

# At a Glance

## August 2009

**Inside AAG**  
**August:**

### Economic Indicators

Headline Indicators	July 09 Values (\$m Pa'anga unless otherwise indicated)	August 09 Values (\$m Pa'anga unless otherwise indicated)	Change (vs July 09 unless otherwise indicated)
<b>Economic Activity</b>			
Exports ( <i>OET basis</i> )	\$1.2	\$ 1.3	↑ 8.3 %
Imports ( <i>OET basis</i> )	\$20.5	\$15.3	↓ 25.4%
Electricity consumption	N/A	N/A	
Tourist Receipts	\$3.2	\$3.3	↑ 3.1%
Air arrivals (number)	5,950	4,883	↓ 17.9%
- year to date		32,448	Excursionist Aug 09-N/A
Outstanding housing loans	101.3	101.3	=
Outstanding Business Loans	151.9	146.4	↓ 3.62%
Remittances	\$12.6	\$11.4	↓ 9.52%
<b>Monetary Indicators</b>			
Annual Inflation	1.2%	0.5%	↓ 58.3%
Retail Fuel Prices			
	Petrol: \$2.31/ltr	\$2.45/ltr	↑ 6.06%
	Diesel: \$2.24/ltr	\$2.43/ltr	↑ 8.48%
Foreign Reserves	\$139.4	\$159.2	↑ 14.20%
Import cover	5.4 months	6.2 months	↑ 14.81%
Total liquidity	\$279.7	\$284.8	↑ 1.82%
Balance of Payments	\$3.1	\$19.8	↑ \$16.7
Current Account Balance	-\$10.2	\$12.0	↑ \$22.2
<b>Fiscal indicators</b>			
Revenue ( 16.7% of year)		\$22.42	
( 11.80% of Budget)			
Expenses (16.7% of year)		\$29.87	
( 19.04% of Budget)			
<b>Donor Activity</b>			
Aid revenue received		\$1.6	
Aid expenditure		\$2.6	

#### Overview:

Inflation	2
Fuel Prices	2
Remittances	3
Reserves	3
Tourism	3
GFS Performance	4
Debt Management	4
National Strategic Planning Framework	4

#### Summary

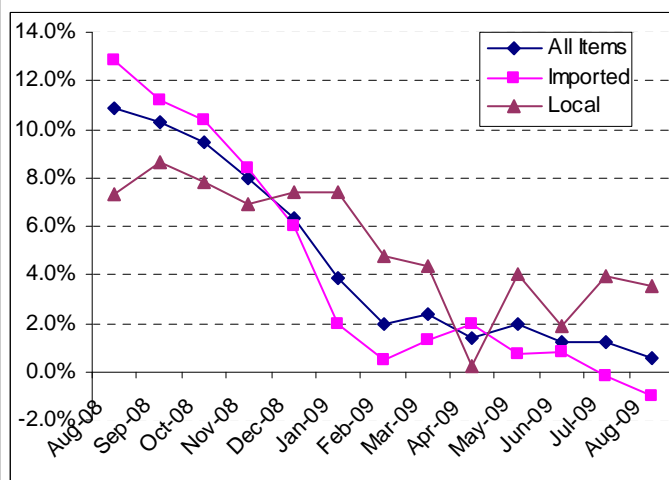
- ♦ Inflation Rate records the lowest of 0.5% since deflation in 1995.
- ♦ Remittances dropped by \$1.2 million pa'anga from previous month. Total Remittances for the year 2009 \$102.4 million pa'anga.
- ♦ Foreign Reserves increased by \$19.8million pa'anga from previous month.
- ♦ Governments overall position for the first two months of the financial year (09/10) record a deficit of \$7.46 million pa'anga.

## Inflation: Lowest ever since deflation in 1995

The rate of inflation as recorded for August 09 was 0.5%. This is the lowest rate ever since the deflation of -0.7% in September 2005. Contributions towards this change records Food with the highest of 1.27%, followed by an increase in prices of Transport at 0.46% due to rise in price of petrol as well as prices of Miscellaneous Goods at 0.03%.

National Reserve Bank of Tonga forecasts indicated a continued downward trend of inflation for

**Figure 1: Components of Inflation from Aug 08— Aug 09**



Source: Statistics Department, 2009

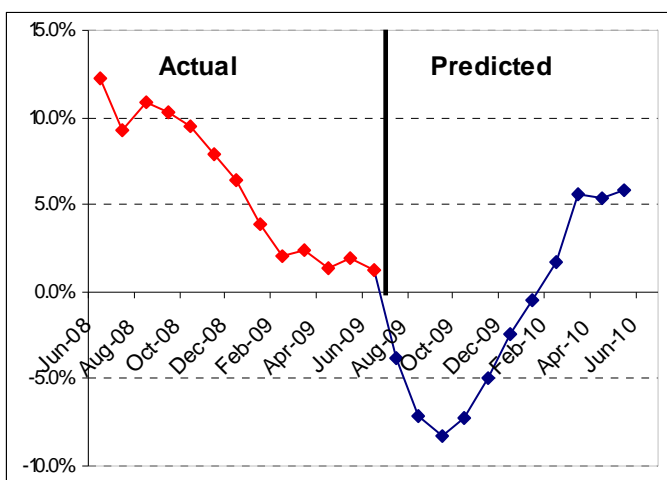
the rest of this year and it is expected to rise again beginning of 2010.

**Table 1: Inflation Rate (%)**

	Aug-09	July-09	Aug-08
Imported	-1.0	-0.2	12.8
Local	3.55	3.9	7.29
Average inflation	0.5	1.2	10.9

Source: Statistics Department, 2009

**Figure 2: Actual & Projected Inflation Jun 08 - Jun 10**



Source: National Reserve Bank of Tonga, 2009

## Fuel Prices: Continue Rising

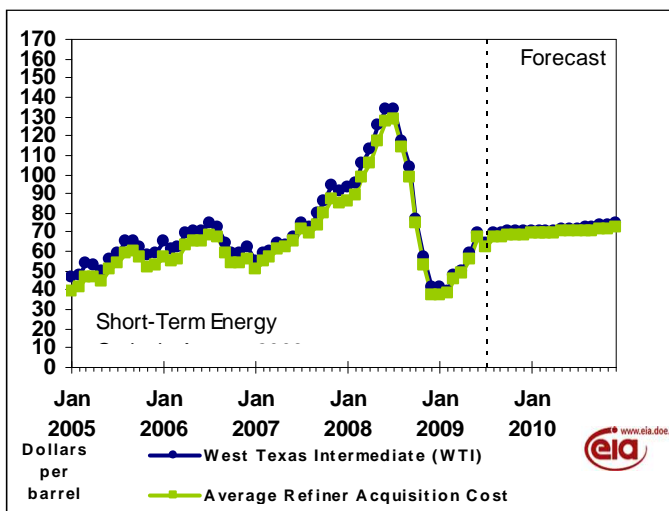
Ministry of Labour & Commerce reported domestic price of fuel continue its rising trend. Prices for petrol and diesel increased by 14 seniti (6.1%) and 19 seniti (8.5%) as compared to last month. This increase led Transportation costs to rise by 2.9% which is the second highest contribution towards the inflation index position in August 09.

As compared to same period of previous year (Aug 08): prices of petrol and diesel are lower by \$1.06 seniti (30.2%) and \$1.51 (38.3%) respectively. Fuel prices have remained below \$3.00 pa'anga per litre since the beginning of this year.

Energy Information Administration (EIA) of the United States reported West Texas Intermediate (WTI) oil prices hovered in the \$67-to-\$74-per-barrel range in August as expectations of an economic recovery and higher oil consumption in the future were weighed against weak current demand and high inventories. EIA projects that WTI crude oil prices will average \$69 per barrel in the second half of 2009, \$19 per barrel lower than in the second

half of 2008 ( This projection is largely unchanged from last month's *Outlook* and reflects the view that an expected economic upturn will restore).

**Figure 3: Short-Term Energy Outlook (Crude Oil Prices)**



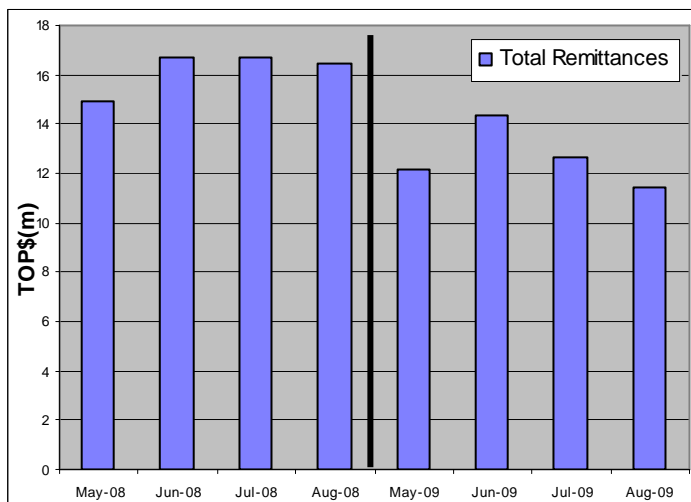
Source: Energy Information Administration, 2009

## Remittances

Remittances dropped by \$1.2 million pa'anga (or 9.52%) from \$12.6 million pa'anga recorded in July 09 to only \$11.4 million pa'anga in August 2009. Decline in Household Remittances by \$0.93 million pa'anga and Non-Profit Organizations by \$0.31 million pa'anga both contribute to decline in remittances for the month. Remittances for the month are lower by \$5.1 million pa'anga compared to same period of previous year. Total Remittances for the year 2009 records at \$102.4 million pa'anga.

This declining trend reflects the effects of global economic downturn on remitting countries evident in loss of jobs and therefore lower remittances inflow to Tonga.

**Figure 4: Total Private Remittances May-August 2008 compared to 2009**



Source: National Reserve Bank of Tonga, 2009

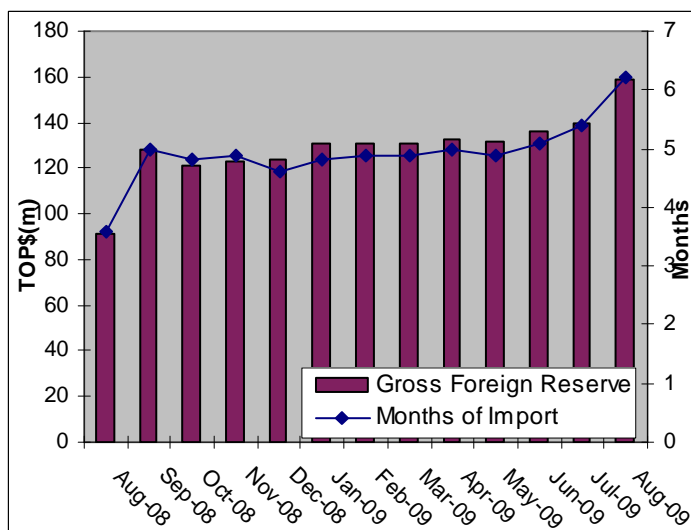
## Foreign Reserves

Official foreign reserves held by the Reserve Bank of Tonga increased by \$19.8 million pa'anga from \$139.4 million pa'anga in July 2009 to \$159.2 million pa'anga this month. As compared to the corresponding period of previous year, Foreign reserves held have increased by \$67.9 million pa'anga.

This significant increase largely reflects the general allocation of Special Drawing Rights (SDR's) by International Monetary Funds(IMF) to its member countries to address the fallout in global financial crises and accelerate recovery.

Official foreign reserves of \$159.2 million pa'anga equivalent to 6.2 months of import cover shows that this level is still well above the NRBT target of around 4 months of import cover.

**Figure 5: Official Foreign Reserve (Aug 08-Aug 09)**



Source: National Reserve Bank of Tonga, 2009

## Tourism

As shown, Tourism earning for August 09 shows a slight increase by \$0.1 million pa'anga (or 3.1%) from \$ 3.2 million pa'anga recorded in July 09 to \$3.3 million pa'anga in August 09 and decrease by \$1.4 million pa'anga (or 29.8%) compared to same period of previous year.

Tourist Air arrivals drop after the increase reported in July 09, moreover this increase by 22.6% compared to same period of the previous year. The decline in the tourist arrival is attributable to the GEC downturn.

-able by the time this report had been prepared to make any appropriate comparison with previous period

**Table 2 : Tourist Receipts & Arrival August 2008/09**

	Aug 09	July 09	Aug 08
Tourist Receipts	3.3	3.2	4.7
Tourist Arrivals	<b>4,883</b>	<b>5,950</b>	<b>7,247</b>
♦ Air Arrival	4,883	5,950	4,407
♦ Cruise Ship Excursionist)	N/A	N/A	2,840

Source: National Reserve Bank of Tonga and Ministry of Tourism, 2009

Data of excursionist for August were not avail-

## Government Fiscal Performance (GFS basis)

### 1. Overall result for second month of this financial year (2009/10) August

- ◆ The Government's overall position for the first two months of this financial year July/August 2009 was a \$7.45 million pa'anga deficit. This is represented by \$7.95 million pa'anga deficit from Government fund and \$0.50 million pa'anga surplus from Grants.
- ◆ Overall position for the month of August 09 only was a deficit of \$6.59 million pa'anga represented by deficit from Grants of \$0.04 million pa'anga and deficit of \$ 6.55 million pa'anga from Government Fund.

### 2. Revenue

- ◆ Aggregate level of Revenue and Grants for July/August 09 was \$22.42 million pa'anga which is 11.80% of budget estimates, 16.48% from tax items, 8.77% from non-tax and 3.38% from Grants.

### 3. Expenditure and Net Lending

- ◆ Total Expenditure and Net Lending for August 09 was \$29.87 million pa'anga which is 19.04% of the total budgeted estimates, 19.52% for current expenditure, 12.43% for capital expenditure and 4.90% was net lending.

## Debt Management

- ◆ Total public debt as at 31st August 2009 is estimated at \$222.45m or 31.29% of GDP. Of this external debt is \$200.00m (28.13% of GDP) and domestic debt is \$22.45m (3.16% of GDP).
- ◆ Total public debt decreased by \$0.93 million between July 09 & Aug 09.
- ◆ Total Debt Servicing consumes 1.27% of GDP, 27.15% are of recurrent revenue and 22.06% are recurrent expenditure.
- ◆ Total guaranteed debt as at 31 Aug 09 is estimated at \$9.62m.

## National Strategic Planning Framework

The preparation of the National Strategic Planning Framework is on progress. The review of the Ministries Corporate Plans and Annual Management Plans in purpose to establish a monitoring and evaluation system to measure all government development initiatives and efforts awaits the funding of TAs by the Government of Australia. Once the funding is available TA's will be advertised.

## Regional & Rural Developments

### 2.1 Ha'apai Developments

Current projects implementation are on progress. AusAID recommend 2 local TA for the preparation of the Ha'apai Master Plan.

### 2.2 'Eua Developments

The implementations of the current projects in these outer islands are still in progress. The EDC held their fourth meeting in September. A team will visit 'Eua to look at the projects currently implemented and to witness the completion of the 'Eua High School renovation project.

### 2.3 Niua Developments

The NDC held their second meeting in September and now considering development of a Master Plan to guide the developments in Niua. The NDC adopted plans by the King's Committee for the Niuas and also established a sub committee to look into priority areas for development in the Niuas.