



**PRESS RELEASE**

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## **Tonga Continues New Norm of Market Based Monetary Policy Through Modernization of Tools**

The National Reserve Bank of Tonga (NRBT) Board of Directors has approved its February 2026 Monetary Policy Statement (MPS) **maintaining a 'Neutral Stance' over the next six months, with the policy rate unchanged at 2 percent.** This stance remains data-dependent, with the Bank ready to tighten policy if inflationary pressures further intensify. In the past six months:

- Headline inflation moderated to 3.1 percent in December 2025, below the 5 percent reference rate. Core inflation remains elevated around 10 percent, reflecting persistent domestic price pressures. Before the recent escalation of the Middle East, NRBT expected some temporary upward pressure on inflation in the first half of 2026.
- Foreign reserves remained above required thresholds and are expected to stay adequate in the near term whilst the medium-term outlook is tilted to the downside, reflecting heightened uncertainty.
- The financial system remains stable and adequately capitalized. Excess liquidity has declined in February 2026, reflecting the resumption of NRBT Notes Issuance since September 2025 now becoming the new norm of monetary policy operations. Meanwhile, credit growth moderated to 3.5 percent in December 2025, with interest rates broadly stable.
- Real sector indicators support a gradual economic recovery, with real GDP growth estimated at 2.5 percent in FY2025, weaker than the Pacific average growth of 2.9% and the global growth of 3.3% for the same period.

Governor Moeaki stated that “Even before the recent escalation in the Middle East, the outlook for Tonga was already becoming more challenging amidst rising global fragmentation and geo-political tensions. Maintaining a neutral policy stance prioritizes safeguarding stability and strengthening Tonga’s economic resilience. Whilst a short and contained conflict may lead to a temporary inflation shock, a prolonged disruption particularly affecting fuel and shipping costs, could intensify cost-of-living pressures on households and businesses.” Over the next six months, the NRBT will:

1. Continue strengthening the monetary policy transmission mechanism. This includes reactivation of the interbank market through the issuance of the NRBT notes, and establishment of the Single Treasury Account for MOF at NRBT.
2. Maintain the Statutory Reserve Deposit (SRD) at 15% and monitor the Exchange Rate Basket currency movements to safeguard external stability while maintaining adequate foreign reserve buffers.
3. Promote financial deepening by accelerating the implementation of the National Financial Inclusion Strategy in coordination with Government fiscal initiatives.
4. Coordinate with the Government Fiscal Policy to expedite productive sectors structural reforms, addressing domestic supply-side instability, access to credit, and advocating both capacity and policy alignment.

With elevated risks to imported inflation, NRBT is committed to strengthen market-based monetary operations to enhance policy transmission in the short to medium-term.

**6 March 2026.**

Electronic copy of the MPS is available from [www.reservebank.to](http://www.reservebank.to) or email [nrbt@reservebank.to](mailto:nrbt@reservebank.to) or contact Tele: (676) 24 057.