



OFFICIAL PRESS RELEASE

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The Banking System is ready to address the impact of the Corona Virus

The Governor reported that Tonga's economic fundamentals are strong, however, the coronavirus (COVID-19) is expected to adversely impact the external account balances, the foreign reserves, the fiscal account and consequently economic growth. Specific sectors in the trade, travel and tourism sectors will be affected. Eventually, supply shortages, delays in projects and major events, and reduced business hours, will flow through to weaker demand and a slowdown in economic activity. As such, the Reserve Bank projects economic growth for 2019/20 to fall below 3% and may be revised lower.

In light of the negative impact of COVID-19 on the economy, the Reserve Bank Board of Directors met to consider monetary policy measures to support economic growth while preserving financial stability.

The Directors were pleased to note that the banking system was strong and well capitalized with ample liquidity to withstand the impact of the coronavirus.

The Board, approved the following NRBT monetary policy measures to support the banks in mitigating the negative impact of the coronavirus on the economy as well as provide essential financial services to households and businesses.

1. Provide liquidity support to the banking system if needed
2. The banks are well capitalised to absorb risk and there is no adjustment required at this time
3. Ease the exchange control requirements if needed
4. Continue with current practice on issuing Government Bonds if required
5. Weekly meetings with the banks to ensure clear communication to enhance preparedness and best practises
6. Continue to build awareness and expectations through press releases for adequate preparedness and apply best practice

The Reserve Bank also met with the commercial banks who are ready to assist their customers affected by the coronavirus on a case by case basis and depending on individual customers' circumstances. The banks confirmed the following measures:

1. Reduce or suspend the principal loan repayments to interest only loan repayments
2. Restructure loans to businesses that have reduced business hours, in affected sectors such as tourism and related industries like transportation.
3. Restructure loans to individuals who have been laid off
4. Extending the term of the loans to reduce repayments
5. Reducing loan interest rates on a case by case basis
6. Provide access to short-term funding, if required

Bank customers are encouraged to contact their banks to discuss their circumstances.

The Reserve Bank will continue to monitor and assess the coronavirus impact on the financial system and the economy, and will adjust these monetary policy measures, if required, to maintain financial and monetary stability.

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