

# At a Glance - September 2011-

## SUMMARY

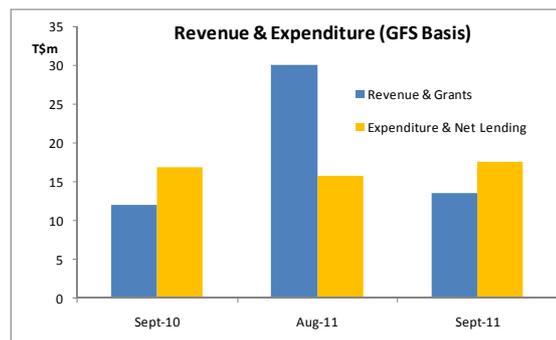
- \* Inflation decreased in September 2011 from the previous month to 6.3% due to a fall in local food and imported fuel prices, although it is still more than double the inflation rate in September 2010.
- \* Retail fuel prices were still much higher in Sept 2011 compared to Sept 2010, however from the previous month it continued to decline since its peak in May this year mainly due to a decrease in world crude oil prices.
- \* The level of remittances (provisional) plunged in September 2011 by 27% and by 39% from the previous month and a year ago respectively, due to fall in household remittances.
- \* Despite the decline in total revenue collection in September 2011 from the previous month, it improved by 5% compared to the same month a year ago mainly due to a pick up in tax revenue.
- \* Although total expenditure increased in September 2011 from the previous month while revenue declined, it still remains well on track as 23% of this year's budget whereas revenue collected reached 28%.
- \* Total net lending increased in September 2011 from the previous month due to equity payments made by the government to other enterprises.

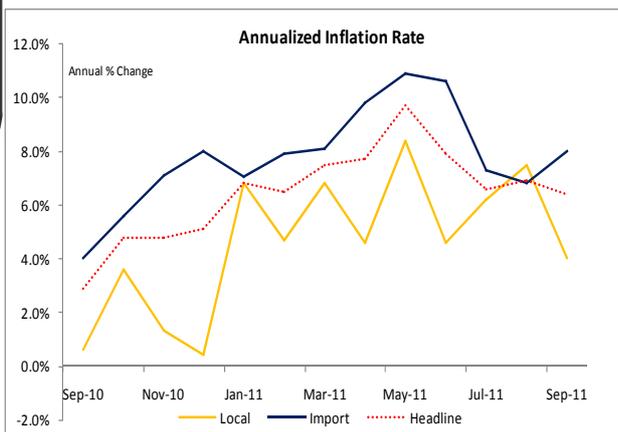
|  | (T\$ m unless otherwise indicated) |               |                   | % change from      |                    | YEAR TO DATE (July 2011-Sept 2011) |                       |                    |
|--|------------------------------------|---------------|-------------------|--------------------|--------------------|------------------------------------|-----------------------|--------------------|
|  | Sep 2010                           | Aug 2011      | Sep 2011          | Aug 2011           | Sep 2010           | Values (TOP\$ m)                   | % of Budget (2011/12) | % of GDP (2011/12) |
| <b>FISCAL INDICATORS (GFS Basis)</b>       |                                    |               |                   |                    |                    |                                    | (% of yr)             |                    |
| <b>Total Revenue &amp; Grants</b>          | <b>12.04</b>                       | <b>30.03</b>  | <b>13.62</b>      | <b>-54.6%</b>      | <b>+13.1%</b>      | <b>58.35</b>                       | <b>28.2%</b>          | <b>7.77%</b>       |
| Total Revenue                              | 11.14                              | 13.51         | 11.71             | -13.3%             | +5.1%              | 36.16                              | 26.0%                 | 4.82%              |
| Grant (budget support & cash grants)       | 0.90                               | 16.52         | 1.91              | -88.4%             | +112.2%            | 22.19                              | 32.9%                 | 2.96%              |
| <b>Total Expenditure &amp; Net Lending</b> | <b>16.87</b>                       | <b>15.82</b>  | <b>17.71</b>      | <b>+11.9%</b>      | <b>+5.0%</b>       | <b>46.31</b>                       | <b>23.1%</b>          | <b>6.17%</b>       |
| Expenditure (donor & cash grants)          | 16.91                              | 15.75         | 17.40             | +10.5%             | +2.9%              | 45.87                              | 23.1%                 | 6.11%              |
| Total Net Lending                          | -0.05                              | 0.07          | 0.31              | +342.9%            | -720.0%            | 0.44                               | 23.0%                 | 0.06%              |
| <b>ECONOMIC ACTIVITY</b>                   |                                    |               |                   |                    |                    |                                    |                       |                    |
| Remittances                                | 14.0                               | 11.7          | 8.6 <sup>P</sup>  | -26.5%             | -38.6%             | 31.3                               |                       | 4.2%               |
| Exports (OET Basis)                        | 0.7                                | 0.8           | 0.3 <sup>P</sup>  | -62.5%             | -57.1%             | 1.5                                |                       | 0.2%               |
| Imports (OET Basis)                        | 20.9                               | 23.9          | 19.5 <sup>P</sup> | -18.4%             | -6.7%              | 62.5                               |                       | 8.3%               |
| <b>MONETARY INDICATORS</b>                 |                                    |               |                   |                    |                    |                                    |                       |                    |
| Official Foreign Reserves                  | 172.7                              | 212.4         | 208.1             | -2.0%              | +20.5%             |                                    |                       | 27.7%              |
| Import Cover                               | 7.1                                | 8.1           | 7.9               | -2.5%              | +11.3%             |                                    |                       |                    |
| Annualized Inflation Rate                  | 2.9%                               | 6.9%          | 6.3%              | -0.6% point change | +3.4% point change |                                    |                       |                    |
| Retail Fuel Prices: Petrol                 | T\$2.45/litre                      | T\$2.79/litre | T\$2.76/litre     | -1.1%              | +12.7%             |                                    |                       |                    |
| Diesel                                     | T\$2.52/litre                      | T\$2.86/litre | T\$2.82/litre     | -1.4%              | +11.9%             |                                    |                       |                    |

**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

### Key Statistics:

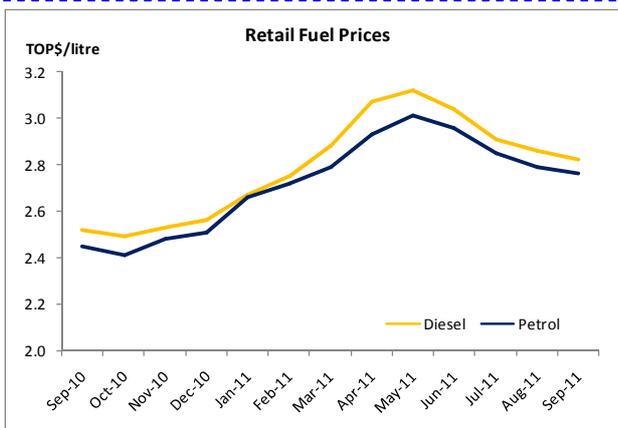
- \* Population: 101,991 (natural growth rate = 0.4%)
- \* GDP/capita: T\$6,424 (real GDP growth rate 2010/11 = 1.5% (p))
- \* Land Area: 748 sq km (Archipelago of 176 islands, 52 inhabited)
- \* Health: Infant mortality rate (2008)—16/1000





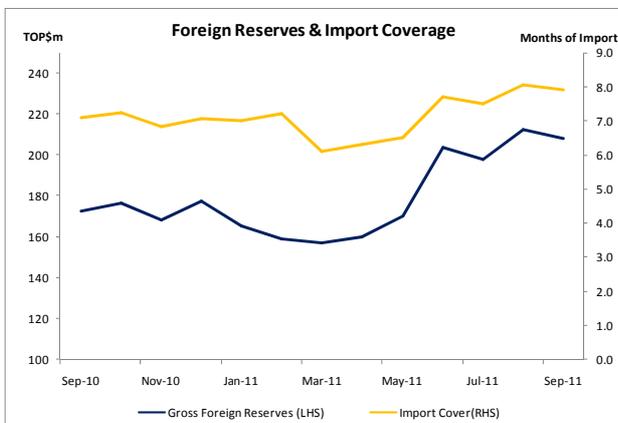
Source: Tonga Statistics Department

The annual inflation rate dropped in September 2011 to 6.3% from 6.9% in the previous month and 2.9% in September 2010. The decrease over the month was mainly due to a fall in local food prices which drove the local index prices downwards and offset the rise in the import index prices. However inflation has more than doubled in September 2011 compared to the same month a year ago and this was mainly due to a rise in prices for imported food and fuel.



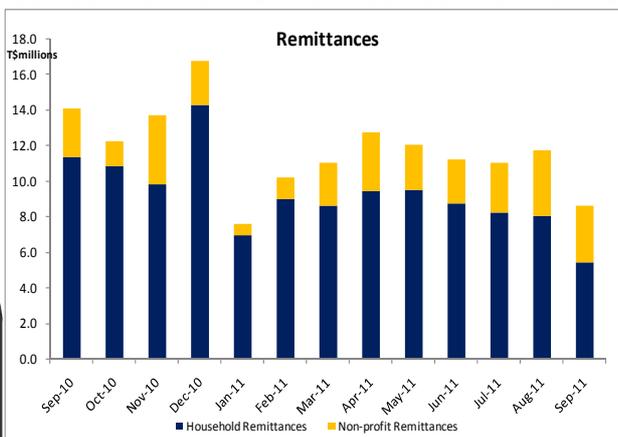
Source: Tonga Statistics Department

Retail fuel prices continued to steadily decline in September 2011 since the peak in May 2011. This decline was mainly due to a fall in world crude oil prices; caused by the global economic concerns in the oil markets. However compared to September 2010, fuel prices were still higher with petrol and diesel prices increased by 13% and 12% respectively.



Source: National Reserve Bank of Tonga

The level of foreign reserves held by the Reserve Bank of Tonga, decreased to T\$208.1 million in September 2011 down from T\$212.4 million in the previous month and increased from T\$172.7 million in September 2010. The decrease over the month was due to import payments mainly oil, official overseas loan repayment, and airline payments. Also the months of import coverage decreased to 7.9 months during the same period, which is well above the National Reserve Bank of Tonga's "adequate" level of 4 months.



Source: National Reserve Bank of Tonga

The level of remittances (provisional) in September 2011 declined from the previous month and from the same month a year ago by 26.5% and 38.7% respectively, due to huge declines in household remittances.

Household remittances were down by more than 50% in September 2011 from the same corresponding period last year. In addition, inflation will put pressure on the purchasing power of remittances. The continuing steady rate of unemployment in the United States where more than 50% of remittances in the kingdom come from, may be a concern.