



**MINISTRY OF FINANCE
Government of Tonga**

QUARTERLY DEBT BULLETIN as of 31st December 2025

OVERVIEW

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

38.7% bilateral creditors. The external DOD amount decreased by T\$33.4m respectively when compared to December 2024 and increased by T\$0.6m when compared to September 2025 quarters respectively.

1. TOTAL PUBLIC DEBT

1.1 Total Public Disbursed Outstanding Debt (DOD) as of 31st December 2025 is estimated at T\$405.8m (31.3% of GDP) as shown in Table 1 and Chart 1 below. Total public debt increases by T\$1.4m between September 2025 and December 2025. The observed increase was primarily attributable to the disbursement of the existing IDA loan, new bond issuance of \$0.7m, and depreciation of the Pa’anga against the CNY currency, during the quarter in report.

2.2 External DOD by Creditor

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

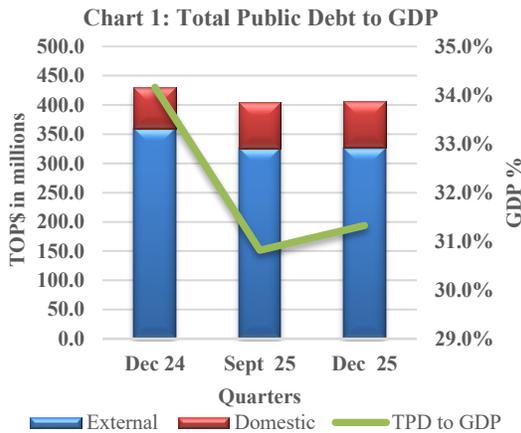
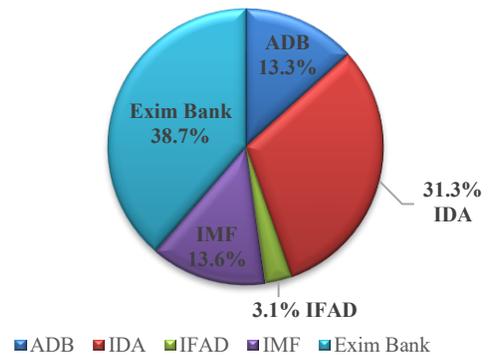
Table 2: External DOD by Creditor (in T\$m)

CREDITOR	Dec 24	Sept 25	Dec 25
Multilateral	199.7	201.4	200.3
ADB	47.5	45.4	43.6
IDA	98.0	101.3	102.1
IFAD	10.3	10.2	10.2
IMF	43.9	44.5	44.4
Bilateral	160.2	124.4	126.2
Exim Bank	160.2	124.4	126.2
Total EXTERNAL	359.9	325.9	326.5

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

LOANS	Dec 24	Sept 25	Dec 25
External	359.9	325.9	326.5
Domestic	69.7	78.5	79.3
TOTAL PUBLIC DEBT	429.6	404.4	405.8

Chart 2: External DOD by Creditor (%)

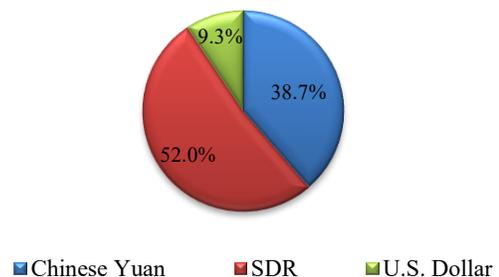


2.3 External DOD by Currency Composition

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

1.2 Total Debt Service (Expenditure) for 31st Dec 2025 quarter is estimated at T\$2.6m, of which for *external debt* is T\$2.5m (94.3%) and *domestic debt* is T\$0.1m (5.7%). This is equivalent to 0.2% of GDP (\$1,295.3m).

Chart 3: External Debt by Currency composition



2 EXTERNAL DEBT

2.1 Total External debt as of 31st December 2025 is recorded at T\$326.5m (25.2% of GDP). The external debt consists of multilateral creditors 61.3% and



MINISTRY OF FINANCE
Government of Tonga

Chart 4: External Debt by Currency composition with SDR decomposed

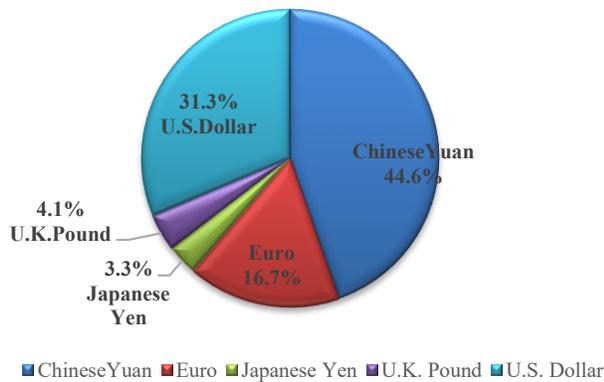
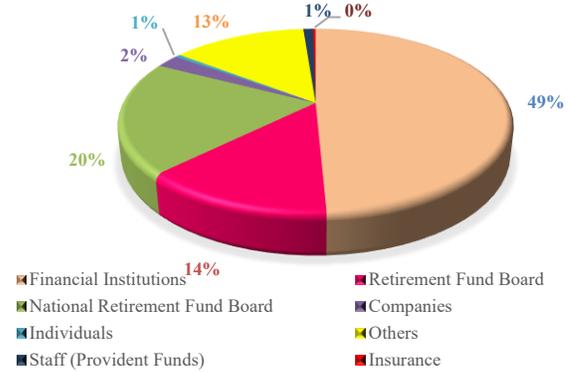


Chart 5: Government Bond Holders



2.4 External Disbursement

Even though there were no new external loans contracted during the quarter, there was a disbursement of T\$1.9m during the December 2025 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 December 2025 was T\$2.5m. This is equivalent to 0.2% of annual GDP (T\$1,295.3m), as a percentage of recurrent revenue and expenditure collected and incurred for the respective quarter of FY 25/26 (GoT), which accounted for 1.7% (at T\$145.5m) and 2.4% (at T\$103.5m) 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 December 2025 recorded at T\$79.3m (or 6.1% of annual GDP), for GoT bonds on issue. During the period from October 1st 2025 to December 31st 2025, the GoT managed to issue new Government bond of \$0.8m appropriated to initiate the Government Development Loan funds at TDB.

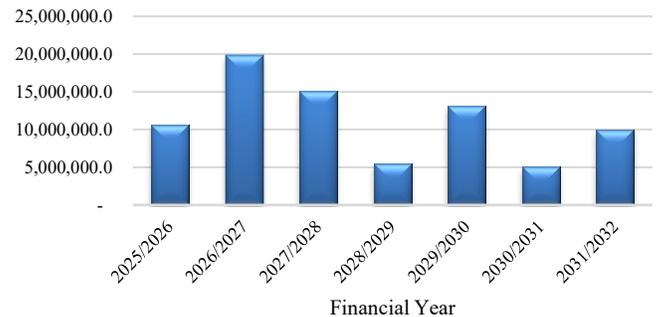
The main bond holders are the Financial Institutions, amounted to T\$38.0m (49% of total bond issuance) and National Retirement Benefit Fund which amounted to T\$17.1m (20% of total bond issuance) as shown in Chart 5. There were no domestic loan payment arrears. All bonds are held by the residents of Tonga.

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 December 2025. The National Reserve Bank of Tonga (NRBT) act as the registrar of domestic bonds issuance²

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 December 2025 is estimated at T\$0.1m, which is equivalent to 0.01% of the annual GDP (T\$1,295.3m). There were no domestic payment arrears, at the completion of the reporting quarter.

4. GOVERNMENT GUARANTEES

Total government guaranteed debt as of 31st December 2025 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

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

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)



MINISTRY OF FINANCE
Government of Tonga

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\$0.23m, Royco Ports DOD of T\$0.16m, Island Dredging DOD of T\$0.1m, and Inter Pacific DOD of T\$0.02 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 December 2025 due to the GoT from various public and other enterprises, is estimated at T\$27.2m (2.1% of the T\$1,295.3m annual GDP), a slight decrease from T\$27.4m as at 31st of December 2024 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\$25.1m) under the Nuku’alofa CBD projects.³

The Total on-lent repayments (revenue) for December 2025 quarter is at T\$0.03m. The total amount of on-lent arrears as of 31st Dec 2025, 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 December 2025, the value of the total debt portfolio amounted to T\$405.8m or 31.3% 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 18.4% 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 1.0%** respectively.

Foreign Exchange risk is still the primary concern for the existing debt portfolio, given that the Exchange rate risk is 80.8% of the total debt. 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 13.4% of the government securities due for redemption within 1 year and an average time to maturity (ATR) of only 3.2 years. However, as a percentage of GDP, this risk is less in the domestic debt than that with the external debt by 1.6%.

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)		326.5	79.3	405.8
Nominal debt as percent of GDP		25.2	6.1	31.3
Cost of debt	Interest payment as percent of GDP ³	0.3	0.2	0.4
	Weighted Av. IR (percent)	1.0	2.4	1.2
Refinancing risk	ATM (years)	7.8	3.2	7.0
	Debt maturing in 1yr (percent of total)	7.1	13.4	8.2
	Debt maturing in 1yr (percent of GDP)	2.1	0.8	3.0
Interest rate risk	ATR (years)	7.8	3.2	7.0
	Debt refixing in 1yr (percent of total)	7.1	13.4	8.2
	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)			80.8
	ST FX debt (percent of reserves)			2.8

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%



MINISTRY OF FINANCE
Government of Tonga

7. DEBT SUSTAINABILITY INDICATORS

Under the baseline scenario, Tonga’s level of public debt is still below the IMF thresholds (International Monetary Fund, 2024). 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.

Table 4: Sovereign Debt Sustainability Indicators

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

8. EXCHANGE RATE FLUCTUATIONS

The significant movement of the Pa’anga against the borrowing currencies, during December 2024 and December 2025, showed a depreciation of the Pa’anga against the SDR (4.6%), USD (3.4%) and CNY (1.9%) as shown in Table 5 below.

Table 5: FC/TOP Exchange Rate⁵

<i>TOP/FC</i>	<i>Dec 24</i>	<i>Sept 25</i>	<i>Dec 25</i>
CNY	0.3337	0.3383	0.3431
SDR	3.1762	3.3020	3.2873
USD	2.4355	2.4085	2.4004
EUR	2.5403	2.8325	2.8285
GBP	3.0675	3.2489	3.2462
JPY	0.0155	0.0162	0.0154

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ABBREVIATIONS:

ADB	Asian Development Bank
ATM	Average Time To Maturity
CBD	Central Business District
CNY	Chinese Yuan Renminbi
DOD	Disbursed Outstanding Debt
EUR	The Euro
EXIM-China	Export-Import Bank China
F/Year	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
SDR	Special Drawing Rights
USD	United States Dollar

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