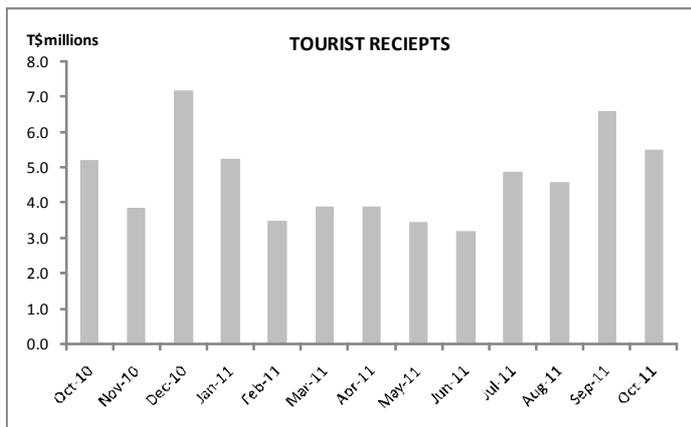
Official foreign reserves rose to T\$213.9 million in October 2011, up by T\$5.8 million (2.8%) from the previous month, which was equivalent to 8.2 months of imports, still at comfortable levels of above 4 months of imports. This significant increase over the month was mainly due to higher official capital inflows for the reconstruction of Vaiola hospital and infrastructure development.



Source: National Reserve Bank of Tonga

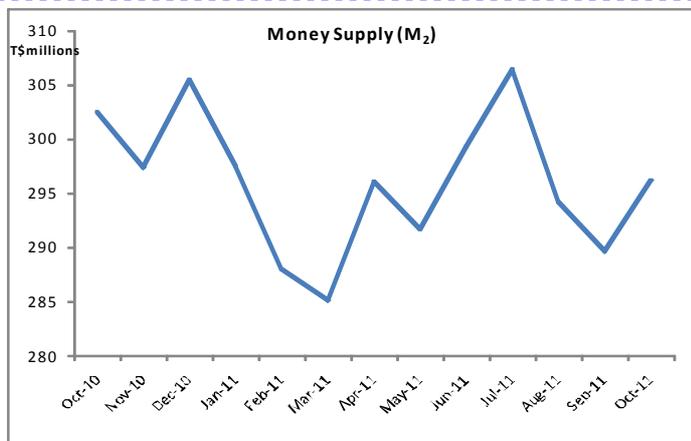
Export earnings slightly increased in October 2011 by T\$0.6 million from the previous month primarily due to increased exports of watermelons. According to the quarantine data, watermelon exports in October 2011 was up to 87,000 kilograms from just 9,000 kilograms exported in the last month.

Imports rose by T\$5.5 million (or by 28%) from the previous month, causing the balance of trade to worsen to a deficit of T\$24.1million in October 2011.



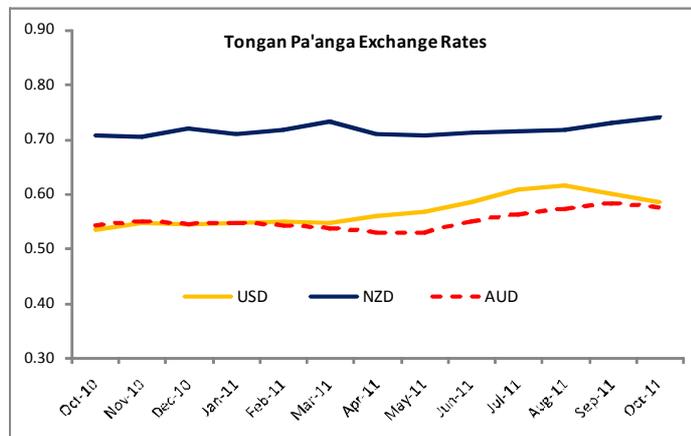
Source: National Reserve Bank of Tonga

Tourist receipts slightly declined in October 2011 compared to the previous month by T\$1.1 million (or by 17%), but were 6% higher than the level a year ago. The decline was due to weakening or uncertain economic conditions in some source countries such as Australia and New Zealand.



Source: National Reserve Bank of Tonga

The level of money supply increased in October 2011 by T\$6.6 million (or by 2.3%) compared to the previous month. The main contributors to this increase were term deposits, currency outside banks and foreign currency accounts, which however offset a fall in demand and saving deposits. In contrary, October 2011's level of money supply was 2% lower than the level a year ago.



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