



QUARTERLY DEBT BULLETIN as at 31 March 2012

This report summarises the Government's debt position during the FY 2011/12 from 1 July to 31 March 2012, in millions of Pa'anga. Comparisons have been made to the previous quarter (December 2011), and to the previous year (31 March 2011). The information covers external, domestic, on-lent and guaranteed debt.

1. Total public disbursed outstanding debt (DOD) as at 31 March 2012 is estimated at \$347.8m (*at 44.2% of GDP*). Total public debt increased by \$5.6m between December 2011 and March 2012. This was mainly due to disbursement made for Road project (\$8.4m) and also depreciation of the Pa'anga against the major borrowing currencies: to CNY by 0.9% and to SDR by 0.2%

2. External debt is recorded at \$318.3m (*40.5% of GDP*) with the main creditors of Export-Import Bank of China (EXIM) at \$192.7m (*61%*), the Asian Development Bank (ADB) at \$67.5m (*21%*) and IDA (International Development Agency World Bank) at \$40.2m (*13%*). The main outstanding loan currency denomination is in the Chinese Yuan Renminbi currency (CNY) at \$199.5m (*63%*) and the Special Drawing Rights (SDR) at \$116.5 (*37%*). The significant changes in movement of the Pa'anga against the major borrowing currencies during March 2011 to March 2012, most exchange rates showed an appreciation of the Pa'anga. The highest changes were noted against the EUR (*10.8%*) and the SDR (*7.4%*). There were no external loan payment arrears

3. Domestic debt is recorded at \$29.5m (*3.7% of GDP*), for Government bonds on issue. The main bond holders are Financial Institutions at \$19.0m (*65%*), and Financial Institutions Staff Retirement Funds at \$6.3 (*21%*). There were no domestic loan payment arrears.

4. Total debt service (expenditure) as at 31 March 2012 is estimated at \$12.3m, for *domestic debt* at \$4.1m (*33%*) and for *external debt* at \$8.2m (*67%*). This is equivalent to *1.6% of GDP* (at \$786.8m), and in ratio to recurrent revenue (GoT) of *11.1%* (at \$111.3m), and in ratio to recurrent expenditure of *10.0%* (at \$123.5m). There were no public debt payment arrears. For *external debt*, the main projected repayment months are September 2011 at \$3.2m (*30%*) and March 2012 at \$2.6m (*25%*) being mainly to EXIM; and for *domestic debt* is August 2011 at \$1.5m (*31%*) and October 2011 at \$1.4m (*29%*) for bond principal and interest. The total debt service for FY 2011/12 is estimated at \$15.3m. The following Chart shows status of the monthly repayments during the year.

Table 1: Sovereign Debt Sustainability Indicators

Indicators	IMF Threshold (%)	GoT Threshold (%)	FYTD 2011/12 (%)
<i>NPV of external debt as</i>			
% of GDP	30	40	40.5
% of exports & remittances	90	100	149
% of recurrent revenue	200	200	223
<i>Debt Service as:</i>			
% of exports & remittances	14	15	6
% of recurrent revenue	25	25	9

Chart 1: Total Public Debt to GDP as at 31 March 2012

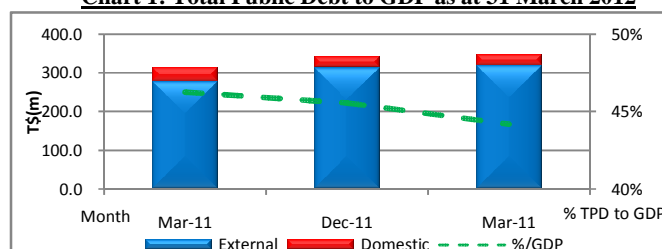


Chart 2: External DOD by Creditor as at 31 March 2012

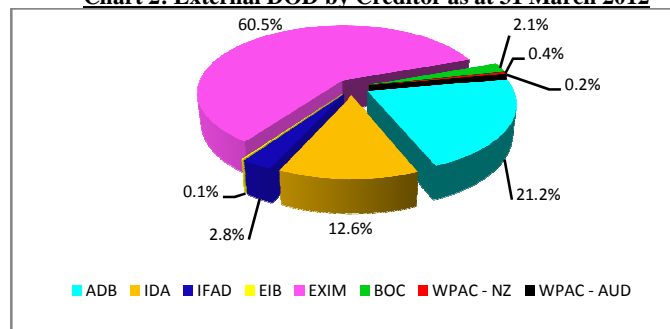


Chart 3: External DOD by Currency as at 31 March 2012

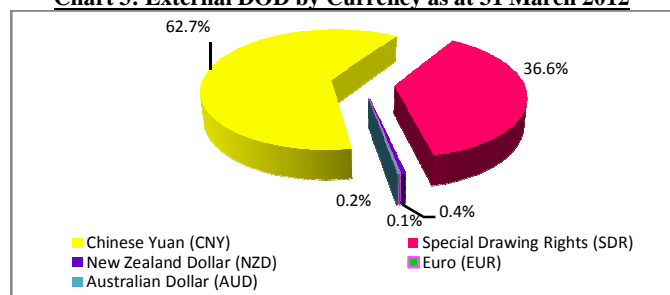
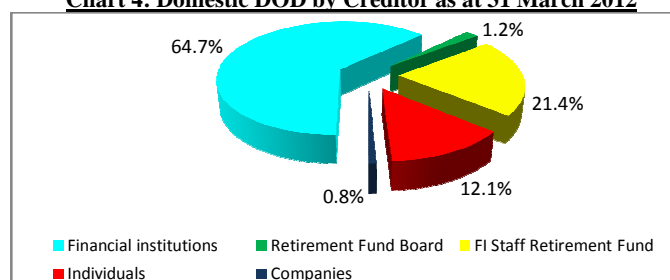


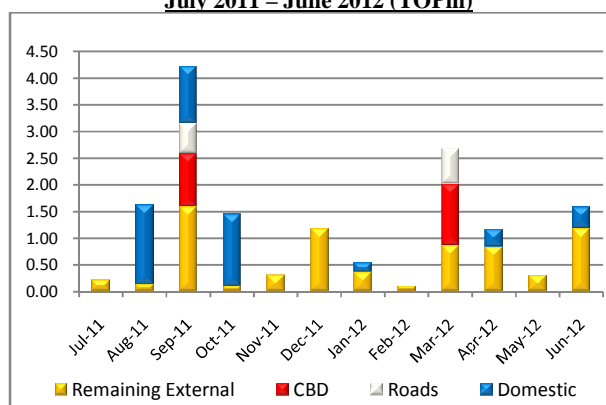
Chart 4: Domestic DOD by Creditor as at 31 March 2012





MINISTRY OF FINANCE AND NATIONAL PLANNING
Government of Tonga

Chart 5: Projected Total Debt Service
July 2011 – June 2012 (TOPm)



5. Total on-lent loans as at 31 March 2012 due to the Government from various public and other enterprises is estimated at \$40.4m (5% of GDP; and 13% of total external loans). The main Borrowers are Janfull IDH

Ltd. at \$10.3m (26%), OG Sanft Ltd. at \$10.2m (25%), and MF Taumoepeau Ltd. at \$7.2m (18%), and also to Royco Amalgamated Co. Ltd at \$2.2m (5%) for loans from EXIM China. The total on-lent loan payment arrears is estimated at \$12.8m, for loans due from Janfull at \$7.1m (56%) and Seastar at \$5.7m (44%). **Total debt service (revenue)** as at 31 March 2012 is estimated at \$0.89m, for on-lent loan repayments from Tonga Development Bank (TDB) \$0.55m (61%), Tonga Communications Corporation (TCC) \$0.3m (33%) and Royco \$0.05m (6%).

6. Total guaranteed debt as at 31 March 2012 is estimated at \$8.2m (1 % of GDP and 2% of total public debt). This is for loans at WBOT taken by Tonga Power Limited at \$7.7m (94%), Janfull IDH Ltd at \$0.34m (4%) and Bond issued by TDB at \$0.15 (2%). There were no guaranteed loan payment arrears.

Table 2: Summary Debt Ratios

Particulars	Mar-11	Dec-11	Mar-12	QTRLY change (%)	YTD change (%)
Total Public Debt (USD\$)	173.8	197.7	203.1	2.7	16.8
Total Public Debt (TOP\$)	314.1	342.2	347.8	1.6	10.7
Domestic Debt	36.5	29.5	29.5	-	-19.2
External Debt	277.6	312.8	318.3	1.8	14.7
Total Public Debt to GDP (%)	39.9	45.6	44.2	-3.0	10.7
External Debt to GDP	35.3	41.6	40.5	-2.9	14.7
Domestic Debt to GDP	4.6	3.9	3.7	-4.6	-19.2
Total Debt Service (\$)	9.0	9.0	12.3	36.0	36.5
Principal	4.0	5.8	6.8	16.8	70.9
Interest	5.0	3.2	5.5	71.0	9.3
External	7.8	5.1	8.2	60.0	5.6
Domestic	1.2	3.9	4.1	4.6	230.5
External Debt by Creditor category (\$)	277.6	312.8	318.3	1.8	14.7
Multilateral	131.1	117.5	117.0	-0.5	-10.8
Bilateral	144.5	193.4	199.5	3.2	38.1
Commercial	2.0	1.8	1.9	1.9	-7.8
Debt Composition by Instrument Type (\$)	314.1	342.2	347.8	1.6	10.7
Loans	277.6	312.8	318.3	1.8	14.7
Bonds/Notes	36.5	29.5	29.5	-	-19.2
Foreign Currency Risk (%)					
% of debt in Chinese Yuan	52.0	61.8	62.7	1.4	20.4
% of debt in SDR	47.0	37.4	36.6	-2.2	-22.1
% of debt in other currencies	1.0	0.7	0.7	-1.9	-25.1
Fiscal Indicators (%)					
Total Debt Service to Expenditure	5.1	5.3	7.2	36.0	41.7
Total Debt Service to Revenue	4.8	6.3	8.6	36.0	78.4
Interest cost to Expenditure	2.8	1.9	3.2	71.0	13.4
Vulnerability Indicators (%)					
Reserves to External Debt	56.6	72.3	72.1	-0.2	27.4
External Debt Service to Exps/Remits	3.2	2.4	3.8	60.7	20.1
External Debt Service to Exports	8.8	6.1	9.8	61.7	11.4

Source: MoFNP and NRBT