

## At a Glance-February 2015

### HIGHLIGHTS


- **Grant receipts boosted by bilateral grant for Police programme**

Grants increased to \$2.7 million in February 2015 from \$0.6 million in January. This increase was due to receiving bilateral grants from New Zealand to provide for the Director of Public Prosecution's salaries (\$0.1 million) and training, mentoring, and support for Tonga Police (\$2.0 million), as part of an ongoing programme aimed at increasing the level of public confidence in the Tonga Police Service.
- **Increase spending for the month caused by transfer value.**

Expenditure increased 41.9% in February (from \$15.5 million in January to \$22.0 million). The increase was mainly due to a \$5.2 million transfer payment to the Retirement Fund Board and a \$1.3 million increase in salaries due to the application of the 6% COLA and also payment of increment arrears, acting allowances etc. Compared to February 2014, expenditure increased by 12.2% due to an increase in spending on salaries. This increase was due salaries and COLA were combined within one vote (1001) in this financial year 2014/15, whereas in financial year 2013/14 each item was charged separately to each of their respective votes 1001 for salaries and 1004 for COLA.-
- **Deflation in February as low oil prices continue to work through the economy.**

Headline inflation was negative 1.1 in February. This is the first deflation since May 2013. Inflation remains low for both imported and local components and reflects the continuing effects of the falls in global oil prices over the last six months. The price falls were again most evident in falling household operation and transportation prices. In comparison to the previous month, the components of household operations fell 2.8 percent due mainly to falls in domestic fuel and power prices. Transportation prices also declined -6.9 percent due to decreases in both public and private transportation prices. It is anticipated that inflation will pick-up for the next few months as the effects of rebounding in the global oil prices by 10 % will continue to work through the economy as published by the MCTL.
- **Receipts and earnings recovery however; insignificant to keep with high in foreign reserves**

The level of gross foreign reserves decreased by 2.1% in February 2015 to \$281.3 million. Meanwhile in Feb increase in volume of agricultural exports leads to increase in export receipts as a result from ending drought period ;increase in travel receipts , and import payments declined, the continuing deficit and net outflow of payments meant a further decrease in foreign reserves. However, reserves remain at the same level as a year ago and remain at 9.3 months of import coverage. It is expected that with recovering travel and export receipts, increases in remittances and the receipt of further budget support and donor funds, reserves will increase and maintain its average level of 9 months in import coverage. A depreciation in the Tongan pa'anga in terms of US dollar was 2% increase and is evident in the increase in our total debt repayment

	(T\$m unless otherwise indicated)			% change from		YEAR TO DATE (YTD) JUL 2014/15 - FEB 2014/15		
	Feb 2014	Jan 2015	Feb 2015	Feb 2014 to Feb 2015	Jan 2015 to Feb 2015	Values (T\$m)	% of Budget (2014/15)	% of GDP <sup>1</sup> 2014/15
<b>FISCAL INDICATORS (Government Financial Statistics (GFS) Basis)</b>								
<b>Total Revenue &amp; Grants</b>	<b>21.8</b>	<b>15.1</b>	<b>12.6</b>	<b>-42.2%</b>	<b>-16.3%</b>	<b>145.0</b>	<b>80.5%</b>	
Total Revenue	10.7	14.5	9.9	-7.5%	-31.7%	121.3	71.6%	
Grant (cash grants)	11.1	0.6	2.7	-75.7%	389.3%	23.7	8.9%	
<b>Total Expenditure &amp; Net Lending</b>	<b>19.6</b>	<b>14.8</b>	<b>11.9</b>	<b>-39.3%</b>	<b>-19.6%</b>	<b>141.6</b>	<b>47.5%</b>	
Expenditure (incl. cash grants)	19.6	15.5	22.0	12.2%	41.9%	140.0	47.5%	
Total Net Lending	0.1	-0.7	-10.1	151.5	14.4	1.6		
<b>Total Public Debt</b>	<b>385.8</b>	<b>392.6</b>	<b>398.5</b>	<b>3.3%</b>	<b>1.5%</b>			<b>46.6%</b>
<b>ECONOMIC ACTIVITY INDICATORS</b>						<b>YTD Values (July 2014-to Date)</b>	<b>% change from prev. YTD (July 2013 - Feb 2014)</b>	<b>YTD Values (July 14 - Feb 15) as % of GDP</b>
Exports <sup>2</sup> (OET Basis)	1.0	0.7	1.5	50.0%	114.3%	11.3	-4.2%	1.3%
Imports <sup>3</sup> (OET Basis)	22.8	30.7	25.5	11.8%	-16.9%	208.3	16.9%	24.4%
Travel Receipts <sup>4</sup>	4.9	4.3	4.4	-10.2%	2.3%	40.6	-37.9%	4.8%
Adjusted Cash Remittances		N/A	N/A	N/A	N/A			
<b>MONETARY &amp; PRICE INDICATORS</b>								
Official Foreign Reserves	281.1	287.2	281.3	0%	-2%			
Retail Fuel Prices:								
Petrol (T\$/litre)	2.9	2.3	2.0	-29.0%	-10.2%			
Diesel (T\$/litre)	2.9	2.4	2.1	-27.2%	-9.3%			
Import Cover (months)	9.4	9.6	9.3					
Inflation (annual % change)	4.7	0.1	-1.1					

<sup>1</sup> Nominal GDP 2014/15: T\$854.4 million (estimate)

<sup>2</sup> Exports of goods (f.o.b) only, *Overseas Exchange Transactions (OET)*

<sup>3</sup> Imports of goods (f.o.b) only, *Overseas Exchange Transactions (OET)*

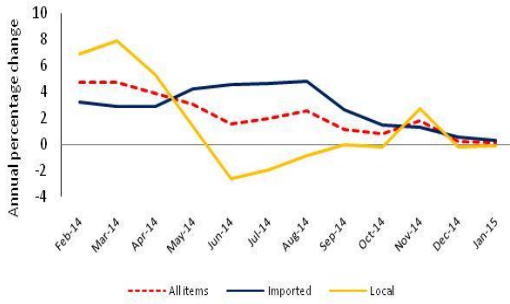
<sup>4</sup> New methodology with the inclusive of Foreign Exchange Dealer differ from the old methodology which was based on central banks Reports only.(no data is being available as a result from this revision method)

<sup>5</sup> Note there is difficulty in disaggregating tourism receipts from private remittances

Note Total Budget Estimate for 14/15: T\$302.7 million (**cash only including Government and Donor fun**)

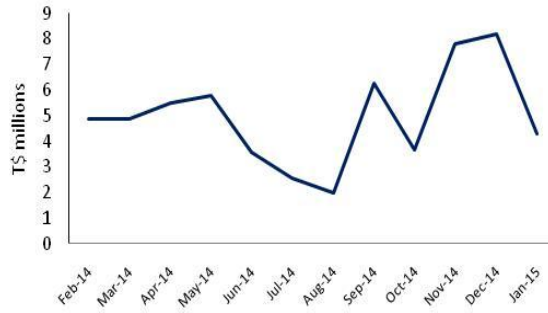
N/A : refer to not available.

Figure 1: Consumer Price Index (Inflation)



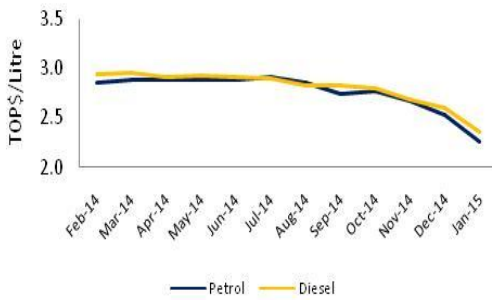
Source: Tonga Bureau of Statistics

Figure 5: Travel Receipts (monthly)



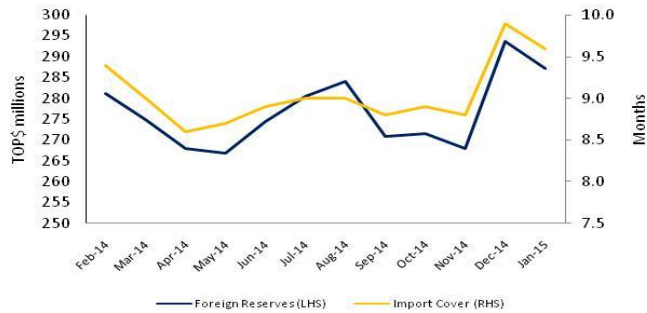
Source: National Reserve Bank of Tonga

Figure 2: Retail Fuel Prices



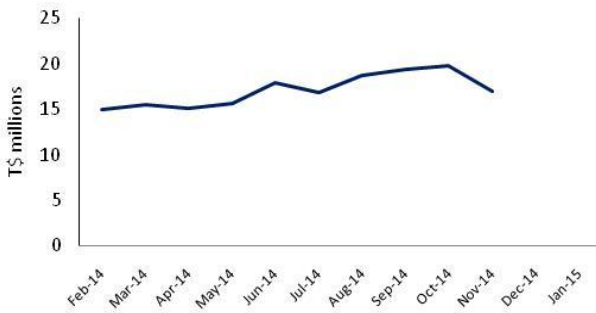
Source: Ministry of Labour, Commerce and Tourism

Figure 6: Foreign Reserves & Import Coverage



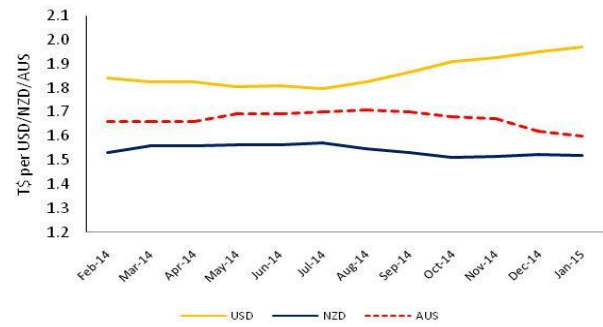
Source: National Reserve Bank of Tonga

Figure 3: Cash Remittances



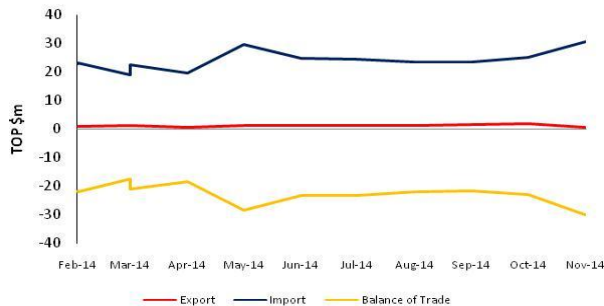
Source: National Reserve Bank of Tonga

Figure 7: Tongan Pa'anga Exchange Rates



Source: National Reserve Bank of Tonga

Figure 4: Balance of Trade (OET Basis)



Source: National Reserve Bank of Tonga

**Note:** All data reported are as per the most recent publication. Cash remittances are not included in this publication due to data issues, which we anticipate having resolved in order to include this information in the next At A Glance report.