

At a Glance

July 2010

Inside AAG
July:

Economic Indicators

Gross Domestic Product	2008/09	2009/10 forecast	2010/11 forecast
GDP (at constant market price)	-0.4	-1.2	1.4
Headline Indicators	July 2010 Values (\$m Pa'anga unless otherwise indicated)	% change from June 2010	% of GDP (10/11)
Economic Activity			
Export (OET basis)	\$0.96	↓ -20.4%	0.12%
Imports (OET basis)	\$21.9	↑ +7.1%	2.74%
Remittances	\$11.3	↓ 26.6%	1.4%
Annual Inflation	5.0%	June 09 1.2%	
Retail Fuel Prices	Petrol: \$2.45/ltr Diesel: \$2.49/ltr	↓ 2.4% ↓ 2.7%	
Monetary Indicators			
Foreign Reserves	\$178.5m	↑ 4.7%	22.90%
Import cover	7.4 months	↑ 4.2%	
Fiscal indicators (YTD)			
Revenue & Grants			
(Budget 2010/11 \$193.5m)			
Recurrent Revenue	\$13.32	6.9% of Budget	1.7%
	\$11.62	6.0% of Budget	1.5%
Expenditure			
(Budget 2010/11 \$205.6m)			
Expenditure & Net Lending			
	\$13.23	6.4% of Budget	1.7%
Recurrent Expenditure	\$13.18	6.4% of Budget	1.7%
Donor Activity			
Aid revenue received	\$1.70	(YTD) \$1.70	0.21%
Aid expenditure	\$0.99	(YTD) \$0.99	0.13%

Overview:

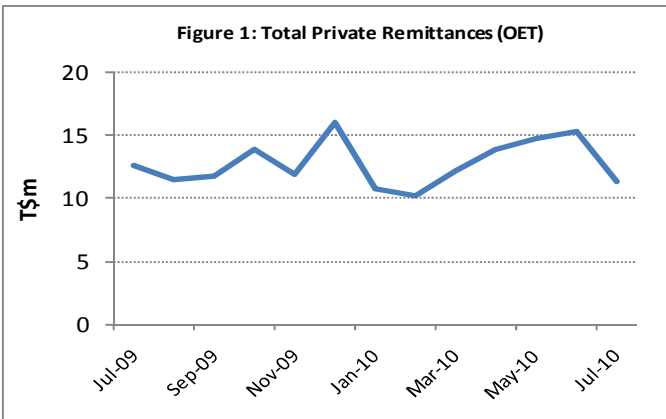
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Summary

- ◆ Remittances declined from \$15.4 million in June 10 to \$11.3 million this month.
- ◆ Annual Inflation rate has doubled from last month due to sharp increase in the price of imported tobacco.
- ◆ Foreign Reserves continued an upward trend and cover 7.4 months of imports.
- ◆ The Government's overall fiscal position recorded a surplus of \$0.09 million pa'anga on a GFS basis for the month of July 2010.
- ◆ Total public debt as at 31st July 2010 is estimated at \$269.22 million pa'anga or 34.53% of GDP.

Remittances

Total Remittances declined by \$4.1 million pa'anga to \$11.3 million in July 10; this is an important factor in the slowing down of the Tongan economy.



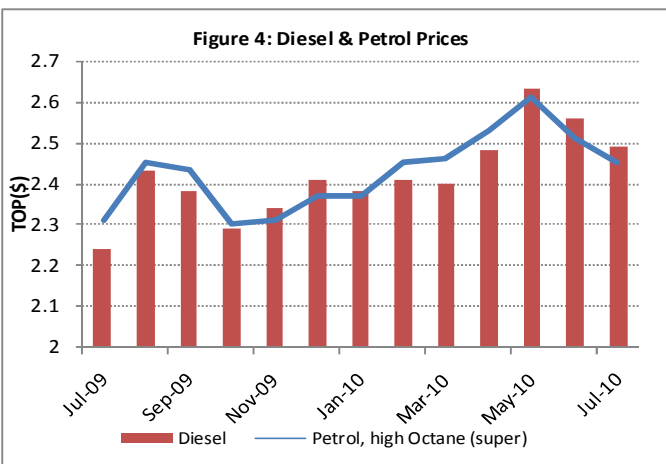
Source: National Reserve Bank of Tonga

Oil Price

Retail prices for petrol and diesel decreased to \$2.45/litre and \$2.49/litre from \$2.51/litre and \$2.56/ litre from the previous month respectively.

Energy Information Administration (EIA) projects West Texas Intermediate (WTI) spot price, which ended July at more than \$78 per barrel, will average \$81 per barrel in the fourth quarter of 2010 and \$84 per barrel in 2011.

EIA expected that world oil prices will rise slowly as world oil demand increases because of projected global economic growth, slower growth in non-OPEC oil supply.



Source: Statistics Department

Government Fiscal Performance (GFS basis)

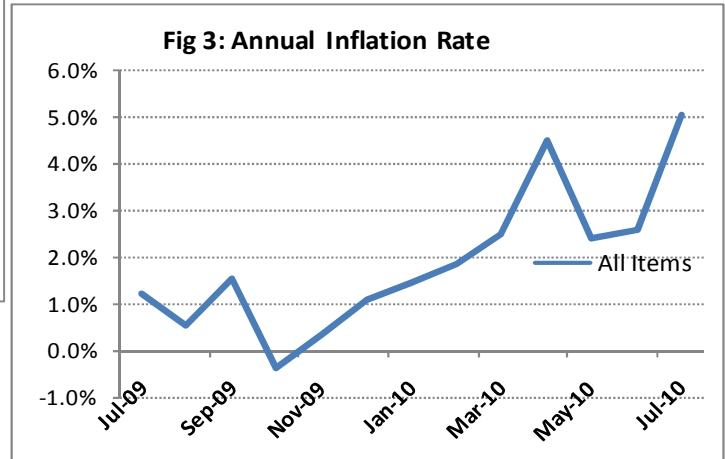
1. Overall fiscal position

- ◆ The Government's overall position for the first month of 2010/11 financial year was a surplus of \$0.09 million pa'anga.
- ◆ This surplus consists of \$0.62 million deficits from Government Fund and \$0.71 million surplus from Grants.

Annual Inflation

The annual inflation rate increased dramatically to 5.1% in July 10, from 2.6% in June 10 and 1.2% in July 09. This large increase was mainly due to an increase in the price of imported tobacco.

The Food group increased by 0.5% from previous month, and this was dominated by increases in the price of both imported and local meats, fish & poultry.

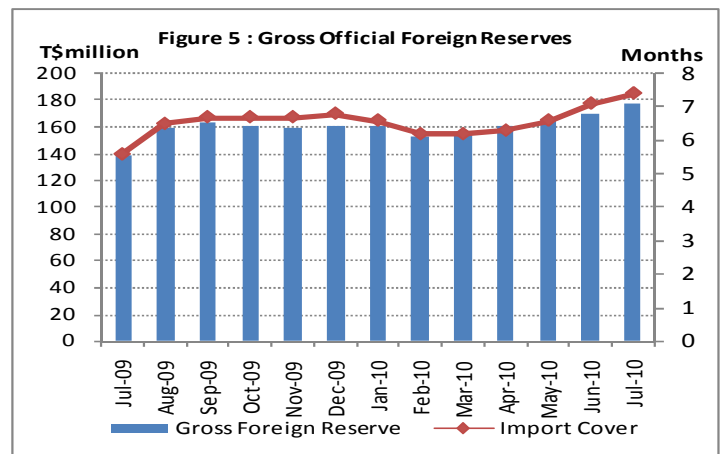


Source: Statistics Department

Gross Foreign Reserve

Official foreign reserves increased by \$7.5 million to \$178.5 million in July 10 from \$170.5 million in June 10.

Foreign reserves are equivalent to 7.4 months of import cover. The increase in reserves was mainly due to the receipts of government aid funds and deferred import payments.



2. Revenue

- ◆ Total Revenue and Grants recorded for July 2010 was \$13.32 million pa'anga, attributed by \$11.62 million pa'anga from government revenue and \$1.70 million pa'anga from grants.

3. Expenditure

- ◆ Total expenditure and net lending for July 2010 was \$13.23 million pa'anga of which \$12.24 million pa'anga government fund and \$0.99 million pa'anga by grants.

Debt Management

- ◆ Total public debt at the end of July 10 is estimated at \$269.22 million pa'anga, equivalent to 34.53% of GDP. Of this external debt was \$239.76 million (30.75% of GDP) and domestic debt was \$29.46m (3.78% of GDP).
- ◆ Total public debt increased by \$10.95 million pa'anga between June and July 2010, mainly due disbursement for reconstruction project and the appreciation of most borrowing currencies such as EUR, SDR and CNY.
- ◆ Total debt service (revenue) as at 31st July 10 was estimated at \$0.37 million and debt service (expenditure) was \$0.39 million pa'anga.

SPECIAL EDITION.....

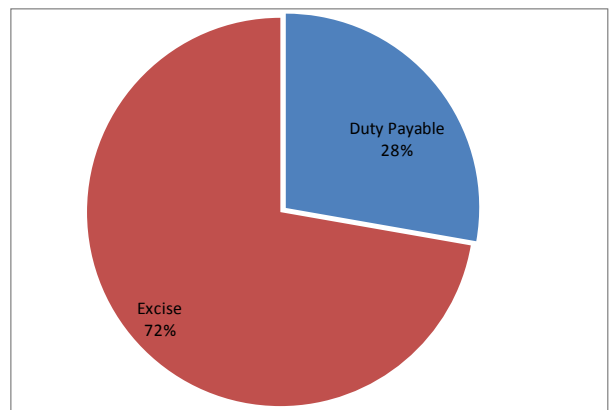
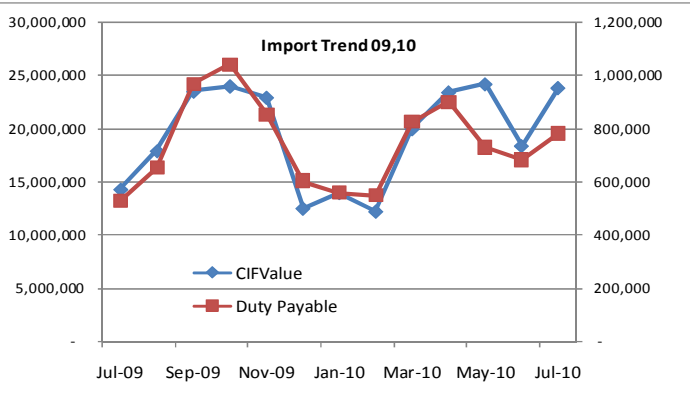
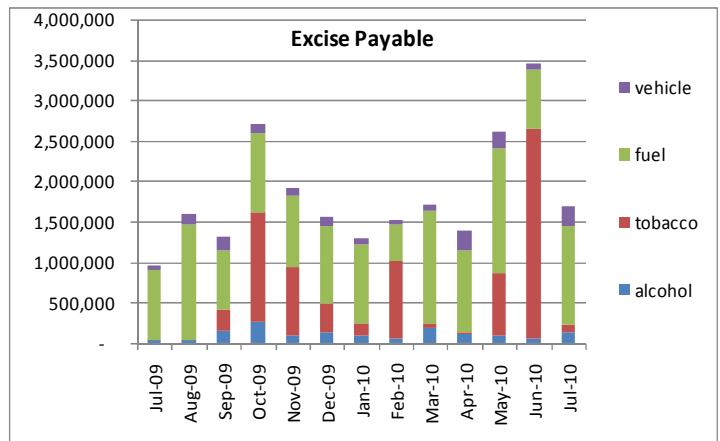
Analysis on Duty and Excise on Import 2009/10

GDP

The nominal GDP for 2009/10 was estimated at \$698.9 million.

Total imports

The total commodity imports (cif value) for 2009/10 was \$227,694,735. Bulk of the revenue from Customs came from Excise tax with around \$25 million with only \$9.7 million from Duty. The graph below shows the monthly performance of imports from June 2009 to July 2010.



Period	CIFValue	Duty Payable	Excise Payable	Duty Concession	Excise Concession
Grand Total	227,694,735	9,703,032	24,790,032	1,910,826	11,361,907