

Tonga

The Kingdom of Tonga consists of 172 volcanic and coral islands, of which 36 are inhabited, with a total land area of 750 square kilometers. Most of the land is fertile and subject to intensive cultivation; the islands are vulnerable to cyclones. Almost one fourth of the inhabitants live in the capital, Nuku'alofa. The population, which is almost entirely of Polynesian origin, has declined in recent years to 95,000, despite a high birth rate, because of large-scale emigration. Among other Pacific island countries, only Western Samoa has experienced a comparable degree of emigration. At present, at least 30,000 Tongans live abroad, mainly in Australia, New Zealand, and the United States, and send substantial remittances to relatives at home. The family-oriented and closely knit traditional nature of Tongan society, with its inherent sharing of income, alleviates poverty and social problems associated with the lack of employment opportunities. Life expectancy is 64 years and health and education indicators are in line with or above the regional average. Annual per capita GDP is about SDR 650.

The Kingdom, which was unified during the second half of the nineteenth century, remained relatively isolated until becoming a British protectorate in 1900. The United Kingdom managed external relations, but its involvement in domestic affairs was limited. Although not formally independent until 1970, Tonga maintained a greater degree of independence than most Pacific territories while under foreign rule. The Legislative Assembly, which is elected every three years, consists of 9 nobles chosen from among the 33 peers who are the traditional owners of most land; 9 elected representatives; and 12 Ministers of the Crown. While the constitutional monarchy is based on the British model, the King exercises wide influence and other members of the royal family hold key positions in the Government.

All land is ultimately owned by the Crown, although in practice ownership is divided among the nobles, several chiefs, and the Government. In exchange for annual payments in cash or goods, every male adult is entitled to the allocation of several acres of land for his family

use, which may be transferred to male offspring and certain other relatives but cannot be sold. Leasing has been permitted under certain conditions since 1976, partly because resources are no longer adequate to permit allocations to all eligible males. However, the small size of holdings and relatively short period of leases allowed by legislation discourage investment in land improvement.

Economic Structure

Production and Prices

Agriculture dominates the economy, accounting for about 40 percent of GDP; virtually all production originates on small-scale landholdings. Production has become more diversified in recent years. Partial rehabilitation of banana cultivation, assisted by external aid, and the development of vanilla beans, mainly for export, has allowed Tonga to reduce its dependence on coconuts. Root crops, fruits, and vegetables are produced primarily for the domestic market. Tonga has achieved self-sufficiency with respect to pork and poultry. The small manufacturing sector, which accounts for 9 percent of GDP, includes coconut oil and desiccated coconut plants and businesses located in the industrial processing zone near the capital. Fiscal and other incentives are provided for new businesses; equal treatment is accorded to foreign-owned concerns. A large part of GDP is generated in the services sector, reflecting the importance of government expenditure. Development of tourism has been inhibited by limited airline service and a shortage of accommodations.

Imported goods have a weight of 60 percent in the consumer price index and changes in the cost of imports from New Zealand, which is the source of most consumer goods, is the major determinant of the rate of inflation. Given the fixed link between the value of the Tongan pa'anga and the Australian dollar and the volatility of the exchange rate between the Australian and New Zealand dollars, the rate of price increase in Tonga fluctuates markedly. Public sector wage rates are adjusted periodically to compensate for price changes. These rates constitute an effective ceiling for the private sector, where a high degree of flexibility in wage determination has helped to create jobs. However, although no figures are available, unemployment and shortages of skilled labor are matters of concern.

Balance of Payments

Large foreign trade deficits characterize the balance of payments. Exports are equivalent to only 10 percent of GDP, consisting of a small range of goods because of the narrow productive base. Primary products represent about three fourths of the total, mainly coconut products, bananas, and vanilla. Industrial goods account for the other fourth and include knitwear and other labor-intensive goods. Imports are equivalent to almost 60 percent of GDP, reflecting the open nature of the economy. Food and other consumer goods constitute about one half of these imports, with items generally purchased from the proceeds of remittances. Imports of machinery, transport equipment, and industrial materials, which average about one third of the total, are closely tied to disbursements of external assistance. The share of petroleum products is about 10 percent of total imports.

The surplus on services and transfers customarily exceeds the trade deficit, so that the external current account is in surplus. The main sources of service receipts are tourism and shipping, the latter a result of the lease of a vessel to the Pacific Forum Line, which operates cargo services with Australia and New Zealand. These receipts are substantially offset by freight payments, which constitute about 18 percent of the average landed cost of imported goods. Dependence on private and official transfers has increased steadily over the past 20 years. Remittances are equivalent to about 30 percent of GDP. External grant assistance, mainly from Australia, the European Community, Japan, and New Zealand, is equivalent to 20 percent of GDP.

Capital inflows are primarily in the form of official loans obtained on highly concessional terms. Among bilateral donors, the Federal Republic of Germany has traditionally provided assistance in this form and such aid is also received from multilateral donors. Official external commercial borrowing is usually avoided and private capital flows are negligible. Consequently, external debt service is below 4 percent of current receipts. Gross official international reserves are normally equivalent to about five months of imports. The Government considers that a relatively high level of reserves is desirable in view of the fluctuations that characterize export receipts, the country's dependence on private and official transfers, and its distance from major commercial centers and transportation routes.

Public Sector

The public sector comprises the central government, which is organized through eight ministries, the island councils, and about 25 nonfinancial enterprises, many of which are relatively small departmental undertakings. The Treasury Department in the Ministry of Finance oversees the formulation of the central government budget, which comprises the current revenue and expenditure estimates and the development estimates. The fiscal year is July 1–June 30, with the budget normally approved by the Legislative Assembly in late June. Most public enterprises operate profitably, including the Electric Power Board, which generates and distributes electricity, and the Telecommunications Commission, which is responsible for domestic telegraph and telephone services. Budgetary support is required only for the domestic airline and occasionally for the Commodities Board, which purchases the main crops, conducts the price stabilization scheme, operates the coconut processing plants, and exports most agricultural goods. Consolidated public sector accounts are not available; financial data are not published on local government activities.

Fiscal policy is the most important instrument of economic policy. Over the years, the overall budget, including external grants, has been maintained in approximate balance, in order to protect the external position. Total receipts have averaged about 46 percent of GDP over the past five years. Tax revenue has been equivalent to about 19 percent of GDP, with foreign trade taxes representing four fifths of the total, and personal and corporate income tax most of the remainder. Receipts from taxes on goods and services were small until the introduction in fiscal year 1986/87 of a 5 percent retail sales tax, with exemptions limited to a small number of food items. Nontax revenue has been equivalent to about 8 percent of GDP, including the surpluses of departmental enterprises. External grants, which fluctuate widely from year to year, have been equivalent to about 19 percent of GDP.

Current expenditure has averaged about 26 percent of GDP over the past five years. About one third of this has been attributable to public administration, reflecting the role of the Government as a major employer. Personnel costs include pensions for retired civil servants equivalent to two thirds of their final salary, which are financed out of current revenue. Social and community services, focused on education and health to relieve the shortages of skilled labor and to improve living conditions, have accounted for another one third of expenditure.

Economic services have represented the final one third, mainly to support production in agriculture and industry. Development expenditure has been equivalent to about 20 percent of GDP. In keeping with the objective of improving infrastructure, spending is channeled into hurricane protection, marine projects including ports and fishing harbors, airports, and interisland telecommunications.

Financial Sector

The financial sector consists of the Bank of Tonga, a commercial bank that is owned jointly by the Government (40 percent) and three foreign commercial banks (20 percent each), and the Tonga Development Bank, a long-term lending institution that is owned jointly by the Government (90 percent) and the Bank of Tonga (10 percent). Legislation to establish the country's first central bank was approved by parliament in late 1988. At present, monetary authority functions are shared between the Ministry of Finance; the Board of Currency Commissioners and the Board of Coinage Commissioners, which are responsible for the issuance of notes and coins respectively; and the Bank of Tonga. Offshore banking legislation was enacted in 1984, but the amount of business is small. There is no national pension fund scheme, although a contribution plan for public employees is under consideration.

The Bank of Tonga was established in 1974 to offer a full range of commercial banking services and to undertake certain central banking functions that were assigned by the Government. The latter include holding the government accounts, managing most of the country's foreign exchange reserves, acting as the sole agent of the Government for administering the foreign exchange control legislation, and establishing its own liquidity and reserve ratios. The Development Bank was established in 1977 with a mandate to encourage economic and social advancement, mainly through the identification and promotion of new projects, the extension of loans to the private sector and public enterprises, and equity participation. Its activities are financed primarily by external concessional assistance.

Developments in the 1970s

At the time of independence, the economic structure of Tonga was barely developed; the monetized sector consisted mainly of coconut

and banana production and relatively small government operations, financed in part by British assistance. During the 1970s, in the context of a pronounced widening of contacts with the rest of the world and greater external aid, the foundations for development were laid through the diversification of the economy and the expansion of the public investment program. The balance of payments was sound, and overall surpluses were normally achieved. The larger external trade deficit, which resulted from a combination of stagnant exports and increased imports, was more than offset by higher tourist receipts, emigrants' remittances, and external aid. Official international reserves rose to the equivalent of six months of imports.

The rate of real GDP growth averaged 3–4 percent annually. Despite the priority given to agriculture because of its importance in exports and employment, the growth in output was modest. Attempts to rehabilitate the coconut sector fell short of expectations because of the uncertain profitability of replanting. The banana sector declined in the face of disease, shipping problems, and poor fruit quality. Although the Government offered fiscal incentives, the range of manufacturing activity remained small. The narrow productive base constrained the growth of budgetary revenue, but fiscal balance was preserved. The growth of current expenditure was restricted to less than the rise in GDP, while capital expenditure was financed solely with external aid.

Developments in the 1980s

Tonga's economic performance in the 1980s has been satisfactory, with real GDP growth averaging 3 percent annually. A cyclone in 1982 caused loss of life and damaged coconut and banana trees and buildings on the main island. Although agricultural production was depressed for a time, the adverse impact on growth was eased by the expansion in construction activity associated with the repair of cyclone damage, financed by official external aid and private insurance receipts. Agriculture subsequently recovered, partly because of the favorable response of copra production to increased domestic prices, and lent impetus to increased activity in the industrial and services sectors. During fiscal year 1987/88, real GDP declined by about 2 percent. Agricultural output was depressed by drought. Copra procurement was reduced sharply, interrupting production at the coconut processing plants, with adverse implications for overall industrial output.

While the expansion of domestic demand has not been excessive in recent years, the economy has experienced several periods of high rates of inflation. The availability of domestic supplies has had some influence on price developments, particularly in periods of food shortages, but the fluctuations have been mainly attributable to changes in the cost of imports from New Zealand. In periods when the pa'anga has depreciated against the New Zealand dollar, the rate of price increase has accelerated in Tonga. Although Tonga's retail trade is open to competition, the small size of the market and customary links make it difficult for new entrants to challenge the position of market leaders. In these circumstances, the benefits that may be achieved by diversifying the sources of imported supplies cannot be realized quickly.

Conservative guidelines were observed in the formulation of fiscal policy during the early 1980s. In order to maintain the ratio of domestic revenue to GDP, the Government increased import duties on several occasions, notably on tobacco, liquor, and petroleum products; raised postal service rates; and strengthened customs administration. By contrast, the growth in income tax revenue was sluggish, mainly because of concessions granted to encourage productive activities and personal savings. These measures included a lower corporate profit tax rate for export-oriented industries, higher personal income tax deductions, and education allowances. Current expenditure was stable in relation to GDP. Ministries were broadly successful in remaining within the approved budgets for most categories of spending. The main public enterprises did not require budgetary subsidies. Their capital expenditure was mostly financed through the central government budget with concessional external assistance. Increased central government development outlays were financed essentially with concessional assistance. The Government acquired a sizable net creditor position with the domestic banking system.

The central government budget moved into deficit during the mid-1980s, mainly because of rapid expenditure growth, but a surplus was recorded in fiscal year 1987/88, primarily because of expenditure restraint. Receipts remained stable in relation to GDP, despite a reduction in direct taxation aimed at promoting savings and investment. The maximum rate of income tax was reduced from 40 percent to 10 percent for individuals and 20–25 percent for most companies. To compensate for the revenue loss, a broadly based retail sales tax was

introduced. Between fiscal years 1984/85 and 1986/87, current expenditure rose steadily in relation to GDP because demands for supplementary allocations were reportedly approved in most spending categories. Subsidies were paid to the Commodities Board to help maintain copra procurement prices in the face of declining world prices and to the domestic airline. Development expenditure was unusually high in fiscal year 1984/85, when an aircraft was purchased for the domestic airline and in fiscal year 1986/87, when telecommunications equipment was obtained. In each of these years, the overall deficit reached 4 percent of GDP. For the latter project, Tonga undertook external commercial borrowing, which represented a break from the past. This enabled the Government to retain its net creditor position with the domestic banking system. In fiscal year 1987/88, a budget surplus of 2 percent of GDP was achieved, mainly as a result of restraint in current spending, and lower investment. In recognition of the importance of limiting extrabudgetary spending, legislation was introduced setting a ceiling on such spending of 5 percent of appropriations.

Monetary growth has been closely linked with balance of payments developments and the Government has seen little need to counteract the impact of external factors. Target rates of monetary expansion have not been established; the evolution of official international reserves has been taken as the indicator pointing to the appropriateness of monetary policy. After the 1982 cyclone, the Ministry of Finance issued guidelines requiring the Bank of Tonga to limit lending when foreign exchange reserves declined to below the equivalent of four months' imports and to completely cease new lending if reserves declined to below three months of imports. In view of the strength of the external position and the moderate demand for credit, these guidelines were only operational for a short period. The Bank of Tonga has not otherwise been subject to liquidity requirements or controls over its lending operations. For many years, most of its funds have been invested abroad, owing to the limited opportunities for domestic lending.

Interest rates have not been employed as a tool of economic management. Bank lending rates have been subject to a 10 percent ceiling that was established in legislation passed 50 years ago. Bank deposit rates have been commensurately low, with savings and time deposit rates set between 5 and 6.5 percent since 1981. With unchanged nominal rates, bank deposit and lending rates in real terms

have varied considerably and often been negative. In these circumstances, narrow money has continued to account for over 40 percent of total liquidity. The absence of any pronounced shift to savings and time deposits, even though alternative financial savings instruments were not available, has primarily reflected the low interest rates paid on these deposits. The differential with rates in Australia and New Zealand, that has existed for the past several years, has further discouraged domestic lending.

The balance of payments has been financed in recent years without difficulty. The external current account recorded surpluses averaging about 5 percent of GDP between fiscal years 1982/83 and 1986/87, although a deficit was recorded in fiscal year 1987/88, partly because the drought reduced exports and stimulated imports. Export performance has generally been disappointing, with little growth in output of traditional agricultural products. Among the limited range of manufactured exports, persistent growth has been registered only for knitwear, which has benefited from the special access to the Australian and New Zealand markets available to Pacific island producers. However, buoyant remittances and official grant assistance have financed a large and increasing share of imports. Official capital movements have normally registered a small inflow, reflecting concessional loan assistance. The exchange value of the pa'anga depreciated between 1985 and 1987 against the SDR, as a result of its link with the Australian dollar. In contrast to the experience of neighboring countries, the real effective exchange rate did not depreciate because of the high rate of inflation in Tonga stemming from the cost of imports from New Zealand. In fiscal year 1987/88, the exchange rate of the pa'anga appreciated in line with the appreciation of the Australian dollar. Despite the deterioration in the current account, the overall external payments position was in approximate balance and official international reserves were maintained at about five months of imports.

Table 1. Tonga: Gross Domestic Product by Sectoral Origin, Fiscal Years 1982/83–1987/88¹
(In millions of pa'anga at 1981/82 prices)

	1982/83	1983/84	1984/85	1985/86	1986/87	1987/88
Agriculture	21.8	22.2	24.2	25.0	25.9	23.1
Mining and quarrying	0.4	0.4	0.4	0.4	0.4	0.4
Manufacturing	4.8	5.0	5.3	6.1	6.3	6.6
Electricity and water	0.4	0.4	0.5	0.6	0.6	0.6
Construction	3.5	4.1	4.4	3.3	3.4	3.7
Wholesale and retail trade	5.7	5.7	6.3	6.7	6.9	7.2
Transport and communications	3.5	3.3	3.4	3.5	3.6	3.7
Finance and real estate	2.4	2.1	2.6	2.6	2.7	2.8
Community and social services	9.9	10.7	10.8	11.6	12.0	12.6
GDP at factor cost	52.4	53.9	57.9	59.8	61.9	60.7
Indirect taxes less subsidies	9.0	8.9	8.5	8.7	9.0	8.7
GDP at market prices	61.4	62.8	66.4	68.5	70.9	69.4
Monetary	45.6	47.3	50.0	51.9	53.7	52.6
Nonmonetary	15.8	15.5	16.4	16.6	17.2	16.8
Memorandum items:						
Change in real GDP (in percent)	1.2	2.4	5.6	3.0	3.5	-2.0
GDP at current market prices (in millions of pa'anga)	66.9	74.5	80.0	98.9	110.1	119.8

Sources: Data provided by the Tongan authorities; and Fund staff estimates.

¹Fiscal year July 1–June 30.

Table 2. Tonga: Consumer Price Index, Fiscal Years 1982/83–1987/88¹
(Annual average percentage change)

	Weights	1982/83	1983/84	1984/85	1985/86	1986/87	1987/88
Food	55.1	9.2	8.9	-5.8	37.7	6.0	14.4
Beverages and tobacco	8.5	6.8	24.5	5.6	22.4	5.5	14.3
Clothing and footwear	6.2	7.5	19.5	12.2	23.7	16.5	-1.1
Housing operations	3.8	10.7	7.9	7.6	21.8	15.1	1.1
Household items	12.4	8.4	3.5	9.0	26.7	3.4	6.1
Transport	6.1	2.6	6.2	13.1	12.0	5.6	-5.7
Miscellaneous	8.0	5.5	10.9	24.2	31.1	18.0	19.4
Overall index	100.0	8.0	9.4	1.7	31.2	7.5	11.2
					(End-of-period percentage change)		
Memorandum item:							
Overall index	100.0	3.9	4.3	11.4	28.1	2.2	15.3

Source: Data provided by the Tongan authorities.

¹Base period first quarter 1976 = 100.

Table 3. Tonga: Central Government Budget, Fiscal Years 1982/83–1987/88
(In millions of pa'anga)

	1982/83	1983/84	1984/85	1985/86	1986/87	1987/88
Revenue and grants	30.9	33.9	38.0	42.1	50.8	56.1
Tax revenue	12.0	12.4	15.8	18.6	21.1	24.8
Nontax revenue	5.8	5.2	6.2	7.8	8.4	11.1
External grants	13.1	16.2	15.9	15.8	21.3	20.2
Expenditure and net lending	30.4	33.0	41.3	42.9	55.1	54.0
Current expenditure	15.8	16.7	19.9	25.6	29.7	32.3
Development expenditure	14.2	15.4	20.4	17.1	24.9	20.3
Net lending	0.4	0.9	1.1	0.2	0.5	1.3
Overall balance	0.5	0.8	-3.3	-0.8	-4.3	2.1
Financing (net)	-0.5	-0.8	3.3	0.8	4.3	-2.1
External	0.2	0.7	1.4	0.1	7.0	1.0
Domestic banking system	-0.5	-1.8	1.7	0.7	-3.3	-3.1
Other domestic	-0.2	0.3	0.2	—	0.6	—
				(In percent of GDP)		
Memorandum items:						
Revenue and grants	46.2	45.5	47.5	42.6	46.2	46.8
Tax revenue	17.9	16.7	19.8	18.8	19.2	20.7
Nontax revenue	8.7	7.0	7.8	7.9	7.7	9.3
External grants	19.6	21.8	19.9	15.9	19.3	16.9
Total expenditure	45.4	44.3	51.7	43.4	50.0	45.0
Current expenditure	23.6	22.5	24.8	25.9	27.0	27.0
Development expenditure	21.2	20.7	25.5	17.3	22.6	17.0
Net lending	0.6	1.2	1.3	0.2	0.4	1.1
Overall balance	0.8	1.1	-4.2	-0.9	-3.9	1.8

Sources: Data provided by the Tongan authorities; and Fund staff estimates.

Table 4. Tonga: Central Government Revenue, Fiscal Years 1982/83–1987/88
(In millions of pa'anga)

	1982/83	1983/84	1984/85	1985/86	1986/87	1987/88
Tax revenue	12.0	12.4	15.8	18.6	21.1	24.8
Income and poll tax	2.4	2.4	2.4	2.8	2.7	3.6
Goods and services	0.3	0.3	0.4	0.4	2.6	3.0
Sales tax	0.1	0.1	0.1	0.2	2.3	2.8
License fees	0.2	0.2	0.2	0.2	0.3	0.2
International transactions	9.3	9.7	13.0	15.3	15.7	18.0
Import duties	4.9	5.1	6.4	6.9	7.6	9.0
Wharfage on goods	0.4	0.4	0.5	0.5	0.6	0.6
Ports and services tax	4.0	4.1	6.1	7.8	7.5	8.4
Airport tax	0.1	0.1	0.1	0.1	0.1	0.1
Nontax revenue	5.8	5.2	6.2	7.8	8.4	11.1
Government services ¹	4.6	3.9	4.3	5.6	5.3	5.8
Rents and investment income	0.9	0.9	1.5	1.8	2.3	3.4
Other ²	0.3	0.4	0.4	0.4	0.8	1.9
Total	17.8	17.6	22.0	26.3	29.5	35.9

Sources: Data provided by the Tongan authorities; and Fund staff estimates.

¹Excludes gross income from the post office.

²Includes net income from the post office and transfers from duty-free shops.

Table 5. Tonga: Central Government Current Expenditure, Fiscal Years 1982/83–1987/88
(In millions of pa'anga)

	1982/83	1983/84	1984/85	1985/86	1986/87	1987/88
Public administration	5.1	6.0	7.0	9.2	12.2	12.3
General administration	2.9	3.6	4.3	5.9	8.2	8.1
Fiscal administration	0.5	0.6	0.5	0.7	0.9	1.1
Law and order	1.7	1.8	2.2	2.6	3.0	3.1
Social and community services	5.0	5.3	6.1	7.6	8.5	9.8
Education	2.3	2.4	2.9	3.7	4.2	5.2
Health	2.2	2.3	2.6	3.2	3.3	3.6
Pensions and gratuities	0.4	0.4	0.4	0.5	0.6	0.7
Other	0.1	0.2	0.2	0.3	0.3	0.3
Economic services	5.5	5.0	6.0	7.1	7.4	7.7
Agriculture, forestry, and fishing	1.5	1.5	1.7	2.0	2.1	2.3
Tourism	0.2	0.2	0.2	0.2	0.2	0.3
Transport and works	3.2	2.8	3.9	4.7	5.0	5.1
Communications ¹	0.6	0.6	0.2	0.2	0.1	0.1
Other ²	0.2	0.4	0.8	1.6	1.7	2.5
Total	15.8	16.7	19.9	25.6	29.7	32.3

Sources: Data provided by the Tongan authorities; and Fund staff estimates.

¹Excludes post office expenditures.

²Includes STABEX transfers to the Commodities Board; excludes amortization on public debt and appropriations for the development budget and sinking funds.

Table 6. Tonga: Monetary Survey, Fiscal Years 1982/83–1987/88
(In millions of pa'anga; end of period)

	1982/83	1983/84	1984/85	1985/86	1986/87	1987/88
Net foreign assets	15.2	21.6	25.1	25.2	36.9	34.7
Domestic credit	7.8	6.4	8.9	13.0	12.1	17.7
Government (net) ¹	-2.2	-4.0	-2.3	-1.6	-4.9	-8.0
Private sector ²	10.0	10.4	11.2	14.6	17.0	25.7
Other items (net) ³	6.9	8.6	9.9	11.2	13.0	17.2
Total liquidity	16.1	19.4	24.1	27.0	36.0	35.2
Currency	2.5	2.8	2.9	4.2	4.4	5.6
Demand deposits	4.1	6.2	7.3	7.1	9.9	9.9
Savings deposits	4.7	5.0	7.1	8.2	10.5	11.3
Time deposits	4.8	5.4	6.8	7.5	11.3	8.5
				(Annual percentage change)		
Memorandum items:						
Private credit	20.2	3.9	7.7	30.2	16.2	51.3
Total liquidity	2.5	21.0	23.9	12.1	33.6	-2.2

Sources: Data provided by the Tongan authorities; and Fund staff estimates.

¹Includes aircraft loan to the Government.

²Includes public enterprises.

³Includes bills payable.

Table 7. Tonga: Interest Rate Structure, Fiscal Years 1982/83–1987/88

(In percent per annum; end of period)

	1982/83	1983/84	1984/85	1985/86	1986/87	1987/88
Bank of Tonga deposits						
Savings deposits ¹	5.00	5.00	5.00	5.00	5.00	5.00
Time deposits ²						
3 months	5.25	5.25	5.25	5.25	5.25	5.25
6 months	5.50	5.50	5.50	5.50	5.50	5.50
12 months	5.75	5.75	5.75	5.75	5.75	5.75
24 months	6.00	6.00	6.00	6.00	6.00	6.00
36 months	6.50	6.50	6.50	6.50	6.50	6.50
Bank of Tonga loans						
Housing						
Residence	7.50	7.50	7.50	8.50	8.50	8.50
Investment property	10.00	10.00	10.00	10.00	10.00	10.00
Personal ³	8.50–10.00	8.50–10.00	8.50–10.00	10.00	10.00	10.00
Commercial	8.50–10.00	8.50–10.00	8.50–10.00	10.00	10.00	10.00
Investment	10.00	10.00	10.00	10.00	10.00	10.00
Tonga Development Bank loans						
Agriculture	6.00	6.00	6.00	6.00	8.00	8.00
Export industries	8.00	8.00	8.00	8.00	8.00	8.00
Other	10.00	10.00	10.00	10.00	10.00	10.00

Source: Data provided by the Tongan authorities.

¹The minimum balance to earn interest is T\$15, and the maximum balance on which interest is payable is T\$15,000 for personal accounts and T\$50,000 for charitable organizations.²For deposits under T\$100,000; for deposits of T\$100,000 and over, the interest rates are 6.0 percent for 3 months, 6.25 percent for 6 months, 6.5 percent for 12 months, 6.5 percent for 24 months, and 6.75 percent for 36 months.³Including a loan fee of 0.5 percent.

Table 8. Tonga: Balance of Payments, Fiscal Years 1982/83–1987/88
(In millions of SDRs)

	1982/83	1983/84	1984/85	1985/86	1986/87	1987/88
Trade balance	-31.1	-27.3	-28.2	-30.1	-28.6	-33.9
Exports, f.o.b. ¹	3.5	7.2	8.8	5.3	5.5	4.3
Imports, f.o.b. ¹	-34.6	-34.5	-37.0	-35.4	-34.1	-38.2
Services, net	1.7	2.1	2.0	-0.4	2.6	2.6
Receipts	12.8	18.1	18.5	16.2	17.6	18.1
Payments	11.1	16.1	16.5	16.7	15.0	15.5
Private transfers, net	17.7	16.7	16.7	20.5	18.0	17.3
Receipts	21.7	19.8	18.9	22.8	20.5	19.7
Payments	4.0	3.1	2.2	2.3	2.6	2.4
Official transfers	13.9	14.0	12.5	10.2	11.4	11.0
Current account	2.3	5.5	3.0	0.1	3.4	-3.0
Official capital, net	0.3	0.7	0.9	-0.1	4.1	0.9
Receipts	0.5	1.0	1.4	0.4	4.4	1.9
Payments	0.2	0.3	0.6	0.5	0.4	1.0
Errors and omissions ²	-3.4	-0.7	-5.2	-2.3	-1.1	2.2
Overall balance	-0.8	5.5	-1.3	-2.3	6.4	0.1
Memorandum items:						
Current account (in percent of GDP)	3.9	8.6	4.7	0.1	5.8	-4.5
Pa'anga per SDR (period average)	1.15	1.15	1.28	1.56	1.85	1.82

Sources: Data provided by the Tongan authorities; and Fund staff estimates.

¹Including re-exports.

²Including the counterpart to valuation changes and net private capital flows.

Table 9. Tonga: Exports by Commodity, Fiscal Years 1982/83–1987/88

(Value in thousands of SDRs, volume in metric tons, unit value in SDRs per metric ton)

	1982/83	1983/84	1984/85	1985/86	1986/87	1987/88
Copra meal						
Value	8	74	67	43	44	2
Volume	58	709	355	1,321	1,671	68
Unit value	134	104	190	32	26	24
Coconut oil						
Value	405	2,835	4,131	1,338	1,000	718
Volume	1,096	3,281	4,262	4,253	4,108	2,001
Unit value	370	864	969	315	244	359
Desiccated coconut						
Value	170	506	531	378	373	252
Volume	232	532	463	575	875	400
Unit value	732	951	1,147	657	426	631
Bananas						
Value	188	423	589	666	995	431
Volume	845	1,558	2,381	3,149	4,974	1,852
Unit value	222	271	247	211	200	233
Vanilla beans						
Value	513	489	882	755	759	466
Volume	11	8	13	13	15	9
Unit value ¹	48	60	66	59	52	51
Root crops ²						
Value	152	168	324	123	140	191
Watermelons						
Value	224	529	357	125	2	2
Fish						
Value	271	337	448	415	669	731
Other (value) ³	1,592	1,859	1,501	1,417	1,568	1,466
Total (value)	3,523	7,219	8,830	5,258	5,550	4,259

Sources: Data provided by the Tongan authorities; and Fund staff estimates.

¹Per kilo.²Root crops comprise taro, yams, and cassava.³Including re-exports.

Table 10. Tonga: Imports by Commodity Group, Fiscal Years 1982/83–1987/88
(In millions of SDFs)

	1982/83	1983/84	1984/85	1985/86	1986/87	1987/88
Food	7.2	7.3	8.4	7.8	7.8	10.3
Beverages and tobacco	1.9	1.7	2.2	2.0	2.0	1.8
Raw materials	2.3	2.0	1.9	1.8	2.0	1.6
Mineral fuels	4.8	4.5	3.9	3.9	3.3	3.4
Oils and fats	0.1	0.1	0.1	0.1	0.1	0.1
Chemicals	2.0	1.8	2.0	2.7	2.4	2.2
Manufactured goods	6.7	6.2	7.0	6.0	5.6	5.1
Machinery and transport equipment	6.7	7.6	8.5	7.4	7.2	9.9
Other	2.9	3.3	3.0	3.7	3.8	3.8
Total	34.6	34.5	37.0	35.4	34.1	38.2

Sources: Data provided by the Tongan authorities; and Fund staff estimates.

Table 11. Tonga: External Debt and Debt Service, Fiscal Years 1982/83–1987/88
(In millions of SDRs)

	1982/83	1983/84	1984/85	1985/86	1986/87	1987/88
External debt (end of period)	20.3	19.9	20.7	22.3	27.6	28.9
United Kingdom	4.2	3.1	2.8	2.7	2.4	3.1
Germany, Federal Republic of	10.1	9.7	9.3	11.2	12.6	11.4
Asian Development Bank	4.4	5.2	6.4	6.1	6.2	6.9
European Investment Bank	0.6	0.9	1.1	1.1	1.3	1.5
International Development Association	—	—	—	—	—	0.3
International Fund for Agricultural Development	—	—	0.2	0.6	0.6	1.0
OPEC Fund	1.0	1.0	0.9	0.6	0.6	0.3
Commercial loans	—	—	—	—	3.9	4.5
Debt service	0.5	0.5	0.9	0.8	0.7	1.6
Amortization	0.2	0.3	0.5	0.4	0.4	1.0
Interest	0.3	0.2	0.4	0.4	0.3	0.6
Memorandum items:						
External debt (in percent of GDP)	34.8	30.9	33.0	35.2	46.8	44.3
Debt service (in percent of exports of goods, services, and private transfers)	1.4	1.1	2.0	1.9	1.6	3.8

Source: Data provided by the Tongan authorities.

Table 12. Tonga: International Reserves, Fiscal Years 1982/83–1987/88

(In millions of SDRs; end of period)

	1982/83	1983/84	1984/85	1985/86	1986/87	1987/88
Assets	12.9	18.2	17.1	15.2	21.4	21.3
Government	1.1	1.3	1.4	1.1	1.5	1.5
Treasury	0.5	0.4	0.5	0.4	0.6	0.5
Currency Commissioners	0.6	0.9	0.9	0.7	0.9	1.0
Reserve position in IMF	—	—	—	0.7	0.8	0.7
Bank of Tonga	11.8	16.9	15.7	13.4	19.1	19.1
Bank of Tonga liabilities	0.3	0.1	0.3	0.8	0.5	0.3
Net total reserves	12.6	18.1	16.8	14.5	20.9	21.0
Memorandum items:						
Assets (in months of imports)	3.8	5.2	4.6	4.2	6.1	5.5
Pa'anga per SDR (end of period)	1.22	1.19	1.49	1.72	1.79	1.64

Source: Data provided by the Tongan authorities.

