



MINISTRY OF FINANCE
Government of Tonga

QUARTERLY DEBT BULLETIN as of 31st March 2026

OVERVIEW

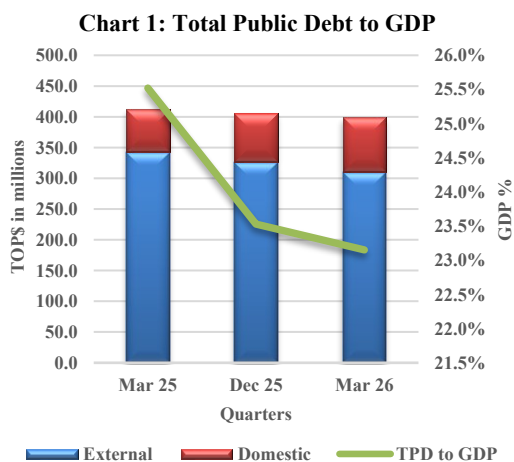
This report summarizes the Government’s (GoT) position from 1st January 2026 to the 31st of March 2026, in millions of Pa’anga. Comparisons have been made to the previous quarter (December 2025), and to the same quarter in the previous year (March 2025). The information covers External, Domestic, On-lent, and Government Guaranteed Debt.

1. TOTAL PUBLIC DEBT

1.1 Total Public Disbursed Outstanding Debt (DOD) as of 31st March 2026 is estimated at T\$399.3m (23.2% of GDP) as shown in Table 1 and Chart 1 below. Total public debt decreases by T\$6.5m between December 2025 and March 2026. Notwithstanding the issuance of \$10.1 million in new bonds in February 2026, ongoing IDA disbursements throughout the quarter, and the depreciation of the Pa’anga against the CNY and SDR, the overall decrease relative to the December 2025 quarter was primarily driven by scheduled loan repayments to China in March.

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

LOANS	Mar 25	Dec 25	Mar 26
External	342.3	326.5	309.9
Domestic	69.7	79.3	89.4
TOTAL PUBLIC DEBT	412.0	405.8	399.3



1.2 Total Debt Service (Expenditure) for 31st March 2026 quarter is estimated at T\$23.9m, of which for *external debt* is T\$23.2m (97.4%) and *domestic debt* is T\$0.6m (2.6%). This is equivalent to 1.4% of GDP (\$1,724.5m).

2. EXTERNAL DEBT

2.1 Total External debt as of 31st March 2026 is recorded at T\$309.9m (18.0% of GDP). The external debt consists of multilateral creditors 65.1% and 34.9% bilateral creditors. The external DOD amount decreased by T\$33.2m respectively when compared to March 2025 and decreased by T\$18.0m when compared to December 2025 quarters respectively.

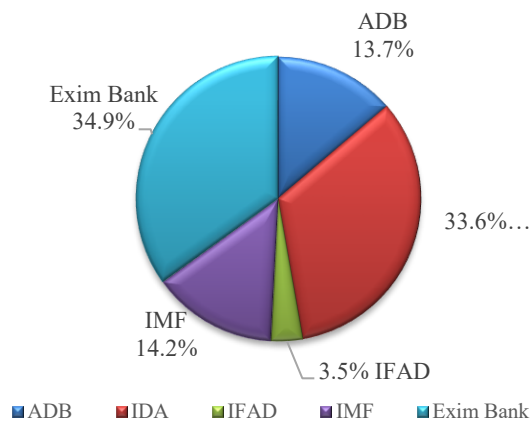
2.2 External DOD by Creditor

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 25	Dec 25	Mar 26
Multilateral	200.9	200.3	201.6
ADB	47.7	43.6	42.5
IDA	98.9	102.1	104.0
IFAD	10.2	10.2	10.9
IMF	44.1	44.4	44.1
Bilateral	141.4	126.2	108.2
Exim Bank	141.4	126.2	108.2
Total EXTERNAL	342.3	326.5	309.9

Chart 2: External DOD by Creditor (%)



2.3 External DOD by Currency Composition

The main outstanding loan currency as of 31st March 2026 denominated in Special Drawing Rights (SDR) and is shown in Chart 3 and with decomposition of the SDR basket of currency in Chart 4.



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Chart 3: External Debt by Currency composition

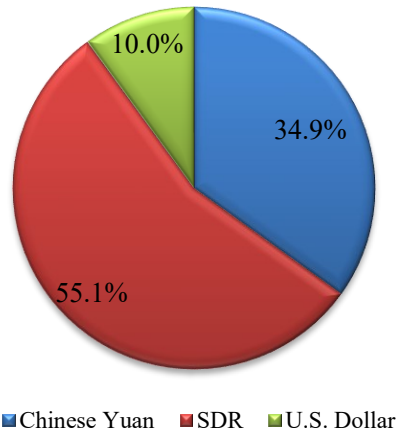
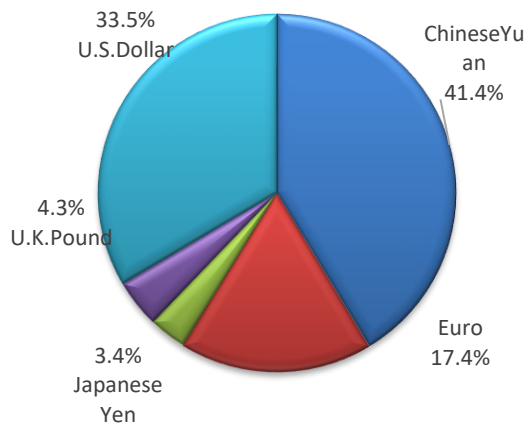


Chart 4: External Debt by Currency composition with SDR decomposed



2.4 External Disbursement

Even though there were no new external loans contracted during the quarter, there was a disbursement of T\$3.8m during the March 2026 quarter. This ongoing disbursement was from an existing project loan from World Bank allocated to the Pacific Resilience Project¹.

2.5 External Debt Service

Total external debt service for the quarter ending on the 31st March 2026 was T\$23.2m. This is equivalent to 1.3% of annual GDP (T\$1,724.5m), as a percentage of recurrent revenue and expenditure collected and incurred for the respective quarter of FY 25/26 (GoT), which accounted for

¹ 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

20.7% (at T\$112.4m) and 15.2% (at T\$153.0m) respectively.

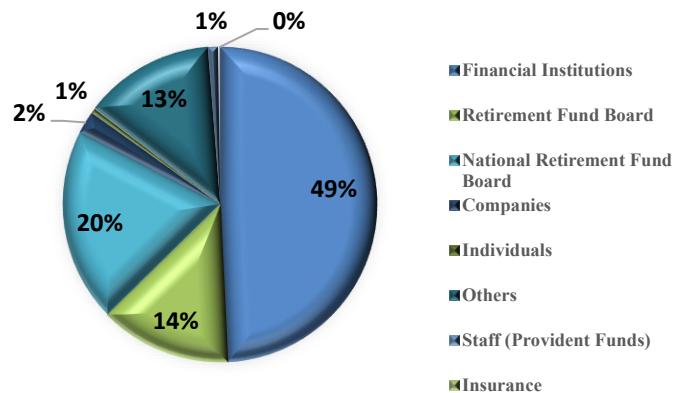
As of the publication of this report, no external payment arrears have been recognized or realized.

3. DOMESTIC DEBT

3.1 Total Domestic debt as of 31st March 2026 recorded at T\$89.4m (or 5.2% of annual GDP), for GoT bonds on issue. During the period from January 1st 2026 to March 31st 2026, the GoT managed to issue new Government bond of \$10.1m appropriated to initiate the Government Development Loan funds at TDB.

The main bond holders are the Financial Institutions, amounted to T\$42.0m (46.9% of total bond issuance) and National Retirement Benefit Fund which amounted to T\$18.1m (20.2% of total bond issuance) as shown in Chart 5. There were no domestic loan payment arrears. All bonds are held by the residents of Tonga.

Chart 5: Government Bond Holders



3.2 Government Bond Maturity by Financial Year

Domestic Debt is composed of Treasury bonds with tenors ranging from 3 years to 7 years. Government has mainly issued bonds with a maturity of 5 years.

Chart 6 below shows Bond maturity by financial year (F/Y) as at end March 2026. The National Reserve Bank of Tonga (NRBT) act as the registrar of domestic bonds issuance²

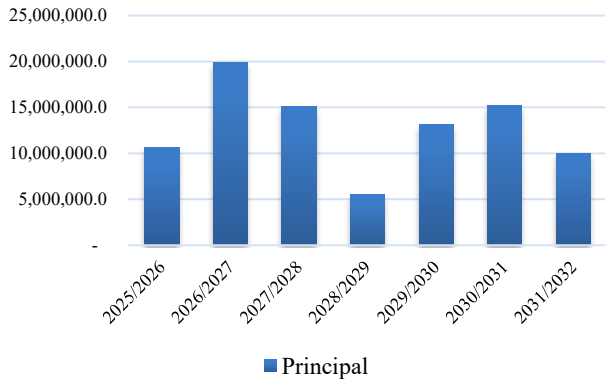
program designed to strengthen climate and disaster resilience in the participating countries, in this case Tonga.

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



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Chart 6: Government of Tonga Treasury Bonds Maturity by Financial Year in T\$m



3.3 Domestic Debt Service

Domestic debt service for the quarter ending March 2026 is estimated at T\$0.6m, which is equivalent to 0.04% of the annual GDP (T\$1,724.5m). There were no domestic payment arrears, at the completion of the reporting quarter.

4. GOVERNMENT GUARANTEES

Total government guaranteed debt as of 31st March 2026 is estimated at T\$15.1m, following a reconciliation and correction to previously reported balances. The guaranteed portfolio consists of five private companies: Cost Low Company Ltd T\$5.6m, Inter Pacific Ltd T\$3.4m, Royco Ports Services Ltd T\$2.6m, Island Dredging T\$2.3m and City Engineering & Construction T\$1.2m.

Regarding the guaranteed debt, all facilities remain subject to recovery action. Consequently, the increase in City Engineering & Construction DOD of T\$0.1m, Royco Ports DOD of T\$0.1m, Island Dredging DOD of T\$0.04m, and Inter Pacific DOD of T\$0.01 are attributed to interest charge, service fees, insurance, and recovery costs whilst holding repayments due to ongoing legal proceedings.

There were no new guarantees issued during the reporting quarter.

5. ON-LENT LOANS

Total on-lent loans as of the 31st March 2026 due to the GoT from various public and other enterprises, is estimated at T\$27.1m (1.6% of the T\$1,724.5m annual GDP), a slight decrease from T\$27.3m as at 31st of March 2025 as the Tonga Asset Managers Association (TAMA) resumed with

repayment of loans to the GoT. The outstanding amount was the on-lending to public (T\$2.1m) and the private companies (T\$25.0m) under the Nuku'alofa CBD projects.³

The Total on-lent repayments (revenue) for March 2026 quarter is at T\$0.1m. The total amount of on-lent arrears as of 31st March 2026, amounted to T\$17.6m. This comprises of private companies on-lent loans under the Nuku'alofa CBD projects of T\$17.1m and public enterprises of T\$0.5m.

The Government is currently liaising with the Borrowers on a way forward to settle these on-lent arrears.

6. COST AND RISK INDICATORS

The cost of the existing debt portfolio is relatively low even though it is driven by a large share of external debt. At the end of March 2026, the value of the total debt portfolio amounted to T\$309.3m or 17.9% of Tonga's annual GDP, as illustrated in Table 3. This shows that total debt is a significant share of the concessional external borrowing. The grant element or concessionality of the existing portfolio is estimated to 24.5% according to IDA & IMF LIC DSF Assessment.⁴ The cost of domestic debt is still higher than the cost of external debt, comparing to previous Quarter with a weighted average implied interest rate of **2.4% and 1.2%** respectively.

Foreign Exchange risk is still the primary concern for the existing debt portfolio, given that the Exchange rate risk is 77.7% of the total debt. Notwithstanding the persistent exchange rate risks impacting the entity's status as a going concern, the proportion of outstanding external debt within the total portfolio declined by 3.1% relative to the quarter ending December 2025. Furthermore, the ratio of short-term external debt to foreign reserves saw a favorable reduction of 2.3% compared to the preceding quarter. This immense change is an indication that the Government continues with the repayment of the Nuku'alofa CBD Reconstruction Project loan and the Roads Improvement project loan to China until FY 2029 and FY 2030 respectively.

Refinancing risk is still a risk of concern for the existing debt portfolio. The domestic debt portfolio is exposed to refinancing risk at 11.9% of the government securities due for redemption within 1 year and an average time to maturity (ATR) of only 3.5 years. In the meantime, the GoT is aiming to issue Domestic Bonds at longer maturities to reduce exposure of the domestic debt portfolio to refinancing risk.

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

⁴ A loan is normally considered concessional if the grant element is at least 35%



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are forecasted to breach the 55% threshold and the 70% benchmark by FY2035.

Table 3: Cost and Risk Indicators

<i>Risk Indicators</i>		<i>External debt</i>	<i>Domestic debt</i>	<i>Total debt</i>
Amount (in millions TOP)		309.9	89.4	399.3
Nominal debt as percent of GDP		18.0	5.2	23.2
Cost of debt	Interest payment as percent of GDP ³	0.2	0.1	0.3
	Weighted Av. IR (percent)	1.2	2.4	1.4
Refinancing risk	ATM (years)	8.2	3.5	7.3
	Debt maturing in 1yr (percent of total)	1.4	11.9	3.5
	Debt maturing in 1yr (percent of GDP)	0.3	0.6	0.9
Interest rate risk	ATR (years)	8.2	3.5	7.3
	Debt refixing in 1yr (percent of total)	1.4	11.9	3.5
	Fixed rate debt incl T-bills (percent of total)	100.0	100.0	100.0
	T-bills (percent of total)	0.0	0.0	0.0
FX risk	FX debt (percent of total debt)			77.7
	ST FX debt (percent of reserves)			0.5

7. DEBT SUSTAINABILITY INDICATORS

Under the baseline scenario, Tonga's level of public debt is still below the IMF thresholds (International Monetary Fund, 2025). The NPV of the external debt-to-GDP ratio is expected to decline by approximately 4% in each financial year, reflecting large repayments to China Exim Bank until FY 29/30. This is shown in Table 4. Although current levels remain below the thresholds, IMF staff projections indicate that in the absence of further grant commitments, the PV of both external and public debt to GDP is expected to follow an upward trajectory. Under these conditions, both metrics

Table 4: Sovereign Debt Sustainability Indicators

<i>Indicators</i>	<i>(IMF)</i>	<i>2025/26</i>	<i>2026/27</i>	<i>2027/28</i>
Tonga Target %				
<i>NPV of external debt as:</i>				
% of GDP	55%	23%	20%	16%
% of GDP & remittances	36%	15%	14%	11%
% of exports	240%	774%	673%	526%
% of exports & remittances	120%	43%	42%	35%
% of government revenues	250%	86%	72%	58%
<i>Debt Service as:</i>				
% of exports	21%	113%	185%	166%
% of exports & remittances	16%	6%	12%	11%
% of revenues	23%	13%	20%	18%

8. EXCHANGE RATE FLUCTUATIONS

The significant movement of the Pa'anga against the borrowing currencies, during March 2025 and March 2026, showed a depreciation of the Pa'anga against the CNY (4.1%) and the SDR (1.1%) as shown in Table 5 below.

Table 5: FC/TOP Exchange Rate⁵

<i>TOP/FC</i>	<i>Mar 25</i>	<i>Dec 25</i>	<i>Mar 26</i>
CNY	0.3336	0.3431	0.3472
SDR	3.2195	3.2873	3.2551
USD	2.4231	2.4004	2.3998
EUR	2.6301	2.8285	2.7585
GBP	3.1471	3.2462	3.1766
JPY	0.0162	0.0154	0.0151

⁵ FC: Foreign Currency, TOP: Tongan Pa'anga as at end of the month.



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ABBREVIATIONS:

ADB	Asian Development Bank
ATM	Average Time To Maturity
ATR	Average Time to Re-fixing
CBD	Central Business District
CNY	Chinese Yuan Renminbi
DOD	Disbursed Outstanding Debt
EUR	The Euro
EXIM-China	Export-Import Bank China
FX	Foreign Currency
FY	Financial Year
GBP	Great Britain Pound
GDP	Gross Domestic Product
GoT	Government of Tonga
IDA	International Development Association-World Bank
IFAD	International Fund for Agricultural Development
IMF	International Monetary Fund
JPY	Japanese Yen
LIC DSF	Low-Income Country Debt Sustainability Framework
NPV	Net Present Value
NRBT	National Reserve Bank of Tonga
PV	Present Value
SDR	Special Drawing Rights
ST-FX	Short Term Outstanding External Debt
USD	United States Dollar

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