



QUARTERLY DEBT BULLETIN as at 31 December 2023

OVERVIEW

This report summarizes the Government's (GoT) position during FY 2023/24 from 1st October 2023 to 31 December 2023, in millions of Pa'anga. Comparisons have been made to the previous quarter (September 2023), and to the previous year (December 2022). The information covers external, domestic, on-lent and guaranteed debt.

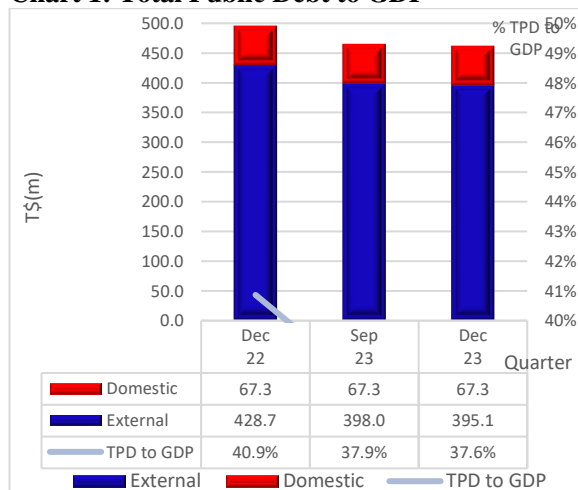
1. TOTAL PUBLIC DEBT

1.1 Total Public Disbursed Outstanding Debt as at 31 December 2023 is estimated at \$462.4m (at 37.6% of GDP) as shown in Table 1 and Chart 1. Total public debt decreased by \$2.9m between December 2023 and September 2023. This was mainly due to principal repayment of \$1.7m made during the December 2023 quarter, at the same time the Pa'anga depreciated against the major borrowing currencies: to Special Drawing Rights SDR (0.4%) and CNY (0.2%). There were no new loans contracted during the quarter.

Table 1: Total Public Debt by Residency

LOANS	Dec 22	Sep 23	Dec 23
External	428.7	398.0	395.1
Domestic	67.3	67.3	67.3
TOTAL PUBLIC DEBT	496.1	465.4	462.4

Chart 1: Total Public Debt to GDP



1.2 Total Debt Service (Expenditure) for December 2023 quarter is estimated at \$2.1m, for *external debt* at \$1.9m (92.9%) and *domestic debt* payment at \$0.1m (7.1%). This is equivalent to 0.2% of GDP (at \$1229.2m).

2. EXTERNAL DEBT

2.1 Total External debt as of 31 December 2023 is recorded at \$395.1m (32.1% of GDP). The external debt consists of multilateral creditors 50.2% and 49.8% bilateral creditors. The external disbursed outstanding debt amount decreased by \$2.9m and \$33.6m when compared to September 2023 and December 2022 quarters respectively.

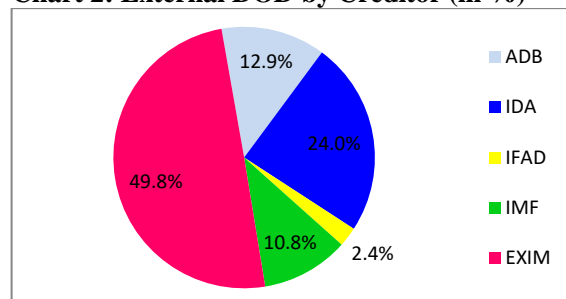
2.2 External DOD by Creditor

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

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

Creditor	Dec 22	Sep 23	Dec 23
Multilateral	201.6	200.8	198.3
ADB	54.5	52.6	51.0
IDA	95.8	96.2	95.0
IFAD	8.7	8.4	9.6
IMF	42.6	43.6	42.7
Bilateral	227.2	197.2	196.8
Exim Bank	227.2	197.2	196.8
Total EXTERNAL	428.7	398.0	395.1

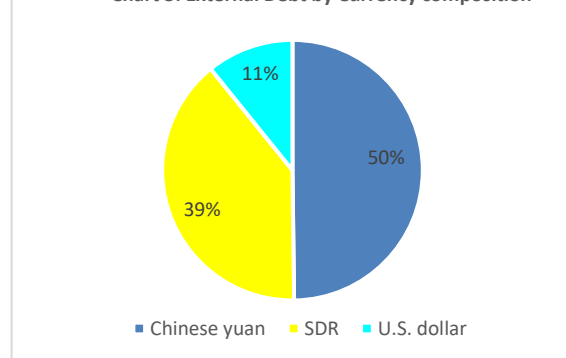
Chart 2: External DOD by Creditor (in %)



2.2 External DOD by Currency Composition

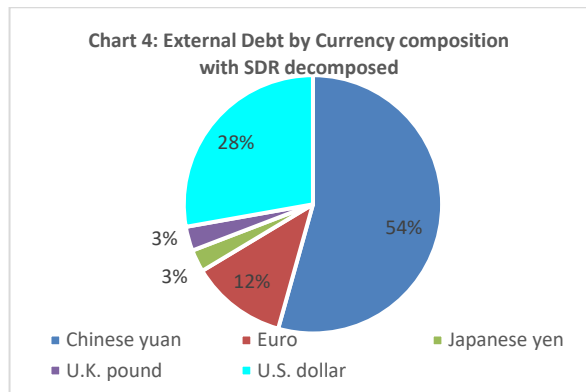
The main outstanding loan currency as of 31 December 2023 denominated in Chinese Yuan and is shown in Chart 3 and with decomposition of the SDR basket of currency in Chart 4.

Chart 3: External Debt by Currency composition





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2.3 External Disbursement

Even though there were no new loans contracted during the quarter, there was a disbursement of \$0.05m made during December 2023 quarter. This disbursement was for an Outer Island Renewable Energy project loan which was effective in 2017.

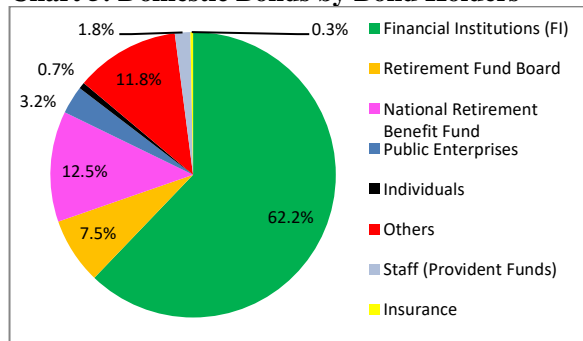
2.4 External Debt Service

Total external debt service as at 31 December 2023 is estimated at \$1.9m, and this is equivalent to 0.2% of GDP (at \$1229.2m), in ratio to recurrent revenue (GoT) of 0.6% (at \$341.8m) and in ratio to recurrent expenditure of 0.4% (at \$514.8m). For external debt, the main repayment quarters as projected, are September 2023 at \$24.1m (46.7% of total external debt service) and March 2024 at \$23.1m (44.6% of total external debt service). There were no external payment arrears.

3 DOMESTIC DEBT

3.1 Total Domestic debt as at 31 December 2023 is recorded at \$67.3m (5.5% of GDP), for GoT bonds on issue. The main bond holders are Financial Institutions at \$41.8m (62.2%) and National Retirement Benefit Fund at \$8.4m (12.5%) as shown in Chart 5. There were no domestic loan payment arrears. All bonds are held by residents of Tonga.

Chart 5: Domestic Bonds by Bond Holders



3.2 Government Bond Maturity by Financial Year

Domestic Debt is composed of Treasury bonds with tenors ranging from 2 years to 6 years. Government has mainly issued bonds with a maturity of 5 years. Table 3 shows Bond maturity by financial year. The National Reserve Bank of Tonga (NRBT) act as the registrar of domestic bonds issuance.

Table 3: Bond Maturity by Financial Year

F/YEAR	PARTICULARS	Principal AMOUNT (T\$)
2023/2024	TOTAL BOND PRINCIPAL DUE FY 2023/24	12,026,000
2024/2025	TOTAL BOND PRINCIPAL DUE FY 2024/25	15,809,000
2025/2026	TOTAL BOND PRINCIPAL DUE FY 2025/26	13,566,000
2026/2027	TOTAL BOND PRINCIPAL DUE FY 2026/27	10,846,000
2027/2028	TOTAL BOND PRINCIPAL DUE FY 2027/28	15,100,000
	TOTAL GOT BONDS ON ISSUE	67,347,000

3.3 Domestic Debt Service

Domestic debt service for December 2023 quarter is estimated at \$0.1m, and this is equivalent to 0.01% of GDP (at \$1229.2m). The main repayment quarters as projected for domestic debt are March 2024 at \$6.2m (44.9% of total domestic debt service) and June 2024 at \$5.4m (38.5% of total domestic debt service) as a result of bond mature during these quarters. There were no domestic payment arrears.

4. Total government guaranteed debt as at 31 December 2023 is estimated at \$16.0m, of which is \$13.9m is for private companies (Cost Low Company Ltd \$5.6m, Inter Pacific Ltd \$3.4m, Royco Ports Services Ltd \$2.3m, Island Dredging Company Ltd \$2.1m, City Engineering and Constructions Company Ltd \$0.5m) and \$2.1m is for Public Company (Lulutai Airlines Ltd \$2.1m) There were no government payments required for loan guarantees.

5. On-lent loans

Total on-lent loans as at 31 December 2023 due to the GoT from various public and other enterprises, are estimated at \$46.8m (3.8% of GDP). Total debt service (revenue) for December 2023 quarter is estimated at \$0.17m, for on-lent loan repayments from TAMA \$0.1m (58.5%), Royco Ltd \$0.05m (29.4%) and Tonga Broadcasting Commission (TBC) at \$0.02m (11.8%).



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6. Cost and Risk Indicators

The cost of the existing debt portfolio is relatively low and driven by a large share of external debt. At the end of December 2023, the value of total debt represented 37.6% of GDP. This shows that total debt as an important share of concessional external borrowing. The cost of domestic debt is higher than the cost of external debt with a weighted average implied interest rate of **respectively 2.8% and 1.3%**.

Table 4: Cost and Risk Indicators

Risk Indicators		External debt	Domestic debt	Total debt
Amount (in millions TOP)		395.1	67.4	462.4
Nominal debt as percent of GDP		32.1	5.5	37.6
Cost of debt	Interest payment as percent of GDP ³	0.4	0.1	0.5
	Weighted Av. IR (percent)	1.3	2.8	1.5
Refinancing risk	ATM (years)	9.3	2.2	8.4
	Debt maturing in 1yr (percent of total)	10.0	25.2	11.9
	Debt maturing in 1yr (percent of GDP)	3.2	1.2	4.4
Interest rate risk	ATR (years)	9.3	2.2	8.4
	Debt refixing in 1yr (percent of total)	10.0	25.2	11.9
	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)			86.6
	ST FX debt (percent of reserves)			5.0

7. Debt Sustainability Indicators

Under the baseline scenario, Tonga is not breaching the IMF thresholds and the PV of external debt-to-GDP ratio is expected to decline by approximately 5% each

financial year, reflecting large repayments to China Exim Bank. This is shown in Table 5.

Table 5: Sovereign Debt Sustainability Indicators

Indicators	(IMF) Tonga Target %	2023/24	2024/25	2025/26
NPV of external debt as:				
% of GDP	55%	31%	26%	21%
% of GDP & remittances	36%	20%	18%	14%
% of government revenues	250%	57%	54%	46%
Debt Service as:				
% of exports & remittances	21%	9%	11%	11%
% of revenues	23%	9%	11%	12%

8. Exchange rates fluctuations

The significant movement of the Pa'anga against the borrowing currencies during December 2022 and December 2023 showed a depreciation of the Pa'anga against the SDR (1.5%) and an appreciation against the CNY (2.3%) and USD (0.2%) as shown in Table 6 below.

Table 6: FC/TOP Exchange Rate

TOP/FC	Dec 22	Sep 23	Dec 23
CNY	0.3360	0.3279	0.3284
SDR	3.1140	3.1479	3.1596
USD	2.3399	2.3939	2.3346
EUR	2.5047	2.5324	2.5885
GBP	2.8349	2.9287	2.9797
JPY	0.0176	0.0161	0.0165

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