



**OFFICIAL PRESS RELEASE**

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**Monetary Policy Decision**

The Reserve Bank' Board at its meeting on 2<sup>nd</sup> February 2017 noted that the activities in the domestic economy were generally positive, the real GDP growth estimate for 2016/17 was revised up to 3.6%, the foreign reserves stood at T\$378.8 million and 9.8 months of imports, annual inflation at 6.1% and is expected to fall to 4% in the beginning of 2017/18. The banking system remained sound with excess liquidity as indicated by the banks' deposits at the Reserve Bank at T\$178.55 million and a 17.1% annual credit growth supported by the lower weighted average lending rate at 7.89% compared to the previous year.

The Governor, Mr. Sione Ngongo Kioa, announced that in light of the strong economic fundamentals and the positive outlook, the Reserve Bank Board approved changes to three of its policy measures to reflect the current economic fundamentals, encourage the utilisation of the excess liquidity in the banking system, increase lending in order to support economic growth, and strengthen the monetary policy transmission mechanism.

Governor Kioa also added that the commercial banks have been instructed to remove the fees charged for the implementation of the foreign exchange levy with effect from the 3<sup>rd</sup> January 2017 to assist in reducing the cost of overseas transactions.

The changes to the policy measures were to reduce the excess liquidity by increasing the Statutory Reserve Deposit (SRD) requirement from 5% to 10%; extend the timeline for the banks to achieve the loans to deposit ratio minimum requirement of 80% from December 2016 to June 2017 to encourage banks to lend prudently; ease the Foreign Exchange Control documentary requirements for outward payments to support an enabling business environment while the foreign reserves are at very high levels.

The current Monetary Policy stance is maintained with the following monetary policy measures:

- a. maintain the monetary policy rate at 0% (zero interest rate policy);
- b. extend the timeline for compliance with the minimum loans/deposit ratio of 80% to June 2017;
- c. increase the Statutory Reserve Deposit ratio from 5% to 10%, to be effective in the banks' balance sheet for July 2017;
- d. maintain the inflation reference rate at 5%; and
- e. ease the Exchange Control requirements to be effective immediately.

The NRBT remains vigilant and closely monitors developments on inflation, economic activity as well as credit growth, and the level of foreign reserves, for early signs of vulnerabilities.

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