

TONGA

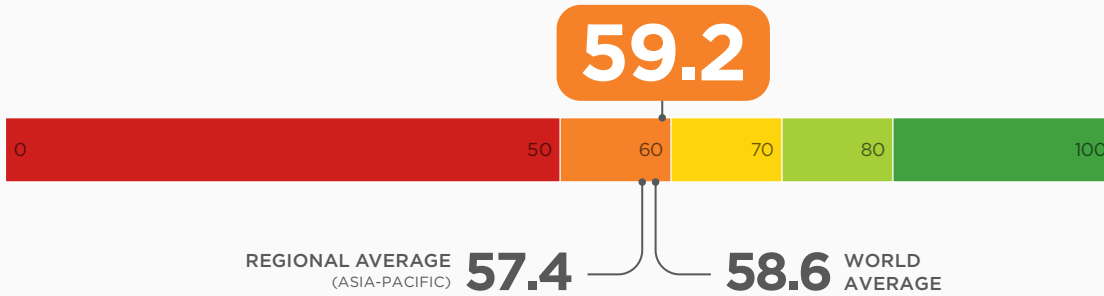
WORLD RANK: **85** | REGIONAL RANK: **16**

ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

Tonga's economic freedom score is 59.2, making its economy the 85th freest in the 2024 *Index of Economic Freedom*. Its rating has decreased by 0.8 point from last year, and Tonga is ranked 16th out of 39 countries in the Asia-Pacific region. The country's economic freedom score is higher than the world and regional averages. Tonga's economy is considered "mostly unfree" according to the 2024 *Index*.

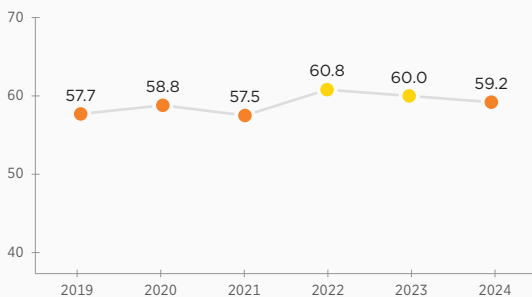
The institutional capacity for long-term economic development remains weak. The judicial system is inefficient and lacks transparency. A lack of commitment to opening markets deters investment growth and the emergence of a dynamic private sector. Implementation of relatively sound regulations remains ineffective. No minimum capital is needed to establish a business, but the process can be time-consuming. The labor market is not fully developed, and informal labor is considerable. Inflationary pressure continues. Tonga's economy remains heavily dependent on foreign aid and overseas remittances.

ECONOMIC FREEDOM SCORE



HISTORICAL INDEX SCORE CHANGE (SINCE 2009): +5.1

RECENT FREEDOM TREND

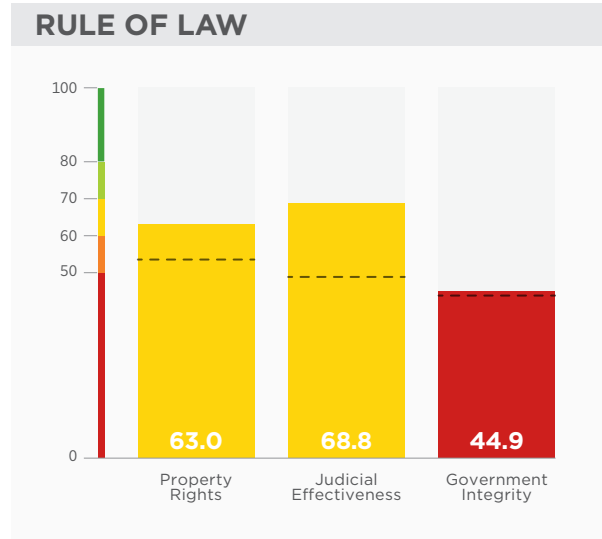


QUICK FACTS

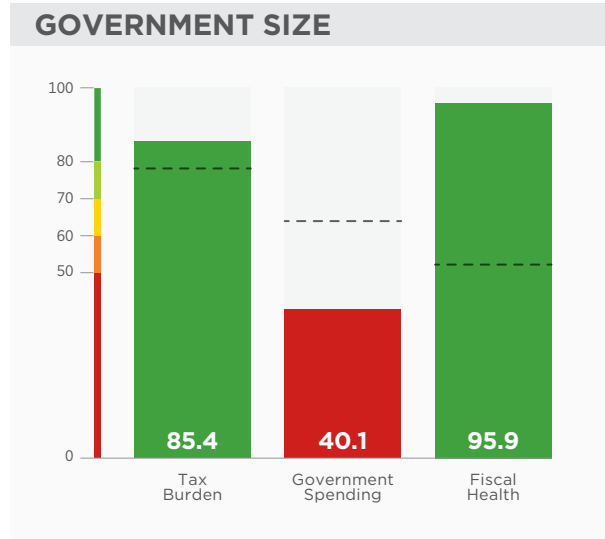
POPULATION: 0.1 million	UNEMPLOYMENT: 4.0%
GDP (PPP): \$668.0 million -2.0% growth in 2022 5-year average growth rate: -0.6% \$6,686 per capita	INFLATION (CPI): 8.5%
	FDI INFLOW: \$3.0 million
	PUBLIC DEBT: 45.4% of GDP

2022 data unless otherwise noted. Data compiled as of October 2023.

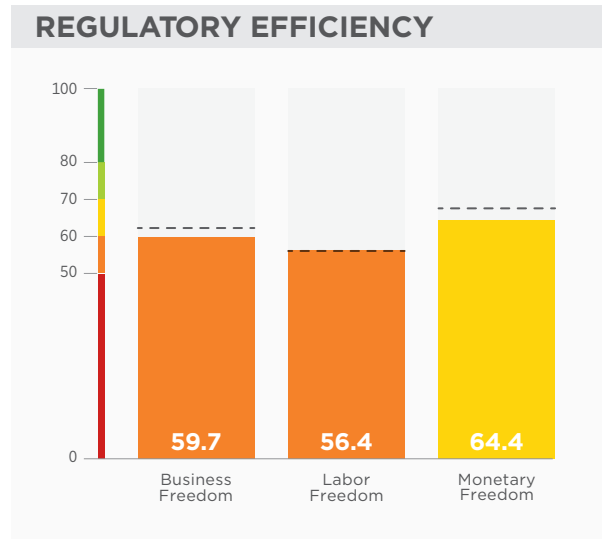
12 ECONOMIC FREEDOMS | TONGA



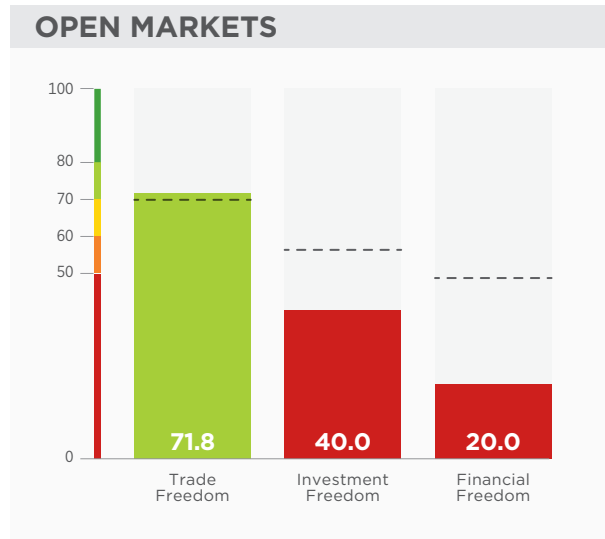
The overall rule of law is relatively well respected in Tonga. The country's property rights score is above the world average; its judicial effectiveness score is above the world average; and its government integrity score is above the world average.



The top individual income tax rate is 20 percent, and the top corporate tax rate is 25 percent. The tax burden equals 20.9 percent of GDP. Three-year government spending and budget balance averages are, respectively, 44.7 percent and 1.2 percent of GDP. Public debt amounts to 45.4 percent of GDP.



Tonga's overall regulatory environment is relatively well institutionalized but lacks efficiency. The country's business freedom score is below the world average; its labor freedom score is above the world average; and its monetary freedom score is below the world average.



The trade-weighted average tariff rate is 6.6 percent, and nontariff barriers further raise the cost of trade. Regulation of many investment activities is stringent. The legal system impedes efficient lending, and the lack of reliable information on creditworthiness increases credit costs. There are no capital markets.