

The Tongan economy

2014 Pacific Update
Australian National University, Canberra
16 June 2014

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1. Domestic production

GDP Shares

per cent

	FY2010	FY2011	FY2012	FY2013(f)	FY2014(f)
GDP	100	100	100	100	100
Primary sector	17.2	17.0	17.0	17.9	17.6
Secondary sector	18.6	19.1	19.1	18.2	18.7
Services sector	53.7	53.5	53.7	53.7	53.6

Source: NRBT

Real GDP growth

per cent

	FY2010	FY2011	FY2012	FY2013(f)	FY2014(f)	FY2015(f)
GDP	1.1	3.2	1.0	0.2	2.0	3.2
Primary sector	0.4	1.0	0.3	5.5	0.2	1.4
Secondary sector	9.8	6.5	0.5	-4.6	5.3	2.9
Services sector	-1.2	2.0	1.3	0.3	1.4	3.5

Source: NRBT

Challenges to agriculture

- Lack of economies of scale in production;
- Increasing production costs; and
- Quality control issues.
- Weak coordination and partnership efforts among all key stakeholders.

GoT, its development partners and the private sector continue looking into ways of addressing them

Constraints to fisheries

- Inadequate infrastructure,
- Limited cargo space available for fisheries exports and high freight costs,
- Lack of value added activities for fish exports,
- Access to finance,
- High costs of production,.

Construction outlook for inclusive growth

- Need to engage the local construction firms in the major public constructions, especially the donor funded ones;
- Need to utilize more and more of the local raw materials and manpower.

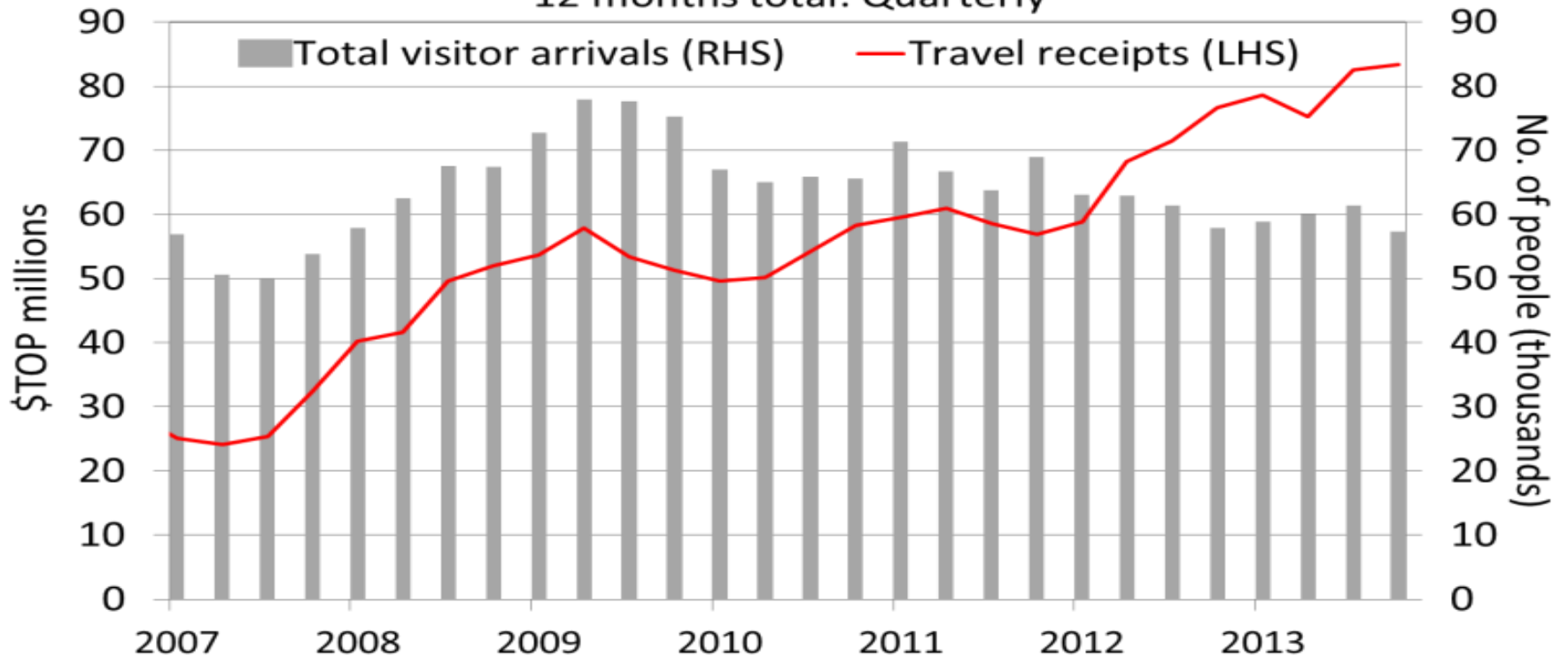
Tourism

- Tourism related sector contributes only 3% to GDP.
- Grew by 2% in FY2013, which was in line with a slight improvement in tourist air arrivals by 6%.
- In FY2014, air visitors declined by 20% compared to previous year - partly due to the uncertainty in the domestic airline industry.
- There is significant increase in cruise ships visiting Tonga.

Tourism

Visitor arrivals

12 months total: Quarterly



*January 2012 was the introduction of foreign exchange dealer reporting

Source: NRBT & Tonga Dept. of Statistics

Challenges to Tourism

- Need to improve Tonga's international and intra-national air links;
- Need to improve tourist accommodation by types and capacity.
- Need to be more competitive in its tourism product delivery, in order to share and take advantage of the tourism economies of scale in its neighbouring countries such as Fiji and Samoa.

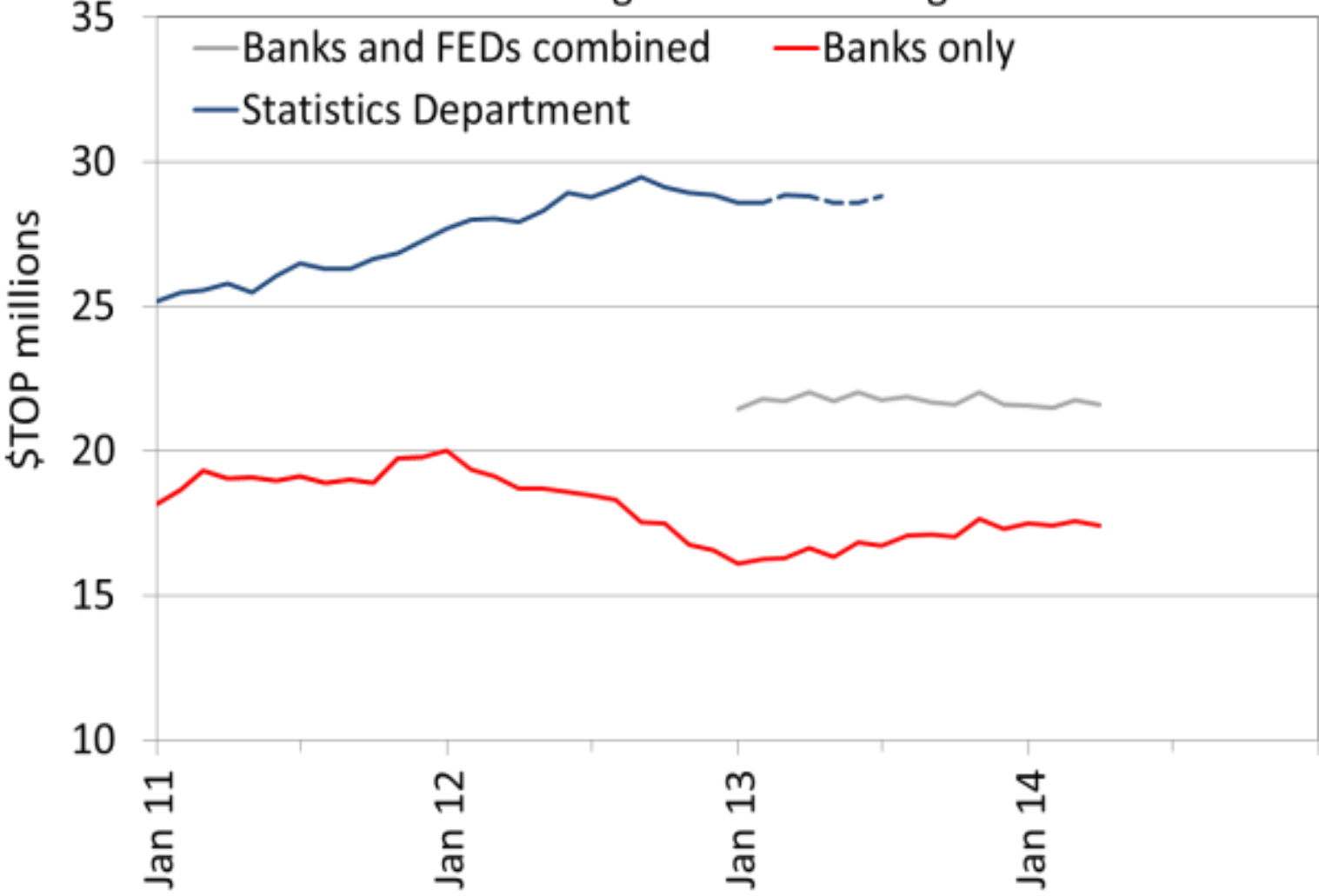
Tourism receipts

- There are difficulties in distinguishing between tourism receipts from remittances data, and other foreign exchange receipts;
- Travel receipts includes those in credit card transactions but some of these transactions are not related to tourism.

2. External sector

Import Payments

Rolling 12 month average



Sources: banking system; foreign exchange dealers; NRBT

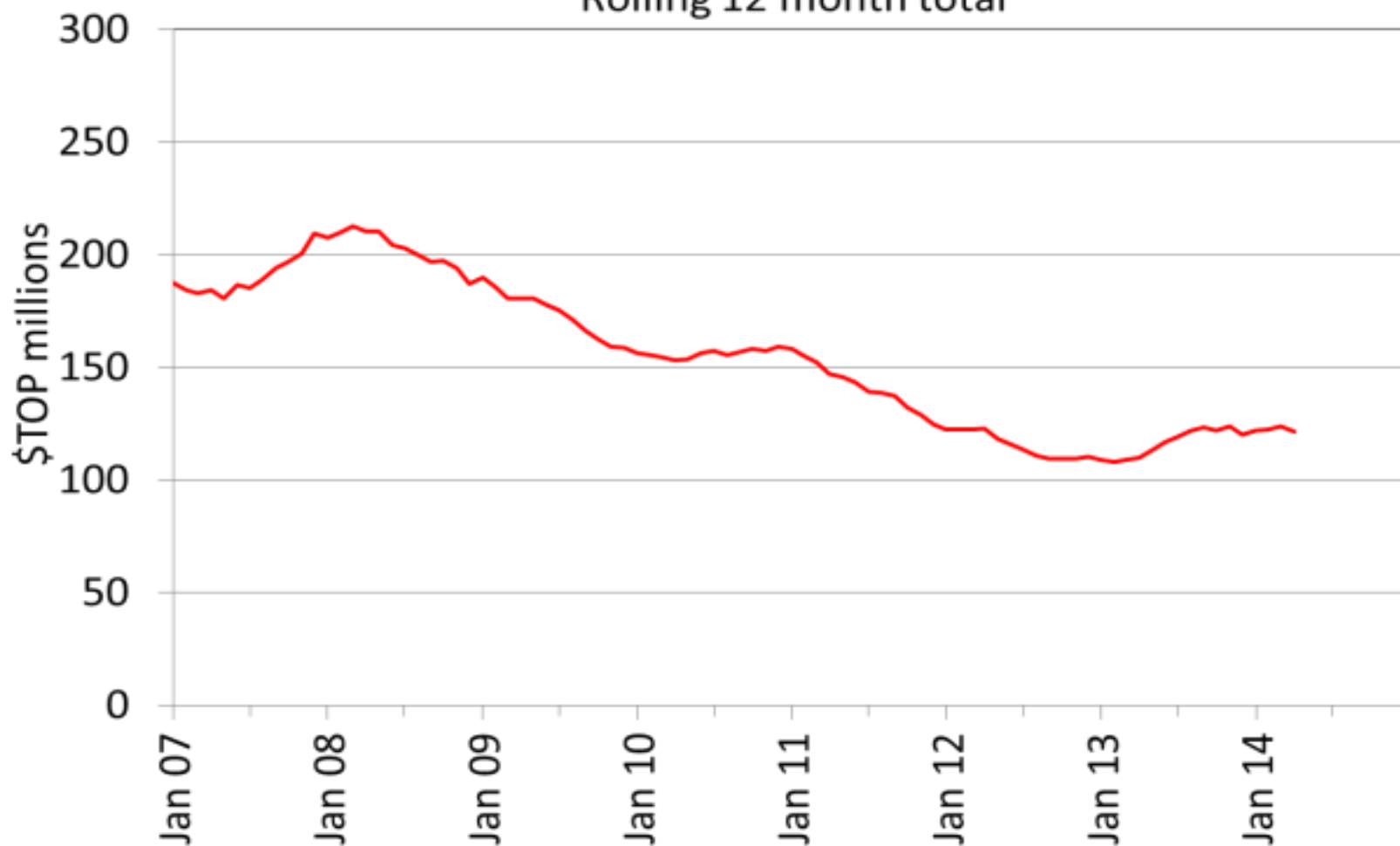
Balance of Foreign Exchange Transactions

Year-ended, \$TOP million

	Jun-12	Jun-13	Mar-13	Mar-14
<u>Current Account</u>	-55.4	-66.5	-74.8	-35.3
Merchandise trade	-210.3	-248.6	-252.0	-243.8
Exports	7.8	12.3	12.2	15.2
Imports	218.1	260.9	264.1	259.0
Services balance	-0.8	6.3	5.2	6.1
Receipts	96.9	125.2	127.4	118.7
Payments	97.7	118.8	122.2	112.6
Income balance	5.6	0.9	1.2	5.5
Receipts	13.3	11.7	11.5	16.0
Payments	7.7	10.8	10.3	10.5
Transfers balance	150.0	174.8	170.7	196.9
Receipts	159.0	213.0	209.1	233.6
Payments	9.0	38.2	38.4	36.7
Unclassified	10.2	-4.9	-15.0	-31.8
Overall Balance	42.3	17.2	5.5	30.0

Remittance Receipts

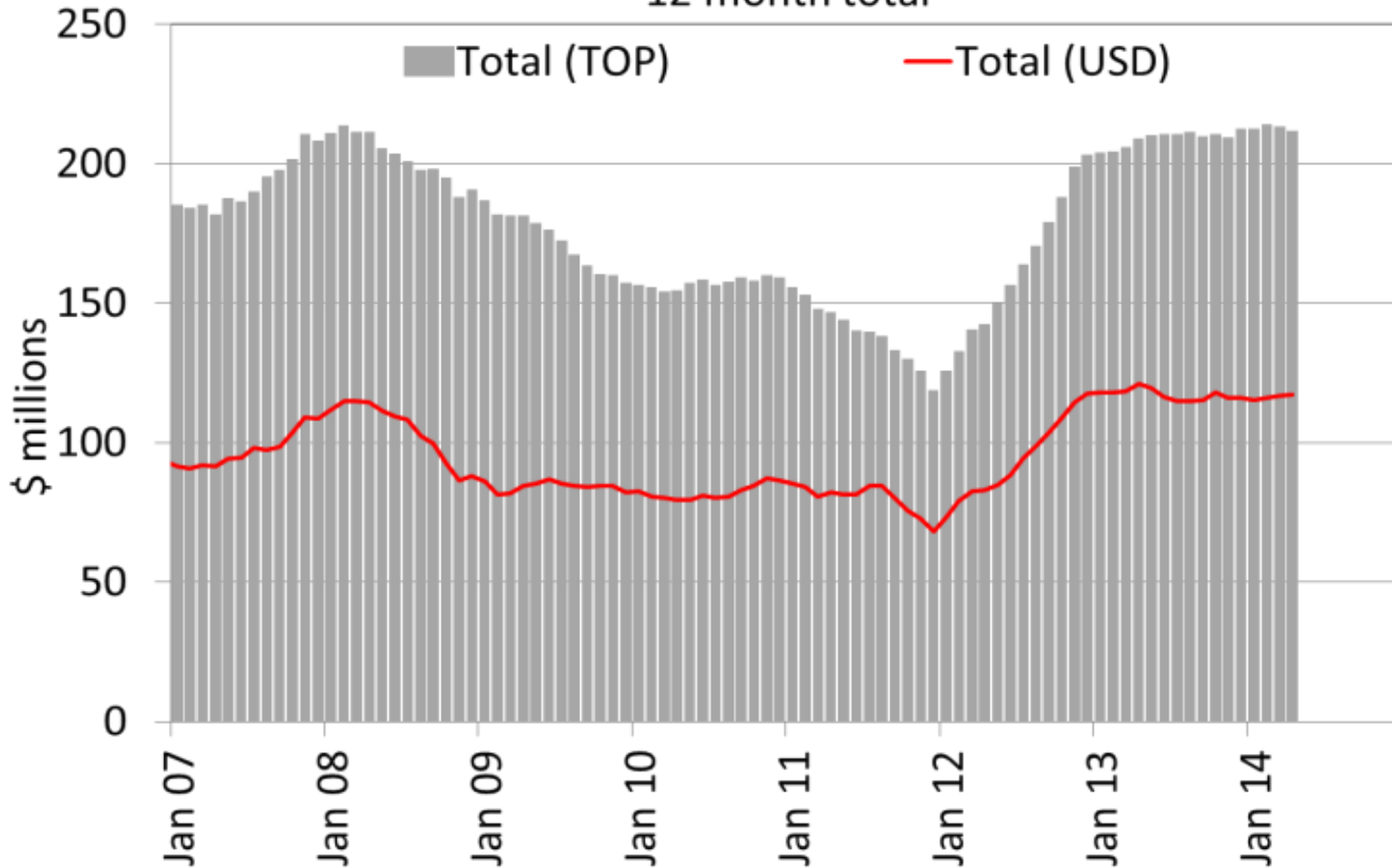
Rolling 12 month total



Sources: banking system; foreign exchange dealers; NRBT

Gross Private Remittances

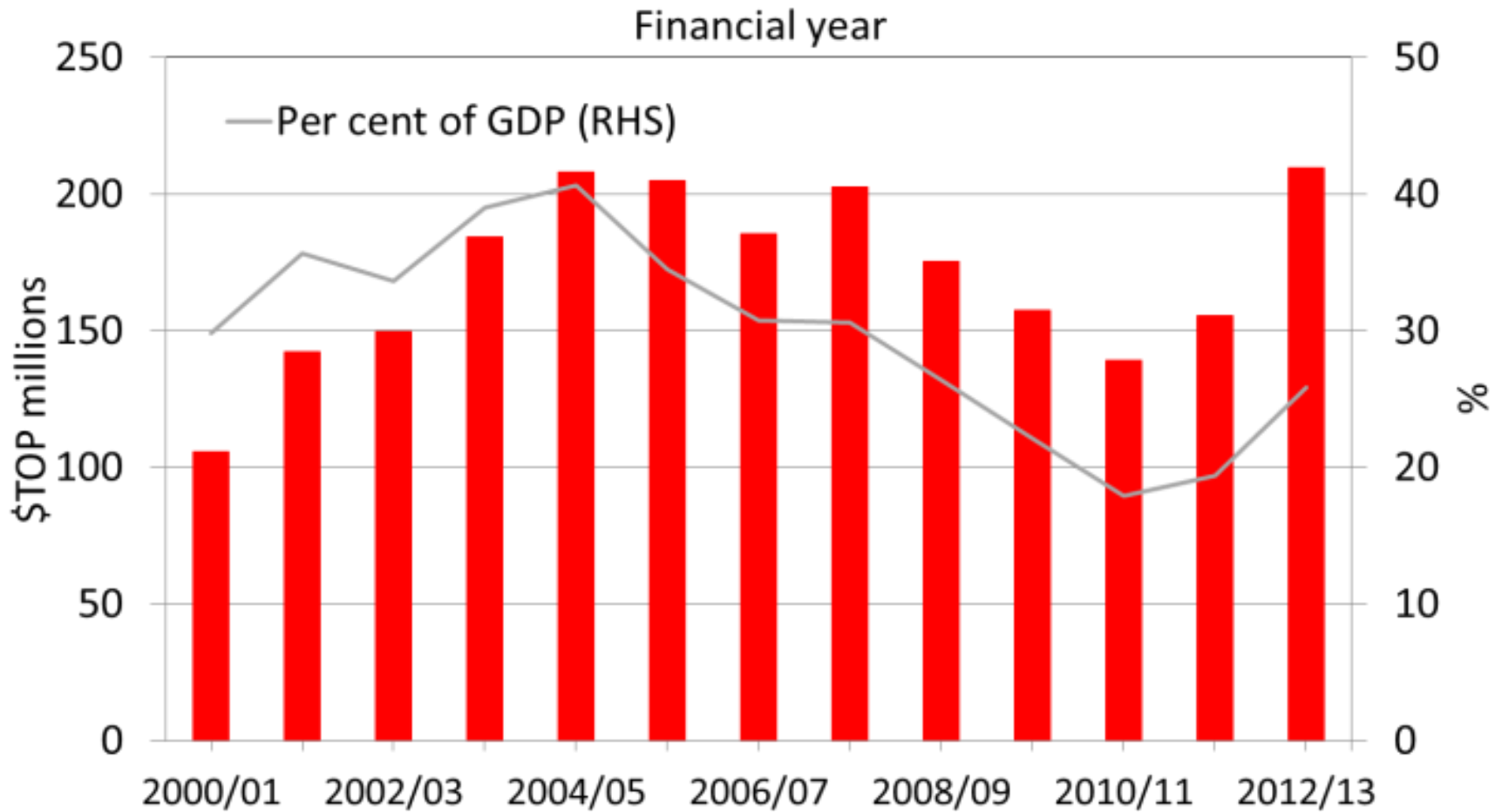
12 month total



*January 2012 was the introduction of foreign exchange dealer reporting

Source: Banking systems; Foreign exchange dealers; NRBT

Gross Private Remittances*

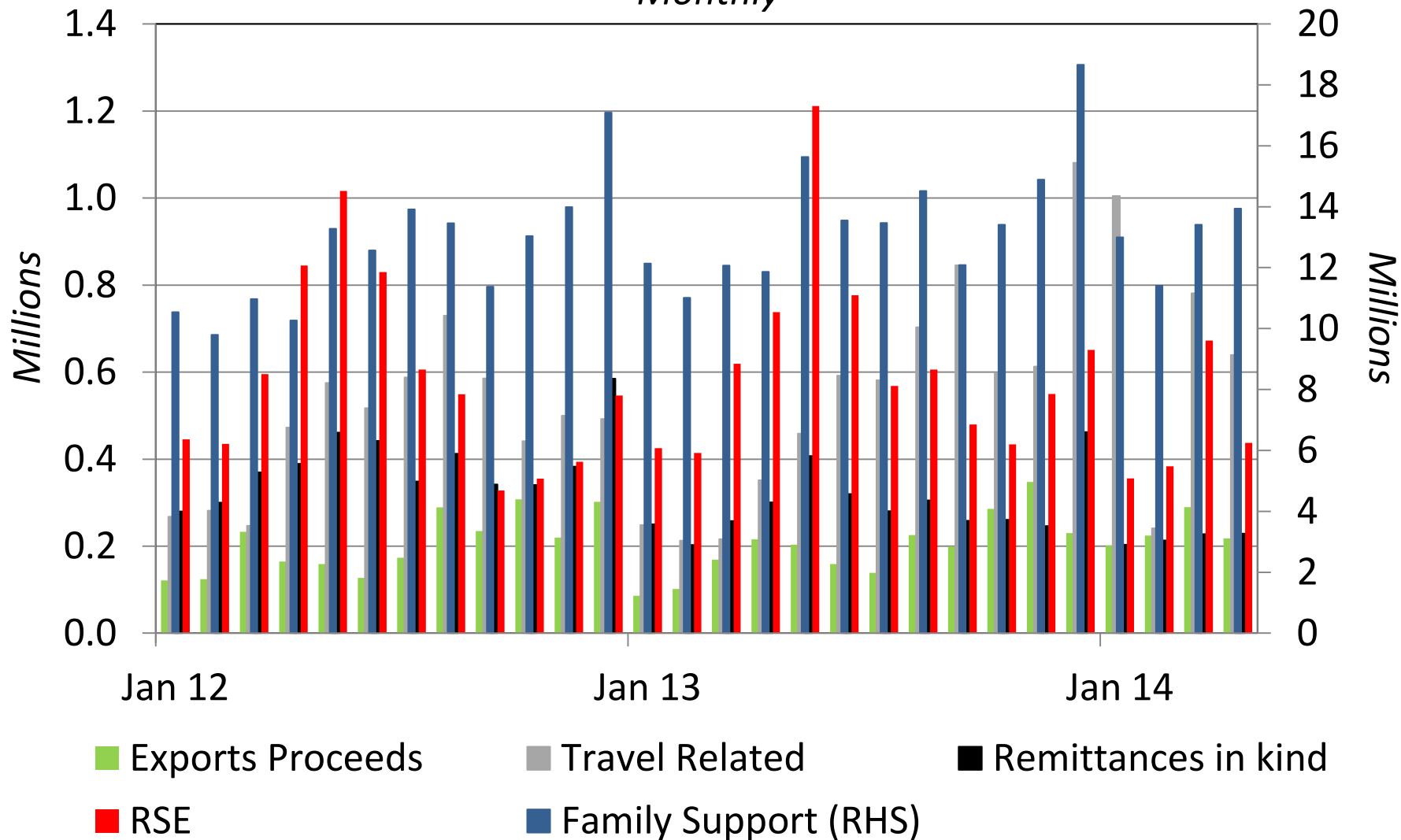


*January 2012 was the introduction of foreign exchange dealer reporting

Source: National Reserve Bank of Tonga

Foreign Exchange Dealers' Total Receipts

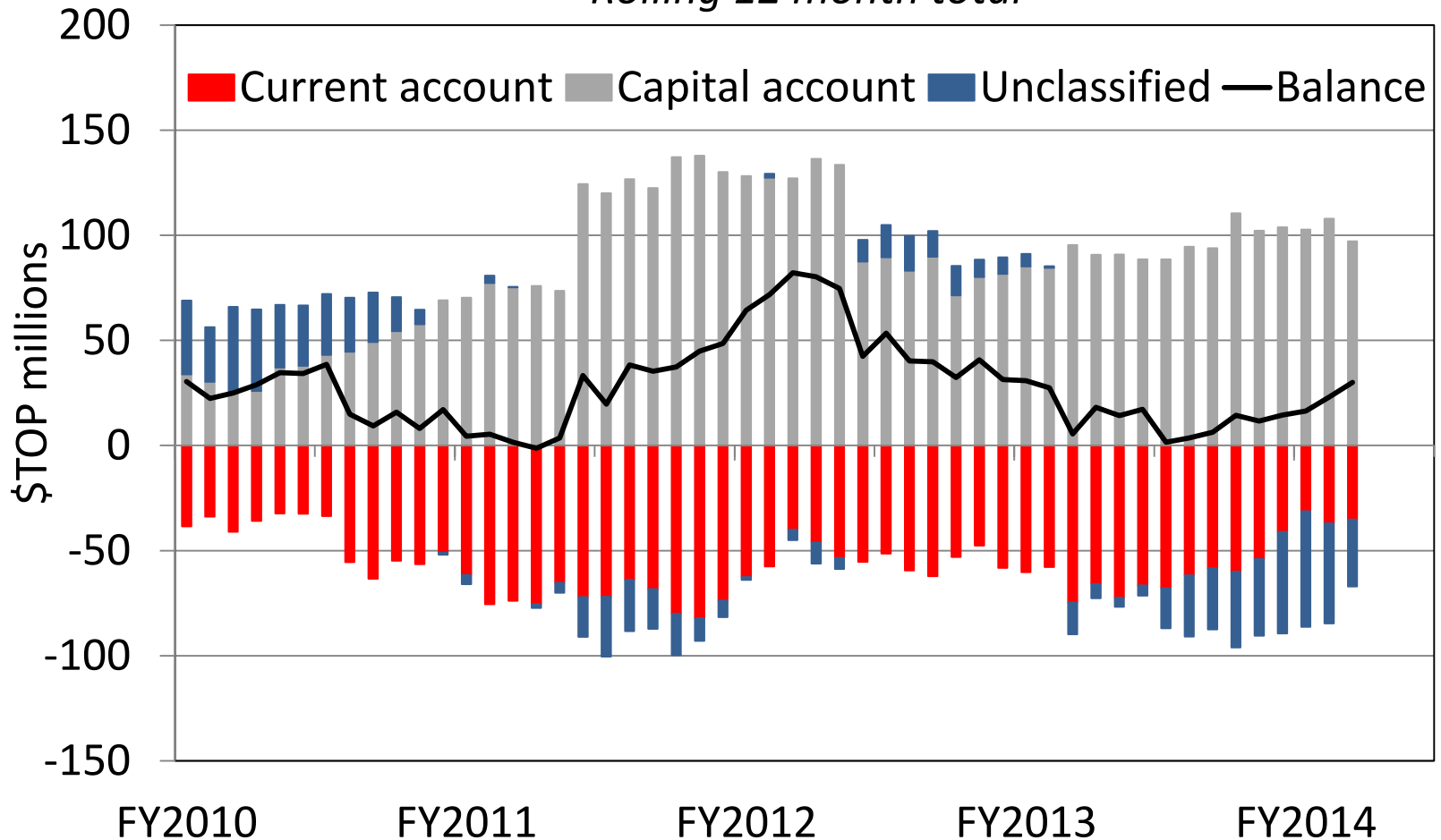
Monthly



Sources: NRBT, Foreign exchange dealers

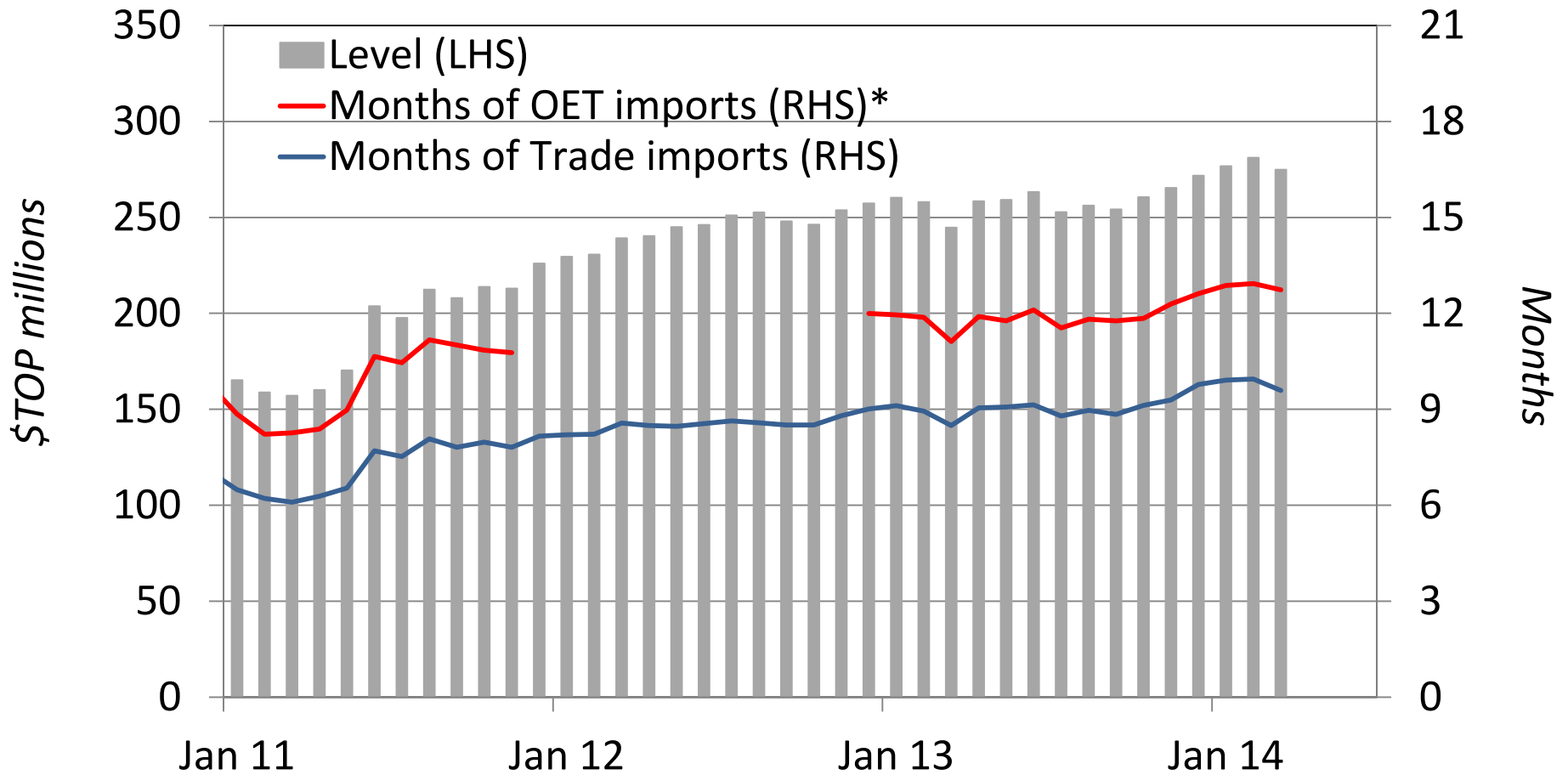
Balance of Foreign Exchange Transactions

Rolling 12 month total



Sources: banking system; foreign exchange dealers; NRBT

Gross Official Foreign Reserves



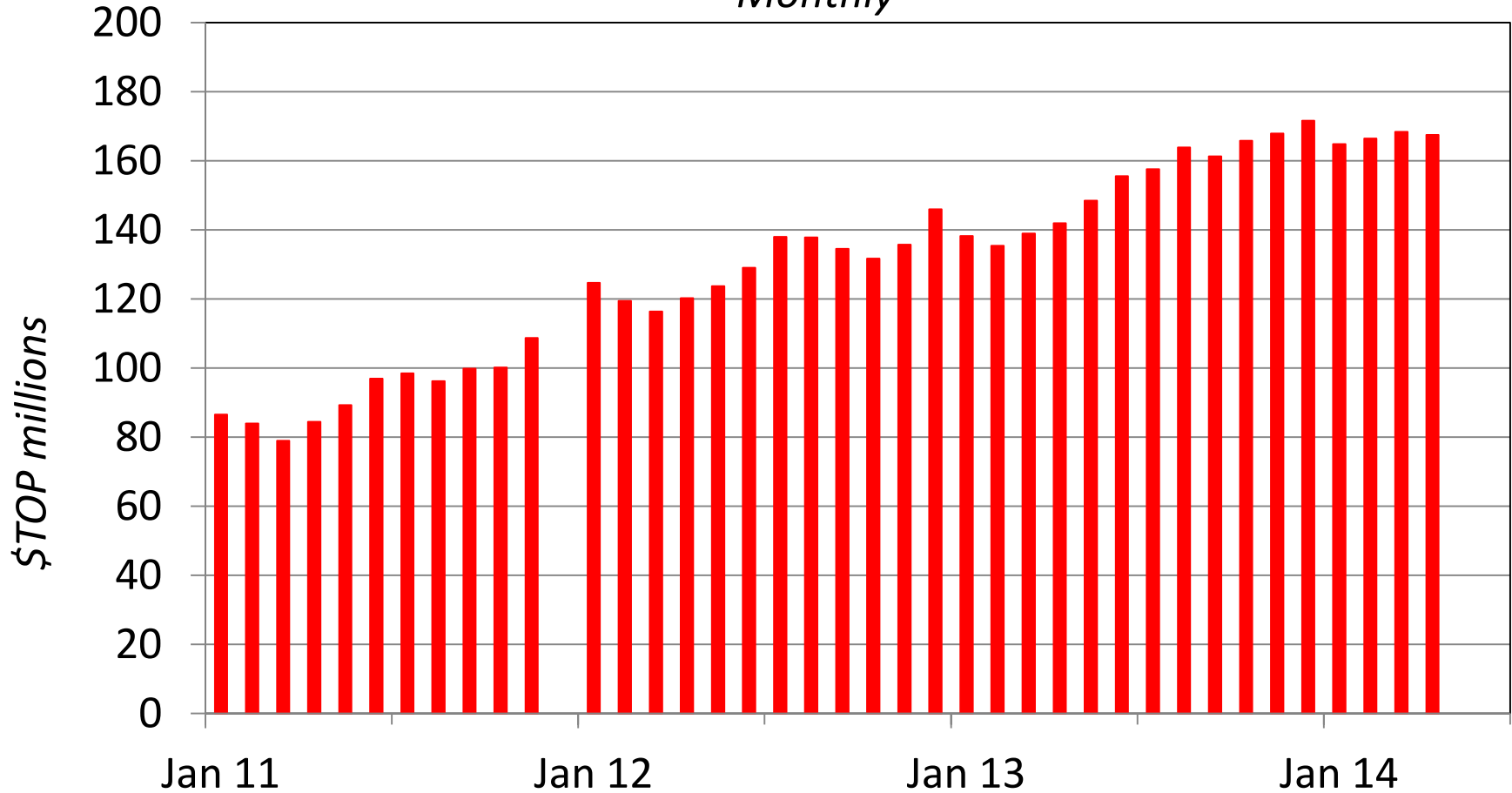
* Break in January 2012 due to introduction of foreign exchange dealer reporting.

Sources: banking system; foreign exchange dealers; NRBT

3. Monetary sector

Narrow Money (M1)

Monthly

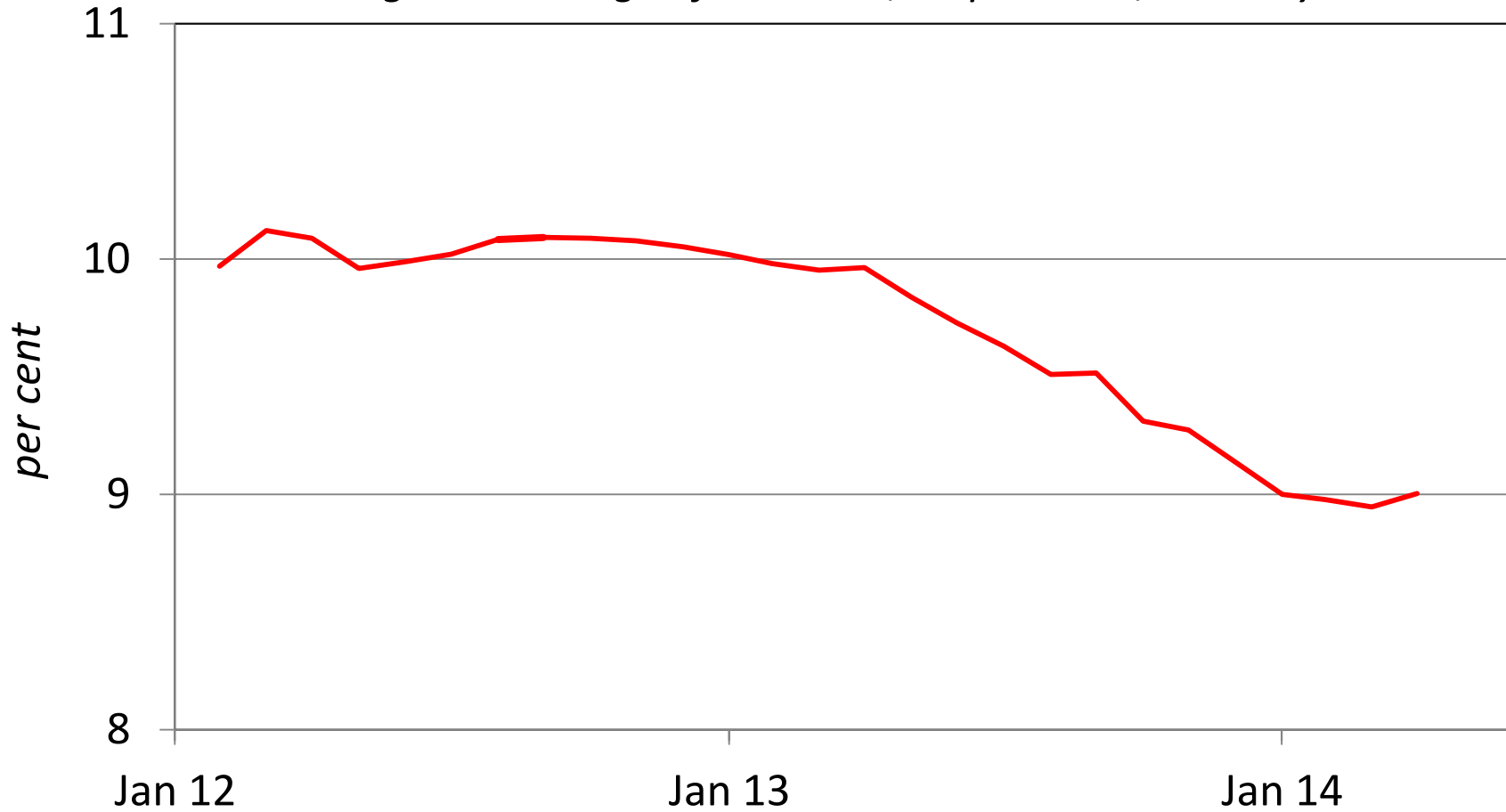


* Break in data in January 2012 due to a change in reporting methodology

Sources: NRBT, Banking System

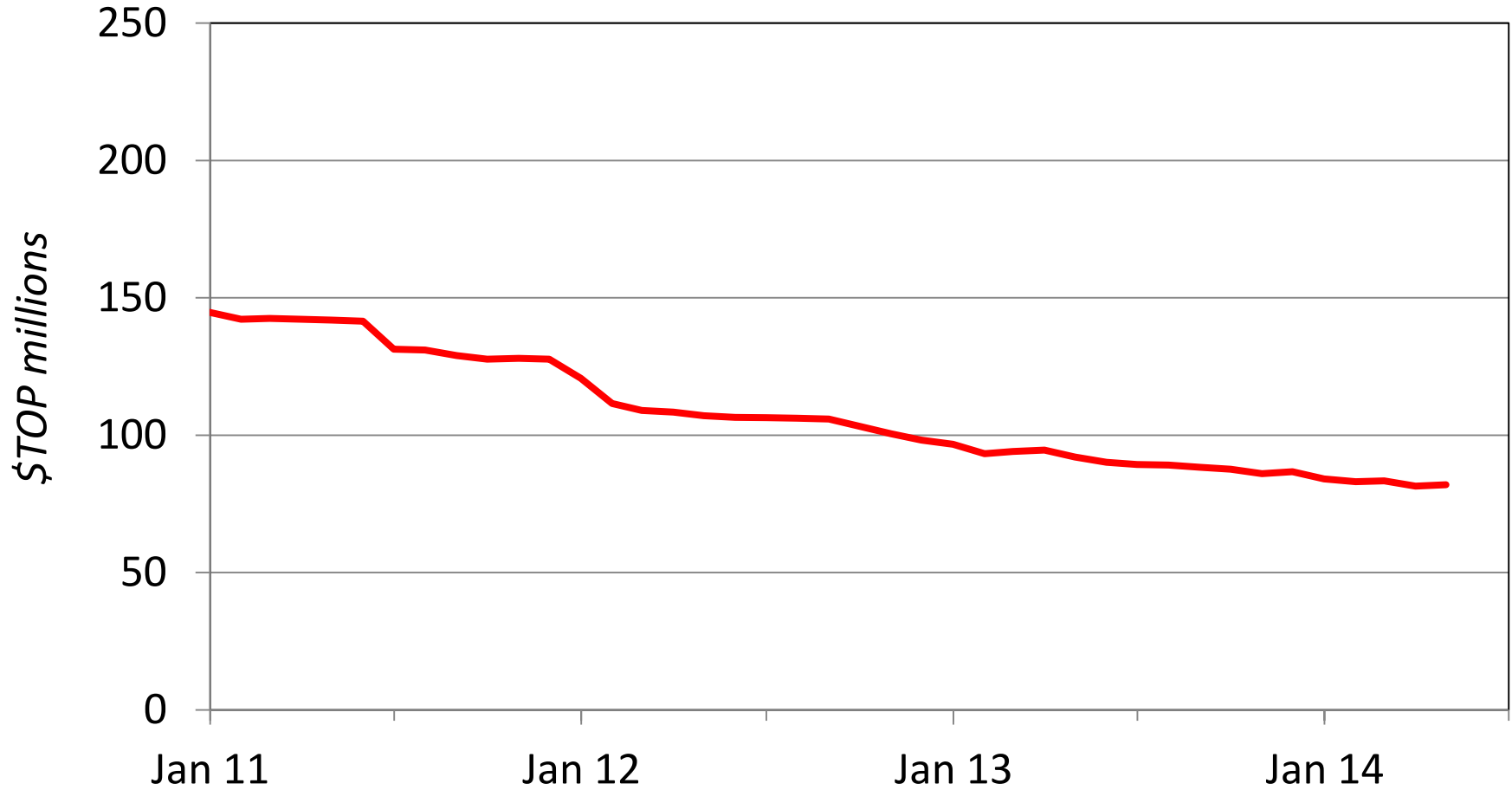
Lending Rates

*Weighted average of all banks, all products, monthly**



Sources: Banks, NRBT estimates

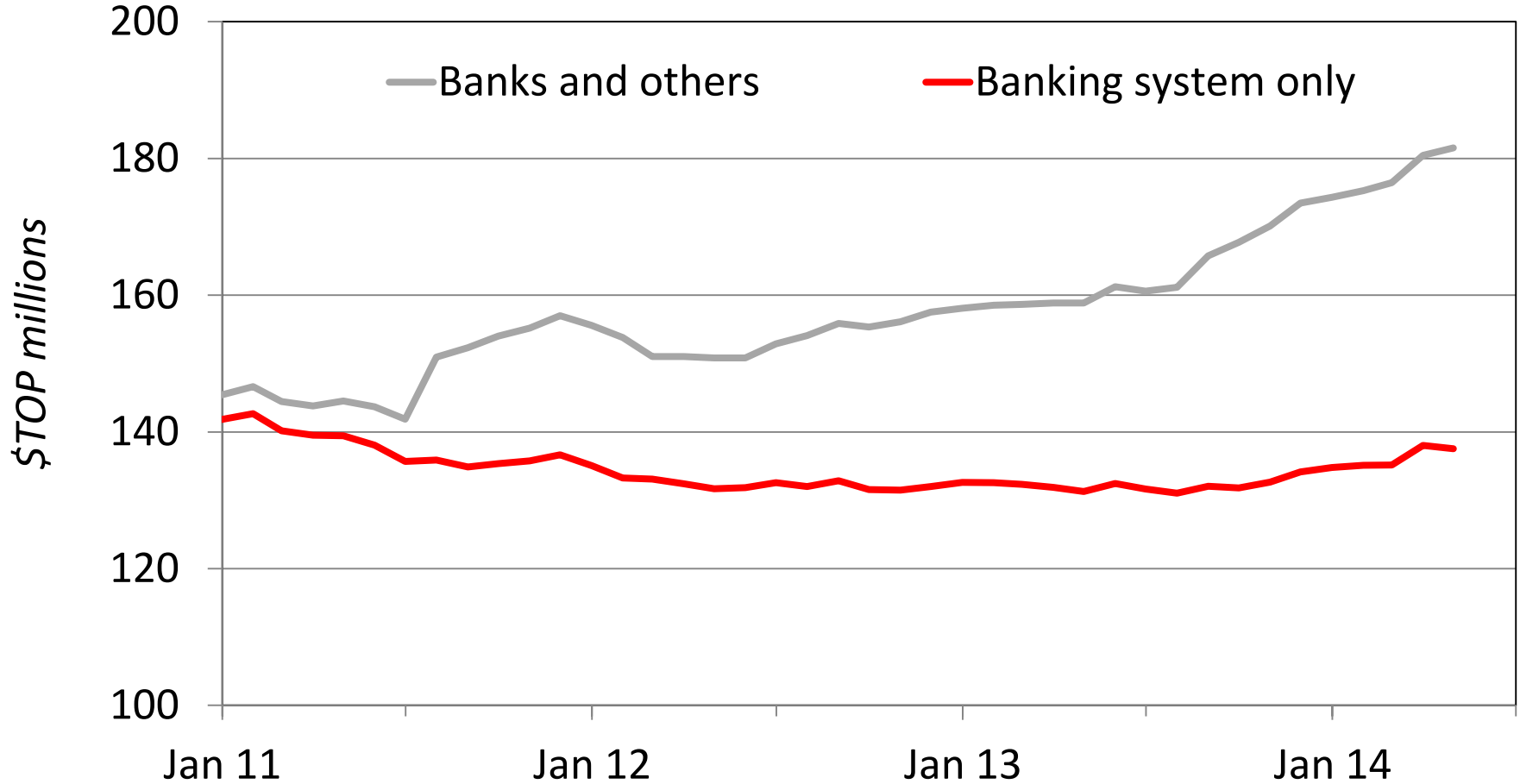
Business Lending Balances



Sources: Banking System

Household Lending Balances

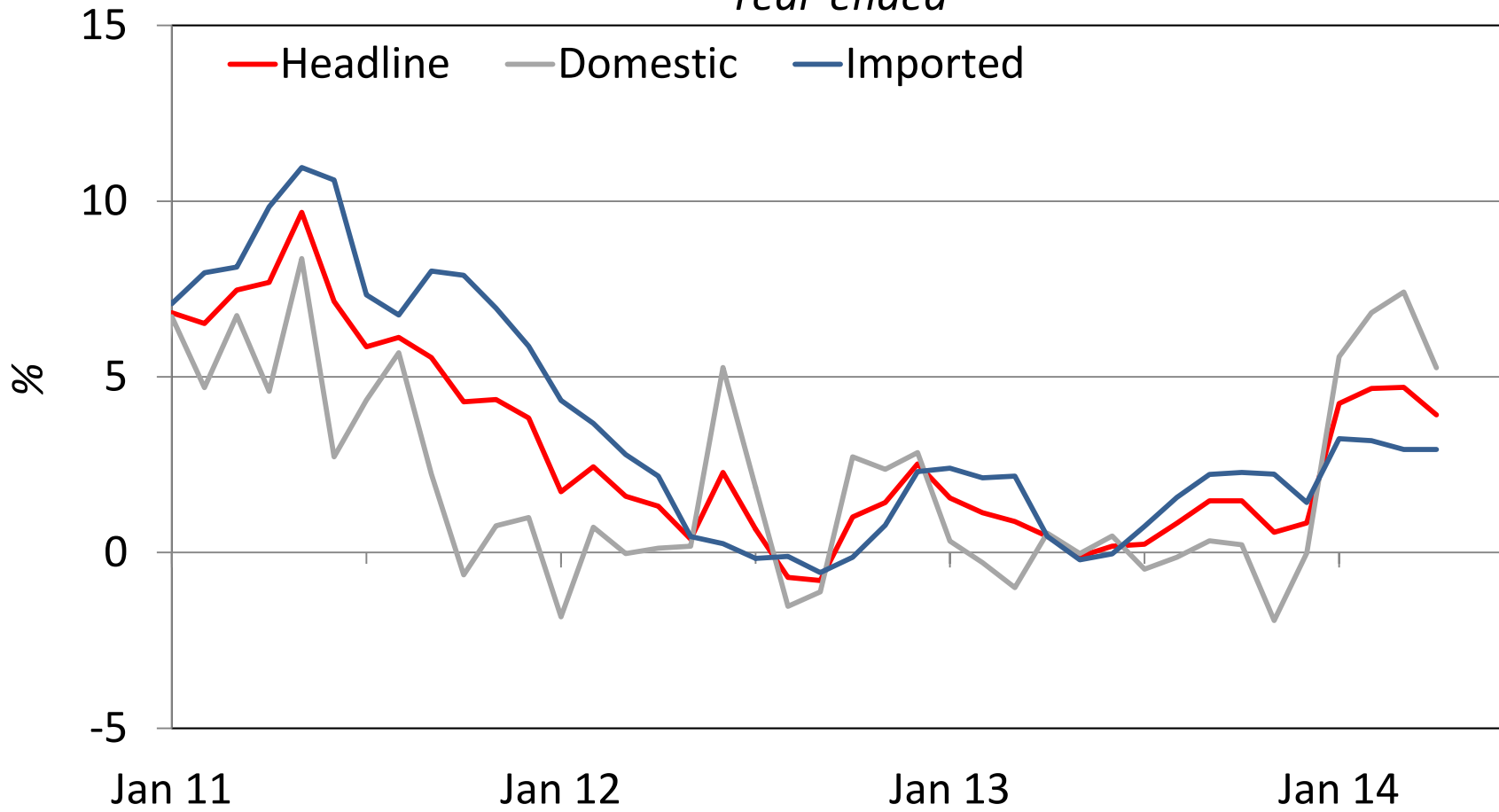
Monthly



Sources: Banking System; SPBD; RFB

Inflation

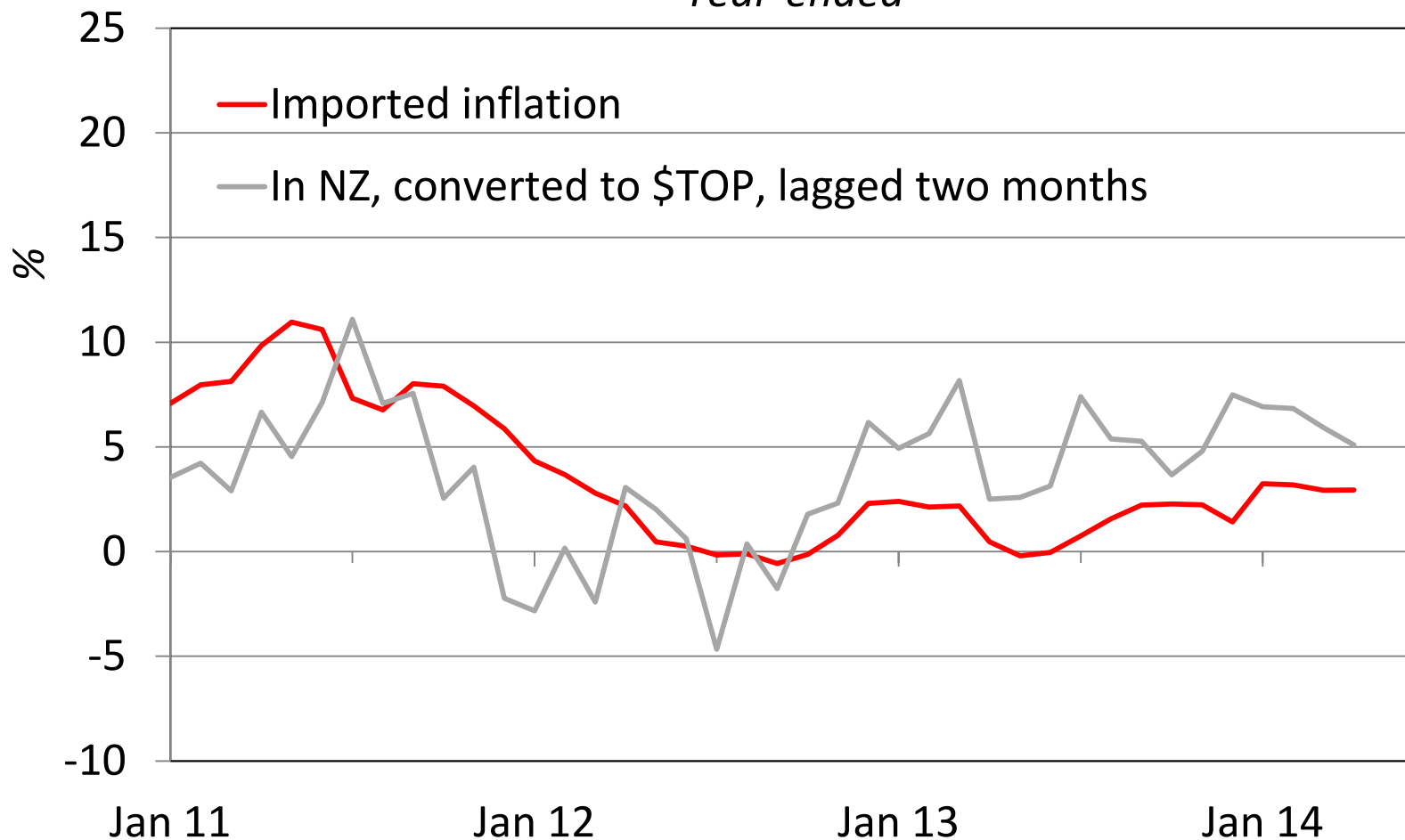
Year-ended



Source: Statistics Department

Meat, Fish and Poultry Inflation

Year-ended



Source: NRBT; Statistics New Zealand

4. Fiscal sector