

At a Glance for April 2012



HIGHLIGHTS

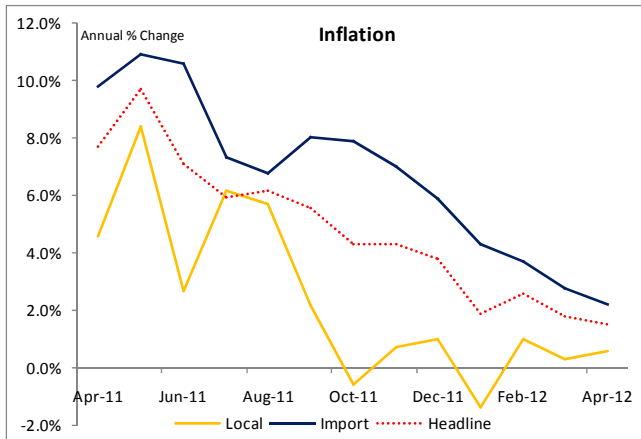
- ◇ Inflation continued to fall to 1.5% in April 2012, from 1.8% in the previous month and 7.7% in April 2011; mainly driven by a fall in prices for imported fuel which offset high food prices.
- ◇ Despite fuel prices increasing in April 2012 from the previous month, prices were lower when compared to April last year—in line with a fall in the world oil prices during the same period.
- ◇ Remittances in the first four months of 2012 averaged only \$7.4 million per month compared to \$10.6 million per month in the same period last year; and despite the strengthening of the Tongan Pa'anga against the currencies of remitting countries, cash remittances continued to weaken.
- ◇ The stable level of imports on a trade basis compared to the declining level of cash remittances, may reflect the impact of in-kind remittances and imports for the Chinese constructions where payments are not captured by the Overseas Exchange Transactions (OET) basis.
- ◇ The decline by more than 50% of export receipts in April 2012 year-on-year, was mainly because of the higher earnings from sandalwood exports during April 2011 to May 2011; and as anticipated, this vulnerable and valuable commodity was of limited supply and its exports was not for long.
- ◇ The increase in the April 2012 tourism receipts, may reflect the increased spending from the high-level delegates of the Commonwealth Parliamentary Association (CPA), which was hosted by Tonga for the first time.
- ◇ The level of foreign reserves increased to \$240.3 million in April 2012, up by \$1.1 million and \$80.2 million, from the previous month and April 2011 respectively; mainly due to increase in receipts of donor funds.
- ◇ Donor fund of around one million was received during April 2012 from the New Zealand Bilateral Fund.

	(T\$m unless otherwise indicated)			% change from		YEAR TO DATE (July 2011-April 2012)		
	April 2011	Mar 2012	April 2012	Mar 2012	April 2011	Values (TOP\$m)	% of Budget (2011/12)	% of GDP ¹ (2011/12)
FISCAL INDICATORS (GFS Basis)							(83% of yr)	
Total Revenue & Grants	11.51	23.96	12.59	-47.5%	+9.4%	188.53	91.2%	24.12%
Total Revenue	10.74	10.90	10.68	-2.0%	-0.6%	118.48	86.0%	15.16%
Grant (cash grants)	0.77	13.06	1.91	-85.4%	+148.1%	70.06	103.9%	8.96%
Total Expenditure & Net Lending	15.42	18.88	15.06	-20.2%	-2.3%	156.25	67.3%	19.99%
Expenditure (cash grants)	15.40	18.85	15.04	-20.2%	-2.3%	155.44	78.4%	19.89%
Total Net Lending	0.02	0.03	0.02	-33.3%	0.0%	0.81	42.4%	0.10%
Total Public Debt	308.7	347.8	348.1	+0.1%	+12.8%			45%
ECONOMIC ACTIVITY INDICATORS						YTD (July 2011-April 2012)	% change from prev. YTD (July 2010-April 2011)	YTD (July 2011-April 2012) as % of GDP 2011/12
Exports (OET Basis)	1.1	0.6	0.5	-16.7%	-54.5%	6.7	-4.3%	0.86%
Imports (OET Basis)	15.3	12.7	15.2	+19.7%	-0.7%	186.2	-3.3%	23.83%
Private Remittances (cash-basis)	12.7	7.7	8.2	+6.5%	-35.4%	93.9	-23.8%	12.02%
Tourist Receipts	3.9	4.6	5.4	+17.4%	+38.5%	50.7	-1.2%	6.49%
MONETARY INDICATORS								April 12 % of GDP
Official Foreign Reserves	160.1	239.2	240.3	+0.5%	+50.1%			30.8%
Import Cover	6.3	8.8 ^e	9.0	+2.3%	+42.9%			
Annualized Inflation Rate	7.7	1.8	1.5	-0.3% point change	-6.2% point change			
Retail fuel prices: Petrol	2.93/litre	2.88/litre	2.99/litre	+3.8%	+2.0%			
Diesel	3.07/litre	2.93/litre	3.00/litre	+2.4%	-2.3%			

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.

¹ Revised Nominal GDP 2011/2012: T\$781.5 million

^e revised



Source: Tonga Statistics Department

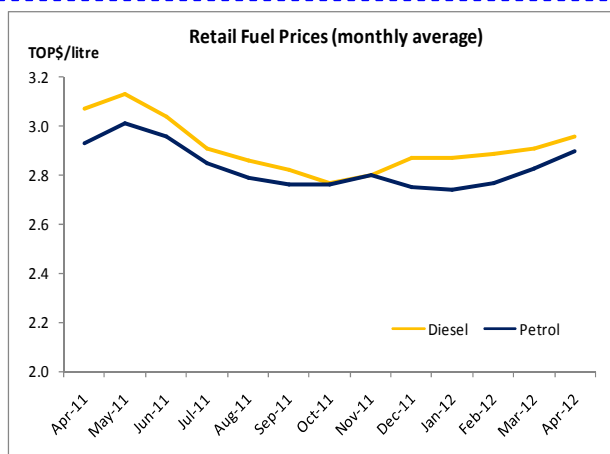
Inflation continued to fall in April 2012 to 1.5% compared to 1.8% in the previous month and 7.7% in April 2011.

The annual inflation rate for local products and services in April 2012 was higher compared to March 2012; mainly due to higher prices in the meat, fish & poultry category; particularly for octopus and stringed fish.

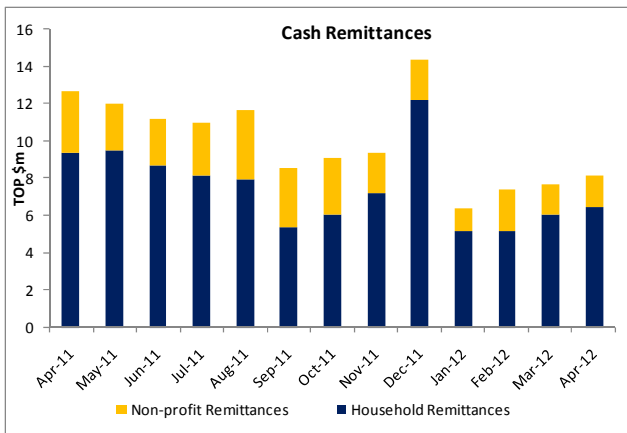
However, the headline inflation rate in April 2012 was more driven by the lower prices year-on-year for imported products and services; particularly fuel. This offset high food prices, even a 14% increase on average for mutton flaps in April 2012 year-on-year compared to just 1% increase in the same period a year ago.

Retail fuel prices in Tongatapu continued to increase in April 2012 compared to the previous month; in which diesel was increased by \$0.05 cents/litre reaching \$2.96/litre and unleaded petrol was increased by \$0.07 cents/litre reaching \$2.90/litre. However, compared to a year ago, in April 2012, diesel and petrol prices were lower by 4% and 1% respectively. This was in line with a fall in world oil prices (Brent Crude), down from an average US\$123/barrel in April 2011 to US\$120/barrel in April 2012.

Meanwhile, the Government and Tonga Power Limited remain committed to finding ways for decreasing Tonga's dependency on imported oil for power generation (diesel). The Tonga Energy Road Map (TERM) project is an innovative approach to finding ways for improving efficiency of electricity usage and more cost effective alternatives for electricity generation.



Source: Tonga Statistics Department



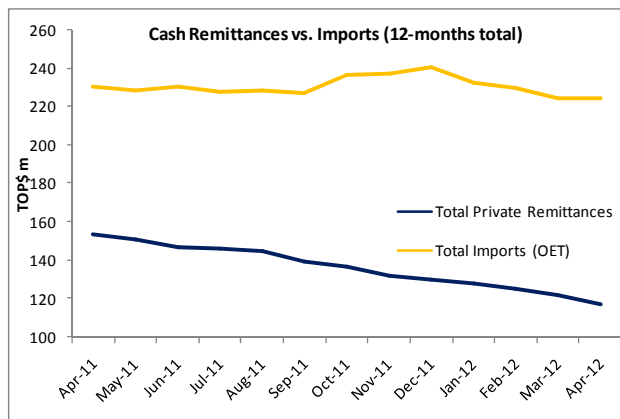
Source: National Reserve Bank of Tonga

Total cash remittances continued to increase in April 2012 to \$8.2 million, up by \$0.5 million (or by 6%) from the previous month. However April 2012 remittances fell by 35% year-on-year; in which household remittances and non-profit remittances fell by 30% and 50% respectively.

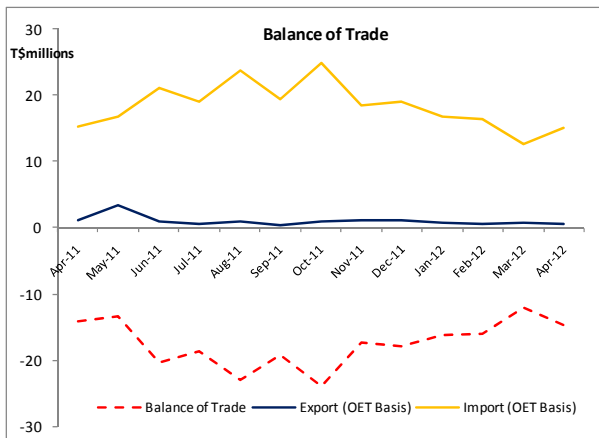
The subsequent increase in the first four months of the year 2012 was merely reflecting a seasonal trend compared to the same period in previous years, as remittances start to slowly pick up from dropping after the Christmas seasons. However, the pick up in 2012 was quite slower compared to last year's. Remittances in the first four months of 2012 averaged only \$7.4 million per month compared to \$10.6 million per month in the same period last year; and despite the strengthening of the Tongan Pa'anga against the currencies of remitting countries, cash remittances continued to weaken. Possible factor that may have contributed to the weakening of cash remittances include the high cost of sending money from overseas through the banking system and money transfer companies (cash only); as opposed to other cheaper and more convenient means of transferring remittances, not only cash but also including goods, which are bought by overseas remitters and are received by its recipients.

Cash remittances on a twelve months total to April 2012, continued to decline from the previous month, down to \$117.2 million from \$121.7 million and \$153.3 million in April 2011. On the other hand, imports on a twelve months total to April 2012 remained stable compared to the previous month but was slightly lower than the level of imports in April 2011. The stable level of imports on a trade basis compared to the declining level of cash remittances, may reflect the impact of in-kind remittances and imports for the Chinese constructions where payments are not captured by the Overseas Exchange Transactions (OET) basis.

According to an outlook from the Reserve Bank, the high unemployment rate in the United States and the slower growth in Australia will affect remittances and tourism but higher economic growth expected for New Zealand could support remittances and tourism inflow to Tonga.



Source: National Reserve Bank of Tonga

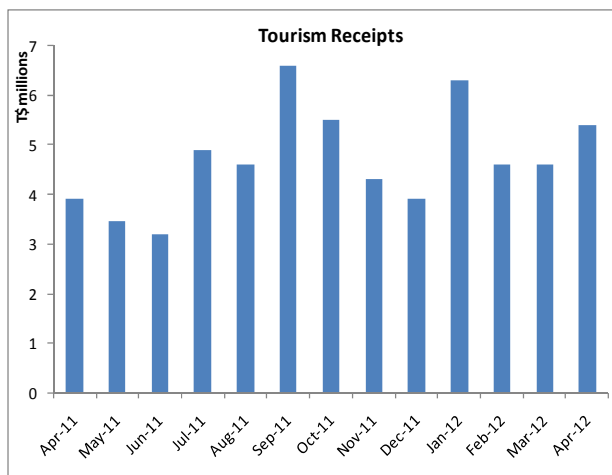


Source: National Reserve Bank of Tonga

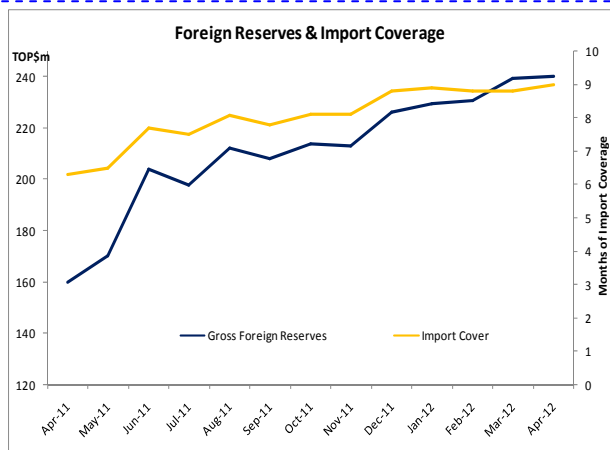
Export receipts recorded in April 2012 was \$0.5 million, compared to \$0.6 million in the previous month and \$1.1 million in April last year. The decline by more than 50% in April 2012 year-on-year, was mainly because of the higher earnings from sandalwood exports during April 2011 to May 2011; and as anticipated, this vulnerable and valuable commodity was of limited supply and its exports was not for long.

Meanwhile, the balance of trade deficit widened in April 2012 at \$15 million, compared to \$12 million in the previous month and \$14 million in April 2011.

Tourism receipts increased to \$5.4 million in April 2012, from \$4.6 million in the previous month; more interestingly, April 2012 tourism receipts was 38% higher year-on-year compared to just 4% year-on-year in April 2011. The increase in the April 2012 tourism receipts, may reflect the increased spending from the high-level delegates of the Commonwealth Parliamentary Association (CPA), which was hosted by Tonga for the first time. A large amount of the tourism receipts are from foreign card transactions which are recorded as tourism receipts.



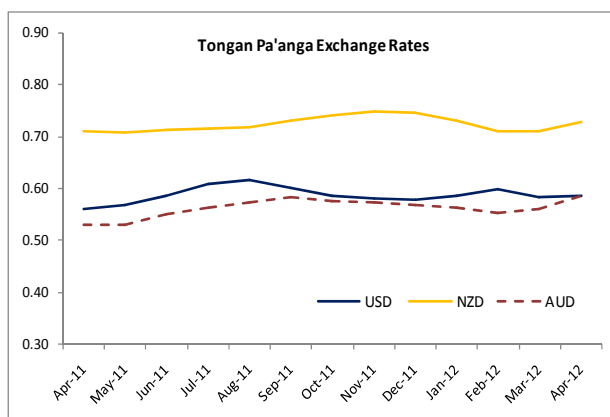
Source: National Reserve Bank of Tonga



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The level of foreign reserves increased to \$240.3 million in April 2012, up by \$1.1 million and \$80.2 million, from the previous month and April 2011 respectively; mainly due to increase in receipts of donor funds.

Meanwhile, months of import coverage also increased in April 2012 to 9 months from 8.8 months in March 2012 and 6.3 months in April 2011; well above adequate level.



Source: National Reserve Bank of Tonga

	Apr-12	Mar-12	Apr-11
AUD\$	0.5664	0.5597	0.5292
NZD\$	0.7271	0.7091	0.7091
USD\$	0.5848	0.5597	0.5616