

GLOBAL OUTLOOK (IMF WORLD ECONOMIC OUTLOOK, OCTOBER 2026)

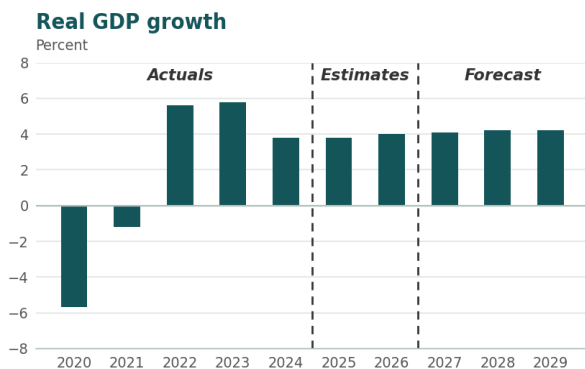
WORLD GROWTH 3.1% 3.4% in 2027 <i>2026 projection</i>	ADVANCED ECONOMIES 2.1% 1.8% in April WEO <i>2026 projection</i>	EMERGING & DEVELOPING 3.7% 4.4% in 2027 <i>2026 projection</i>	GLOBAL INFLATION 4.7% 4.1% in 2027 <i>2026 projection</i>	OIL PRICE US\$95.7/bbl ~41% above 2025 <i>2026 average</i>
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The IMF describes a split global economy: energy importers with little connection to the technology boom face higher import costs, weaker real incomes and tighter fiscal space. As a fuel-importing small island economy, Vanuatu is exposed to these pressures. Source: IMF, World Economic Outlook, October 2026.

KEY DOMESTIC INDICATORS

NOMINAL GDP VT 176.0bn US\$1.5bn <i>2026 estimate</i>	NOMINAL GDP PER CAPITA VT 512,545 <i>2026 estimate</i>	REAL GDP GROWTH +4.0% <i>2026 estimate</i>	CURRENT ACCOUNT BALANCE -VT 22.3bn <i>2024 annual</i>	ANNUAL CPI INFLATION 1.2% <i>Q2 2026</i>
RECURRENT REVENUE VT 39.1bn 73.5% of target <i>Jan–Aug 2026</i>	RECURRENT EXPENSE VT 31.1bn 63.2% of target <i>Jan–Aug 2026</i>	NET OPERATING BALANCE VT 8.0bn surplus <i>Jan–Aug 2026</i>	NET LENDING / BORROWING VT 3.8bn net lending <i>Jan–Aug 2026</i>	GOVERNMENT DEBT VT 63.2bn 35.9% of 2026 GDP <i>June 2026</i>

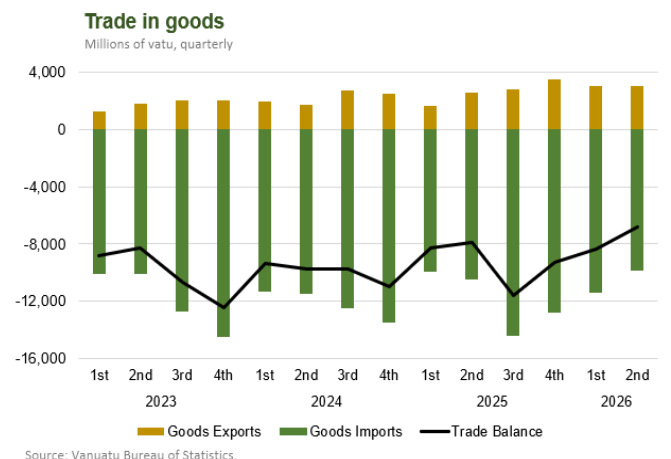
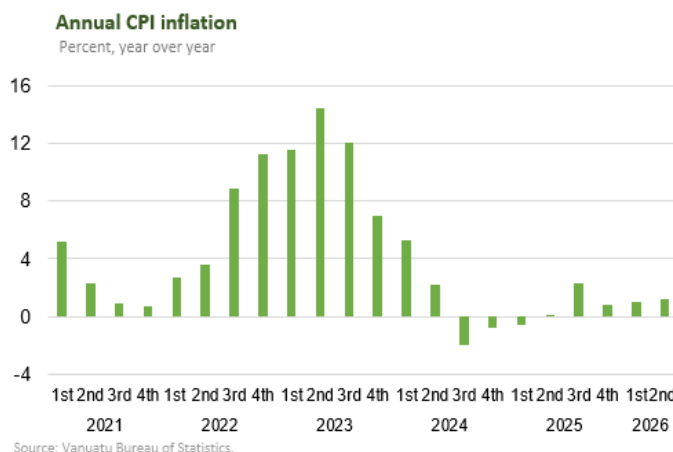
ECONOMIC ACTIVITY



At its second 2026 meeting, the Macroeconomic Committee revised the 2026 real GDP growth projection upward to 4.0 percent, from 3.8 percent at MEC 1 2026, with 4.1 percent expected in 2027, driven by construction, post-earthquake rebuilding, agriculture, and services.

There were 11,183 visitor arrivals by air in June 2026, the highest monthly totals on record for the period, representing a 34 percent up from June 2025. Meanwhile, cruise ship visitors (6,661) were broadly unchanged from June 2025 with a marginal decline of 1 percent in 2026, with cruise arrivals in Q2 2026 falling by 33 percent compared with the previous quarter.

PRICES AND TRADE



Annual CPI inflation rose from 0.8 percent in Q4 2025 to 1.0 percent year-over-year in Q1 2026, before edging up to 1.2 percent in Q2 2026, remaining comfortably within the RBV's 0-4 percent target band.

Vanuatu recorded a deficit on trade in goods of VT 6.8 billion in Q2 2026, with exports remaining stable from Q1 2026 to Q2 2026, while lower imports since Q3 2025 contributed to an improvement in the trade balance.

Economic and Fiscal Indicator Factsheet

DEPARTMENT OF FINANCE AND TREASURY

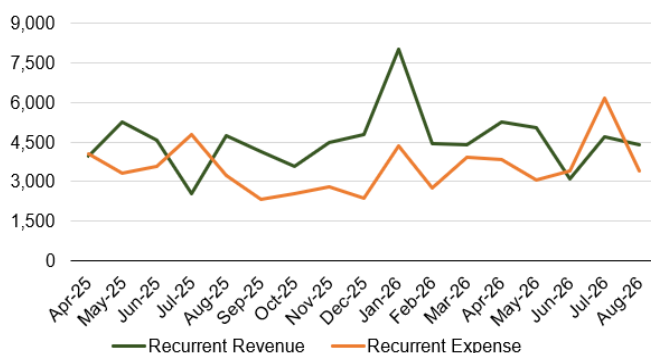
GOVERNMENT OF VANUATU

SEPTEMBER 2026

FISCAL POSITION

Recurrent revenue and expense

Millions of vatu, monthly



Source: Department of Finance and Treasury

Net operating balance

Millions of vatu, monthly



Source: Department of Finance and Treasury

Monthly recurrent revenue was uneven over January-August 2026 with deficits recorded in June and July, while cumulative recurrent revenue from January-August reaching VT 39.1 billion, 73.5 percent of the annual budget target. Recurrent expense over the same period was VT 31.1 billion, equivalent to 63.2 percent of the annual budget target.

As a result, the recurrent net operating balance recorded a surplus of VT 8.0 billion over January-August 2026, despite recording deficits in several months, while the net lending position stood at VT 3.78 billion, after VT 4.2 billion of net acquisition of non-financial assets (excluding donor-funded acquisitions) over the same period.

GLOBAL ECONOMIC UPDATE

- The IMF's October 2026 World Economic Outlook (WEO), released on 13 October 2026, projects global growth of 3.1 percent in 2026 and 3.4 percent in 2027. The 2026 projection is unchanged from the April 2026 WEO and 0.1 percentage point higher than the July 2026 Update, as activity in the first half of 2026 held up better than expected despite the war in the Middle East, supported by strong investment in artificial intelligence.
- Advanced economies are projected to grow by 2.1 percent in 2026, while emerging market and developing economies are revised down to 3.7 percent, before picking up to 4.4 percent in 2027. Growth is projected at 2.3 percent in the United States, 1.1 percent in the euro area, 0.7 percent in Japan and 4.5 percent in China.
- Global headline inflation is projected to rise to 4.7 percent in 2026 before easing to 4.1 percent in 2027, mainly reflecting higher energy and food prices. Oil prices are assumed to average US\$95.74 a barrel in 2026, about 41 percent above 2025, with the Strait of Hormuz assumed to reopen in March 2027.
- The IMF describes a split global economy in which energy importers with little connection to the technology value chain face higher import costs, exchange rate pressures, weaker real incomes and more constrained fiscal space. Risks are skewed to the downside, including a prolonged conflict in the Middle East keeping energy and food prices elevated. As a fuel-importing small island economy, Vanuatu is exposed to these pressures, mainly through fuel and import prices.

GDP AND THE REAL SECTOR

- The Macroeconomic Committee (MEC) convened its second 2026 meeting on July 10, 2026, and revised its 2026 real GDP growth projection upward to 4.0 percent, from 3.8 percent at MEC 1 2026, with growth expected to reach 4.1 percent in 2027. GDP is estimated to have grown by 3.8 percent in 2025. Nominal GDP is estimated at VT 176.0 billion in 2026, up 7.4 percent from an estimated VT 163.9 billion in 2025.
- Agriculture, fishing, and forestry is estimated to have grown by 5.0 percent in 2025 and is projected to grow by 4.4 percent in 2026, supported by continued strength in crop production. Kava remained strong, with high prices driven by a spike in demand rather than a lack of supply.

- Industry remains the fastest-growing sector, expanding by an estimated 8.6 percent in 2025 and a projected 9.8 percent in 2026, driven by continued construction activity and post-earthquake rebuilding, including government infrastructure projects carried over into 2026 and 2027.
- Services are estimated to have grown by 3.3 percent in 2025 and is projected to grow 3.8 percent in 2026 and 3.9 percent in 2027, reflecting activity in wholesale and retail trade, transport, banking, and telecommunications, the latter supported by the Tamtam submarine cable, expected to be operational by end-2027, although oil-dependent sectors face downside risks.

Percent, annual growth	Actuals					Estimates		Forecast		
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Agriculture, fishing, and forestry	-2.9	2.3	2.3	2.3	3.9	5.0	4.4	3.7	4.0	3.7
Industry	0.3	-0.4	-0.8	14.9	11.0	8.6	9.8	8.9	7.7	7.1
Services	-7.8	0.2	5.8	6.8	2.6	3.3	3.8	3.9	3.6	3.7
Real GDP growth (2006 prices)	-5.7	-1.2	5.6	5.8	3.8	3.8	4.0	4.1	4.2	4.2

LABOR MARKET

- The number of active VNPF contributing members stood at 109,133 in Q3 2025 (the latest quarter available in the Q2 2026 QSI update), up 11.7 percent from a year earlier.
- Of this number, 66,851 (61.3 percent) were male, and 42,282 (38.7 percent) were female, highlighting persistent gender disparities in access to formal employment.

Economic and Fiscal Indicator Factsheet DEPARTMENT OF FINANCE AND TREASURY GOVERNMENT OF VANUATU

SEPTEMBER 2026

INFLATION AND MONETARY SECTOR

- Annual CPI inflation rose from 0.8 percent in Q4 2025 to 1.0 percent year-over-year in Q1 2026, before edging up to 1.2 percent in Q2 2026, remaining comfortably within the RBV's 0-4 percent target band. The RBV projects inflation to increase further but remain within the target band throughout 2026.
- Broad money (M2) grew by 9.3 percent year-over-year to VT 148.1 billion in July 2026, driven by both domestic credit and net foreign assets. Private sector credit rose by 11.0 percent year-over-year, to VT 77.1 billion in July 2026 (down 0.2 percent on June).
- Banking system liquidity remains ample: reserve money reached VT 57.6 billion in July 2026, with excess reserves of VT 31.1 billion well above the RBV's minimum excess reserves level of VT 7 billion..
- In July 2026, the average interest rates on foreign currency and Vatu-denominated deposits stood at 0.8 and 0.3 percent, respectively, while lending rates remained broadly stable relative to previous months at 6.3 and 8.2 percent, respectively, on foreign currency and Vatu-denominated loans.
- The RBV Board maintained its monetary policy stance at the end of July 2026: the RBV rate was held at 2.75 percent, the Statutory Reserve Deposit Ratio at 5.5 percent, the Capital Adequacy Ratio at 12.0 percent, and the Liquid Asset Ratio at 5.0 percent, alongside the launch of the enhanced monetary and prudential policy framework in July 2026. No further updates were made to this stance as of September 2026.

BALANCE OF PAYMENTS

- Goods exports totaled VT 3.1 billion in Q2 2026, remaining largely unchanged relative to Q1 2026 but well above the VT 2.6 billion recorded in Q2 2025. Goods imports totaled VT 9.9 billion, down from VT 11.4 billion in Q1 2026, as earthquake reconstruction-related import demand moderated.
- This led to a deficit on trade in goods of VT 6.8 billion in Q2 2026, an improvement on the VT 8.37 billion deficits in Q1 2026, as well as the VT 8.28 billion deficits recorded in the same quarter of 2025. Services exports totaled VT 4.3 billion in Q4 2024 (the latest available data), against services imports of VT 7.7 billion, a services account deficit of VT 3.4 billion.
- Net foreign assets increased 9.7 percent year-over-year to VT 107.2 billion in July 2026, supported by continued inflows from investment income abroad and government- and donor-related projects. Gross official foreign reserves stood at VT 82.4 billion in July 2026 (up 4.1 percent year-over-year), equivalent to more than 14 months of import cover.
- At the end of July 2026, the Vatu appreciated against the US dollar and euro compared to the previous month, whereas the Vatu depreciated against the Australian dollar and New Zealand dollar. The appreciation of the Vatu against the USD may reduce the competitiveness of one of Vanuatu's key exports, kava, in the United States (a key

export market for kava), while the depreciation against the AUD and NZD is expected to make imports sourced from these countries more expensive. This will be partially offset by cheaper imports, in Vatu terms, sourced via the United States and Europe. Exchange rate movements are also limited given Vanuatu's managed exchange rate regime.

FISCAL DEVELOPMENTS

- Recurrent revenue (excluding donor funds) reached VT 39.14 billion from January-August 2026, 73.5 percent of the annual budget target of VT 53.24 billion and 11.3 percent higher than a year earlier. Strong revenue performance was driven by the Honorary Citizenship Program, with VT 16.5 billion in receipts comprising 80.8 percent of the annual budget target, as well as taxes on goods and services (VT 18.5 billion, 77.8 percent of annual target), including value-added taxes (VT 12.1 billion, 76.8 percent of annual target).
- Recurrent expense totaled VT 31.1 billion from January-August 2026 (63.2 percent of budget target). Major underspends were in compensation of government employees (61.8 percent of annual target), use of goods and services (56.8 percent of annual target), and subsidies (19.7 percent of annual target).
- This yields a recurrent net operating surplus of VT 8.0 billion and a net lending position of VT 3.8 billion from January-August 2026. Including donor funds, combined revenues over January-August 2026 totaled VT 43.8 billion against combined expenses of VT 33.3 billion, a combined net operating balance of VT 10.5 billion (donor component: VT 2.5 billion).
- Transactions in non-financial assets, including donor-funded acquisitions, over January-August 2026 were VT 7.8 billion, only 42.8 percent of the annual budget target. This is partly due to weather-related delays and capacity constraints.
- Total public debt stood at VT 63.2 billion in June 2026, 35.9 percent of estimated 2026 GDP, predominantly external (approximately VT 43.7 billion, against domestic debt of approximately VT 17.8 billion and guarantees of VT 1.5 billion).