

Tonga Statistics

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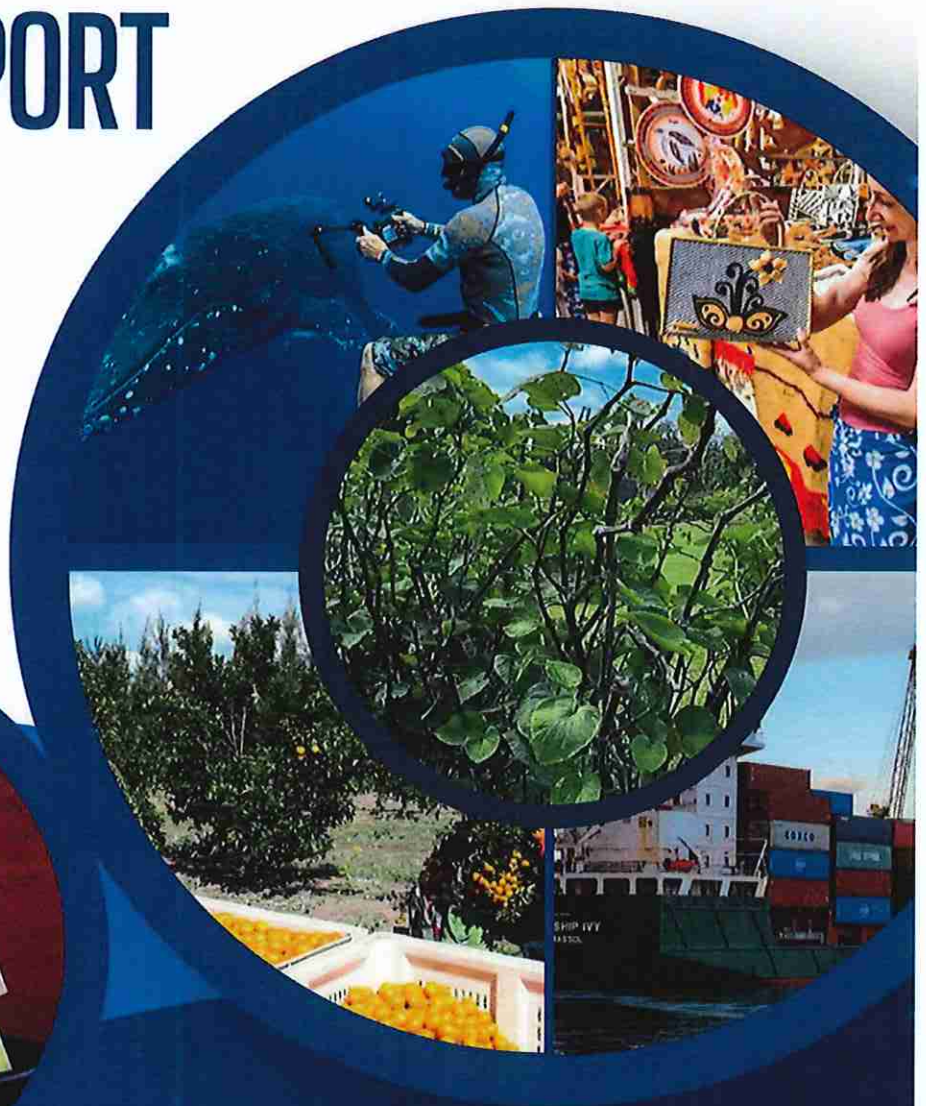
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Government of Tonga

BALANCE OF PAYMENT ANNUAL REPORT

2023 - 2024



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Preface


This bulletin presents the Tonga Balance of Payments Statistics for the year 2023 – 24.

This report contains an introductory note which explains the Balance of Payments statements and the sources of data. The BOP is a critical indicator of a nation's economic health, reflecting all transactions between residents of Tonga with non – residents.

This report consists of a short analysis and graphs of selected items together with referenced tables. There is a technical notes on the scope and methodology of the statistics provided at the back of the report.

I wish to thank all organizations both in Government and in the Private sector, which have supplied basic data, for instance, the Overseas Exchange Transactions Divisions of the Commercial banks and the National Reserve Bank of Tonga, The Ministry of Revenue and Customs, Ministry of Finance, Tonga Airport Limited, Tonga Port Authority and Foreign Embassies in Tonga. Special mention must be made of the hard work and devotion of the staff members of the Balance of Payments Division in the compilation of this report.

The Department would welcome any comments and suggestions to improve the contents, coverage and quality of the statistics published in this report.



Mr. Sione Lolohea
Government Statistician



Symbols and Abbreviations used

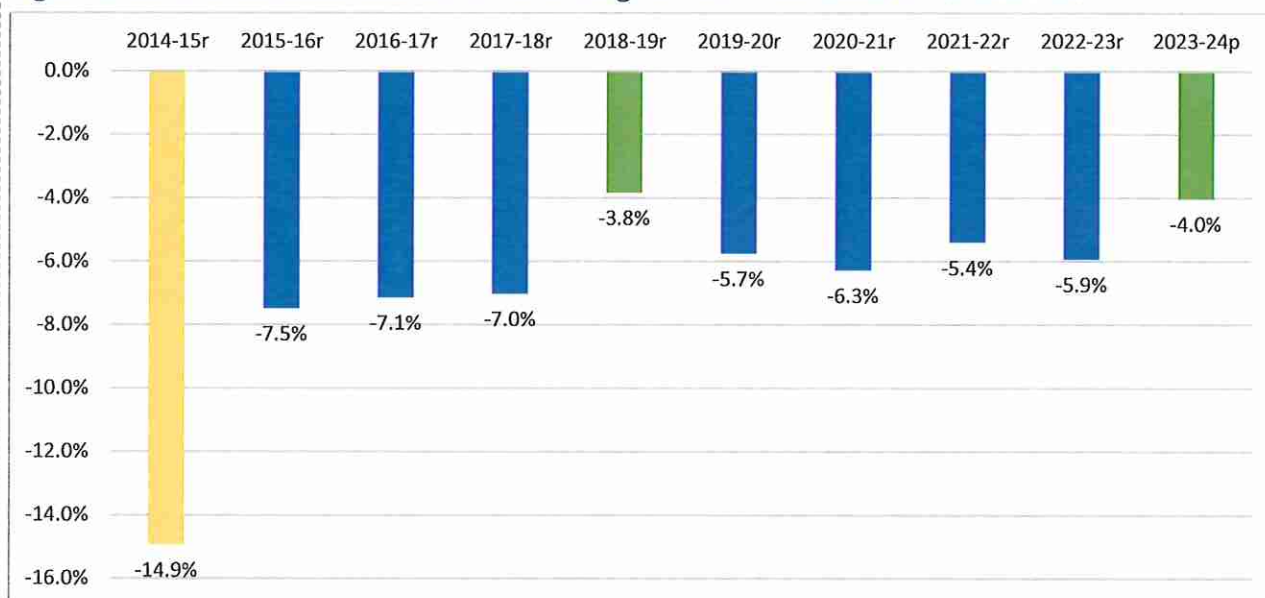
The following symbols and abbreviations are used throughout the bulletin.

-	Nil
...	Not available
r	Revised
T\$	Tongan Pa'anga
000	Thousand
f.o.b	Free on Board in the exporting country
n.i.e.	Not Identified Elsewhere
TBOP	Tonga Balance of Payment
OET	Overseas Exchange Transaction

PART 1 – Analysis and Graphs

All Values in this release are in Tongan Pa'anga (TOP).

Figure 1. Current Account Balance as Percentage of GDP from 2014-15 to 2023-24



The current account balance for the fiscal year 2023-24 showed a deficit of \$48.2 million, compared to a deficit of \$71.2 million in 2022-23. During the 10 years period the highest deficit recorded was negative 14.9% of GDP in 2014-15, the lowest deficit was in 2018-19 with 3.8% negative contribution to GDP. For the year ended June 2024, the current account deficit was negative 4% of GDP, compared with negative 5.9% of GDP for the fiscal year 2022-2023. The improvement in the Balance of Current Account is mainly contributed by a significant progress in Travel receipts and compensation of employees which will be discussed further later in the analysis.

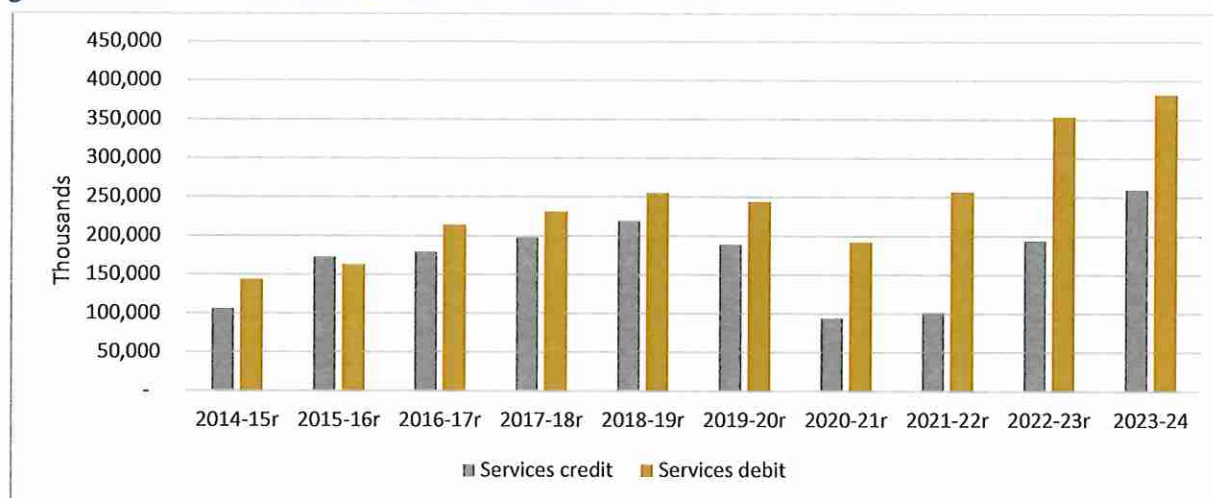
Figure 2. External Trade in Goods from 2014-15 to 2023-24



The net trade in goods showed a deficit of \$524.7 million in the fiscal year 2023-2024. The deficit slightly increased by less than 1% from the \$521.3 million deficit in the previous fiscal year. The foreign trade data indicated that the export of goods decreased to \$25.7 million, a decline of 16.2% compared to \$30.7 million in the previous fiscal year. The lower export value is due to decreases in three major export commodities such as: Ground Kava, which decreased by 59.6%; Fish, which diminished by 55.9%; and Squash Pumpkins, which decreased by 45.9% compared to their respective values exported in the fiscal year 2022-2023.

The imports of goods declined to \$550.4 million in 2023-2024, showing a slight decline of 0.3% from \$552.03 million in the previous fiscal year. The lower imports is due to the three major import groups as follows: Photographic & optical, medical & surgical goods & clocks/watches & musical instruments, 19.3%; and Chemicals and allied products, which decreased by 13.2% respectively. which decreased by 54.7%; Wood, cork & articles thereof & plaiting material, which decreased by 19.3%, and Chemicals and allied products, which decreased by 13.2% respectively.

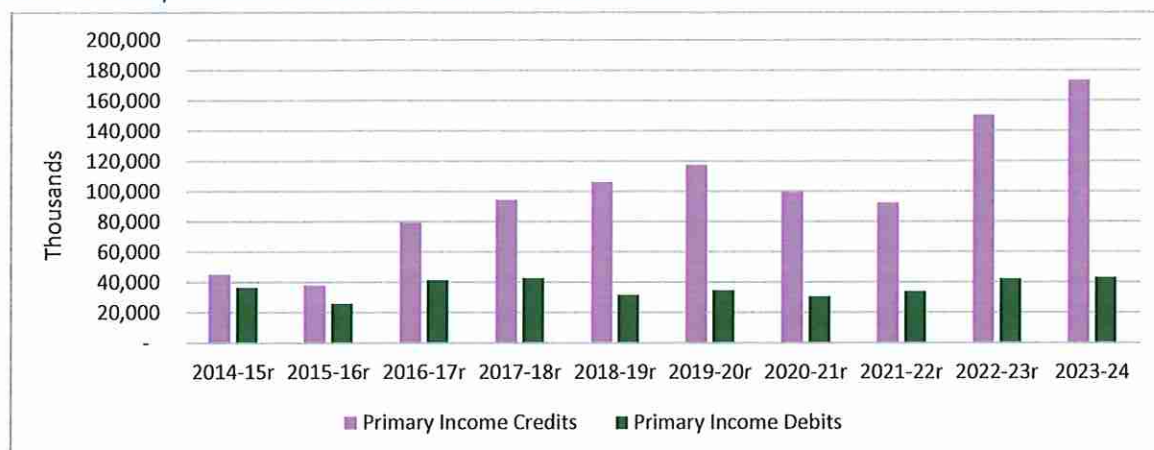
Figure 3. Trade in Services from 2014-15 to 2023-24



The deficit in the balance on trade in services decreased from \$159.1 million in 2022-2023 to \$122.3 million in 2023-2024. This indicates an improvement in the trade balance, resulting in a narrowing of the trade in service imports and exports gap. Exports of services increased significantly by 33.6%, from \$194.6 million to \$260.1 million. This significant growth highlights a positive trend in the service sector, contributing to the decrease in the trade in services deficit. Travel receipts, which include spending by overseas tourists and families from abroad visiting for various events, increased by \$43.3 million, from \$102.9 million in 2022-2023 to \$146.3 million in 2023-2024. This growth reflects an increase in tourism and related activities, which is an important component of Tonga's service receipts. Inflows from transport services rose from \$29.7 million to \$35.3 million. The increase was driven by higher revenues from sea transport and other transport services, indicating a growth in Tonga's transport sector. Inflows from other business services increased from \$21.9 million to \$31.6 million. This growth indicates diversification and stronger business-related services. Construction services inflows rise from \$7.7 million to \$11.8 million driven by infrastructure development.

Import services outflows improved from \$353.4 million in 2022-2023 to \$382.4 million in 2023-2024. This intensification indicates a higher demand for imported services. Travel services outflows rose significantly from \$105.5 million to \$132.9 million. The principal driver for this increase is personal travel, suggesting that more Tongans are traveling abroad for leisure, education, or other personal reasons. Outflows for other business services increased by \$11.5 million from the previous year. This growth is attributed to higher spending on professional, technical, and trade-related services from foreign providers.

Figure 4. Primary Income Account from 2014-15 to 2023-24

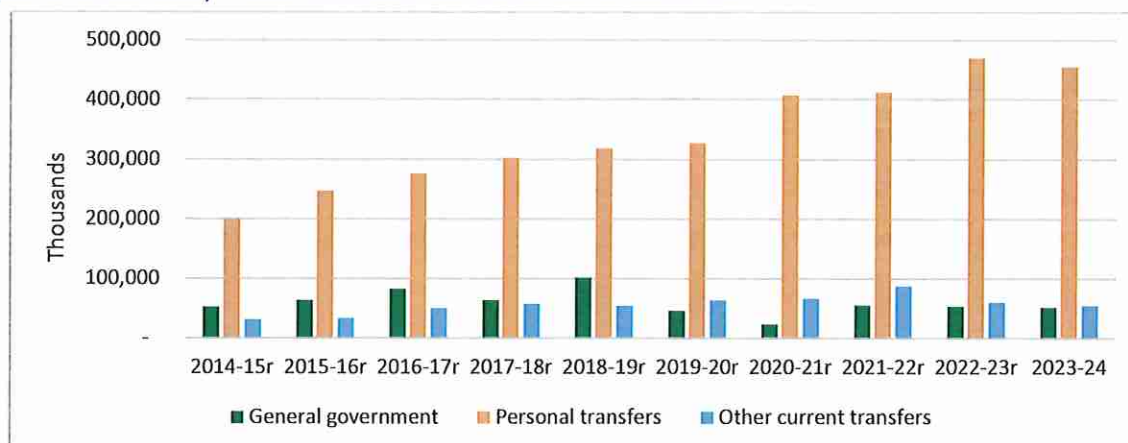


The primary income inflow improved by \$23.3 million, a 15.5% growth from the previous fiscal year. This improvement was mainly driven by the Compensation of Employees, which rose by \$24.4 million, a 18.8% increase indicating more income earned by Tongans working abroad as compared to the previous fiscal year.

The primary income outflows increased by \$11.3 million, a 35.3% rise from the previous year. The main contributors to this increase were: Direct Investment Outflows: Increased by \$13.7 million, a significant 78.9% upsurge. This indicates higher returns on investments made by foreign entities in Tonga. Investment Income Outflows: Increased by \$10.1 million, a 41.8% rise. This reflects higher payments made to foreign investors for their investments in Tonga. The Compensation of Employees Outflows increased by \$1.2 million, a 15.5% growth. This indicates higher payments to foreign workers in Tonga.

The increase in primary income inflows, particularly from the compensation of employees, indicates a positive trend in income earned from abroad. However, the substantial rise in primary income outflows, especially in direct investment and investment income, suggests that more income is being repatriated to foreign investors. These dynamic impacts the overall balance of payments, highlighting the importance of managing both inflows and outflows to maintain economic stability.

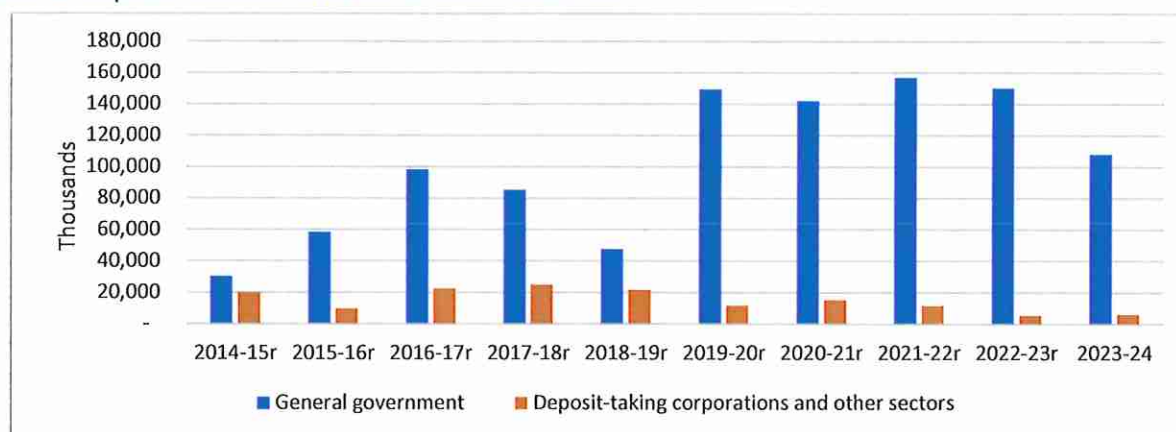
Figure 5. Secondary Income Credits for 2014-15 to 2023-24



The balance on secondary income recorded a surplus of \$468.5 million, which is a 4.6% reduction compared to \$491.0 million in 2022-2023. Secondary income inflows diminished by 3.7%, from \$584.7 million in 2022-2023 to \$562.9 million in 2023-2024. This decline was due to a reduction in personal transfers and other current transfers. Personal Transfers shows a decline of \$14.8 million compared to the previous year. This drop means fewer remittances sent by individuals and families living abroad.

Secondary income outflows increased slightly by 0.8%, from \$93.7 million in 2022-2023 to \$94.5 million in 2023-2024. This growth indicates an insignificant increase in the transfers made to non-residents. The increase in outflows was driven by the General Government sector, by a 24.5% rise in transfers payment to foreign governments. The Other current transfers also increased by \$4.2 million from the previous financial year. This category includes various other transfers that do not fall under personal transfers or government transfers, such as donations, gifts, and other forms of financial support to non-residents.

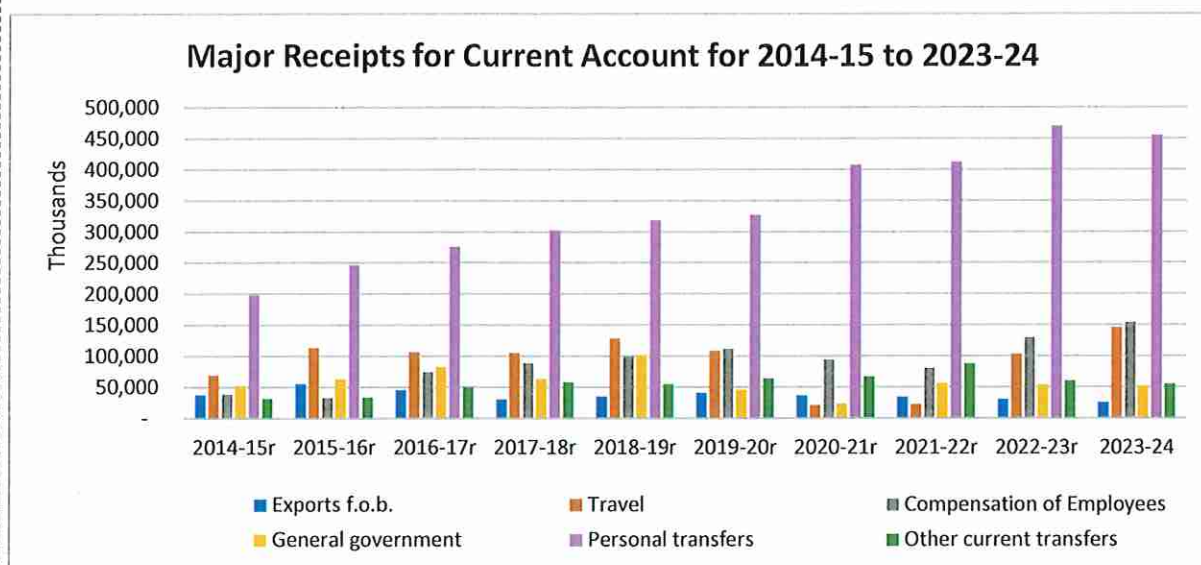
Figure 6. Capital Account Credits for 2024-2023-24



Capital account inflows decreased by \$41.1 million, a 26.4% decline from the previous financial year. Inflows dropped from \$155.9 million in 2022-2023 to \$114.7 million in 2023-2024. The decrease in capital account inflows was driven by a reduction in inflows from the General Government capital transfer, which fell by \$41.9 million.

On the other hand, the above graphs show that the Capital Account outflow for this financial year 2023-24 increased by T\$5.1 million from T\$0.8 million in 2022-23 to T\$5.9 million in 2023-24.

Figure 7. Major Receipts for Current Account for 2014-15 to 2023-24



Based on the information provided by Figure 7, the key receipts components contributing to the Current Account of Tonga are: Travel services credit as the most significant contributor to the improvement of the Current Account. It increased by \$43.3 million, from \$102.9 million in 2022-2023 to \$146.3 million in 2023-2024. This substantial growth reflects higher spending by overseas tourists and visitors, which positively impacts on the Current Account. The compensation of employees also showed a notable increase, from \$129.8 million in 2022-2023 to \$154.2 million in 2023-2024. This increase of \$24.4 million indicates higher income earned by Tongans working abroad, contributing positively to the Current Account.

PART 2: BALANCE OF PAYMENT SUMMARY

i. Table 1: Balance of Payments Ratio

	FY2012-13r	FY2013-14r	FY2014-15r	FY2015-16r	FY2016-17r	FY2017-18r	FY2018-19r	FY2019-20r	FY2020-21r	FY2021-22r	FY2022-23r	FY2023-24
Exports f.o.b/current account credits	5.7%	7.1%	8.0%	9.1%	6.4%	4.2%	4.3%	5.3%	5.1%	4.4%	3.2%	2.5%
Imports f.o.b / current account debits	61.2%	66.7%	67.3%	62.7%	57.8%	58.5%	57.5%	56.7%	61.4%	58.2%	53.5%	51.4%
Goods and services credits / GDP	20.3%	16.9%	17.0%	24.5%	22.2%	21.4%	22.8%	20.1%	11.1%	11.6%	18.8%	23.8%
Current account balance / GDP	-9.6%	-6.7%	-14.9%	-7.5%	-7.1%	-7.0%	-3.8%	-5.7%	-6.3%	-5.4%	-5.9%	-4.0%
Reserve at end of period / Imports of goods and services	53.8%	59.4%	52.9%	60.1%	60.9%	66.7%	64.0%	74.8%	105.2%	116.1%	77.8%	80.6%

ii. Table 2: Balance of Payments Summary, TOP ('000)

	FY2014-15r	FY2015-16r	FY2016-17r	FY2017-18r	FY2018-19r	FY2019-20r	FY2020-21r	FY2021-22r	FY2022-23r	FY2023-24p
Current Account										
Balance on Goods and Services	(403,605)	(361,769)	(444,248)	(472,935)	(501,009)	(496,647)	(548,685)	(614,437)	(680,462)	(646,994)
Balance on Trade in Goods	(365,798)	(371,504)	(409,464)	(444,132)	(467,244)	(441,913)	(452,332)	(459,278)	(521,334)	(524,674)
<i>Exports f.o.b.</i>	37,838	55,809	45,972	31,382	35,678	41,458	36,887	34,508	30,700	25,726
<i>Imports f.o.b.</i>	403,635	427,313	455,436	475,515	502,922	483,371	489,219	493,787	552,034	550,400
Balance on Trade in Services	(37,808)	9,736	(34,784)	(28,803)	(33,764)	(54,734)	(96,353)	(155,159)	(159,128)	(122,320)
<i>Services credit</i>	106,334	172,879	179,512	198,274	219,930	189,142	94,199	101,569	194,593	260,050
<i>Services debit</i>	144,142	163,143	214,296	227,077	253,694	243,876	190,552	256,729	353,721	382,370
Balance on Primary Income	8,945	12,143	37,861	40,232	68,303	82,593	62,330	68,834	118,252	130,292
<i>Primary income credit</i>	45,571	38,204	79,477	83,193	100,164	117,489	93,099	92,619	150,226	173,563
<i>Primary income debit</i>	36,625	26,062	41,616	42,961	31,861	34,895	30,769	23,785	31,974	43,272
Balance on Goods, Services and Income	(394,660)	(349,626)	(406,387)	(432,703)	(432,705)	(414,053)	(486,355)	(545,603)	(562,210)	(516,702)
Balance on Secondary Income	267,689	279,825	333,868	357,370	389,777	348,185	412,259	482,115	491,027	468,463
<i>Secondary income credit</i>	282,977	344,602	409,944	424,768	475,640	437,880	498,910	556,945	584,723	562,918
<i>Secondary income debit</i>	15,289	64,777	76,076	67,397	85,864	89,696	86,650	74,830	93,696	94,455
Balance on Current Account	(126,971)	(69,801)	(72,519)	(75,333)	(42,929)	(65,869)	(74,095)	(63,489)	(71,183)	(48,240)

	FY2014- 15r	FY2015- 16r	FY2016- 17r	FY2017- 18r	FY2018- 19r	FY2019- 20r	FY2020- 21r	FY2021- 22r	FY2022- 23r	FY2023- 24p
Capital Account										
Capital account credit	50,420	68,523	121,367	110,676	69,767	161,136	157,661	168,939	155,914	114,778
Capital account debit	3,697	144	1,620	2,987	2,296	1,079	745	1,618	847	5,934
Balance on Capital Account	46,723	68,379	119,747	107,689	67,471	160,057	156,916	167,321	155,067	108,844
Net Lending (+)/Borrowing (-) from Current and Capital Accounts	(80,248)	(1,422)	47,228	32,357	24,542	94,189	82,821	103,832	83,884	60,605
Financial Account										
Financial Assets (net acquisitions)	15,685	42,588	61,648	14,997	31,982	66,027	170,188	141,543	73,463	(21,031)
Direct investment	3,500	21	1,264	1,427	3,350	2,495	(136)	946	2,702	2,983
Portfolio investment	-	-	3	35	11,300	11,208	9,047	-	(361)	3,860
Financial derivatives (other than reserves) and employee stock options	-	-	-	-	-	-	-	-	-	-
Other investment	185	(5,038)	(3,470)	(9,747)	(1,311)	(3,391)	6,835	(22,557)	(2,070)	(40,636)
Of which:										
Deposits/Deposit-taking corporations (Banks)	185	13,898	12,237	(3,917)	5,530	(1,731)	14,816	(16,253)	(198)	(49)
Deposits/Other non-financial corporations	-	(25,097)	(11,403)	(8,465)	(7,388)	(1,250)	(5,114)	(4,099)	(1,354)	(45,120)
Reserve assets	12,000	47,605	63,851	23,283	18,645	55,715	154,441	163,153	73,192	12,762
Financial Liabilities (net disposals)	3,187	52,119	(21,286)	57,164	(18,657)	(7,615)	17,743	35,457	37,157	(86,711)
Direct investment	20,503	36,476	(34,312)	50,638	(13,976)	8,847	675	6,583	11,626	(28,648)
Portfolio investment	-	(3)	-	(390)	265	-	-	-	-	87
Financial derivatives and employee stock opt	-	-	-	-	-	-	-	-	-	-
Other investment	(17,317)	15,646	13,026	6,916	(4,946)	(16,463)	17,067	28,874	25,531	(58,150)
Deposits	(2,630)	(884)	(1,151)	(3,224)	(2,028)	705	(1,616)	1,767	27,026	(25,524)
Loans	(14,732)	10,602	14,303	10,143	(2,911)	(17,170)	18,753	(15,645)	(1,309)	(32,532)
of which, Loans/General Government	(7,486)	9,860	11,700	9,340	(5,396)	(6,214)	(3,209)	(13,236)	(19,508)	(21,865)
Other liabilities		5,928	(127)	(2)	(8)	2	(70)	42,751	(186)	(94)
Net Lending (+)/Borrowing (-) from Financial Account	12,499	(9,531)	82,934	(42,168)	50,639	73,642	152,445	106,086	36,305	65,679
Net errors and omissions	92,747	(8,109)	35,706	(74,524)	26,097	(20,546)	69,624	2,254	(47,578)	5,075
<i>NE&O as percent of goods trade</i>	21.0%	-1.7%	7.1%	-14.7%	4.8%	-3.9%	13.2%	0.4%	-8.2%	0.9%
Level of Official Reserves at end year	289,700	354,900	407,900	468,700	484,300	543,800	715,200	871,200	704,800	751,700

iii. Table 3: Goods Account, TOP ('000)

	FY2014-15r	FY2015-16r	FY2016-17r	FY2017-18r	FY2018-19r	FY2019-20r	FY2020-21r	FY2021-22r	FY2022-23r	FY2023-24p
Balance on Trade in Goods	(365,798)	(371,504)	(409,464)	(444,132)	(467,244)	(441,913)	(452,332)	(459,278)	(521,334)	(524,674)
Exports FOB	37,838	55,809	45,972	31,382	35,678	41,458	36,887	34,508	30,700	25,726
General Merchandise	37,838	55,809	45,972	31,382	35,678	41,458	36,887	34,508	30,700	25,726
Net exports under merchanting	-	-	-	-	-	-	-	-	-	-
Goods acquired under merchanting (negative exports)	-	-	-	-	-	-	-	-	-	-
Goods sold under merchanting	-	-	-	-	-	-	-	-	-	-
Nonmonetary gold	-	-	-	-	-	-	-	-	4	42
Imports FOB	403,635	427,313	455,436	475,515	502,922	483,371	489,219	493,787	552,034	550,400
General merchandise	403,635	427,313	455,436	475,515	502,922	483,371	489,219	493,787	551,649	550,192
Nonmonetary gold of which:	-	-	-	-	-	-	-	-	385	209
Classification adjustment (c.i.f./f.o.b.)	-	-	-	-	-	-	-	-	-	-
Coverage adjustments	(25,764)	(49,916)	(53,091)	(55,396)	(58,410)	(58,485)	(54,358)	(54,865)	56,377	103,275
Valuation adjustments	-	-	-	-	-	-	-	-	-	-
Timing adjustments	-	-	-	-	-	-	-	-	-	-

iv. Table 4: Services Account, TOP ('000)

	FY2014-15r	FY2015-16r	FY2016-17r	FY2017-18r	FY2018-19r	FY2019-20r	FY2020-21r	FY2021-22r	FY2022-23r	FY2023-24p
Balance on Trade in Services	(37,808)	9,736	(34,784)	(28,803)	(33,764)	(54,734)	(96,353)	(155,159)	(159,128)	(122,320)
Services Credit	106,334	172,879	179,512	198,274	219,930	189,142	94,199	101,569	194,593	260,050
Manufacturing services on physical inputs owned by others	138	9	-	-	-	-	-	-	-	26
Maintenance and repair services n.i.e.	1,524	1,319	591	59	88	90	66	4	10	-
Transport	21,685	27,000	33,335	37,981	40,667	37,511	32,770	23,079	29,693	35,308
Sea transport	10,533	12,209	15,607	15,417	21,463	18,808	15,279	17,233	17,543	20,024
Air transport	11,152	14,578	15,765	13,745	14,194	11,478	2,622	3,381	11,047	14,532
Other modes of transport	-	-	-	-	-	-	-	-	-	-
Of which:	-	-	-	-	-	-	-	-	-	-
<i>Passenger</i>	3,301	3,037	649	304	397	1,504	79	136	1,330	2,285
<i>Freight</i>	2,248	1,833	4,615	3,717	7,897	6,701	4,995	7,927	8,677	10,178
<i>Other</i>	16,136	21,917	26,109	25,141	27,363	22,081	12,826	12,551	18,583	22,094
Postal and courier services	-	213	1,963	8,818	5,010	7,225	14,869	2,465	1,103	751
Travel	69,302	113,580	106,510	105,675	129,217	108,671	20,751	22,528	102,990	146,260
Business	4,921	10,671	9,103	8,619	9,551	4,398	937	2,584	4,770	8,428
Personal	64,380	102,909	97,407	97,056	119,666	104,273	19,814	19,945	98,220	137,832
<i>Health related</i>	-	-	-	-	-	-	-	-	-	-
<i>Education related</i>	-	-	-	-	-	-	-	-	-	-
<i>Other</i>	64,380	102,909	97,407	97,056	119,666	104,273	19,814	19,945	98,220	137,832

Telecommunication, computer, and information services	3,766	8,948	17,358	32,202	13,123	11,485	24,804	34,787	25,604	26,241
Construction	2,542	7,251	4,383	3,221	14,691	11,393	2,968	1,211	7,726	11,849
Insurance and pension services	-	-	-	-	-	-	-	-	-	-
Financial services	328	22	157	-	-	-	-	-	-	-
Charges for the use of intellectual property	2,218	-	-	5	-	-	-	-	-	-
Other business services	-	6,142	7,172	10,444	14,959	11,490	8,803	15,352	21,865	31,648
Personal, cultural, and recreational services	208	217	183	159	105	62	81	52	833	415
Government goods and services n.i.e	4,625	8,391	9,823	8,528	7,078	8,440	3,955	4,556	5,872	8,304
Services Debit	144,142	163,143	214,296	227,077	253,694	243,876	190,552	256,729	353,721	382,370
Manufacturing services on physical inputs owned by residents	151	378	1	20	17	2	25	24	8	-
Maintenance and repair services n.i.e.	1,854	3,190	2,025	1,253	4,527	4,331	777	3,796	8,067	2,658
Transport	38,064	59,391	62,021	69,935	70,940	76,459	91,913	117,247	116,199	112,883
Sea transport	22,384	46,147	48,446	52,417	54,131	48,014	82,628	94,003	88,269	93,244
Air transport	15,392	12,936	13,331	17,152	16,575	23,681	5,577	8,087	14,417	15,876
Other modes of transport	-	-	-	-	-	-	-	-	-	-
Of which:										
<i>Passenger</i>	13,920	7,368	7,518	11,511	11,711	12,115	370	855	6,133	5,052
<i>Freight</i>	23,617	49,468	52,696	54,992	57,975	57,971	87,586	100,912	96,100	103,275
<i>Other</i>	238	2,248	1,563	3,066	1,019	1,609	249	323	453	792
Postal and courier services	289	307	244	366	234	4,765	3,709	15,157	13,513	3,763
Travel	37,392	45,473	75,842	75,119	102,007	88,787	40,422	48,433	105,525	132,867
Business	9,128	12,128	26,210	24,842	31,201	33,093	21,511	19,644	36,142	43,000
Personal	28,265	33,345	49,631	50,277	70,806	55,695	18,911	28,789	69,383	89,867
<i>Health related</i>	-	-	-	-	-	-	-	-	-	-
<i>Education related</i>	-	-	-	-	-	-	-	-	-	-
<i>Other</i>	28,265	33,345	49,631	50,277	70,806	55,695	18,911	28,789	69,383	89,867
Telecommunications, computer, and information services	3,787	7,978	18,667	15,630	11,670	15,991	14,830	22,899	26,470	20,677
Construction	218	908	1,337	544	2,093	196	26	68	393	2,958
Insurance and pension services	3,859	2,127	2,951	3,403	3,009	3,124	3,133	2,554	7,771	10,248
Financial services	573	1,211	134	1	7	-	-	52	45	28
Charges for the use of intellectual property	276	10,843	-	-	-	9	31	-	-	-
Other business services	39,892	22,609	36,660	46,293	42,117	39,719	23,841	39,723	65,643	77,128
Personal, cultural, and recreational services	833	2,384	271	1,397	783	896	61	2,150	3,430	2,152
Government goods and services n.i.e	17,242	6,650	14,388	13,482	16,525	14,362	15,492	19,782	20,170	20,771

v. Table 5: Primary Income Account, TOP ('000)

	FY2014-15r	FY2015-16r	FY2016-17r	FY2017-18r	FY2018-19r	FY2019-20r	FY2020-21r	FY2021-22r	FY2022-23r	FY2023-24p
Balance on Primary Income	8,945	12,143	37,861	40,232	68,303	82,593	62,330	68,834	118,252	130,292
Primary Income Credits	45,571	38,204	79,477	83,193	100,164	117,489	93,099	92,619	150,226	173,563
Compensation of Employees	39,072	32,939	74,273	77,738	93,860	111,191	87,467	80,763	129,798	154,246
Investment income	6,326	5,050	4,985	5,326	5,944	5,982	4,650	11,663	20,161	19,084
Direct investment	1,366	1,182	483	145	298	228	350	470	2,140	577
Portfolio investment	-	-	-	10	0	0	-	-	-	-
Other investment	-	-	2	17	4	4	97	43	97	5
Reserve assets	4,960	3,868	4,501	5,154	5,642	5,750	4,203	11,150	17,924	18,502
Other primary income	172	215	218	130	360	315	982	192	267	233
Primary Income Debits	36,625	26,062	41,616	42,961	31,861	34,895	30,769	23,785	31,974	43,272
Compensation of Employees	2,811	4,471	6,149	4,103	6,507	7,778	7,592	8,232	7,833	9,049
Investment income	33,815	21,591	35,467	38,858	25,354	27,117	23,176	15,553	24,142	34,223
Direct investment	24,365	14,690	28,822	31,585	18,933	20,611	19,090	10,234	17,407	31,145
Portfolio investment	19	371	-	-	13	-	1	-	9	9
Other investment	9,431	6,530	6,645	7,273	6,408	6,506	4,086	5,319	6,726	3,069
Other primary income	-	-	-	-	-	-	-	-	-	-

vi. Table 6: Secondary Income Account, TOP ('000)

	FY2014-15r	FY2015-16r	FY2016-17r	FY2017-18r	FY2018-19r	FY2019-20r	FY2020-21r	FY2021-22r	FY2022-23r	FY2023-24p
Balance on Secondary Income	267,689	279,825	333,868	357,370	389,777	348,185	412,259	482,115	491,027	468,463
Secondary Income Credits	282,977	344,602	409,944	424,768	475,640	437,880	498,910	556,945	584,723	562,918
General government	52,380	63,600	82,911	63,602	101,941	45,831	23,825	56,230	53,733	52,069
Other sectors	230,598	281,002	327,033	361,166	373,699	392,049	475,085	500,715	530,989	510,849
Personal transfers	198,545	246,908	276,581	302,750	318,868	327,644	407,881	412,643	470,507	455,619
Other current transfers	32,053	34,094	50,453	58,415	54,832	64,405	67,203	88,072	60,483	55,230
Secondary Income Debits	15,289	64,777	76,076	67,397	85,864	89,696	86,650	74,830	93,696	94,455
General government	1,084	3,689	3,216	5,150	2,936	3,910	3,928	2,640	4,096	5,103
Other sectors	13,959	61,088	72,861	64,704	84,283	85,786	82,722	72,190	89,600	89,352
Personal transfers	11,312	52,202	53,822	41,707	59,107	59,433	63,369	54,644	61,285	56,870
Other current transfers	2,646	8,886	19,038	22,997	25,176	26,353	19,353	17,546	28,315	32,482

vii. Table 7: Capital Account, Top ('000)

	FY2014- 15r	FY2015- 16r	FY2016- 17r	FY2017- 18r	FY2018- 19r	FY2019- 20r	FY2020- 21r	FY2021- 22r	FY2022- 23r	FY2023- 24p
Balance on Capital Account	46,723	68,379	119,747	107,689	67,471	160,057	156,916	167,321	155,067	108,844
Capital Account Credits	50,420	68,523	121,367	110,676	69,767	161,136	157,661	168,939	155,914	114,778
Gross disposals of non-produced nonfinancial assets	-	-	-	-	-	-	-	-	-	-
Capital transfers	50,420	68,523	121,367	110,676	69,767	161,136	157,661	168,939	155,914	114,778
General government	30,450	58,600	98,700	85,500	47,905	149,500	142,287	157,146	150,384	108,446
Debt forgiveness	-	-	-	-	17,475	-	-	1,680	-	-
Other capital transfers	30,450	58,600	98,700	85,500	30,430	149,500	142,287	155,466	150,384	108,446
Deposit-taking corporations and other sectors	19,971	9,923	22,667	25,176	21,862	11,636	15,374	11,793	5,531	6,333
Debt forgiveness	-	-	-	-	-	-	-	-	-	-
Other capital transfers	19,971	9,923	22,667	25,176	21,862	11,636	15,374	11,793	5,531	6,333
Capital Account Debits	3,697	144	1,620	2,987	2,296	1,079	745	1,618	847	5,934
Gross acquisitions of non-produced nonfinancial assets	-	-	-	-	-	-	-	-	-	-
Capital transfers	3,697	144	1,620	2,987	2,296	1,079	745	1,618	847	5,934
General government	16	-	93	68	485	377	96	858	-	56
Debt forgiveness	-	-	-	-	-	-	-	-	-	-
Other capital transfers	16	-	93	68	485	377	96	858	-	56
Deposit-taking corporations and other sectors	3,682	144	1,527	2,919	1,812	702	649	760	847	5,879
Debt forgiveness	-	-	-	-	-	-	-	-	-	-
Other capital transfers	3,682	144	1,527	2,919	1,812	702	649	760	847	5,879

PART 3: Introductory and Technical Notes

a) Introduction

Confidentiality of Information

The Tonga Balance of Payment (TBOP) report is published in a form that prevents any item from being identifiable as relating to any organization or person. Based on these considerations, the release of some information in detailed form is restricted to the standard form shown in the tables.

b) Technical Notes

Balance of Payments statements in this publication record economic transactions between Tonga and the rest of the world (or in other words, transactions of residents of Tonga with non-residents). They show the value of goods, services, income, transfers and changes in Tonga's claims on the liabilities with foreigners.

TBOP is based on principles set out in the "Balance of Payments Manual 6" published by the Monetary Fund.

Sources of information

The statistics presented here are from many sources. The major ones are:

- Statistics on International Merchandise Trade compiled by the Statistics Department from custom entries completed for all goods exported and imported across the Tonga frontier.
- The Monthly Overseas Exchange Transaction records, prepared by all commercial banks in Tonga and the National Reserve Bank of Tonga. These records show all transactions made with overseas countries through the banking system.
- The monthly returns of Tonga Government agencies located overseas.

Geographic Area The geographic areas covered by TBOP include all island groups of Tongatapu, Vava'u, Ha'apai, 'Eua and the Niuas.

Accounting System

A double entry is used to prepare the TBOP, that every transaction results in a pair of equal credit and debit entries. Any entries that are not automatically paired, such as grants and gifts, are deliberately furnished with special offsetting entries. The sum of all credit entries in the statement is thus in principle numerically equal to the sum of all the debit entries, with any inequality that may rise to be attributable to net statistical errors and omissions.

Residence

The concept of residence used in TBOP includes the general government, all individuals, private non-profit bodies serving as public and private individual enterprises, and mobile equipment located or operating within the territory of Tonga.

The general Government of Tonga includes Tongan Embassies, Consulates and other entities of general government located abroad. Embassies and consulate representatives of foreign governments located in Tonga are not considered Tongan residents. The concept of residence adopted for individuals includes all

persons who may be expected to consume goods and services, participate in the production of goods and services or engage in economic activities in

Tonga. The

resident individuals in Tonga are considered to comprise all persons living within the territory of Tonga for at least one year. Thus tourists, crew members of vessels or aircrafts engaged in international trade, commercial travellers and employees of non-resident enterprises (except students and diplomats) who come to Tonga for less than one year and vice versa are non-residents. Employees of foreign governments and international bodies, such as diplomatic and consulate representatives and other foreign government personnel are treated as non-residents. Tongan citizens who are employed by foreign embassies and reside in Tonga are regarded as Tongan residents employed by foreigners. Tongan resident enterprises are actual or notional units engaged in:

- i. Production of goods and services in Tonga.
- ii. Transactions in land located within the territory of Tonga.
- iii. Transactions in leases, rights, concessions, patents, copyrights, and similar non-financial intangible assets issued by the Tongan Government.

Valuation

Balance of Payments accounts are valued at market prices, a valuation system common to that used by the National Accounting Convention.

The market price is defined as the amount of money that a willing buyer pays to acquire something from a willing seller in a commercial transaction.

One important category of transactions worth mentioning is one-sided transactions. In such transactions, one party provides nothing on which an economic value is placed in return for a real or financial asset received from the other party. An example is the provision of capital equipment received by the Government of Tonga or the private sector, from a donor country under bilateral aid programs (e.g. New Zealand, Australia etc.). The value of such equipment appears in the TBOP as an import and the value of freight under transportation. The value placed on this type of transaction is the cost to the donor country of the goods provided or services involved. In the example, the value entered in the TBOP would be the cost of acquiring the commodity and placing it on board a ship and the freight cost of that said commodity by the donor country.

The counter entry to this type of transaction appears in the item transfers the same value as the original transaction.

Taxes, duties, subsidies, rebates, discounts, and the like are a form of the incidental cost that may be included in a transaction and considered in establishing its market value. Alternatively, they may be regarded as a separate transaction. The IMF recommended that the incidental costs of the kind mentioned above be included in the original transaction to maintain a uniform system of valuation and TBOP follows this recommendation.

Time of recording

To achieve simultaneous recording of the two entries for a given transaction in the double-entry system of balance of payments, rules must be adopted governing the time at which a transaction is deemed to have taken place. It should be noted that, in practice, the two entries representing a transaction are often derived independently from separate sources of data, for which the principle of timing used could be different. The time of legal change of ownership of the various assets provided under a contract is generally considered to be the most relevant.

Unit Account

Data on the values of transactions in real resources and financial instruments from which TBOP is compiled are expressed in a variety of currencies. To compile TBOP statements, these data must be converted to a common currency or unit of account.

Since Balance of payments statements need to be comparable with the other economic statistics of the nation, this indicates using the national currency as the unit of account. Thus, Tonga uses the Tongan pa'anga (dollar) as the unit of account.

Measure of Balance

As previously noted, balances shown by selected combinations of balance of payments accounts are of considerable interest to analysts and government officials.

A term widely used in analyzing balance of payments statements is the term 'balance'. A balance is calculated by adding the credit entries, for selected components and subtraction of the debit entries, for the same components. For example, the balance of services is the sum of all credit entries, minus all debit entries, for those components in the statement, which represent transactions in services.

A balance, that shows a net credit, is termed a 'surplus' and one showing a net debit is termed a 'deficit'.

In the analytical presentation, components are arranged in a column. Components that comprise an analytic category are grouped. Thus, it is possible to obtain a balance by drawing a horizontal line after the last component of an analytical category and summing all the components above the line, hence the expressions 'above the line' and 'below the line'.

There are two major balances in the Tonga analytical presentation. The first is the balance of the current account. The current account items (above the line) include the components of goods, services, income and current transfers while the components of capital transfers and financial claims and liabilities comprise the Capital and Financial account (below the line). The balance on the current account measures the net flow of real resources between Tonga and the rest of the world (above the line) with the flow of financial instruments between Tonga and the rest of the world being below the line. The items below the line include components of movements in capital transfers, reserve assets and official borrowing.

Statistical discrepancies or errors and omissions

Compiling TBOP presents some difficult problems and errors and omissions normally occur in two major areas, namely (i) coverage and (ii) valuation.

(i) **Coverage:** Despite attempts to gather data on all items, some international transactions are not reported. One category of transaction that probably is often substantially under-reported is purchases and sales of short-term financial claims. It is widely believed that unreported movements of short-term capital contribute a great deal to total errors and omissions. In addition, there has been no attempt to collect complete data on certain other transactions, which are estimated by balance of payments statisticians. The sample observations, on which estimates are based, are sometimes of doubtful reliability, and even the best sampling and estimating techniques will not prevent errors of estimation.

(ii) **Valuation:** Although import documents may state a precise value for a particular commodity, a different amount may eventually be paid to the exporter. These types of discrepancies can arise for several reasons, ranging from default by the importer to incorrect valuation of the merchandise on the import documents.

Because of problems of coverage and valuation, total recorded debits do not equal total recorded credits in the actual balance of payments accounts in any year.

To accommodate such discrepancies, a residual account, statistical discrepancy, is created. An excess of credits in all other accounts is offset by an equivalent debit to this account, or an excess of debits in other accounts is offset by an equivalent credit to this account.

The statistical discrepancy account thus serves at least two purposes; it gives the balance of payments analyst an indication of the net error in the balance of payments data, and further, it provides a means of satisfying the requirement of double-entry bookkeeping that the total debits must equal total credits.

c) Components of the analytic presentation of the Tonga Balance of Payment (BOP)

Exports/Imports

Details of the composition of Tonga's trade (derived from customs data) can be found in the reports of International Merchandise Trade Statistics. However, some goods are believed to pass the Tongan frontier without customs entry and the TBOP adjusts to cover unrecorded imports or exports.

Foreign Trade statistics values import c.i.f. (cost, insurance and freight) while in balance of payments statistics imports are valued at f.o.b. (free on board) in their country of export. For balance of payments purposes, an estimate is made of the cost of insurance and the freight components of imports, (c.i.f.) to place these data on an f.o.b. basis. This adjustment comprises most of the negative entries in the debit column. The counterparts to the adjustment are made under transportation and insurance services.

Services

Items included under services comprise all transactions on transport, insurance, travel, communication, financial, computers and information, royalties and license fees, other business services, and personal and government services not included elsewhere. The largest component is travel, mainly comprising “tourist” expenditure in Tonga.

Transport

Transport includes freight and other distribution services in connection with merchandise. In addition, various services are included under the heading “transport”, including services performed by carriers, principally for the carriage of passengers, which are not classified under the heading “travel”, together with goods and services acquired by carriers and consumed in their operations.

Travel

Travel covers primarily spending by travelers (tourist and business visitors) during visits of less than one year in that economy. The goods and services are purchased by, or on behalf of, the traveller or provided, without a quid pro quo, for international carriage of travellers, which is covered in passenger services under transport.

Other Services

Other Services includes all transactions in services not included elsewhere.

The main categories are divided into Private and Government Transactions which are then further divided as below:

Private Transactions includes.

- Communication services
- Construction services
- Insurance services
- Financial services
- Computer and information services
- Royalties and license fees
- Other business services include merchant and trade-related services, operational leasing and miscellaneous business, and professional and technical services.
- Personal, cultural and recreational services

Government Transactions such as.

- Expenses of embassies and consulates, military units and Agencies abroad, and other official entities located abroad; and other services provided to or obtained by government. Included here are transactions of the type included in the private transactions listed above, but where one of the parties to the transaction is a government.

Embassies and Consulates:

Transactions consist of wages and salary payments, representing the labour income of local staff and personal expenditures by diplomatic and consular staff and their dependents in Tonga. Other expenditures by diplomatic and consular staff for goods and services such as office supplies, furnishings, fuel, utilities, rent or purchases or sales of the embassy and other buildings, official cars, (including operation and maintenance) and official entertainment.

Military Units and Agencies abroad:

These are treated in the same way as embassies and consulates.

Other official entities located abroad:

These entries cover offices of general government, which are not integrated with the embassy organization.

Other services provided to or obtained by government:

Included here are transactions of the type included in the private transactions listed above, but where one of the parties to the transaction is a government.

Income

Income covers the income of non-residents from the financial assets invested in Tonga (debit) and the income of Tongan residents from their financial assets invested abroad (credit). Sub-components of income are:

Compensation of employees, Investment Income: including direct investment, portfolio investment and other investment income.

The OET data only records cash remittances. Reinvested profits of direct investment enterprises in Tonga are therefore currently excluded from the income component, although they should be included as a debit entry.

Current transfers

These are transfers undertaken without a quid pro quo (for instance, a donation, a remittance by an emigrant worker, or a country's contribution to an international organization).

Private current transfers include remittances, contributions and other current transfers.

Government current transfers include the counter entry from various foreign countries to Tonga government pension payments.

Balance on current account

The balance on the current account is calculated as the difference between the sum of all debits and the sum of all credits representing merchandise trade, services, income and current transfers.

The Capital and Financial Account

The capital and financial account is divided into two main categories: the capital account and the financial account.

The capital account covers all transactions that involve the receipt or payment of capital transfers and

acquisition/disposal of non-produced, non-financial capital. The financial account covers all transactions associated with changes of ownership in the foreign financial assets and liabilities of an economy. Such changes include the creation and liquidation of claims on, or by, the rest of the world.

The financial account excluding reserves covers direct investment, portfolio investment, and other investments, which make up long-term and short-term investment.

The main data source for the Capital and Financial account is the Overseas Exchange Transactions (OET) record of all the commercial banks of Tonga and the National Reserve Bank of Tonga (NRBT), supplemented by data provided by the Ministry of Finance.

Reserves

This reserve covers assets that are available for use by the central authorities either to finance payment imbalances directly or to manage the size of such imbalances by intervening to influence the exchange rate for the national currency.

Before the formation of the NRBT, the Bank of Tonga held foreign exchange assets, as the agent of the Government of Tonga. Thus, these overseas exchange assets are included in reserves.

Other foreign assets held by the authorities are also classified under the reserve category. Before the creation of the NRBT, these assets included securities held by the Treasury and other Government bodies, which are readily negotiable claims on foreigners. Since July 1989, the NRBT has held most of the Kingdom's external reserves.

SPECIAL NOTES:

1. Tonga's Balance of Payments Statistics are compiled according to the IMF's principles in the 6th Edition of the Balance of Payments Manual.
2. Data may not sum to stated totals due to rounding.
3. All tables' values in this report can be revised at the end of every Fiscal Year (**Jul 23– Jun 24**).
4. This report has revised some figures from earlier publications. The revision may fall into three broad categories:
 - a) Due to new or updated information becoming available
 - b) Due to new or updated benchmarks
 - c) Due to conceptual or methodology changes

DATA SOURCE:**1. Administrative Sources**

- Tonga Revenue and Customs
- National Reserve Bank of Tonga
- Ministry of Finance
- Tonga Airport Limited
- Tonga Port Authority
- Ministry of Internal Affairs
- Civil Aviation

2. Tonga Statistic Department

- International Investment Survey
- International Merchandise Trade Statistics

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