

At a Glance -December 2011-

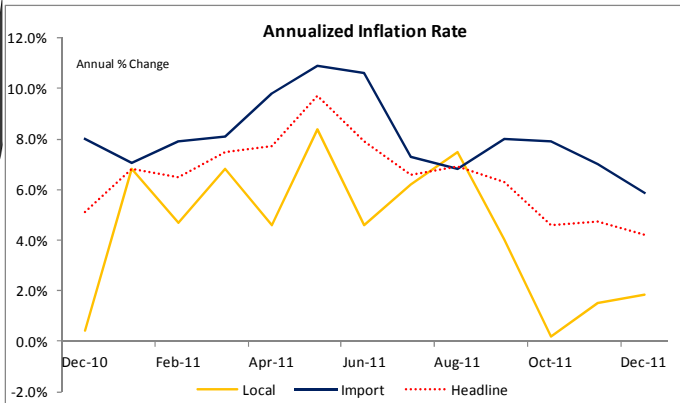


HIGHLIGHTS

- * Inflation continued to decline in December 2011 to 4.2% from the previous month due to fall in prices for imported food and fuel, however compared to a year ago households domestic power prices remained quite higher.
- * In December 2011 petrol price was decreased from the previous month down by T\$0.10 seniti/litre while diesel's was increased by T\$0.11 seniti/litre, mainly due to excess demand for diesel in the global oil market but an over-supply of petrol.
- * The level of remittances in December 2011 was down by 14% compared to December 2010. There is increasing evidence of more remittances being passed through shops. Statistics is looking into this data.
- * Tourism receipts dropped by 46% in December 2011 from the same month a year ago due to less foreign card transactions and foreign cash purchases (converting foreign cash to Tongan Pa'anga) through the banking system.
- * Export receipts improved in December 2011 from the previous month and December 2010 due mainly to proceeds from mainly squash exports.
- * Imports value were up by 3% in December 2011 from the previous month, however this value was 18% higher compared to December 2010 supporting the idea of more in-kind remittance through shops.
- * Despite a 2% increase in the level of money supply in December 2011 up from the previous month, it still remained 2% lower than the level a year ago due to a decrease in foreign currency accounts.
- * The level of foreign reserves increased in December 2011 from the previous month and December 2010, mainly due to receipt of budget support which is being used to help rebuild government bank balances.
- * Total revenue & grants increased in December 2011 from the previous month and December 2010, mainly due to a T\$15.4 million budget support from the World Bank.

	(T\$m unless otherwise indicated)			% change from		YEAR TO DATE (July 2011-Dec 2011)		
	Dec 2010	Nov 2011	Dec 2011	Nov 2011	Dec 2010	Values (TOP\$m)	% of Budget (2011/12)	% of GDP (2011/12)
FISCAL INDICATORS (GFS Basis)							(% of yr)	
Total Revenue & Grants	25.00	15.68	29.94	+90.9%	+19.8%	120.70	58.4%	16.08%
Total Revenue	13.52	12.64	13.14	+4.0%	-2.8%	75.7	55.0%	10.08%
Grant (budget support & cash grants)	11.48	3.04	16.80	+452.6%	+46.3%	45.00	66.7%	5.99%
Total Expenditure & Net Lending	17.52	18.72	13.93	-25.6%	-20.5%	92.65	39.9%	12.34%
Expenditure (donor & cash grants)	17.54	18.72	13.90	-25.7%	-20.8%	92.46	46.7%	12.31%
Total Net Lending	-0.02	0.00	0.03			0.19	9.9%	0.03%
Total Public Debt	298.5	328.8	342.2	+4.1%	+14.6%			45.58%
ECONOMIC ACTIVITY INDICATORS							% change from YTD (July 2010-Dec 2010)	
Exports (OET Basis)	0.4	1.1	1.1	0%	+175.0%	4.6	-1.1%	0.61%
Imports (OET Basis)	16.1	18.6	19.1	+2.7%	+18.6%	125.0	+8.2%	16.65%
Private Remittances (cash-basis)	16.7	9.4	14.4	+53.2%	-13.8%	64.2	-20.6%	8.55%
Tourist Receipts	7.2	4.3	3.9	-9.3%	-45.8%	29.8	-14.1%	3.97%
MONETARY INDICATORS								
Official Foreign Reserves	177.5	212.9	226.0	+6.2%	+27.3%			30.10%
Import Cover	7.1 months	8.2 months	9.0 months	+9.8%	+26.8%			
Annualized Inflation Rate	5.0%	4.7%	4.2%	-0.5 % point change	-0.8% point change			
Retail Fuel Prices: Petrol	T\$2.50/liter	T\$2.80/liter	T\$2.70/liter	-3.6%	+8.0%			
Diesel	T\$2.56/liter	T\$2.81/liter	T\$2.92/liter	+3.9%	+14.1%			

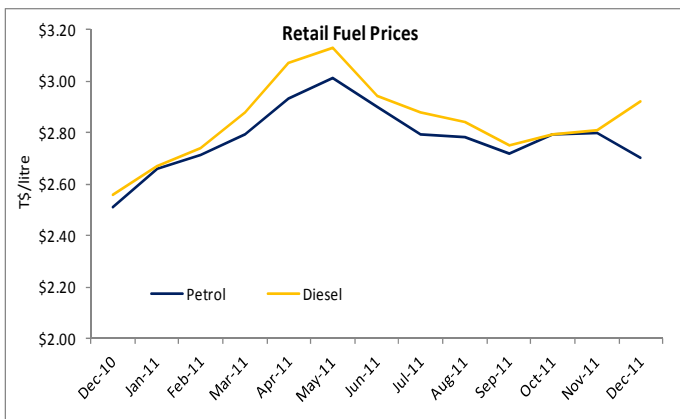
Note: Overall Balance is not shown because it does not include total expenditure i.e. In-kind expenditure and transactions funded by the Chinese loan which this data is not available on a monthly basis



Source: Tonga Statistics Department

The rate of price increase was 4.2% in December 2011, down from 4.7% in the previous month and 5.0% in December 2010.

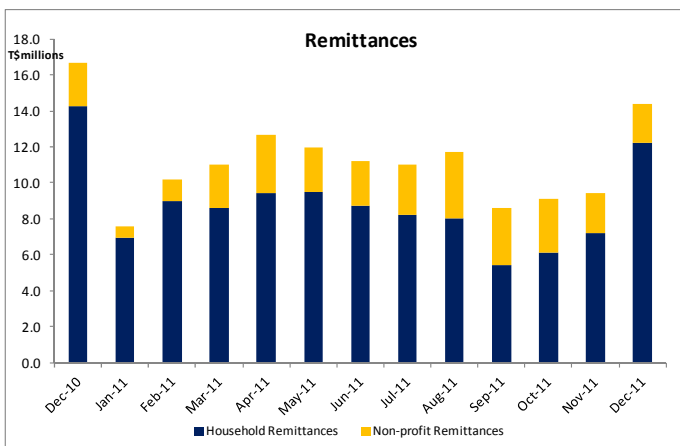
Falls in the price of imported food and fuel helped to push the inflation rate lower in December 2011 compared to the previous month. However, under household operations, an increase in the domestic fuel and power prices kept the local price index higher compared to the same month last year.



Source: Ministry of Labour, Commerce & Industries

Retail price for petrol was decreased in December 2011 from the previous month down by \$0.10 senti/litre, while price for diesel was increased by \$0.11 senti/litre. However petrol and diesel prices still remained higher than a year ago up by 8% and 14% respectively.

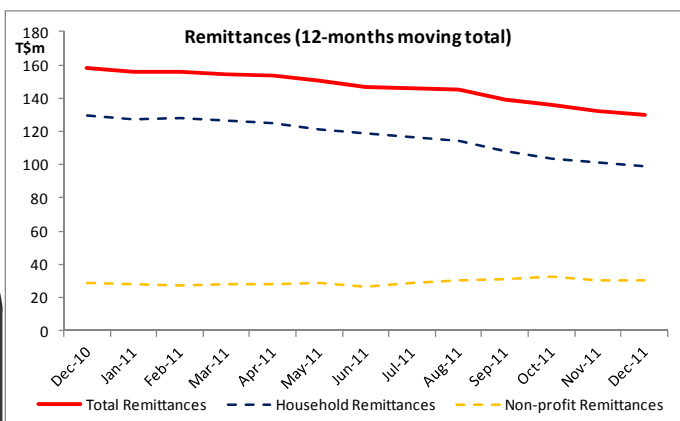
The contrary change in fuel prices over the month in December 2011 was mainly due to many countries' diesel inventories dropping, due to relatively low refinery runs. However, in November 2011 refinery runs were increased as demand for diesel outstripped supply. As a result, despite crude oil prices being steady, diesel prices were up by over US\$6.00/barrel and with the refineries running harder to meet diesel demand, there was a surplus of petrol which resulted in petrol prices falling by over US\$8.50/barrel.



Source: National Reserve Bank of Tonga

The level of remittances increased in December 2011 from the previous month up by 53% (or by T\$5 million) which is common for the Christmas season, however this level was still 14% (T\$2 million) lower than the level of remittances a year ago.

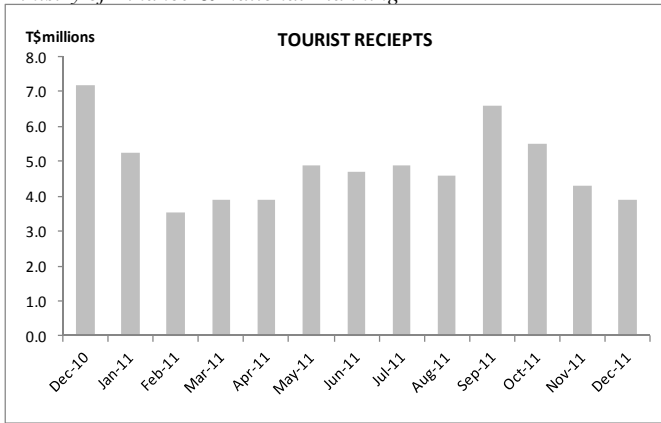
The increase over the month in December 2011 was mainly due to an increase in receipts from household sources, particularly in the United States. The decline from last year was mainly due to the rise in the pa'anga since in US\$ terms remittances remained fairly stable over the year. There is also increasing evidence that remittance are shifting to income transfers through shops, where payments are made overseas for goods collected in Tonga. This is in part to avoid the high cost of converting currency.



Source: National Reserve Bank of Tonga

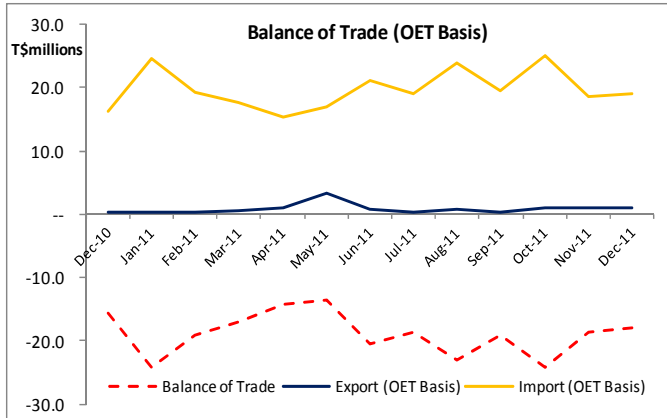
In December 2011, the level of total remittances (annual moving total) continued to drop to T\$130 million (down by 18%) from T\$158 million in December 2010. This drop was mainly due to fall in remittances received from household sources (down by 23%). Despite the 6% increase in non-profit remittances however, it was not enough to offset the decrease in household remittances.

Remittances still remain sensitive to global uncertainties and this fairly declining trend may be a concern for most Tongans livelihood.



Source: National Reserve Bank of Tonga

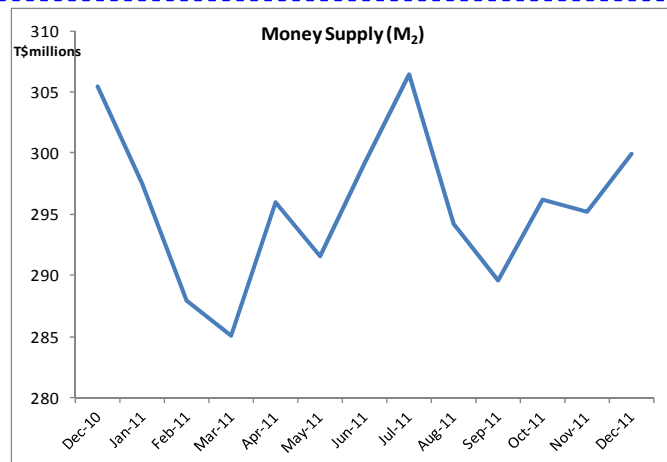
Tourism receipts (record of credit card transactions) in December 2011 continued to decline (since September 2011) to T\$3.9 million from \$4.3 million in the previous month and T\$7.2 million in December 2010. The big drop in tourism receipts in December 2011 from the same month a year ago, down by 46% arises from less foreign card transactions and foreign cash purchases (converting foreign cash to Tongan Pa'anga).



Source: National Reserve Bank of Tonga

Export receipts remained unchanged in December 2011 at T\$1.1 million compared to the last month, however this level was 175% higher than exports receipts recorded in December 2010. The same level of export receipts recorded in December 2011 and the previous month was quite a positive turn-around compared to usual declines during the same period, in previous years. This was mainly due to the recovery in proceeds from squash exports.

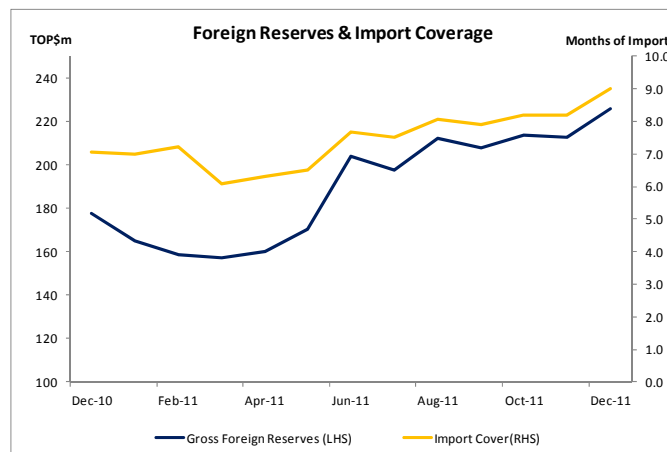
Imports were up by 2% in December 2011 from the previous month resulting in a balance of trade deficit of about T\$18 million. However December 2011 imports value was still 18% higher than a year ago.



Source: National Reserve Bank of Tonga

The level of money supply increased in December 2011 from the previous month up by 2% but fell by 2% from December 2010.

The increase over the month was mainly due to increases in currency outside banks, demand deposits and term deposits. However the fall in the level of money supply in December 2011 from the same month a year ago, was mainly due to a decrease in foreign currency accounts.



Source: National Reserve Bank of Tonga

The level of foreign reserves increased in December 2011 to T\$226.0 million from T\$212.9 million in the previous month and T\$177.5 million in December 2010. The rise in foreign reserves during the month December 2011, mainly reflects the World Bank budget support part of which is being used to help rebuild government cash reserves which had reached very low levels.

Also the months of import coverage was still well above the adequate level of 4 months; with 9 months in December 2011 compared to 8.2 months in November 2011 and 7.1 months in December 2010.