



Snapshot of the Tongan Economy

February 2026 Release

Overseas Economy



- Global economy is showing greater resilience despite ongoing trade tensions and policy uncertainty.
- Global growth is expected to stay largely stable, dipping to 2.6% in 2026 before rising to 2.7% in 2027. Inflation is also projected to ease to 2.6% in 2026, supported by softer labour markets.
- However, with the ongoing conflict in the Middle East, projections for global growth and inflation are subject to downside risks, primarily through higher oil prices. Energy prices will depend on the scale and duration of the disruption, as well as its impact on global supply chains and market sentiment.

Domestic Economy



- Christmas festivities boosted domestic activities in December 2025. Primary sector performance rebounded on the back of increased agricultural and marine exports.
- The industrial sector remained robust, supported by ongoing public infrastructure projects which drove strong performance in construction, mining, and quarrying sectors, with beneficial spillover effects on manufacturing and utilities.
- Partial indicators in the services sector increased, fueled by heightened activities during the Christmas season.

Domestic Inflation



- Annual headline inflation slightly eased to 3.1% in December 2025 from 3.5% in November and 6.0% a year earlier. This is below the NRBT's 5% reference rate since August 2025.
- Imported inflation remained the primary contributor to headline inflation, while domestic prices recorded a modest decline of 1.0%.
- Core inflation eased to 9.0% in December 2025 from 12.2% in November 2025, with domestic items contributing around 6.0 pp and imported items about 3.0 pp. The decline was largely driven by lower prices for alcoholic beverages, tobacco and kava, transport, education, restaurants and hotels.

Banking System



- The annual credit growth increased by 3.5% in the year to December 2025, due to higher loans to households and private businesses especially in professional & other services, construction and distribution businesses.
- Similarly, total deposits also increased over the year by 1.6% to \$1,006.4 million.
- Non-performing loans to total loans ratio decreased to 15.1%, comprised mainly of business loans.

Liquidity & Interest Rates



- Liquidity in the banking system rose to its highest level in December 2025, due mainly to the increases in deposits. Money supply increased by 10.1% to \$1,002.5 million, underpinned by increases in foreign reserves and net credit to the central government.
- The weighted average interest rate spread narrowed marginally to 6.1%, owed to a larger increase in weighted average deposit rates relative to a slight increase in weighted average deposit rates.

Exchange Rates



- The NEER slightly declined in December 2025, reflecting the appreciation of the AUD and NZD against the TOP. Similarly, the REER decreased by 0.4%, coinciding with the lower NEER.

Global Prices



- Average price of Brent crude fell in December 2025 to its lowest of US\$61.70/ barrel since 2021. Brent crude oil prices are expected to increase to an average of USD\$64/barrel by end of January 2026.
- Food prices dropped in December 2025, primarily driven by a decline in sugar prices.

Foreign Reserves



- Official foreign reserves grew by \$21.4 million in December 2025 to \$961.7 million, supported by higher inflows of official grants. This is equivalent to 11.2 months of imports cover, above the optimal threshold of 7.5 months.
- Remittance receipts picked up by 34.7% (\$15.8 million) to a record high of \$61.2 million, mainly from higher private transfers and compensation of employees.

Labour Market



- Job vacancies advertised to the public declined rapidly in December 2025 to 42 positions from 126 in the previous month, with most of the vacancies in public administration.
- Similarly, total job vacancies advertised to the public decreased over the year by 49 vacancies to 880.



Outlook

Domestic economic activity strengthened in December 2025, reinforcing the NRBT's projections of a solid recovery in the current fiscal year. The new Government remains committed to prioritising growth, mobilising new investments and sustaining expansionary fiscal measures.

Headline inflation is currently low and core inflation eased; however, risks to the inflation outlook are tilted to the upside, with inflationary pressures expected to materialise during the first half of 2026 and together with the escalated Middle East crisis adding a new layer of disruption, to push headline inflation above the 5% reference rate.

Foreign reserves are expected to remain above minimum thresholds in the near term, supported by steady inflows of budget support, official grants, and remittances. Meanwhile, import payments are projected to increase alongside the economic recovery. However, the medium-term outlook remains uncertain and tilted to the downside with further uncertainty from Middle East conflict disruptions.

The financial system remains sound, supported by high liquidity, adequate capital buffers, and sustained profitability. However, proactive oversight of vulnerabilities and risks will help to manage the impaired asset quality.

Given the current developments and outlook, the NRBT maintains its neutral monetary policy stance issued in February 2026. The NRBT modernizing monetary policy aims to strengthen transmission of the policy rate to short term market rates. This is critical to restoring monetary policy effectiveness ultimately in containing inflationary pressures and protect the public purchasing power.

Global economy shown resilience, yet outlook remains cloudy

According to the World Bank's latest Global Economic Prospects report, the global economy is showing greater resilience than previously expected despite ongoing trade tensions and policy uncertainty. Global growth is projected to remain broadly steady over the next two years, declining to 2.6% in 2026 before rising to 2.7% in 2027.

Inflation is also projected to ease to 2.6% in 2026, supported by softer labor markets and lower energy prices. Oil prices are projected to fall in 2026 as growth in supply is expected to outpace demand.

However, with the ongoing conflict in the Middle East, projections for global growth and inflation are subject to downside risks, primarily through higher oil prices. Energy prices will depend on the scale and duration of the disruption, as well as its impact on global supply chains and market sentiment.

Christmas festivities boosted domestic activities

Primary sector activities rebounded in December 2025. Agricultural exports rose by 117.9% (677.8 tonnes) to 1,252.9 tonnes, lifting proceeds by 40.1% (\$0.2 million) to \$0.8 million, mainly on stronger watermelon shipments despite seasonal declines in some root crops. Marine exports increased by 18.9% (51.6 metric tonnes) to 54.3 metric tonnes, driven by tuna, while aquarium exports rose by 11.1% (1,206 pieces) to 12,068 pieces. However, marine export receipts fell by 39.8% to \$0.06 million, which may indicate a lag in receipts.

Positive sentiments for industry sector performance were sustained by ongoing progress in major public infrastructure projects. Construction advanced on the new Parliament Building, while preparatory works for the Fanga'uta Lagoon Bridge and approach roads moved forward following contract finalisation. Rehabilitation of transport and energy facilities under the National Infrastructure Investment Plan also continued, reinforcing demand for construction, mining, and quarrying services. These projects are anticipated to generate positive spillover effects across the energy and manufacturing sectors, supporting broader industry activity.

Tertiary sector activities strengthened in December 2025, supported by festive season demand. Container registrations rose sharply by 53.3% (532 units) to 1,531, driven by both business and private containers. Import payments increased by \$2.2 million (3.7%) to \$59.7 million, reflecting higher oil-related imports and seasonal demand, while non-oil imports rose by 7.2% (\$3.5 million) and wholesale and retail import payments edged up 1.7% (\$0.6 million). Vehicle registrations also picked up, rising by 162 units (63.0%) to 419, possibly reflecting early purchases ahead of the 10-year import restriction on vehicles. Travel activity surged, with passenger arrivals up by 79.1% (6,526) and departures rose by 42.2% (3,950), consistent with Christmas holiday travel. Travel receipts increased by \$4.1 million (29.6%) to \$17.9 million.

Headline inflation slightly eased to 3.1 percent

Headline inflation eased to 3.1% in December 2025, down from 3.5% in November and 6.0% a year earlier. This is still below the NRBT's 5% reference rate since August 2025. Imported inflation moderated to 5.5% due to smaller increases in food, clothing, and passenger transport, while domestic inflation was modest at 1.0%, driven by restaurants, hotels, kava, tobacco, and alcohol, partly offset by lower local food prices.

Month-on-month, domestic prices rose by 3.5% led by local food and kava, while imported prices increased by 1.1% reflecting higher international airfares, food, and transport services. Food inflation eased over the year by 1.9%, despite a 4.8% monthly rise from both imported and domestic food items. Imported food inflation rose by 6.0%



over the year, while domestic food inflation fell by 8.8%, mainly from lower prices of root crops and cereals.

Annual core inflation eased to 9.0% from 12.2% in November 2025, with domestic items contributing around 6.0 pp and imported items about 3.0 pp. The 10% trimmed-mean core inflation edged up to 9.4% from 9.2%, indicating broad-based underlying pressures despite the headline easing.

Job advertisements eased

Labour mobility eased in December 2025. The NRBT's survey on job advertisements recorded a sharp decline in advertised positions by 66.1% (84 vacancies), as recruitment slowed ahead of the Christmas holidays. On an annual basis, job advertisements fell modestly by 5.3% (49 vacancies) to 880, indicating a slight softening in labour demand compared to the year ending December 2024.

Real exchange rates strengthened

The Nominal Effective Exchange Rate (NEER) fell by 0.3% in December 2025, reflecting the appreciation of the AUD, NZD and FJD against the TOP. Over the year, the NEER recorded a 1.3% decline, driven by the weakening of the TOP against the AUD and NZD. The Real Effective Exchange Rate increased by 2.0% during the month but declined by 0.4% over the year.

Foreign reserves increased further

In December 2025, foreign reserves increased by 2.3% (\$21.4 million) to \$961.7 million, supported by higher inflows of official grants. This is equivalent to 11.2 months of import coverage, above the optimal threshold of 7.5 months. Over the year, foreign reserve increased by \$72.7 million.

Remittance receipts climbed to a record high

Remittance receipts rose sharply by 34.7% (\$15.8 million) in December 2025 to a record of \$61.2 million. The majority of remittances were private transfers from family and friends abroad (88%), followed by compensation of temporary workers abroad (10%). AUD dominated receipts at nearly 40%, followed by USD at 35% and NZD at 20%.

Liquidity peaked

Reserve Money rose by 1.6% (\$10.0 million) over the month and by 3.3% (\$21.0 million) over the year, climbing to \$656.6 million, its highest level on record. The monthly increase was driven solely by higher balances in Banks' Exchange Settlement Accounts (ESA), which offset declines in Currency in Circulation (CIC), Statutory Reserve Deposits (SRD) and other deposits. On an annual basis, however, CIC, SRD, and other deposits all recorded gains which offset the lower ESA.

Broad money increased by 3.1% (\$31.2 million) over the month and by 10.1% (\$91.7 million) over the year, setting a new all-time high of \$1,002.5 million. The monthly and annual expansions in liquidity were mainly due to higher net foreign assets, with additional support from net domestic assets over the year. The rise in foreign assets came from increased foreign reserves and other external holdings. Growth in domestic assets was driven by more lending to the government and higher capital accounts. Meanwhile, total bank deposits expanded by 1.8% (\$17.8 million) to \$1,018.2 million, supported by robust demand and savings deposits.

Credit growth slows on weaker business lending

Total bank credit eased in December 2025, slipping by \$1.4 million (0.2%) to \$610.4 million, reflecting weaker business lending, which offset November's strong expansion. Despite the monthly slowdown, annual growth remained firm, rising by \$20.6 million (3.5%), underscoring resilience in overall credit activity.

Over the month, business lending contracted by \$2.7 million (0.8%), led by reduced borrowing from public enterprises and private firms in distribution, transport, and manufacturing. In contrast, household credit rose by \$1.4 million (0.8%), driven by other personal loans.

Annually, lending to both households and businesses increased by 4.1% (\$11.5 million) and 2.9% (\$9.0 million), respectively. The rise in households lending reflected stronger housing loans, complemented by gains in other personal and vehicle loans. Similarly, business lending was buoyed by higher credit to private firms, especially in professional & other services and construction.

Government Development Loans portfolio continued to contract, both monthly and annually, reflecting the ongoing suspension of the scheme. Meanwhile, the loan to deposit ratio climbed to 59.6%, as falling deposits signaled tighter funding conditions.

The non-performing loans (NPL) to total loans ratio improved over the month and year, declining from 15.1% and 14.6% to 14.4%, with most NPL's concentrated in business loans.

Interest rate spread widened

The weighted average interest rate edged up over the month by 3.6 bps to 6.1%, driven by a 2.7 bps increase in weighted average lending rate alongside a 0.9 bps decline in weighted average deposit rate.

Annually, however, the weighted average interest rate spread narrowed marginally by 0.7 bps, due mainly to a larger increase in weighted average deposit rates (6.8 bps) relative to the rise in weighted average deposit rates (6.1 bps).

KEY INDICATORS

		Dec-24	Sep-25	Oct-25	Nov-25	Dec-25
1. Sectoral Performance Indicators *						
(year-on-year % change)	Air visitor arrivals	15.2	-3.9	-1.1	-0.9	2.1
	Travel receipts	24.2	15.5	15.1	14.6	13.5
	Electricity production	5.8	9.0	9.2	10.2	10.5
	Agricultural exports ^{1/}	-26.8	26.7	39.0	45.9	53.9
2. Consumption Indicators *						
(year-on-year % change)	New vehicle registrations	17.2	2.6	-2.1	-4.5	-2.3
	Container registrations	11.1	-8.9	-13.5	-13.1	-8.4
	Electricity consumption	8.3	5.5	5.1	5.4	5.2
	Remittances	-2.5	6.3	6.4	6.6	8.6
3. Consumer Prices**						
(year-on-year % change)	All items ^{2/}	6.0	3.4	4.0	3.5	3.1
	Domestic	6.7	3.4	3.9	-0.3	0.9
	Imported	5.3	3.4	4.1	8.0	5.5
	Core inflation (ex energy & food)	6.4	9.9	9.0	12.2	9.0
4. Labour Market ***						
(year-on-year % change)	NRBT Job Advertisement survey	-3.6	-14.5	-12.5	-13.6	-6.2
5. Reserves***						
(end of period)	Foreign Reserves (\$m) ^{3/}	889.1	897.2	939.5	940.3	961.7
	Months of imports	10.2	10.4	10.9	10.9	11.2
6. Exchange Rates ***						
(end of period, TOPSI equals (index, Dec 2006=100))	US dollar	0.4104	0.4150	0.4139	0.4134	0.4164
	Australian dollar	0.6589	0.6308	0.6317	0.633	0.6216
	New Zealand dollar	0.7269	0.7177	0.7208	0.7223	0.7183
	Fijian dollar	0.9645	0.9494	0.9471	0.9512	0.9461
	Nominal effective exchange rate	96.6	95.3	95.5	95.6	95.3
	Real effective exchange rate	129.8	123.0	123.3	126.6	128.7
7. Liquidity***						
(end of period)	Reserve money (\$m) ^{3/}	632	629	647	657	657
	Currency in circulation (\$m) ^{3/}	136	137	139	137	156
	Exchange settlement account (\$m) ^{3/}	356	313	252	271	353
	Required reserve (\$m) ^{3/}	139	144	145	144	147
8. Money and Credit ***						
(year-on-year % change)	Broad money	7.9	6.9	10.2	10.1	3.6
	Net foreign assets	1.8	1.3	4.4	6.0	8.7
	Net Domestic Asset	651.4	466.6	1377.0	252.2	-98.2
	Narrow money	19.3	5.4	6.3	5.8	-2.8
	Total Lending	10.2	13.5	13.5	13.5	13.5
	Business lending	16.2	23.0	23.0	23.0	23.0
	Household lending	4.1	4.3	4.3	4.3	4.3
	Total Deposits	8.4	4.3	2.9	5.7	1.6
9. Interest Rates (%)***						
(monthly weighted average)	Lending rate	7.57	7.56	7.58	7.60	7.63
	Deposit rate	1.44	1.55	1.56	1.52	1.51
10. Commodity Prices****						
(end of period average)	Crude oil/barrel (US\$)	73.08	67.63	63.91	63.70	61.59

Note

^{1/} Agricultural production shows the year on year change in terms of volume.

^{2/} 2021 rebase. Previous data had 2018 as its base.

^{3/} TOP millions

n.i. - not issued

n.a. - not available

Sources

*Various industry sources

**Tonga Department of Statistics

***National Reserve Bank of Tonga

****Reuters