



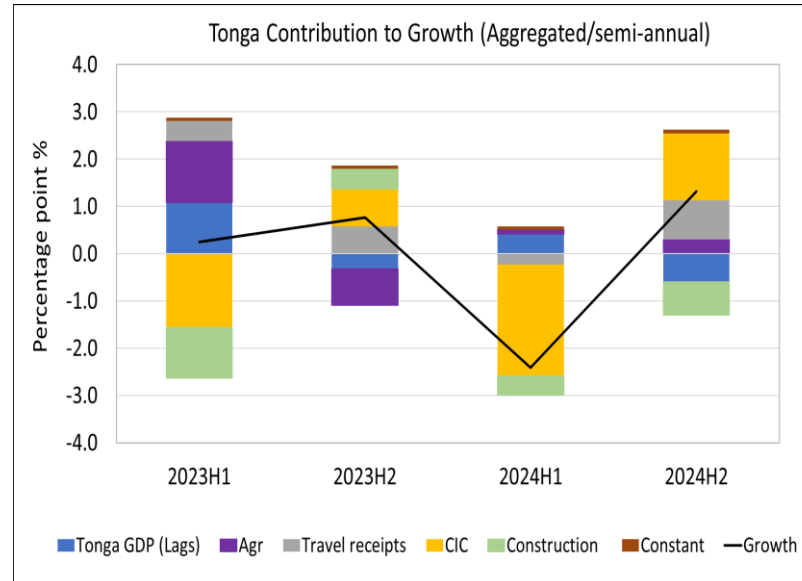
NATIONAL RESERVE BANK OF TONGA

Tonga GDP Nowcast

The Tonga GDP Nowcast is an estimate of Tonga's GDP based on a specific econometric model. GDP nowcast estimates are revised on a monthly basis based on the update of available monthly indicators used as explanatory variables. The variables used for estimation are:

- Total volume of agriculture production (Agr)
- Construction permits (Construction)
- One period lag of GDP growth (Tonga GDP/Lags)
- Currency in circulation (CIC)
- Travel Receipts

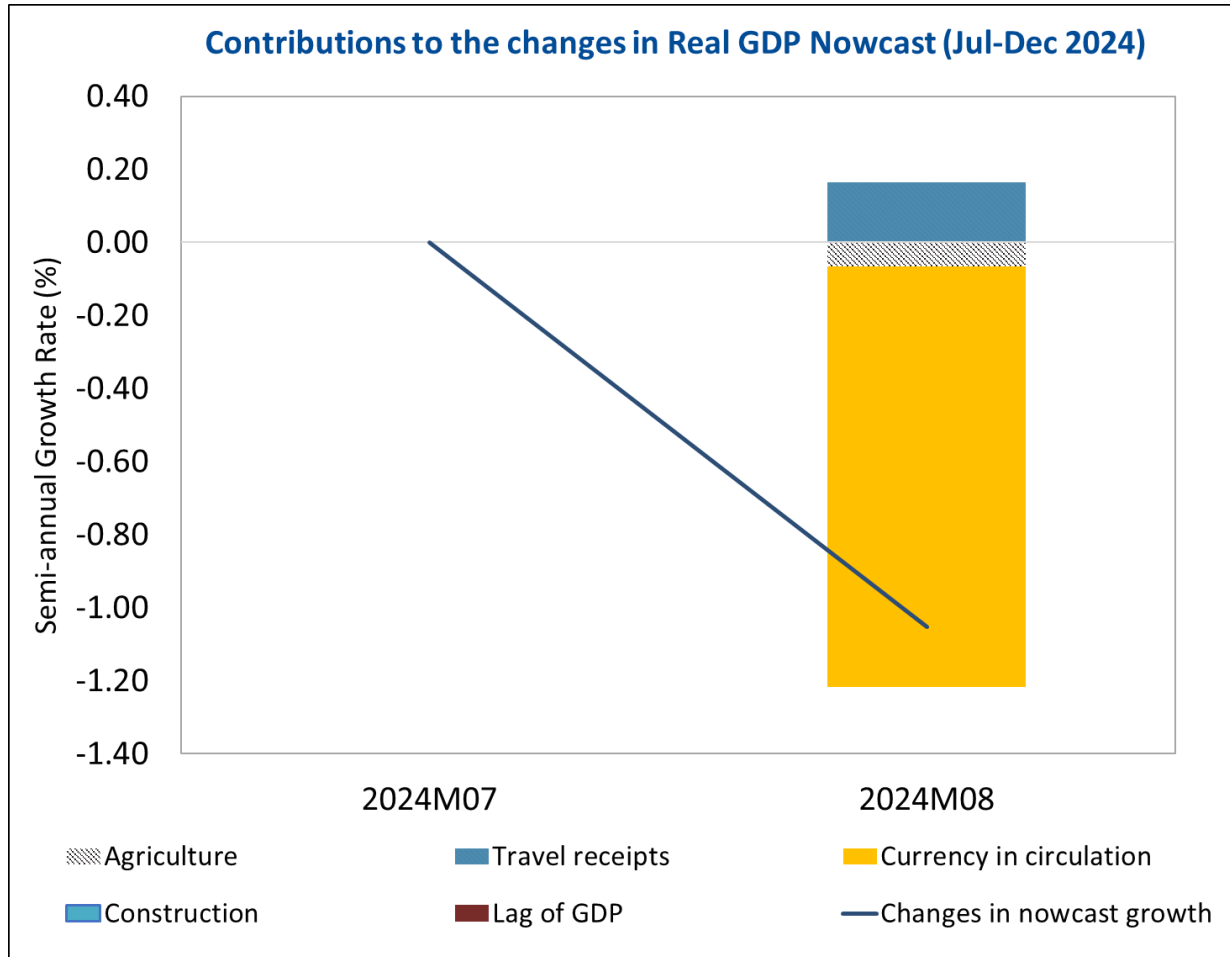
GDP estimates provided herewith are not the finalized official forecast of the NRBT, nor the official GDP figures, but rather a recurring monthly estimate for the current estimated period for first-half of FY2025.



- On a semi-annual basis (6 months period July – December 2024) the second nowcast round for GDP growth was estimated at 1.32% from a previous estimated growth of 2.37% in the first round nowcast.
- Nowcasted downward growth for 2024H2 was largely influenced by:
 - Decline in currency in circulation, and agricultural production.
 - However, travel receipts recorded a slight pick up of 0.16 percentage points in the second round GDP nowcast. This largely moves in line with influx of participants for the Pacific Island Forums Meeting held in the last week of August 2024.



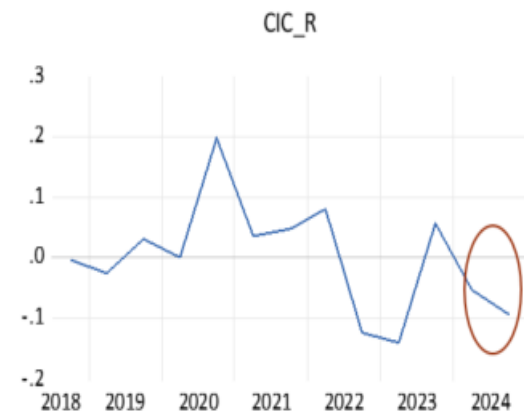
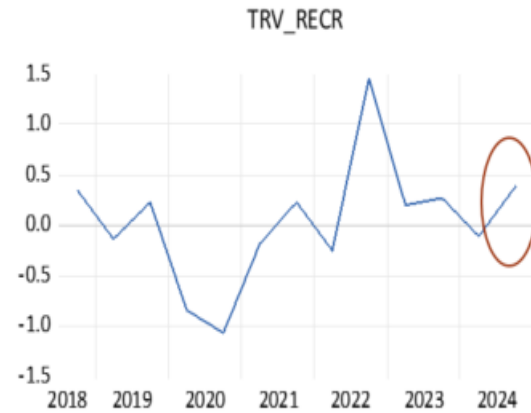
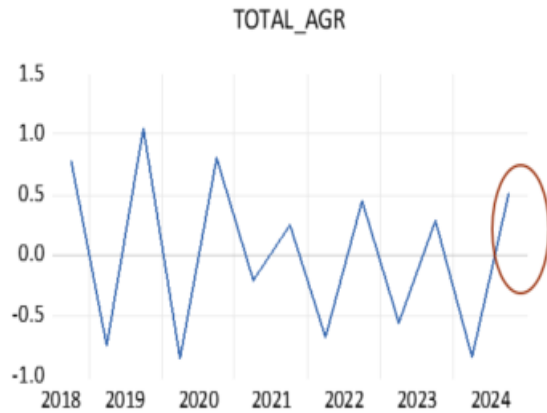
Variables used in the GDP Nowcast model



- The first round nowcast for GDP estimated a semi-annual growth of 2.37%, positively influenced by positive improvements in agricultural productions, travel receipts and currency in circulation.
- However, with the update of actual data for August 2024, estimated performance for currency in circulation and agriculture both recorded an estimated decline by 1.15 percentage points (ppt), and 0.07 ppt, respectively.
- Travel receipts remained strong with a contribution growth of 0.16 ppt from the first round GDP nowcast.



Variables used in the GDP Nowcast model



Notes:

- Total_Agr: Total agriculture productions
- TRV_RECR: Travel receipts
- CIC_R: Currency in circulation

- Currency in circulation is estimated to slow down following a hike in the second half of 2023 largely supported by remittance/travel receipts and donor funds.
- However, it should be noted that the model employed is a reduced form model and follows the direction of the regressors in the model.
- The graph depicts a downward growth trend in currency in circulation and the lag of GDP growth.
- Agriculture is showing signs of recovery in the second half of 2024 along with travel receipts due to major events such as PIF in the lead up to August 2024.
- Figures are subject to change on a monthly basis upon the update of actual data, which can alter the GDP nowcast for first half of FY2025.
- Actual data for regressors were from August 2024 (except for domestic agricultural data still in Q2 2024), where figures for September-December were calculated using ARIMA forecast.