



QUARTERLY DEBT BULLETIN as of 31<sup>st</sup> March 2025

**OVERVIEW**

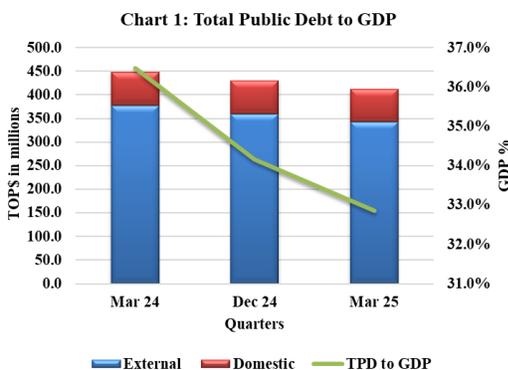
This report summarizes the Government’s (GoT) position from 1<sup>st</sup> January 2025 to the 31<sup>st</sup> of March 2025, in millions of Pa’anga. Comparisons have been made to the previous quarter (December 2024), and to the same quarter in the previous year (March 2024). The information covers External, Domestic, On-lent, and Government Guaranteed Debt.

**1. TOTAL PUBLIC DEBT**

**1.1 Total Public Disbursed Outstanding Debt** as of 31<sup>st</sup> March 2025 is estimated at T\$412.0m (32.9% of GDP) as shown in Table 1 and Chart 1 below. Total public debt decreases by T\$17.6m between December 2024 and March 2025. The observed decrease was primarily attributable to the repayment of the GoT loans extended by the EXIM Bank of China during the March 2025 quarter. There were no new loans contracted during the quarter.

**Table 1: Total Public Debt (T\$m) by Residency**

LOANS	Mar 24	Dec 24	Mar 25
External	378.1	359.9	342.3
Domestic	70.3	69.7	69.7
<b>TOTAL PUBLIC DEBT</b>	<b>448.4</b>	<b>429.6</b>	<b>412.0</b>



**1.2 Total Debt Service (Expenditure)** for March 2025 quarter is estimated at T\$31.3m, of which for *external debt* is T\$22.4m (71.6%) and *domestic debt* payment at T\$8.9m (28.4%). This is equivalent to 2.5% of GDP (\$1253.6m). A 91.8% of external debt service payments comprised loan repayments to China, with Principal and Interest falling due in March and September annually.

**2. EXTERNAL DEBT**

**2.1 Total External debt** as of 31<sup>st</sup> March 2025 is recorded at T\$342.3m (27.3% of GDP). The external debt consists of multilateral creditors 58.7% and 41.3% bilateral creditors. The external disbursed outstanding debt amount decreased by T\$17.6m and T\$35.8m

respectively when compared to March 2024 and December 2024 quarters respectively.

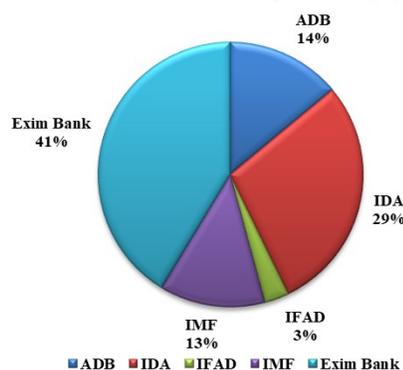
**2.2 External DOD by Creditor**

The external debt by Creditor is shown in Table 2 and Chart 2 below.

**Table 2: External DOD by Creditor (in T\$m)**

CREDITOR	Mar 24	Dec 24	Mar 25
<b>Multilateral</b>	<b>200.3</b>	<b>199.7</b>	<b>200.9</b>
ADB	50.7	47.5	47.7
IDA	96.8	98.0	98.9
IFAD	9.5	10.3	10.2
IMF	43.3	43.9	44.1
<b>Bilateral</b>	<b>177.8</b>	<b>160.2</b>	<b>141.4</b>
Exim Bank	177.8	160.2	141.4
<b>Total EXTERNAL</b>	<b>378.1</b>	<b>359.9</b>	<b>342.3</b>

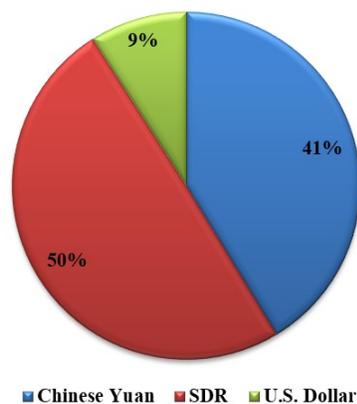
**Chart 2: External DOD by Creditor (%)**



**2.3 External DOD by Currency Composition**

The main outstanding loan currency as of 31<sup>st</sup> March 2025 denominated in Special Drawing Rights (SDR) and is shown in Chart 3 and with decomposition of the SDR basket of currency in Chart 4.

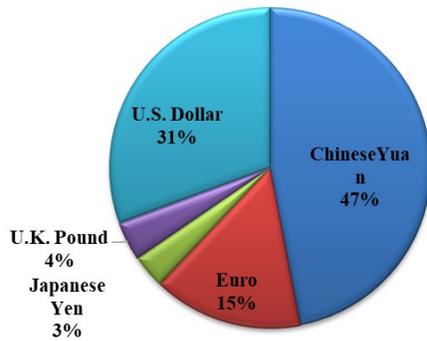
**Chart 3: External Debt by Currency composition**



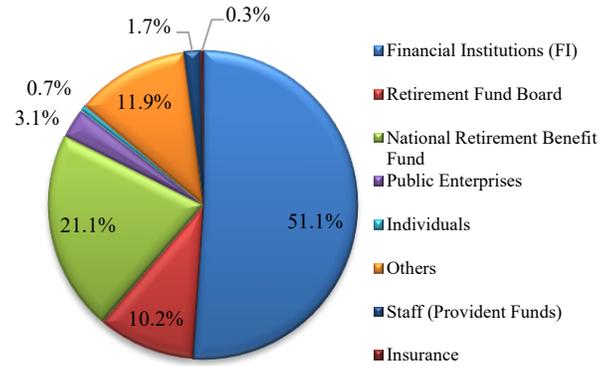


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**Chart 4: External Debt by Currency composition with SDR decomposed**



**Chart 5: Domestic Bonds by Bond Holders**



**2.4 External Disbursement**

Even though there were no new external loans contracted during the quarter, there was a disbursement of T\$0.4m made during the March 2025 quarter. This disbursement was from an existing loan from World Bank allocated to the Pacific Resilience Project<sup>1</sup>.

**2.5 External Debt Service**

Total external debt service for the quarter ending on the 31<sup>st</sup> March 2025 was T\$31.3m. This is equivalent to 1.8% of annual GDP (T\$1253.6m), as a percentage to recurrent revenue and expenditure for FY 24/25 (GoT) of 6.9% (at T\$452.3m).

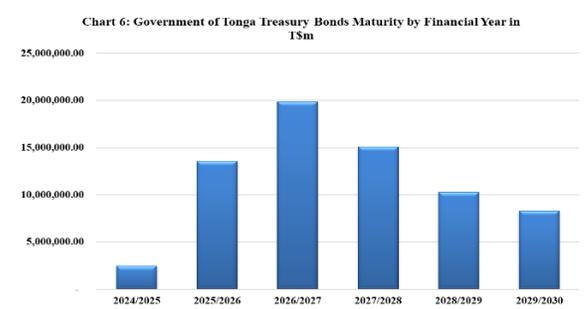
As of the publication of this report, no external payment arrears have been recognized or realized.

**3.2 Government Bond Maturity by Financial Year**

Domestic Debt is composed of Treasury bonds with tenors ranging from 3 years to 6 years. Government has mainly issued bonds with a maturity of 5 years.

During the period from January 1<sup>st</sup> 2025 to March 31<sup>st</sup> 2025, GoT did not undertake any new Treasury Bonds issuances. Instead, it successfully rolled over T\$8.3m in bonds matured in March for another 5 years. This rollover was oversubscribed, indicating a positive outlook for future maturities and new issuances achieving similar level of subscription.

Chart 6 below shows Bond maturity by financial year (F/Y) as at end March 2025. The National Reserve Bank of Tonga (NRBT) act as the registrar of domestic bonds issuance<sup>2</sup>



**3. DOMESTIC DEBT**

**3.1 Total Domestic debt** as of 31<sup>st</sup> March 2025 is recorded at T\$69.7m (5.6% of annual GDP), for GoT bonds on issue. The main bond holders are the Financial Institutions, amounted to T\$33.5m (48.0%) and National Retirement Benefit Fund which amounted to T\$15.9m (22.9%) as shown in Chart 5. There were no domestic loan payment arrears. All bonds are held by the residents of Tonga.

**3.3 Domestic Debt Service**

Domestic debt service for the quarter ending March 2025 is estimated at T\$8.9m, which is equivalent to 0.7% of the annual GDP (T\$1253.6m). Domestic repayments peaked in March 2025 due to the maturity of a T\$8.3m Treasury Bond (95.7% of T\$8.9 paid in the Quarter). There were no domestic payment arrears, at the completion of the reporting quarter.

<sup>1</sup> This is an IDA-WB loan between the GoT and the World Bank for the purpose of the Pacific Resilience Project under the Pacific Resilience Program. This is a regional program designed to strengthen climate and disaster resilience in the participating countries, in this case Tonga.

<sup>2</sup> National Reserve Bank of Tonga Act 1988 (rev.2011) section 4(a)



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**4. GOVERNMENT GUARANTEES**

**Total government guaranteed debt** as of 31<sup>st</sup> March 2025 is estimated at T\$16.1m, of which T\$15.4m is for private companies (Cost Low Company Ltd T\$6.2m, Inter Pacific Ltd T\$3.4m, Royco Ports Services Ltd T\$2.5m, Island Dredging Company Ltd T\$2.3m, City Engineering and Constructions Company Ltd \$1.0m) and T\$0.7m is for Public Company (Lulutai Airlines Ltd)

Regarding private companies, it is noted that all are subject to recovery action. Consequently, the increase in their respective DODs is attributed to interest, service fees, insurance, and recovery costs whilst holding of repayments due to ongoing legal proceedings. Specifically, compared to the previous quarter, DODs increased by T\$0.11m for Island Dredging, T\$0.01m for Inter Pacific, T\$0.05m for City Engineering, and T\$0.04m for Royco Ports.

As of the publication of this report, no payments were required. In addition, there were no new guarantees issued during the reporting quarter.

**4. ON-LENT LOANS**

**Total on-lent loans** as of the 31<sup>st</sup> March 2025 due to the GoT from various public and other enterprises, is estimated at T\$27.3m (2.2% of T\$1253.6m annual GDP), a decrease from T\$27.4m(0.3% change) as at 31<sup>st</sup> of March 2024.

The outstanding amount was for on-lending to public and private companies (T\$2.1m) for Development projects and for private companies (T\$25.2m) for Nuku'alofa CBD projects.<sup>3</sup>

The Total debt service (revenue) for March 2025 quarter is at T\$0.2m for on-lent loan repayments. The total amount of on-lent arrears as of 31<sup>st</sup> March 2025, is estimated at T\$18.7m. This comprises private companies on-lent loans for Nuku'alofa CBD projects.

**5. COST AND RISK INDICATORS**

The cost of the existing debt portfolio is relatively low and driven by a large share of external debt. At the end of March 2025, the value of total debt represented 32.9% of GDP, as illustrated in Table 3. This shows that total debt is an important share of concessional external borrowing. The grant element or concessionality of the existing portfolio is estimated to 23.5% according to IDA&IMF LIC DSF Assessment.<sup>4</sup> The cost of domestic debt is higher still comparing to previous Quarter than the cost of external debt with a weighted average implied interest rate of **respectively 1.3% and 0.5%**.

Despite a marginal 1.3% decrease over the Quarter, Foreign Exchange risk is the primary concern for the existing debt portfolio, given that 83.1% of the debt is denominated in foreign currencies. This immense change is an indication that

the Government is in the peak of the repayment of Nuku'alofa CBD Reconstruction Project loan to China.

Refinancing risk is still a risk of concern for the existing debt portfolio. The domestic debt portfolio is exposed to refinancing risk at 3.6% of the government securities due for redemption within 1 year and an average time to maturity (ATR) of only 3.2 years. However, as a percentage of GDP, this risk is less in the domestic debt than that with the external debt by 0.6%. This also implies to External debt portfolio.

**Table 3: Cost and Risk Indicators**

<i>Risk Indicators</i>		<i>External debt</i>	<i>Domestic debt</i>	<i>Total debt</i>
<b>Amount (in millions TOP)</b>		342.3	69.7	412.0
<b>Nominal debt as percent of GDP</b>		27.3	5.6	32.9
<b>Cost of debt</b>	Interest payment as percent of GDP <sup>3</sup>	<b>0.1</b>	<b>0.1</b>	<b>0.2</b>
	Weighted Av. IR (percent)	<b>0.5</b>	<b>1.3</b>	<b>0.6</b>
<b>Refinancing risk</b>	ATM (years)	<b>8.1</b>	<b>3.2</b>	<b>7.4</b>
	Debt maturing in 1yr (percent of total)	<b>0.6</b>	<b>3.6</b>	<b>1.1</b>
	Debt maturing in 1yr (percent of GDP)	<b>0.2</b>	<b>0.2</b>	<b>0.4</b>
<b>Interest rate risk</b>	ATR (years)	<b>8.1</b>	<b>3.2</b>	<b>7.4</b>
	Debt refixing in 1yr (percent of total)	<b>0.6</b>	<b>3.6</b>	<b>1.1</b>
	Fixed rate debt incl T-bills (percent of total)	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
	T-bills (percent of total)	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>FX risk</b>	FX debt (percent of total debt)			83.1
	ST FX debt (percent of reserves)			0.3

<sup>3</sup> Reconstruction of Nuku'alofa Central Business District (CBD) due to the political uproar and destruction of most business stationed in CBD in November 2016.

<sup>4</sup> A loan is normally considered concessional if the grant element is at least 35%



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**6. DEBT SUSTAINABILITY INDICATORS**

Under the baseline scenario, Tonga is not breaching the IMF thresholds (International Monetary Fund, 2023) and the PV of external debt-to-GDP ratio is expected to decline by approximately 5% each financial year, reflecting large repayments to China Exim Bank. This is shown in Table 4.

**Table 4: Sovereign Debt Sustainability Indicators**

Indicators	(IMF) Tonga Target %	2024/25	2025/26	2026/27
<i>NPV of external debt as:</i>				
% of GDP	55%	27%	23%	18%
% of GDP & remittances	36%	19%	15%	13%
% of exports	240%	925%	748%	587%
% of exports & remittances	120%	60%	41%	37%
% of government revenues	250%	89%	74%	61%
<i>Debt Service as:</i>				
% of exports	21%	179%	173%	162%
% of exports & remittances	16%	12%	10%	10%
% of revenues	23%	17%	17%	17%

**7. EXCHANGE RATE FLUCTUATIONS**

The significant movement of the Pa'anga against the borrowing currencies, during March 2024 and March 2025, showed a depreciation of the Pa'anga against the USD (4.6%), CNY (0.5%) and SDR (0.6%) as shown in Table 5 below.

**Table 5: FC/TOP Exchange Rate<sup>5</sup>**

TOP/FC	Mar 24	Dec 24	Mar 25
CNY	0.3296	0.3337	0.3336
SDR	3.1530	3.1762	3.2195
USD	2.3825	2.4355	2.4231
EUR	2.5848	2.5403	2.6301
GBP	3.0198	3.0675	3.1471
JPY	0.0158	0.0155	0.0162

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**REFERENCE:**

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**ABBREVIATIONS:**

GDP	Gross Domestic Product
GoT	Government of Tonga
DOD	Disbursed Outstanding Debt
ADB	Asian Development Bank
IDA	International Development Association- World Bank
IFAD	International Fund for Agricultural Development
IMF	International Monetary Fund
CNY	Chinese Yuan Renminbi
SDR	Special Drawing Rights
USD	United States Dollar
EUR	The Euro
GBP	Great Britain Pound
JPY	Japanese Yen
F/Y	Financial Year
CBD	Central Business District
NPV	Net Present Value
ATR	Average Time to Maturity
NRBT	National Reserve Bank of Tonga
PIFS	Pacific Islands Forum Secretariat
LIC DSF	Low-Income Country Debt sustainability Framework
SPC	Secretariat of the Pacific Community
EXIM-China	Export-Import Bank China

<sup>5</sup> FC: Foreign Currency, TOP: Tongan Pa'anga