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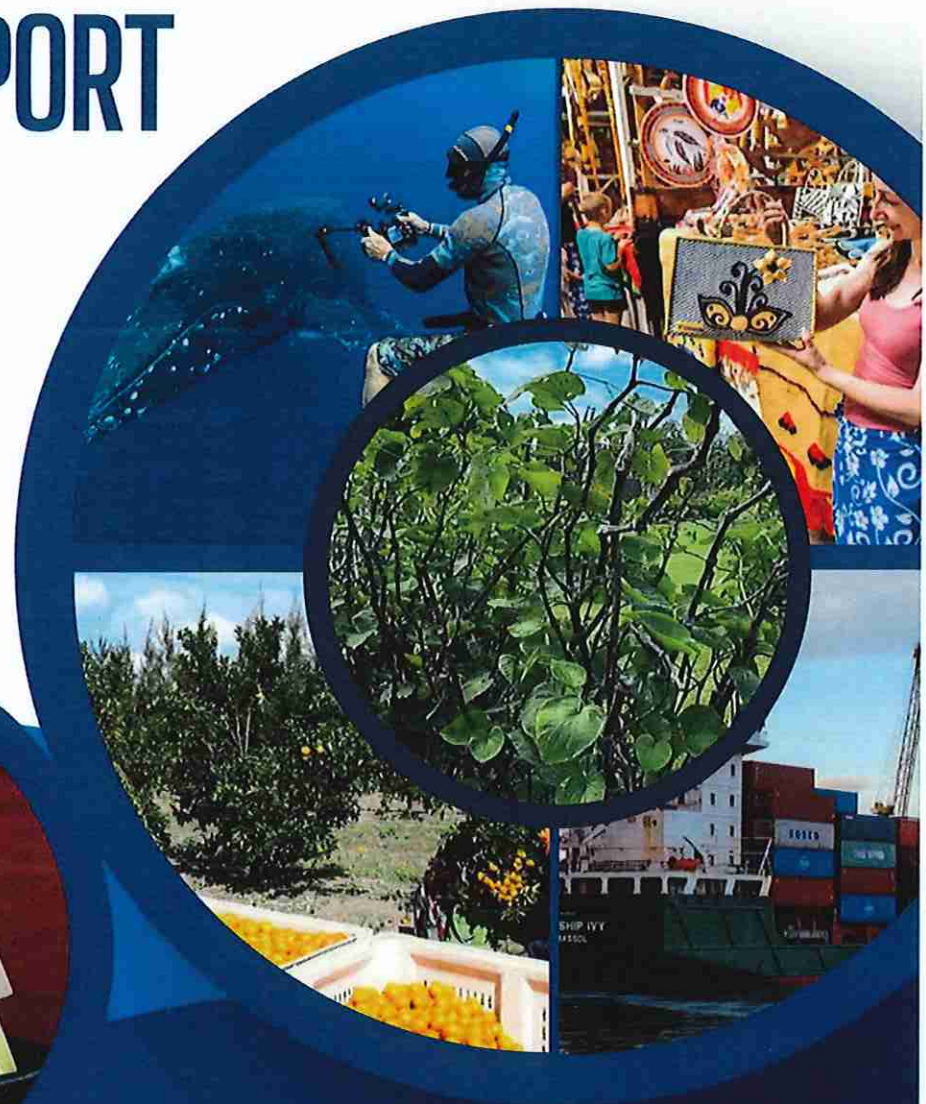
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Government of Tonga

BALANCE OF PAYMENT ANNUAL REPORT

2024 - 2025



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Preface

This bulletin presents the Tonga Balance of Payments Statistics for the year 2024– 25.

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



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Symbols and Abbreviations used

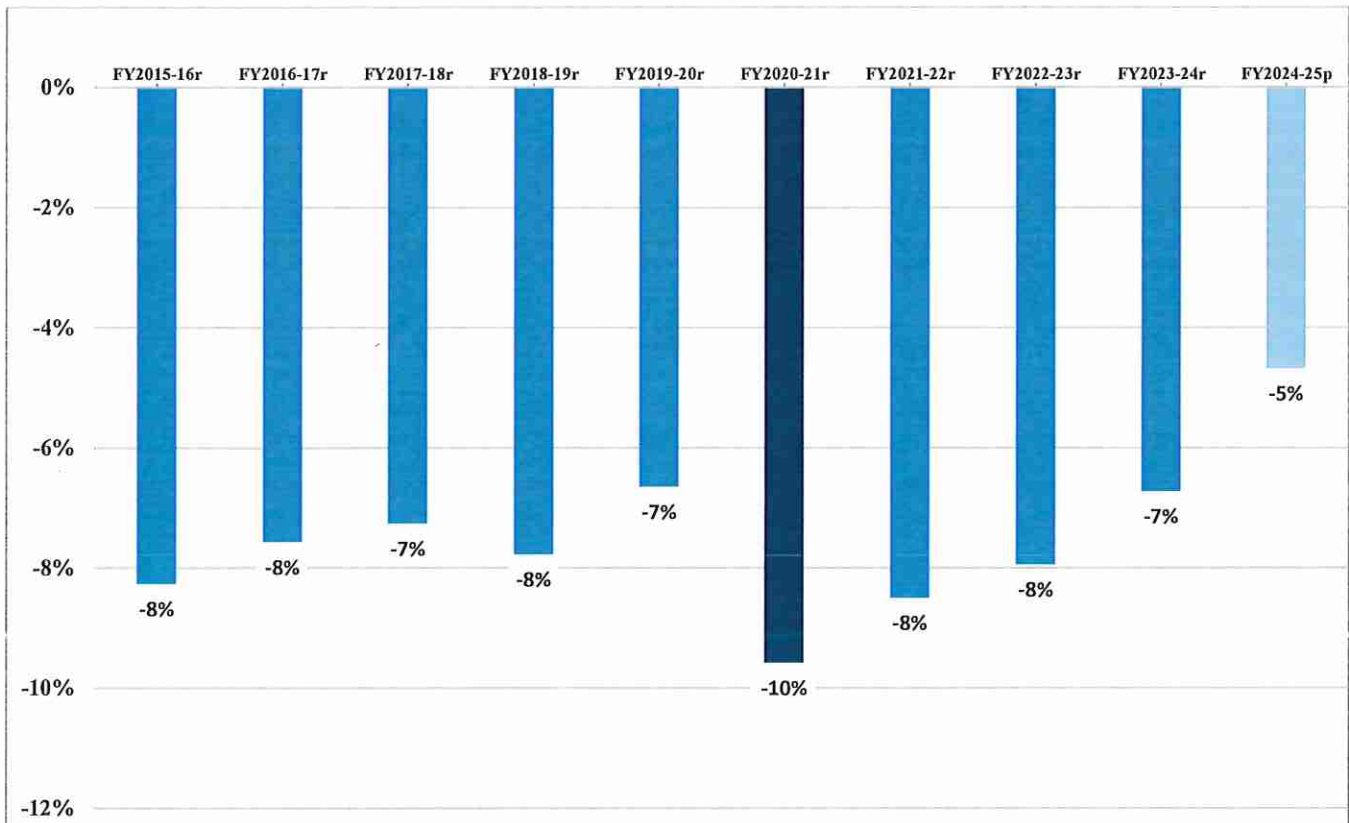
The following symbols and abbreviations are used throughout the bulletin.

-	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

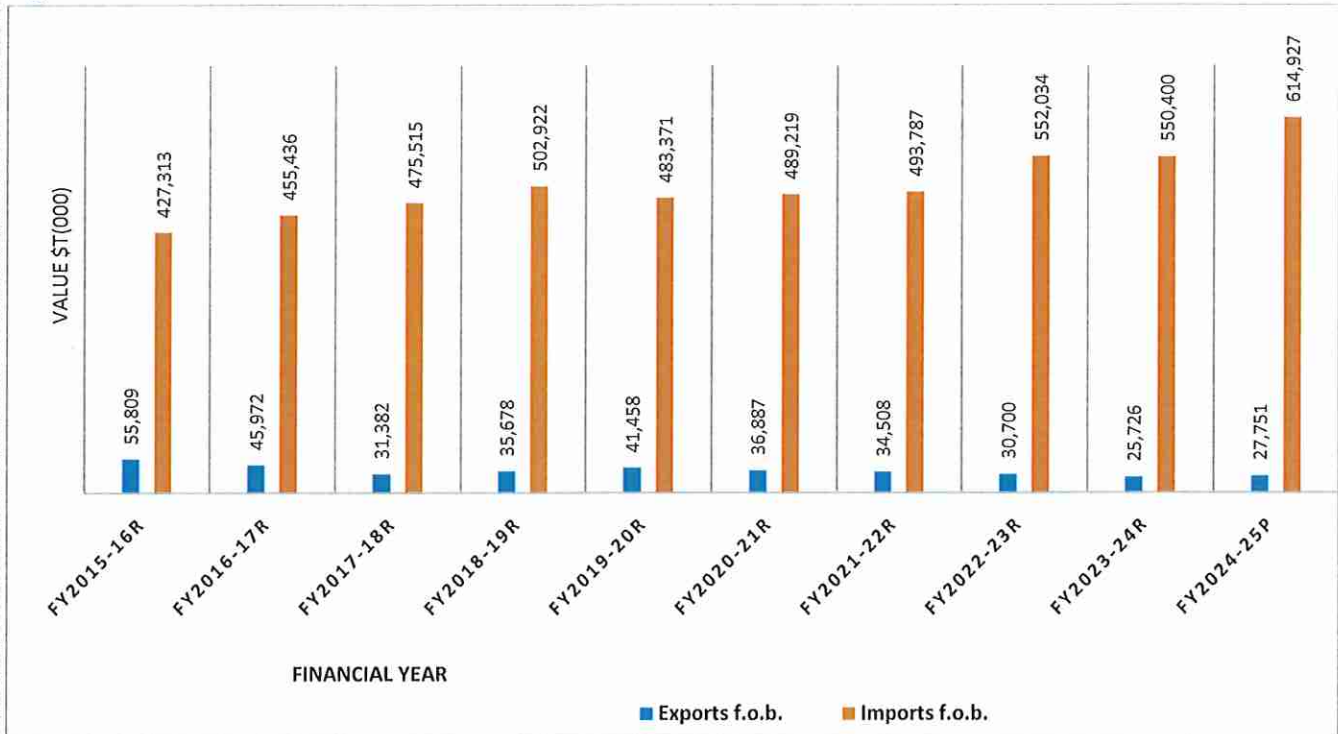
All Values in this release are in Tongan Pa'anga (TOP).

Figure 1. Current Account Balance as Percentage of GDP from 2015-16 to 2024-25



This graph displays the current account balance as a percentage of GDP over a 10-year period, revealing persistent current account deficits ranging from 5% to 10% of GDP. The data shows three distinct phases: relative stability at deficit 7% to 8% from FY2015-16 to FY2019-20, a sharp deterioration to a deficit of 10% in FY2020-21 due to the COVID-19 pandemic and a gradual recovery trend thereafter. While the persistent deficits throughout the period indicate structural external balance challenges, the FY2024-25 recorded a deficit of 5% of total GDP, represents the best performance in the entire timeframe. The negative percentage of GDP indicates that Tonga is a net borrower to the rest of the world.

Figure 2. External Trade in Goods from 2015-16 to 2024-25



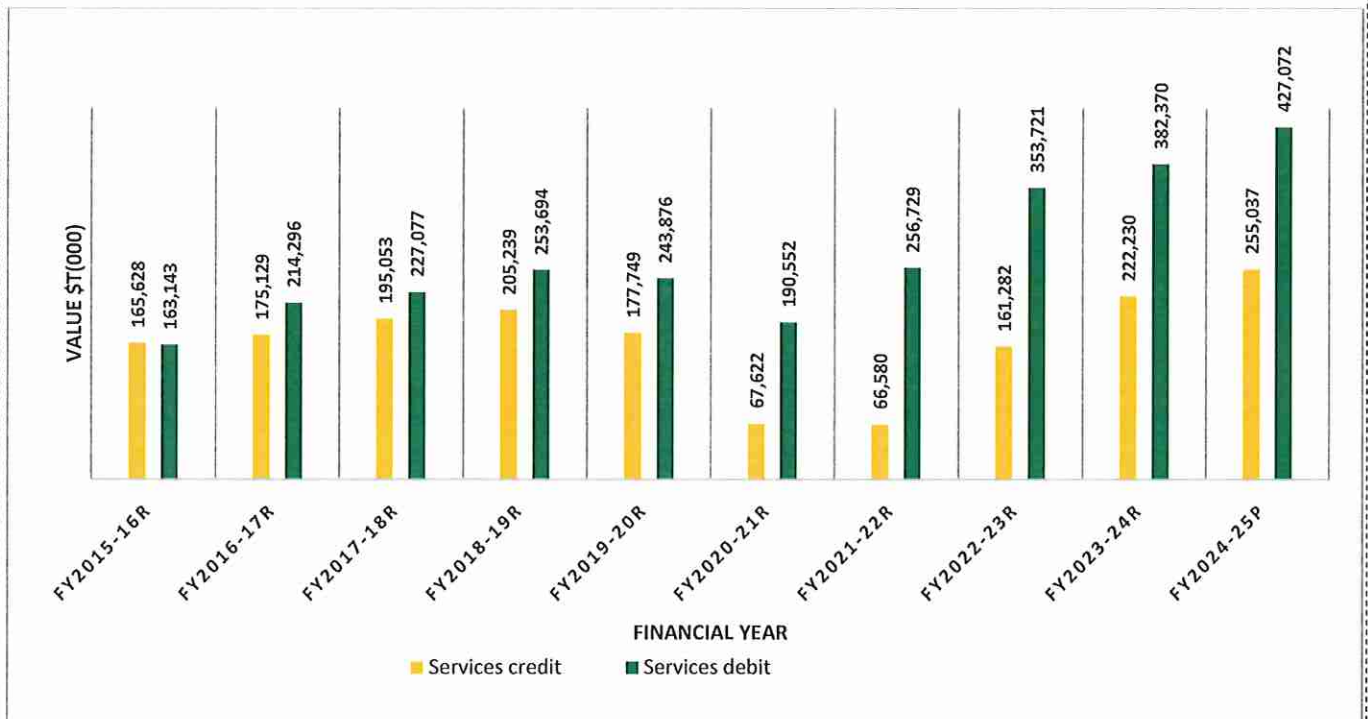
Tonga's Merchandise trade has remained in deficit throughout the period, with imports consistently and substantially exceeding exports. Over the ten fiscal years, exports averaged T\$36.6 million, while imports averaged T\$504.5 million.

Export earnings peaked at T\$55.8 million in FY2015-16 and then trended downward, reaching the lowest value recorded, T\$25.7 million in FY2023-24, before a modest rebound to T\$27.8 million in FY2024-25. The sharp export fall in FY2023-24 was driven by notable declines in ground kava, fish, and squash pumpkin, which weighed on the overall export position.

Goods imports were elevated across the period, rising from T\$427.3 million FY2015-16 to a new high of T\$614.9 million in FY2024-25. The FY2024-25 total imports marks an 11.7% year-on-year increase from T\$550.4 million in FY2023-24.

With export covering only 4.5% of imports in FY2024-25 (down from 13.1% in FY2015-16), the merchandise deficit widened again in the latest year: from T\$524.7 million in FY2023-24 to T\$587.2 million in FY2024-25. This reversal follows a decade in which the deficit remained large T\$371.5 million in FY2015-16, deteriorating through the cycle as imports stayed high and exports weakened

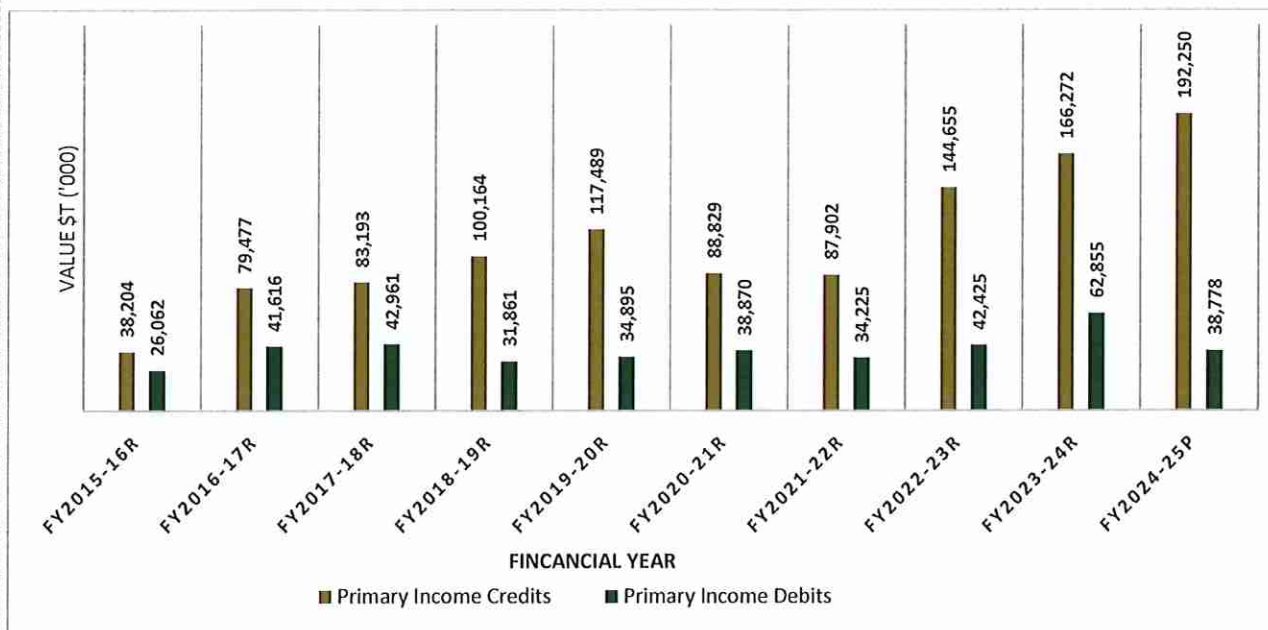
Figure 3. Trade in Services from 2015-16 to 2024-25



Tonga's Trade in services balance remained in deficit throughout the period, despite strong growth in services credits in recent years. Services debits (imports, in green) consistently and significantly exceed services credits (exports, in yellow) across all years, with the gap widening over time. Notably, FY2020-21 shows a dramatic contraction in both credits and debits, reflecting COVID-19's devastating impact on tourism and travel services, which are typically major components of Tonga's services trade.

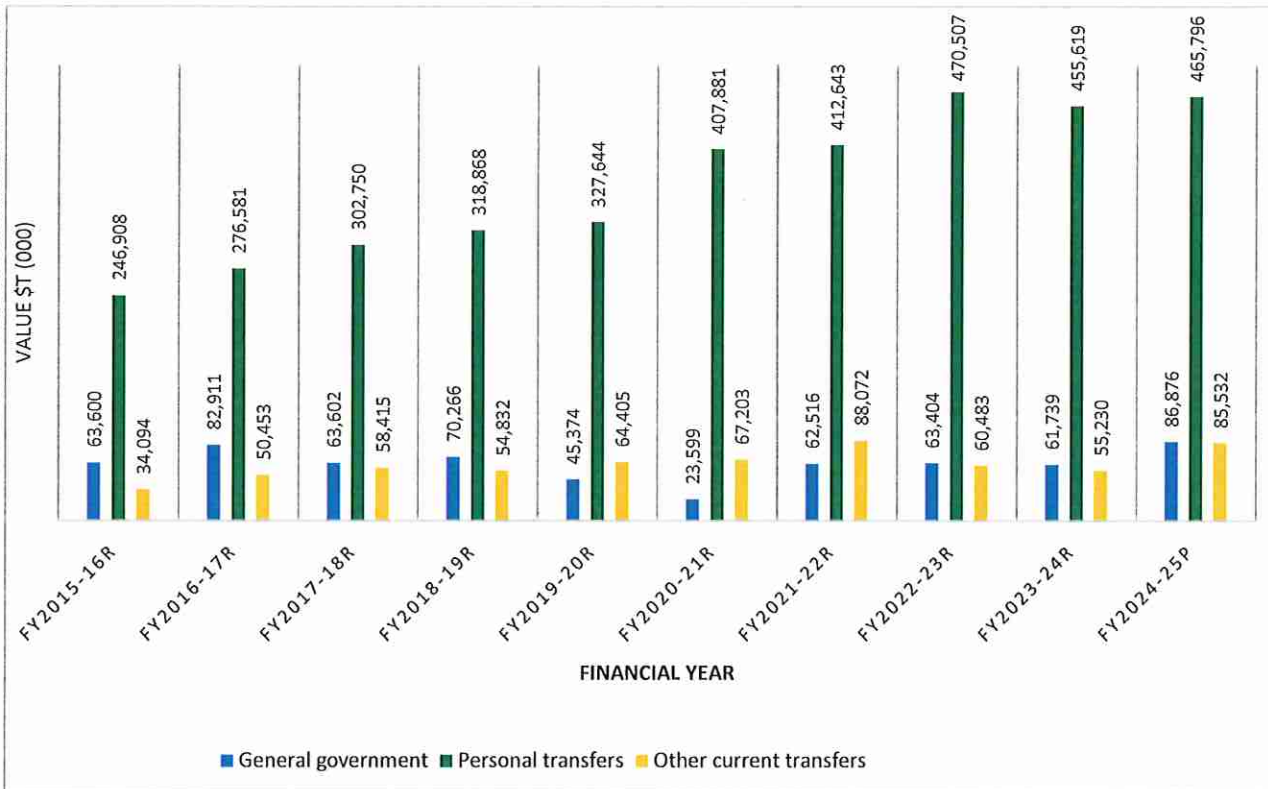
Services debit also grew significantly, from T\$163.1 million in FY2015-16 to T\$427.1 million in FY2024-25, reflecting higher payments on transportation, business services, and personal travel abroad. As a result, the services deficit widened slightly by T\$172.0 million in FY2024-25 compared to T\$160.1 million in the previous year.

Figure 4. Primary Income Account from 2015-16 to 2024-25



The Primary Income Account records income flows between Tonga and the rest of the world, mainly compensation of employees and investment income. The data shows that primary income credits rose from T\$38.2 million in FY2015-16 to a decade high of T\$192.3 million in FY2024-25, following a pandemic-related trough in FY2021-22 with T\$87.9 million. The income debits increased from T\$26.1 million in FY2015-16 to T\$62.9 million in FY2023-24, then declined sharply to T\$38.8 million in FY2024-25. Consequently, the primary income balance expanded from T\$12.1 million in FY2015-16 to T\$153.5 million in FY2024-25. This was a 48.4% increase year-on-year from T\$103.4 million in FY2023-24. Compensation of employees remains the dominant factor, increasing by 18.2% to T\$173.7 million in FY2024-25 and accounting for about 90% of total primary income credits. This strong inflow, combined with lower deficits, helped narrow the current account deficit and improve external resilience.

Figure 5. Secondary Income Credits for 2015-16 to 2024-25

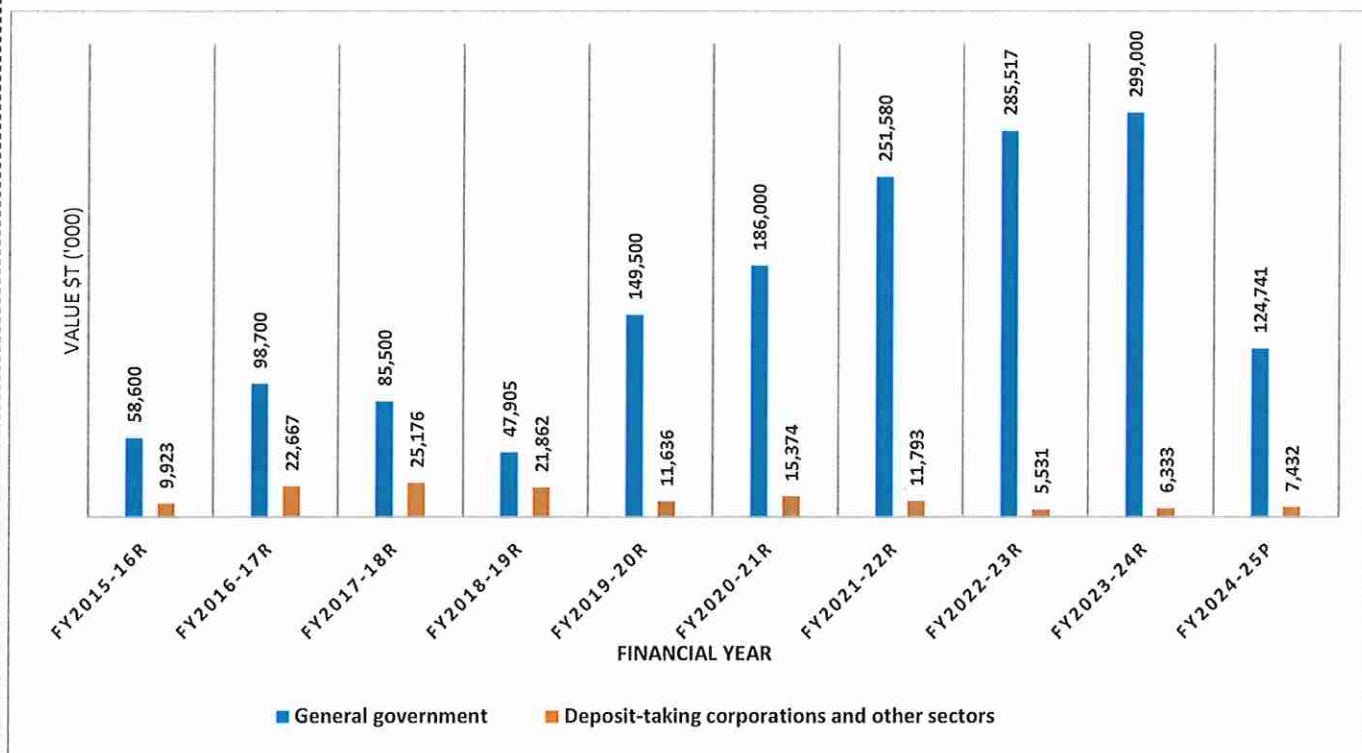


Secondary income represents current transfers between residents and non-residents, including personal remittances, government transfers, and other current transfers. These inflows are a critical source of foreign exchange for Tonga, supporting household consumption and external stability.

Secondary income remains the largest positive contributor to Tonga's current account, primarily driven by personal remittances from Tongan abroad. The data show that secondary income credits increased from T\$344.6 million in FY2015-16 to T\$638.2 million in FY2024-25, following a peak of T\$594.4 million in FY2022-23 and a temporary decline to T\$572.6 million in FY2023-24.

Secondary income debits rose from T\$64.8 million to T\$104.3 million over the same period, resulting in a secondary income balance surplus of T\$533.9 million in FY2024-25, an 11.5% improvement from FY2023-24. Personal transfers dominate these inflows, reaching T\$465.8 million in FY2024-25 and accounting for about 72.9% of total credits, while General Government transfers contributed T\$86.9 million and other current transfers T\$85.5 million.

Figure 6. Capital Account Credits for 2015-16 to 2024-25

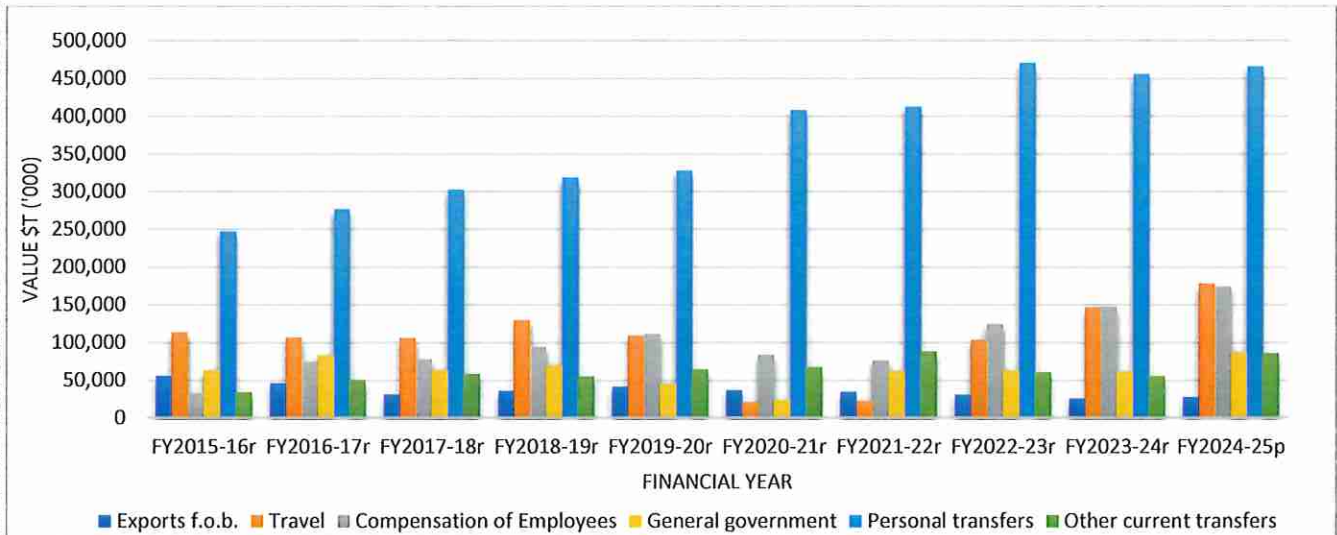


Capital account credits represent inflows of capital transfers and acquisitions/disposals of non-produced, non-financial assets, primarily driven by donor grants and project-related assistance.

General government transfers dominated the capital account credits, accounting for over 90% of total credits in most years, with notable surges in FY2021-22 and FY2022-23 linked to post-disaster recovery and development programs. The deposit-taking corporation and other sectors component remains comparatively small, averaging less than 10% of credits, indicating limited private-sector capital inflows.

The Capital account credits increased from T\$68.5 million in FY2015-16 to a peak of T\$305.3 million in FY2023-24, before declining to T\$132.2 million in FY2024-25 as major infrastructure and recovery projects concluded.

Figure 7. Major Current Account Receipts for 2015-16 to 2024-25



The above graph displays the major receipts for Tonga's current-account from FY2015-16 to FY2024-25, revealing that personal transfers and general government transfers were the dominant and most dynamic sources of foreign exchange inflow.

Personal transfers have grown substantially from approximately T\$250 million in FY2015-16 to over T\$450 million by FY2024-25, showing remarkable resilience and consistent growth throughout the period, reinforcing its position as the backbone of Tonga's external financing. General government transfers also increased significantly, particularly during FY2021-22 through FY2024-25, reflecting heightened development assistance and disaster recovery support.

In contrast, exports of goods and services (f.o.b., in blue) remained relatively flat while travel receipts (in orange) and compensation of employees (gray) was modest throughout the decade, with a notable collapse during FY2020-21 due to COVID-19's impact on travel and trade. The other current transfers (yellow) contribute marginally to total receipts. This composition underscores Tonga's heavy structural dependence on external transfers rather than productive economic activities, with remittances and aid accounting for the vast majority of foreign exchange receipts while the export base remains weak and underdeveloped.

PART 2: BALANCE OF PAYMENT SUMMARY

i. Table 1: Balance of Payments Ratio

	FY2015-16r	FY2016-17r	FY2017-18r	FY2018-19r	FY2019-20r	FY2020-21r	FY2021-22r	FY2022-23r	FY2023-24r	FY2024-25p
Exports f.o.b/current account credits (percent)	9.2%	6.5%	4.3%	4.5%	5.4%	5.3%	4.6%	3.3%	2.6%	2.5%
Imports f.o.b / current account debits (percent)	62.7%	57.8%	58.5%	57.5%	56.7%	60.8%	57.4%	53.0%	50.5%	51.9%
Goods and services credits / GDP (percent)	23.7%	21.7%	20.9%	21.0%	18.7%	8.8%	8.0%	13.8%	16.1%	-
Current account balance / GDP (percent)	-8.3%	-7.6%	-7.3%	-7.8%	-6.6%	-9.6%	-8.5%	-7.9%	-6.7%	-
Reserve at end of period / imports of goods and services (percent)	60.1%	60.9%	66.7%	64.0%	74.8%	105.2%	116.1%	101.7%	99.1%	88.8%

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

	FY2015-16r	FY2016-17r	FY2017-18r	FY2018-19r	FY2019-20r	FY2020-21r	FY2021-22r	FY2022-23r	FY2023-24r	FY2024-25p
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Current Account

Balance on Goods and Services	(369,020)	(448,631)	(476,156)	(515,700)	(508,039)	(575,262)	(649,427)	(713,773)	(684,814)	(759,210)
Balance on Trade in Goods	(371,504)	(409,464)	(444,132)	(467,244)	(441,913)	(452,332)	(459,278)	(521,334)	(524,674)	(587,176)
<i>Exports f.o.b.</i>	55,809	45,972	31,382	35,678	41,458	36,887	34,508	30,700	25,726	27,751
<i>Imports f.o.b.</i>	427,313	455,436	475,515	502,922	483,371	489,219	493,787	552,034	550,400	614,927
Balance on Trade in Services	2,485	(39,167)	(32,024)	(48,455)	(66,126)	(122,930)	(190,149)	(192,439)	(160,140)	(172,035)
<i>Services credit</i>	165,628	175,129	195,053	205,239	177,749	67,622	66,580	161,282	222,230	255,037
<i>Services debit</i>	163,143	214,296	227,077	253,694	243,876	190,552	256,729	353,721	382,370	427,072
Balance on Primary Income	12,143	37,861	40,232	68,303	82,593	49,960	53,677	102,229	103,416	153,473
<i>Primary income credit</i>	38,204	79,477	83,193	100,164	117,489	88,829	87,902	144,655	166,272	192,250
<i>Primary income debit</i>	26,062	41,616	42,961	31,861	34,895	38,870	34,225	42,425	62,855	38,778
Balance on Goods, Services and Income	(356,877)	(410,770)	(435,924)	(447,397)	(425,446)	(525,302)	(595,750)	(611,544)	(581,398)	(605,738)
Balance on Secondary Income	279,825	333,868	357,370	358,102	347,727	412,033	488,401	500,697	478,133	533,873
<i>Secondary income credit</i>	344,602	409,944	424,768	443,966	437,423	498,683	563,231	594,393	572,588	638,204
<i>Secondary income debit</i>	64,777	76,076	67,397	85,864	89,696	86,650	74,830	93,696	94,455	104,331
Balance on Current Account	(77,052)	(76,902)	(78,553)	(89,294)	(77,719)	(113,269)	(107,349)	(110,847)	(103,264)	(71,865)

	FY2015-16r	FY2016-17r	FY2017-18r	FY2018-19r	FY2019-20r	FY2020-21r	FY2021-22r	FY2022-23r	FY2023-24r	FY2024-25p
Capital Account										
Capital account credit	68,523	121,367	110,676	69,767	161,136	201,374	263,373	291,048	305,333	132,173
Capital account debit	144	1,620	2,987	2,296	1,079	745	1,618	847	5,934	310
Balance on Capital Account	68,379	119,747	107,689	67,471	160,057	200,629	261,755	290,200	299,398	131,863
Net Lending (+)/Borrowing (-) from Current and Capital Accounts	(8,673)	42,845	29,136	(21,824)	82,339	87,360	154,406	179,353	196,134	59,998
Financial Account										
Financial Assets (net acquisitions)	70,358	79,308	(72,910)	48,000	63,916	102,498	141,340	75,074	32,380	33,148
Direct investment	21	1,264	1,427	3,350	2,495	(136)	946	2,702	2,983	3,861
Portfolio investment	-	3	35	11,300	11,208	9,047	0	(650)	3,860	29,019
Financial derivatives (other than reserves) and employee stock options	-	-	-	-	-	-	-	-	-	-
Other investment	22,732	14,190	(97,654)	14,707	(5,502)	13,959	(22,760)	(170)	9,733	2,011
Of which:	-	-	-	-	-	-	-	-	-	-
Deposits/Deposit-taking corporations (Banks)	13,898	12,237	(3,917)	5,530	(1,731)	14,816	(16,253)	(198)	(49)	6,399
Deposits/Other non-financial corporations	3,171	3,259	(84,875)	7,313	(3,746)	(29)	(1,036)	647	5,473	(2,085)
Reserve assets	47,605	63,851	23,283	18,645	55,715	79,627	163,153	73,192	15,805	(1,743)
Financial Liabilities (net disposals)	52,119	(21,286)	57,164	(18,657)	(7,615)	17,743	35,457	31,754	(109,845)	3,863
Direct investment	36,476	(34,312)	50,638	(13,976)	8,847	675	6,583	6,192	(28,648)	41,637
Portfolio investment	(3)	0	(390)	265	-	-	-	-	87	-
Financial derivatives and employee stock opt	-	-	-	-	-	-	-	-	-	-
Other investment	15,646	13,026	6,916	(4,946)	(16,463)	17,067	28,874	25,563	(81,283)	(37,774)
Deposits	(884)	(1,151)	(3,224)	(2,028)	705	(1,616)	1,767	27,026	(25,524)	7,476
Loans	10,602	14,303	10,143	(2,911)	(17,170)	18,753	(15,645)	(1,277)	(55,665)	(45,242)
of which, Loans/General Government	9,860	11,700	9,340	(5,396)	(6,214)	(3,209)	(13,236)	(19,508)	(45,032)	(43,388)
Other liabilities	5,928	(127)	(2)	(8)	2	(70)	42,751	(186)	(94)	(8)
Net Lending (+)/Borrowing (-) from Financial Account	18,239	100,594	(130,074)	66,657	71,531	84,755	105,884	43,319	142,225	29,285
Net errors and omissions	26,912	57,749	(159,210)	88,481	(10,808)	(2,605)	(48,522)	(136,034)	(53,909)	(30,713)
<i>NE&O as percent of goods trade</i>	<i>5.6%</i>	<i>11.5%</i>	<i>-31.4%</i>	<i>16.4%</i>	<i>-2.1%</i>	<i>-0.5%</i>	<i>-9.2%</i>	<i>-23.3%</i>	<i>-9.4%</i>	<i>-4.8%</i>
Level of Official Reserves at end year	354,900	407,900	468,700	484,300	543,800	715,200	871,200	921,400	924,300	925,100

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

	FY2015-16r	FY2016-17r	FY2017-18r	FY2018-19r	FY2019-20r	FY2020-21r	FY2021-22r	FY2022-23r	FY2023-24r	FY2024-25p
Balance on Trade in Goods	(371,504)	(409,464)	(444,132)	(467,244)	(441,913)	(452,332)	(459,278)	(521,334)	(524,674)	(587,176)
Exports FOB	55,809	45,972	31,382	35,678	41,458	36,887	34,508	30,700	25,726	27,751
General Merchandise	55,809	45,972	31,382	35,678	41,458	36,887	34,508	30,700	25,726	27,751
Net exports under merchunting	-	-	-	-	-	-	-	-	-	-
Goods acquired under merchunting (negative exports)	-	-	-	-	-	-	-	-	-	-
Goods sold under merchunting	-	-	-	-	-	-	-	-	-	-
Nonmonetary gold	-	-	-	-	-	-	-	4	42	12
Imports FOB	427,313	455,436	475,515	502,922	483,371	489,219	493,787	552,034	550,400	614,927
General merchandise	427,313	455,436	475,515	502,922	483,371	489,219	493,787	551,649	550,192	614,376
Nonmonetary gold of which:	-	-	-	-	-	-	-	385	209	551
Classification adjustment (c.i.f./f.o.b.)	(49,916)	(53,091)	(55,396)	(58,410)	(58,485)	(54,358)	(54,865)	56,377	103,275	90,194
Coverage adjustments	-	-	-	-	-	-	-	-	-	-
Valuation adjustments	-	-	-	-	-	-	-	-	-	0
Timing adjustments	-	-	-	-	-	-	-	-	-	-

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

	FY2015-16r	FY2016-17r	FY2017-18r	FY2018-19r	FY2019-20r	FY2020-21r	FY2021-22r	FY2022-23r	FY2023-24r	FY2024-25p
Balance on Trade in Services	2,485	(39,167)	(32,024)	(48,455)	(66,126)	(122,930)	(190,149)	(192,439)	(160,140)	(172,035)
Services Credit	165,628	175,129	195,053	205,239	177,749	67,622	66,580	161,282	222,230	255,037
Manufacturing services on physical inputs owned by others	9	-	-	-	-	-	-	-	26	0
Maintenance and repair services n.i.e.	1,319	591	59	88	90	66	4	10	-	0
Transport	27,000	33,335	37,981	40,667	37,511	32,770	23,079	29,693	35,308	39,321
Sea transport	12,209	15,607	15,417	21,463	18,808	15,279	17,233	17,543	20,024	23,674
Air transport	14,578	15,765	13,745	14,194	11,478	2,622	3,381	11,047	14,532	15,621
Other modes of transport	-	-	-	-	-	-	-	-	-	-
Of which:	-	-	-	-	-	-	-	-	-	-
Passenger	3,037	649	304	397	1,504	79	136	1,330	2,285	1,652
Freight	1,833	4,615	3,717	7,897	6,701	4,995	7,927	8,677	10,178	13,768
Other	21,917	26,109	25,141	27,363	22,081	12,826	12,551	18,583	22,094	23,875
Postal and courier services	213	1,963	8,818	5,010	7,225	14,869	2,465	1,103	751	26
Travel	113,580	106,510	105,675	129,217	108,671	20,751	22,528	102,990	146,260	177,699
Business	10,671	9,103	8,619	9,551	4,398	937	2,584	4,770	8,428	11,182
Personal	102,909	97,407	97,056	119,666	104,273	19,814	19,945	98,220	137,832	166,518
Health related	-	-	-	-	-	1	2	3	4	5
Education related	-	-	-	-	-	1	2	3	4	5
Other	102,909	97,407	97,056	119,666	104,273	19,814	19,945	98,220	137,832	166,518

Telecommunication, computer, and information services	8,948	17,358	32,202	13,123	11,485	167	41	19	269	1,815
Construction	-	-	-	-	-	1,028	967	-	-	-
Insurance and pension services	-	-	-	-	-	-	-	-	-	-
Financial services	22	157	-	-	-	-	-	-	-	-
Charges for the use of intellectual property	-	-	5	-	-	-	-	-	-	-
Other business services	6,142	7,172	10,444	14,959	11,490	8,803	15,352	21,865	31,648	26,831
Personal, cultural, and recreational services	217	183	159	105	62	81	52	833	415	292
Government goods and services n.i.e	8,391	9,823	8,528	7,078	8,440	3,955	4,556	5,872	8,304	9,079
Services Debit	163,143	214,296	227,077	253,694	243,876	190,552	256,729	353,721	382,370	427,072
Manufacturing services on physical inputs owned by residents	378	1	20	17	2	25	24	8	-	-
Maintenance and repair services n.i.e.	3,190	2,025	1,253	4,527	4,331	777	3,796	8,067	2,658	3,130
Transport	59,391	62,021	69,935	70,940	76,459	91,913	117,247	116,199	112,883	98,664
Sea transport	46,147	48,446	52,417	54,131	48,014	82,628	94,003	88,269	93,244	86,031
Air transport	12,936	13,331	17,152	16,575	23,681	5,577	8,087	14,417	15,876	12,526
Other modes of transport	-	-	-	-	-	-	-	-	-	-
Of which:										
<i>Passenger</i>	7,368	7,518	11,511	11,711	12,115	370	855	6,133	5,052	6,517
<i>Freight</i>	49,468	52,696	54,992	57,975	57,971	87,586	100,912	96,100	103,275	91,748
<i>Other</i>	2,248	1,563	3,066	1,019	1,609	249	323	453	792	292
Postal and courier services	307	244	366	234	4,765	3,709	15,157	13,513	3,763	107
Travel	45,473	75,842	75,119	102,007	88,787	40,422	48,433	105,525	132,867	163,373
Business	12,128	26,210	24,842	31,201	33,093	21,511	19,644	36,142	43,000	48,892
Personal	33,345	49,631	50,277	70,806	55,695	18,911	28,789	69,383	89,867	114,481
<i>Health related</i>	-	-	-	-	-	-	-	-	-	-
<i>Education related</i>	-	-	-	-	-	-	-	-	-	-
<i>Other</i>	33,345	49,631	50,277	70,806	55,695	18,911	28,789	69,383	89,867	114,481
Telecommunications, computer, and information services	7,978	18,667	15,630	11,670	15,991	14,830	22,899	26,470	20,677	30,146
Construction	908	1,337	544	2,093	196	26	68	393	2,958	576
Insurance and pension services	2,127	2,951	3,403	3,009	3,124	3,133	2,554	7,771	10,248	10,763
Financial services	1,211	134	1	7	0	-	52	45	28	-
Charges for the use of intellectual property	10,843	-	0	-	9	31	-	-	-	-
Other business services	22,609	36,660	46,293	42,117	39,719	23,841	39,723	65,643	77,128	97,070
Personal, cultural, and recreational services	2,384	271	1,397	783	896	61	2,150	3,430	2,152	1,897
Government goods and services n.i.e	6,650	14,388	13,482	16,525	14,362	15,492	19,782	20,170	20,771	21,452

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

	FY2015-16r	FY2016-17r	FY2017-18r	FY2018-19r	FY2019-20r	FY2020-21r	FY2021-22r	FY2022-23r	FY2023-24r	FY2024-25p
Balance on Primary Income	12,143	37,861	40,232	68,303	82,593	49,960	53,677	102,229	103,416	153,473
Primary Income Credits	38,204	79,477	83,193	100,164	117,489	88,829	87,902	144,655	166,272	192,250
Compensation of Employees	32,939	74,273	77,738	93,860	111,191	83,197	76,046	124,227	146,955	173,702
Investment income	5,050	4,985	5,326	5,944	5,982	4,650	11,663	20,161	19,084	18,351
Direct investment	1,182	483	145	298	228	350	470	2,140	577	359
Portfolio investment	-	-	10	0	0	-	-	-	-	-
Other investment	-	2	17	4	4	97	43	97	5	19
Reserve assets	3,868	4,501	5,154	5,642	5,750	4,203	11,150	17,924	18,502	17,973
Other primary income	215	218	130	360	315	982	192	267	233	197
Primary Income Debits	26,062	41,616	42,961	31,861	34,895	38,870	34,225	42,425	62,855	38,778
Compensation of Employees	4,471	6,149	4,103	6,507	7,778	7,592	8,232	7,833	9,049	9,951
Investment income	21,591	35,467	38,858	25,354	27,117	31,277	25,992	34,593	53,807	28,826
Direct investment	14,690	28,822	31,585	18,933	20,611	27,191	20,674	27,858	47,862	27,187
Portfolio investment	371	-	-	13	-	1	-	9	9	-
Other investment	6,530	6,645	7,273	6,408	6,506	4,086	5,319	6,726	5,935	1,639
Other primary income	-	-	-	-	-	-	-	-	-	-

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

	FY2015-16r	FY2016-17r	FY2017-18r	FY2018-19r	FY2019-20r	FY2020-21r	FY2021-22r	FY2022-23r	FY2023-24r	FY2024-25p
Balance on Secondary Income	279,825	333,868	357,370	358,102	347,727	412,033	488,401	500,697	478,133	533,873
Secondary Income Credits	344,602	409,944	424,768	443,966	437,423	498,683	563,231	594,393	572,588	638,204
General government	63,600	82,911	63,602	70,266	45,374	23,599	62,516	63,404	61,739	86,876
Other sectors	281,002	327,033	361,166	373,699	392,049	475,085	500,715	530,989	510,849	551,328
Personal transfers	246,908	276,581	302,750	318,868	327,644	407,881	412,643	470,507	455,619	465,796
Other current transfers	34,094	50,453	58,415	54,832	64,405	67,203	88,072	60,483	55,230	85,532
Secondary Income Debits	64,777	76,076	67,397	85,864	89,696	86,650	74,830	93,696	94,455	104,331
General government	3,689	3,216	5,150	2,936	3,910	3,928	2,640	4,096	5,103	3,523
Other sectors	61,088	72,861	62,247	82,927	85,786	82,722	72,190	89,600	89,352	100,808
Personal transfers	52,202	53,822	41,707	59,107	59,433	63,369	54,644	61,285	56,870	61,245
Other current transfers	8,886	19,038	20,540	23,821	26,353	19,353	17,546	28,315	32,482	39,563

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

	FY2015-16r	FY2016-17r	FY2017-18r	FY2018-19r	FY2019-20r	FY2020-21r	FY2021-22r	FY2022-23r	FY2023-24r	FY2024-25p
Balance on Capital Account	68,379	119,747	107,689	67,471	160,057	200,629	261,755	290,200	299,398	131,863
Capital Account Credits	68,523	121,367	110,676	69,767	161,136	201,374	263,373	291,048	305,333	132,173
Gross disposals of non-produced nonfinancial assets	-	-	-	-	-	-	-	-	-	-
Capital transfers	68,523	121,367	110,676	69,767	161,136	201,374	263,373	291,048	305,333	132,173
General government	58,600	98,700	85,500	47,905	149,500	186,000	251,580	285,517	299,000	124,741
Debt forgiveness	-	-	-	17,475	-	-	1,680	2,817	-	-
Other capital transfers	58,600	98,700	85,500	30,430	149,500	186,000	249,900	282,700	299,000	124,741
Deposit-taking corporations and other sectors	9,923	22,667	25,176	21,862	11,636	15,374	11,793	5,531	6,333	7,432
Debt forgiveness	-	-	-	-	-	-	-	-	-	-
Other capital transfers	9,923	22,667	25,176	21,862	11,636	15,374	11,793	5,531	6,333	7,432
Capital Account Debits	144	1,620	2,987	2,296	1,079	745	1,618	847	5,934	310
Gross acquisitions of non-produced nonfinancial assets	-	-	-	-	-	-	-	-	-	-
Capital transfers	144	1,620	2,987	2,296	1,079	745	1,618	847	5,934	310
General government	-	93	68	485	377	96	858	-	56	87
Debt forgiveness	-	-	-	-	-	-	-	-	-	-
Other capital transfers	-	93	68	485	377	96	858	-	56	87
Deposit-taking corporations and other sectors	144	1,527	2,919	1,812	702	649	760	847	5,879	223
Debt forgiveness	-	-	-	-	-	-	-	-	-	-
Other capital transfers	144	1,527	2,919	1,812	702	649	760	847	5,879	223

NOTE: Tables totals- "Data may not sum to stated totals due to rounding."
Labeled p – provisional , r - revised

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 24– Jun 25**).
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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