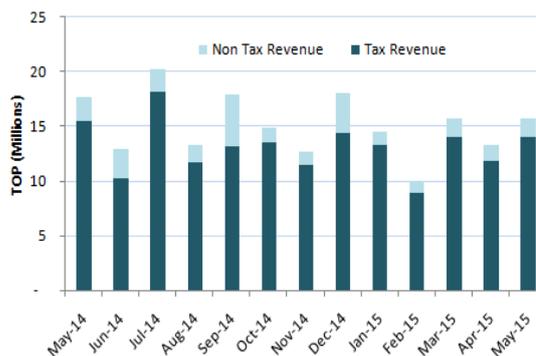


At a Glance-May 2015

HIGHLIGHTS

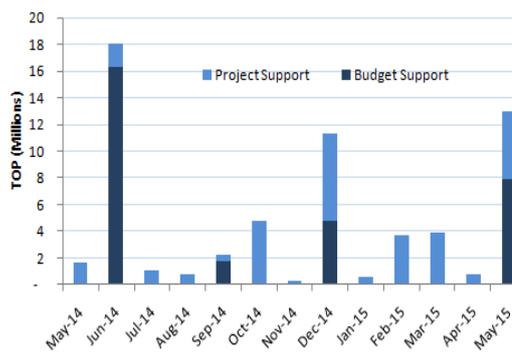
- Domestic revenue increased significantly by 18.1 percent over the month compared to the previous month. This was due to 13 percentage points increase in tax collected from corporation and other enterprises. However, the collection was 11 percent lower than the May collection last year (Refer to Figure 1).
- Cash grants receipt during the month was boosted by the receipt of budget support of TOP 7.9 million from the Government of Australia as well as 5.7 percent increase in project support such as grants from European Union of TOP 1 million and Australia and New Zealand of TOP 2.4 million (Refer to Figure 2).
- The receipt of budget support during the month contributed to the increase in foreign reserve and keeping them at a high level. The May level of gross foreign reserves increased by around 5 percent compared to the previous month and 7.7 percent compared to same period a year ago (Refer to Figure 3).
- Government expenditure for May was 4.6 percent higher compared to the previous month, mainly due to payments for goods and services such as travel (domestic and overseas), administrative charges (electricity, telephone, internet etc), fuel, freight, and maintenance expenses (office equipment, vehicles, and buildings). These expenses are expected to increase in June and July due to the coronation celebration. The increase since May 2014 is slightly lower at 4.2 percent compared to the monthly rise mainly due to fewer payments for goods and services (Refer to Figure 4).
- Consumer Prices Index (CPI) for May 2015 decreased by 0.5 percent in the previous month. This is based on a 1 percent and 0.3 percent declined in both imported and local items. The Food Group recorded a decrease towards the index position of May 2015 (both local and imported index). This was due to decrease in prices of local and imported fruits, vegetables such as peanuts, tomatoes; talo wet land, talo leaves as well as imported meat such poultry items as well as seafood including octopus and clamps. Prices of some imported food items such as tinned, packaged food and salted beef also decreased throughout the month (Refer to Figure 5).

Figure 1: Domestic Revenue (monthly)



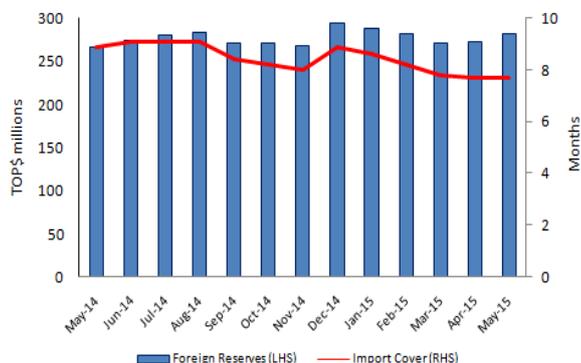
Source: Ministry of Finance and National Planning

Figure 2: Cash Grants (monthly)



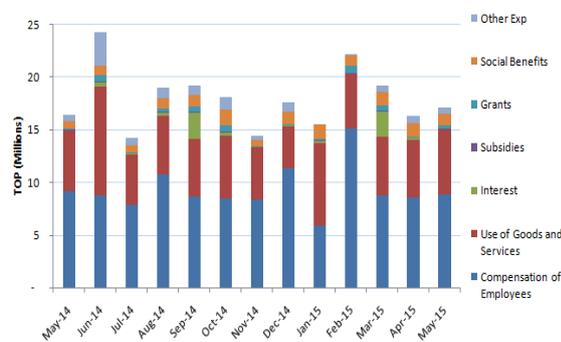
Source: Ministry of Finance and National Planning

Figure 3: Foreign Reserves and Months import cover (end of month)



Source: National Reserve Bank of Tonga

Figure 4: Government Expenses (monthly)



Source: Ministry of Finance and National Planning

The annualized inflation rate was a negative 0.6 percent in the month of May 2015 – a continuous deflation since February 2015. This is associated with a decline in prices of transportation (imported) in both public and private transportation (**Refer to Figure 5**).

Local retail oil prices were increased during the month compared to the previous month. Diesel price increased by 0.9 percent while the price of petrol increased by 2.2 percent. This is related to a 4.9 percent increase in the international price of oil (**Refer to Figure 6**).

➤ Proceeds from export decreased by around 14 percent (provisional estimates) during the month compared to the previous month; however, the level was slightly higher at 1.6 percent than May receipts last year (**Refer to Figure 8**). The total volume of export of agricultural produce increased by around 22 percent over the month compared to the previous month, despite a 14 percent decline in total export receipts. The monthly increase in volume of agricultural exports included root crops such as cassava, giant taro, yam, sweet potatoes. Vanilla cured beans also contributed to the monthly increase. Since, majority of our local produce are exported to New Zealand, the depreciation of Tongan Pa'anga by 1.7 percent during the month against New Zealand dollar may contribute to the monthly decline in proceeds from export (**Refer to Figure 7**).

➤ Payments for import increased by around 47 percent during May compared to April. The monthly rise in payments for import relates to increased payments for mineral products, vehicles, and associated transport equipment during the month. The level of payments was relatively higher at 27 percent compared to May payments last year (**Refer to Figure 8**).

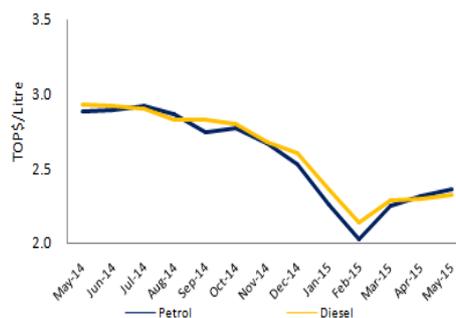
➤ Travel receipts increased by 3.6 percent on an annualized basis in May, compared to the previous month but total visitors air arrivals decreased by around 7 percent (annualized basis). Monthly data for May visitor's air arrival was 15 percent lower than the average of the same period five years ago. It appears that people are saving their holidays to come for the coronation, hence these numbers are anticipated to rise further in the next few months due to this event, and other events such as celebration of Tonga High School and Liahona High School anniversary and church conferences (**Refer to Figure 9**).

Figure 5: Annualized Monthly Inflation Rate



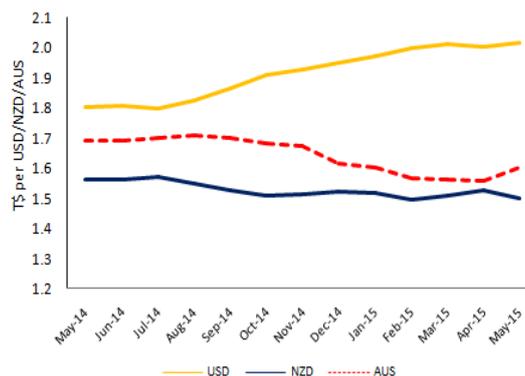
Source: Tonga Bureau of Statistics

Figure 6: Retail Fuel Prices (end of month)



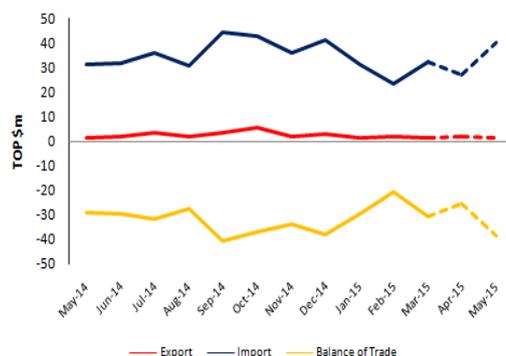
Source: Competent Authority, MCTL

Figure 7: Exchange Rate (end of month)



Source: National Reserve Bank of Tonga

Figure 8: Balance of Trade (monthly)



Source: Tonga Bureau of Statistics & Customs

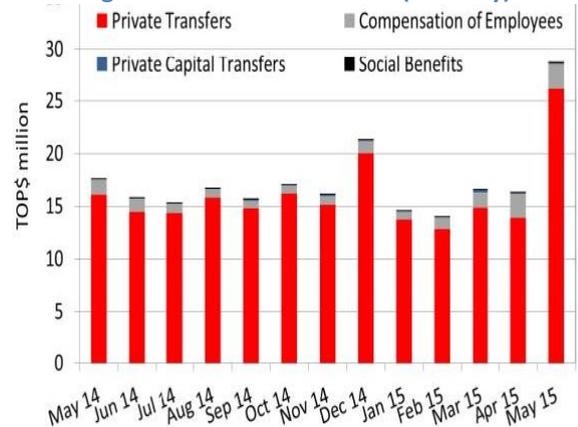
➤ Cash remittances recorded in April remains high at 16.3 million; however, the level declined slightly by around 2 percent compared to March. The 8.7 percent decrease in private transfers has driven the monthly decline in total remittances. Despite a fall in private transfers the 64 percent increase in employee compensation (income from seasonal workers in Australia and New Zealand) has helped to maintain the high level of remittances. The increase in number of participants in the seasonal work schemes in both New Zealand and Australia support the high level of remittances in the future. In May, cash remittances boosted by more than 70 percent compared to the level in the previous month. This is consistent with a significant increase by almost double in private transfer's receipts due to special Sundays such as White Sunday, Mother's, Father's Day and some churches conference. Cash remittances are expected to increase over the next few months due to preparations for the Coronation, celebrations for Tonga High School and Liahona High School anniversaries. The government proposed policy to charge 1 seniti levy on foreign exchange will impact the level of remittances in the future (**Refer to Figure 10**).

Figure 9: Travel Receipts vs. Tourist Air Arrival (annualized)



Source: National Reserve Bank of Tonga(OET data)

Figure 10: Cash Remittances (monthly)



Source: National Reserve Bank of Tonga

Table 1: Indicators

	(T\$m unless otherwise indicated)			% change from		YEAR TO DATE (YTD) JUL 2014/15 - MAY 2014/15		
	May 2014	April 2015	May 2015	May 2014 to May 2015	April 2015 to May 2015	Values (T\$m)	% of Budget (2014/15)	% of GDP ¹ 2014/15
FISCAL INDICATORS (Government Financial Statistics (GFS) Basis)								
Total Revenue & Grants	19.3	14.1	28.7	48.5%	103.9%	227.7	52.1%	27.4%
Total Revenue	17.7	13.3	15.7	-11.0%	18.1%	185.4	109.5%	22.3%
Grant (cash grants)	1.6	0.7	12.9	693.3%	1637.2%	42.3	43.0%	5.1%
Budget Support	0.0	0.0	7.9	0.0%	0.0%	14.5	46.5%	1.7%
Project Support	1.6	0.7	5.1	209.8%	578.5%	27.9	41.4%	3.4%
Total Expenditure & Net Lending	18.5	13.4	27.4	48.5%	104.0%	173.9	59.0%	20.9%
Expenditure (incl. cash grants)	16.4	16.4	17.1	4.2%	4.6%	192.8	58.5%	23.2%
Total Net Lending	2.0	-2.9	10.3	408.1%	-450.2%	29.1	N/A	3.5%
Total Public Debt	370.8	396.7	409.9	10.5%	3.3%	409.9	101.0%	48.0%
						YTD Values (July 2014 - to Date)	% change from prev. YTD (July 2013 - Apr 2014)	YTD Values (July 14 - to Date) as % of GDP
ECONOMIC ACTIVITY INDICATORS								
Exports ²	1.4	1.7	1.4	1.6%	-14.4%	34.5	74.0%	4.2%
Imports ³	31.4	27.1	39.9	27.1%	47.5%	356.7	8.2%	43.0%
Travel Receipts (OET)	83.2	50.4	52.2	-37.3%	3.6%	N/A	N/A	N/A
Adjusted Cash Remittances		16.3	29.1	N/A	78.5%			
MONETARY & PRICE INDICATORS								
Official Foreign Reserves	266.8	272.1	281.1	5%	3%			
Retail Fuel Prices:								
Petrol (T\$/litre)	2.88	2.31	2.36	-18.1%	2.2%			
Diesel (T\$/litre)	2.93	2.30	2.32	-20.8%	0.9%			
Import Cover (months)	8.7	7.5	7.7					
Inflation (annual % change)	3.0	-1.5	-0.6					

¹ Nominal GDP 2014/15: T\$830.4 million (revised estimate)

² Exports of goods (CIF Value, provisional), Tonga Bureau of Statistics & Customs

³ Imports of goods (CIF Value, provisional), Tonga Bureau of Statistics & Customs