DEPARTMENT OF FINANCE & TREASURY
GOVERNMENT OF VANUATU

QUARTERLY ECONOMIC REPORT

Q2 of 2025

The Quarterly Economic Report (QER) series are produced by the Economics Unit of the Department of Finance and Treasury discussing Vanuatu's fiscal position, net export of goods and services, inflation, money supply and exchange rate

Introduction

The Department of Finance and Treasury is pleased to publish its Quarterly Economic Report for the second quarter of 2025. The report contains economic analysis based on quarterly statistical indicators published by the National Statistics Office, the Department of Finance and Treasury, the Reserve Bank of Vanuatu and the Department of Customs and Inland Revenue.

The report briefly discusses global developments before focusing on developments in the domestic economy, starting with the Government's fiscal position. The analysis of the productive sector includes copra, coconut oil, kava, coffee, cocoa, and beef. Trends in visitor arrivals were also considered in detail. The analysis of imports of construction materials continues to be a good indicator of construction activities driven by both government and donor-funded projects. The report goes on to consider several monetary indicators, including Consumer Price Index (CPI) measures of inflation, exchange rate developments with our major trading partners, and changes in the overall money supply.

The analyses in this report reflect the views of the Department of Finance and Treasury staff. For any queries, please contact the Economics Section at the Department of Finance and Treasury.

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Contents

Executive Summary

Global economic growth is projected, in the IMF April 2025 WEO outlook, to decline to 2.5 per cent in 2025 before recovering to 3.0 per cent in 2026. This downward revision is largely driven by escalating trade tensions and persistent policy uncertainty. Slower growth in United states, the euro Area, and emerging Asia further weakens the global outlook. Additionally, the April tariff measures continue to hinder growth in both Advanced economies and Emerging markets and developing countries (EMDEs).

Inflation is projected to decline gradually reaching 4.3 per cent in 2025 and 3.6 per cent in 2026. Advanced economies are expected to hit near-target inflation of 2.2 per cent by 2026, while emerging markets will slow to 4.6 per cent. Although forecasts have improved, inflation remains above pre-pandemic levels due to trade uncertainty, weaker consumption and investment, tighter financial conditions and exchange rate volatility.

The Asian development Bank projects Pacific growth to remain moderate at 3.9 per cent in 2025 and 3.6 in 2026, driven mainly by tourism but slowing overall. Papua New Guinea (PNG)'s growth will ease to 4.2 per cent and 3.8 percent due to weaker mining, while tourism supports Cook Islands, Fiji, and Samoa. Inflation is expected to rise from 1.9 per cent in 2025 to 3.7 per cent in 2026, largely because of PNG's currency depreciation despite falling global oil prices. Pacific economies face climate risks, limited financial inclusion, and external shocks, prompting policy recommendations for digital transformation, fiscal discipline, and private investment to build resilience.

Vanuatu's economy shows cautious optimism following setbacks from the December 2024 earthquake. Airline and education issues, supported by recovery efforts, tourism rebound, and government interventions. Growth is projected at 3.7 per cent in 2025, rising to 3.1 per cent in 2026, averaging 4.0 per cent over the medium term. Agriculture benefits from favourable weather, lifting growth to 2.9 per cent in 2025 and 3.1 per cent in 2026. despite weak commodity exports. Industry growth slows to 8.1 per cent in 2025 due to earthquake impacts but is expected to rebound to 9.2 per cent in 2026 on reconstruction and infrastructure projects. Services remain resilient at 3.9 per cent in 2025, easing to 3.7 per cent in 2026, despite airline liquidation and education disruptions.

Development overseas

World Economic Outlook

The IMF April 2025 outlook projected the global economy to decelerate to 2.8 per cent in 2025 and rise to 3.0 per cent in 2026, reflecting the advancing trade tensions and policy uncertainty. Growth remains steady but underwhelming after a series of global shocks. The effective tariff rate is at a level not seen in a century, contributing to a highly unpredictable environment. This downward revision reflects the decline of growth in the USA, the Euro Area, and emerging and developing Asia.

Table 1: Global Economic Outlook: Real GDP (year-over-year change; per cent)

World Economic Outlook									
	2022	2023	2024	2025	2026	2027	2028	2029	2030
Word Output	3.6	3.5	3.3	2.8	3.0	3.2	3.2	3.2	3.1
Advanced economies	2.9	1.7	1.8	1.4	1.5	1.7	1.7	1.7	1.7
United States	2.5	2.9	2.8	1.8	1.7	2.0	2.1	2.1	2.1
Euro area	3.5	0.4	0.9	0.8	1.2	1.3	1.3	1.2	1.1
Japan	0.9	1.5	0.2	0.6	0.6	0.6	0.6	0.5	0.5
Emerging Markets and Developing Economies	4.1	4.7	4.3	3.7	3.9	4.2	4.1	4.1	4.0
China	3.1	5.4	5.0	4.0	4.0	4.2	4.1	3.7	3.4

Source: International Monetary Fund, World Economic Outlook (WEO), April 2025

Growth in the advanced economies is projected to subside from 1.8 per cent in 2024 to 1.4 per cent in 2025, a 0.5 per cent point lower for 2025 compared to the January 2025 outlook. The downward revision primarily reflects significant cuts to the growth forecasts for Canada, Japan, the United Kingdom, and the United States due to the greater policy uncertainty, trade revisions, and a softer demand outlook, the growth in the USA is projected to slow down in 2025 to 1.8 percent. In the Euro Area, projected growth is revised down slightly to 0.8 per cent in 2025, before increasing modestly to 1.2 per cent in 2026. Rising uncertainty and tariffs influenced this decline in the area, while growth is anticipated to accelerate in 2026, driven by a growth uptick in Spain.

Growth performance in Emerging markets and developing economies is forecasted to decelerate to 3.7 per cent in 2025 before strengthening to 3.9 per cent in 2026, owing largely to the implementation of April tariffs in emerging and developing Asia. China's Growth was downgraded to 4.0 per cent compared to 4.6 percent forecasted in January 2025 WEO. Growth in 2026 is expected to increase by 4.0 per cent to reflect the prolonged policy uncertainty and the current tariffs. India forecasted a stable growth of 6.2 per cent in 2025, driven by private consumption but offset by a higher level of trade tensions and global uncertainty. A moderate growth is anticipated for Latin America and the Caribbean, while emerging and developing Europe is projected to slow down due to the decline of growth in Russia caused by the reduction in private consumption and investment. The emerging economies are commonly impacted by the heightened global uncertainty, following the geo-political and trade tensions.

Global headline inflation is estimated to contract, but at a slower pace than previously forecasted at 4.3 per cent in 2025 and 3.6 percent in 2026. In advanced economies, inflation is expected to converge to target, reaching 2.2 per cent in 2026, while inflation in emerging economies is forecasted to decelerate to 4.6 per cent over the same period. The inflation forecast has been improved but has not yet returned to the pre-pandemic level, driven currently by trade tariffs that is affecting productivity and increasing unit cost. This leads to negative demand shocks in the tariffed countries and trade uncertainty, weakening consumption and investment, and influencing tighter financial conditions and exchange rate volatility.

Risks are tilted to the downside, with escalating trade tensions and financial market adjustments. Rapidly shifting policy positions could tighten global financial conditions and trigger capital outflows. Emerging markets are particularly vulnerable to abrupt changes in sentiment and financial conditions. Looking forward, countries should promote a stable and predictable trade environment and strengthen international cooperation. Domestic policies should address structural imbalances and support economic stability.

Regional Economic Outlook

The Asian Development Bank (ADB) forecasted growth in the Pacific to be moderate to 3.9 per cent in 2025 and 3.6 per cent in 2026 in its April 2025 outlook, driven mainly by tourism but at a slower pace.

Papua New Guinea's growth is expected to moderate to 4.2 per cent in 2025 and 3.8 percent in 2026, influenced by a slower-paced mining activity. Tourism continues to moderately drive the growth for Cook Islands, Fiji, and Samoa. In the central Pacific, growth levels vary based on the government, infrastructure, and construction performance.

Inflation in the region will rise, since the prices are projected to accelerate from 1.9 per cent in 2024 to 3.4 per cent in 2025, and further to 3.7 per cent in 2026. This upward revision is attributed to the currency depreciation in Papua New Guinea, outweighing lower inflation rates in other Pacific economies due to declining global oil prices.

Pacific economies are prone to disaster and climate vulnerability and face challenges in relation to limited financial inclusion, external price shocks, and global geopolitical tensions. Recommended policies include improving financial inclusion and digital transformation, strengthening fiscal discipline, and private investment to ensure long-term resilience and sustainability.

Table 2: Regional Economic Outlook: Real GDP (year-over-year change; per cent)

Country	2021	2022	2023	2024	2025	2026	2027	2028	2029
Pacific Region (excluding Aus&NZ)	-0.5	2.2	2.7	3.8	3.9	3.6	2.1	2.0	2.0
Fiji	-4.9	20.0	7.5	3.5	3.0	3.2	3.4	3.3	3.1
Kiribati	8.5	3.9	4.1	5.3	4.1	3.3	3.3	2.5	2.1
Marshall Islands	1.1	-0.7	-3.9	3.0	2.5	3.0	1.5	1.5	1.5
Micronesia	3.0	-0.9	0.8	1.7	1.7	1.1	0.8	0.7	0.7
Nauru	7.2	2.8	0.6	1.8	2.5	2.5	0.9	1.0	0.8
Palau	-13.4	-2.0	0.9	6.6	9.5	4.5	2.0	1.5	1.5
Papua New Guinea	-0.8	5.2	2.9	4.0	4.2	3.8	3.1	3.1	3.1
Samoa	-7.1	-5.3	8.0	4.6	5.5	4.0	2.2	2.0	2.0
Solomon Islands	2.6	2.4	3.1	2.5	2.9	3.2	2.9	2.9	3.0
Tonga	-2.7	-2.0	2.0	1.4	2.5	2.3	1.2	1.2	1.2
Tuvalu	1.8	0.7	3.9	3.3	2.7	2.5	2.1	2.0	1.9
Vanuatu	-1.6	1.9	2.2	1.0	2.0	2.5	3.0	2.5	2.5
Australia	5.6	3.8	2.0	1.5	2.0	2.2	2.2	2.2	2.3
New Zealand	5.6	2.4	0.6	1.0	2.0	2.4	2.4	2.4	2.4

Source: ADB & Staff calculations

Development onshore

Vanuatu's Economic Outlook

Vanuatu's economic landscape shows signs of optimism amid recent hinderances caused by natural disasters like the 2024 December earthquake, national airline issues and education issues, owing largely to the post-earthquake recovery efforts, rebounding tourism arrivals and the ongoing government engagement to resolve major national concerns. The projected growth, in the recent Macroeconomic committee (MEC) 2 forecast, is anticipated to grow at 3.7 per cent in 2025, before accelerating slightly to 3.9 per cent in 2026 and averaging to 4.0 per cent over the medium term.

Table 3: Summary of projections: Domestic Real GDP (year-over-year change; per cent)

Vanuatu Economic Outlook										
	Actuals				*Estimates*	*Forecast*				
	2020	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**
Real GDP Growth (2006 prices)	**-5.0**	**-1.6**	**5.2**	4.0	**2.2**	**3.7**	**3.9**	**4.0**	**3.9**	**4.1**
Agriculture, Fishing and Forestry	-2.7	2.7	3.9	-0.8	2.2	2.9	3.1	3.4	3.5	3.2
Industry	4.0	-1.3	-19.7	3.2	1.8	8.1	9.2	6.3	3.9	4.1
Services	-6.7	0.4	7.8	6.4	3.0	3.9	3.7	3.9	3.7	3.9

Source: Vanuatu Bureau of Statistics & Macroeconomic Committee estimates September 2024

In the agriculture sector, lack of cyclone in the 2024-25 season resulted to a significant improvement in garden/food crops yield. Consequently, this partially offsets the weak export performance of major commodities such as kava, copra, cocoa, and coffee. Weak export of beef has contributed marginally to the export performance. Therefore, growth forecasted for the sector was revised upward from 2.5 per cent to 2.9 per cent in 2025, before increasing to 3.1 per cent in 2026, driven largely by the improved weather conditions.

Reconstruction efforts and demolition had significantly influenced the estimation in the industry sector. Moreover, growth in the sector remains supported by both government and donor-financed infrastructure projects, although subsectors like manufacturing, handicraft, and building construction remain weak due to damage caused by the earthquake and absence of cruise ship arrivals. As a result, industry sector growth in 2025 has been revised downward to 8.1 percent, a 1.7 percentage points lower than the previous forecast of 8.9 percent, reflecting the lingering effects of the December 2024 earthquake and the slower-than-expected resumption of certain activities. Growth is projected to strengthen to 9.2 percent in 2026, driven primarily by accelerating post-earthquake reconstruction, demolition and rebuilding work, and the continued implementation of government- and donor-financed infrastructure projects.

For the service sector, the momentum remains consistent but was slightly improved compared to the previous forecast. Although air Vanuatu liquidation and teachers' strike continue to impact the sector, the retail subsector maintains its momentum due to strong VAT receipts. In addition, real estate, commercial banks, and technical service subsectors are undergoing robust improvement. Growth in the services sector is projected at 3.9 percent in 2025, before easing slightly to 3.7 percent in 2026.

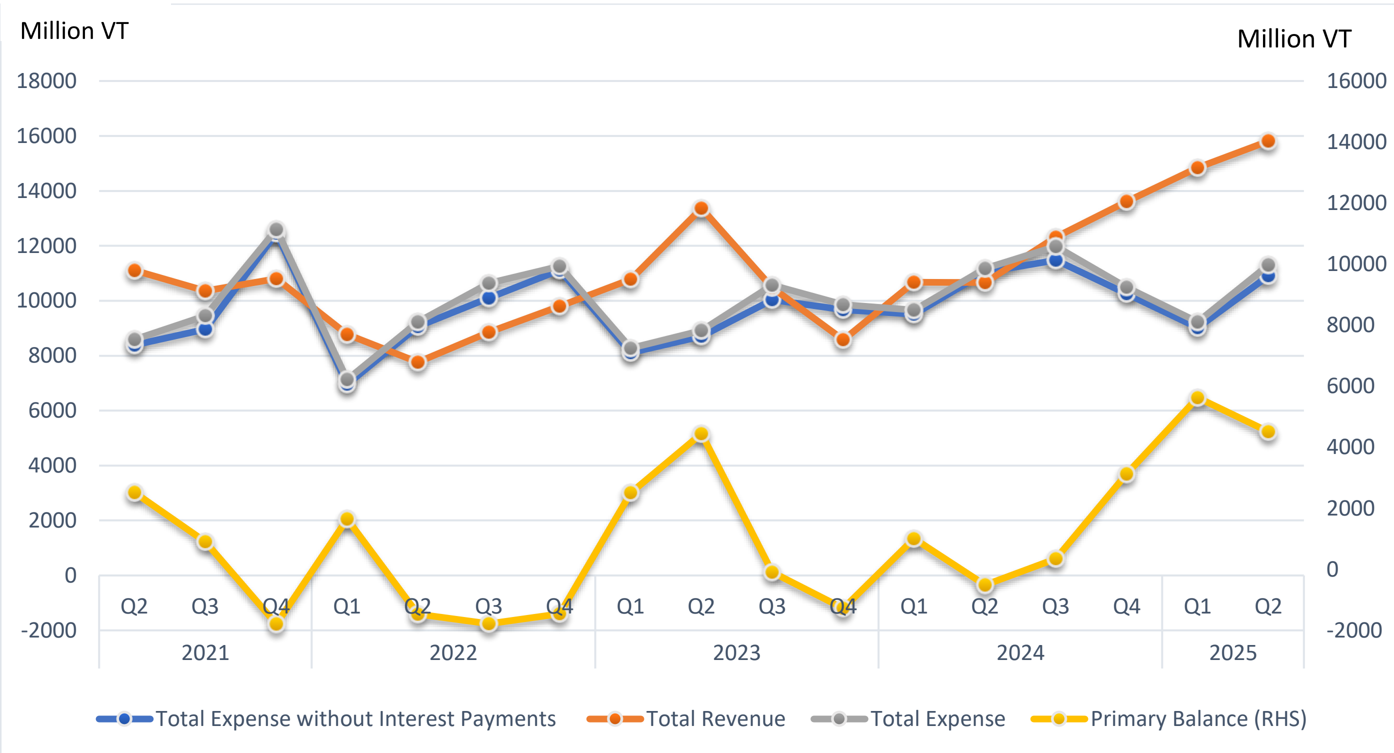
Government

In the second quarter, the government recorded a primary surplus of VT 4,506.1 million, a reduction of 19.1 quarterly and a large improvement compared to the deficit recorded in the same quarter of the previous year. The slight drop comes from the reduction of the accumulated excess of VT 5,626.4 million recorded in the previous quarter. Therefore, the fiscal performance seems to perform slightly well, since the revenue increased in this quarter to VT 15,811.4 million, a gradual increase of 6.5 per cent on a quarterly basis and 48.3 per cent on an annual basis, while expenses also hiked to VT11,305.2 million, a 22.6 percent increase quarter-on-quarter and 1.1 percent year-on-year.

Although a huge receipt of grants was recorded for the post-earthquake recovery, the government revenue without the grants remains consistently positive. Moreover, despite the underperformance of some revenue components on a quarterly basis, the annual revenue figures exhibited a slight improvement. While value-added tax reduced quarterly by 19.6 per cent and increased annually by 5.4 per cent, other revenue skyrocketed both annually and quarterly, by 176.7 per cent and 125.6 per cent respectively. This significant rise reflects the VT 7,179.5 million of revenue gained from the citizenship program, indicating a substantial enhancement of the program compared to previous periods. Although the taxes on property picked up quarterly and moderated annually, other tax components, such as excise and taxes on international trade, dropped both quarterly and annually. The large driver behind the upswing in revenue comes from other revenue, particularly the revenue gained from the citizenship program.

The factors driving the government fiscal performance, specifically for the increase of expenses, include a high pay out of social benefits and interest, representing an extreme spike of 295.9 per cent and 95.9 per cent respectively on a quarterly basis, while a 250.6 percent and 176.7 percent on an annual basis. Compensation of employees continues to increase annually by 19.4 percent and slightly by 0.6 per cent quarterly. Use of goods and services increased also to a 46.9 per cent quarter-on-quarter and declined by 17.5 percent year-on-year. Other expenses also recorded an increase on a quarterly basis by 48.9 per cent, while decreasing annually by 41.9 per cent. Consequently, there is a noticeable spike in all components of the expenses in this quarter, while the annual figures show a contrasting performance.

Chart 1: Primary Balance



Source: *Vanuatu Bureau of Statistics and Department of Finance and Treasury*

Both the previous quarter and the current one have demonstrated an optimistic fiscal position, illustrating the effect of expenses and revenue improvement measures established in 2024. The government should maintain the current momentum to sustain a consistent and effective fiscal balance, diversify revenue sources, reduce unnecessary expenditures, and ease the debt burden.

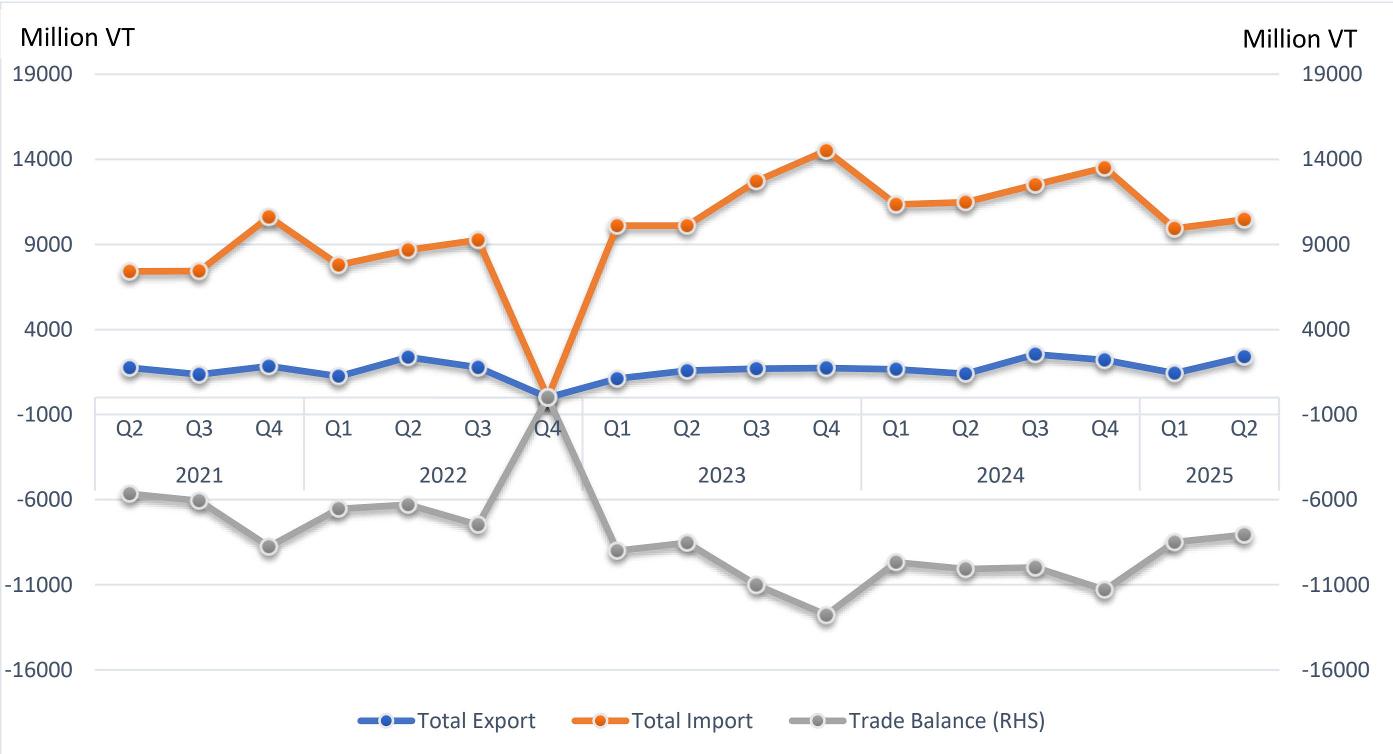
Net Exports of Goods & Export of Services[1]

Trade Balance (Goods)

By evolving moderately, the exports and imports persistently sustained a constant trade deficit over the last quarters. Although exports saw a strong upward shift quarterly by 55.3 per cent to VT 2,397.29 million, imports marginally deteriorated to VT 10,455.71 million. Trade balance improved marginally but remains a deficit at VT 8,058.4 million compared to VT 8,493.2 million of the previous quarter, suggesting a gradual rebound of domestic demand for imported goods and a favourable external market in this quarter.

On an annual basis comparison, the value of imports expanded moderately by 5.3 percent in this quarter, while exports experienced an impressive 55.3 per cent increase compared to the same quarter of the previous year. This suggests that the domestic demand is escalating, similarly to the external market demand and the local product competitiveness.

Chart 2: Trade Balance (in goods)



Source: *Vanuatu Bureau of Statistics. Note that Q4 2022 data is missing.*

Exports (Goods)

In this quarter, total export value increased considerably both over the quarter and over a year ago by 66.5 per cent and 71.5 per cent respectively. This substantial upturn was mainly driven by the increase of major export commodities such as cocoa (226.8 percent), copra (170.1 per cent), coconut oil (21.6 per cent), and kava (55.1 percent) in this quarter

[1] There are no trade data available for Quarter 4 of 2022 due to a cyber-attack within the government system. This applies to all trade-related charts within this publication.

compared to the previous quarter. In contrast, Coffee experienced a plunge of 33.6 per cent over the quarter. On an annual basis, the growth was also highly influenced by the uptick in cocoa (197.7 per cent), coconut oil (114.0 %) and kava (79.0 per cent), while the other commodities that saw a drop include coffee (-84.9 per cent), beef (-43.6 per cent), and copra (-16.9 percent). The exponential increase in value of kava, cocoa, coconut oil and copra largely offset the decline in coffee export and contributed to the upward trend of exports both quarterly and annually. Beef export had been resumed in this quarter but was weaker-than-expected.

Vanuatu remains vulnerable to the external market fluctuations, commodity price shocks, climate and disaster-related risks. Those factors are largely influencing the export of the major commodities. In this quarter, the boost in the value of exports was principally attributed to the positive external market conditions and the favorable weather patterns.

Copra

The second quarter recorded a significant surge of copra exports both in Volume and in price. Export volume increased sharply by 134.1 per cent quarterly but also fell by 62.1 per cent annually. Whereas the average price escalated by 37.4 per cent on a quarterly basis to VT 140 per kilogram and exponentially accelerated by 231.2 per cent on an annual basis. This positive change in price has offset the drop in volume, contributing to the improvement of export value both quarterly and annually.

Despite the considerable development of copra export in this quarter, the high prices suggest that Vanuatu needs to strengthen the resilience of copra production to meet the external demand, amid the ongoing impact of Coconut Rhinoceros Beetle (CRB) disease, limitations in international market access, and environmental challenges. The by-products are also booming like the coconut oil, reflecting a sign of resilience and diversification to address the external demand fluctuations and internal limitations.

Chart 3: Copra exports (average prices and volumes)

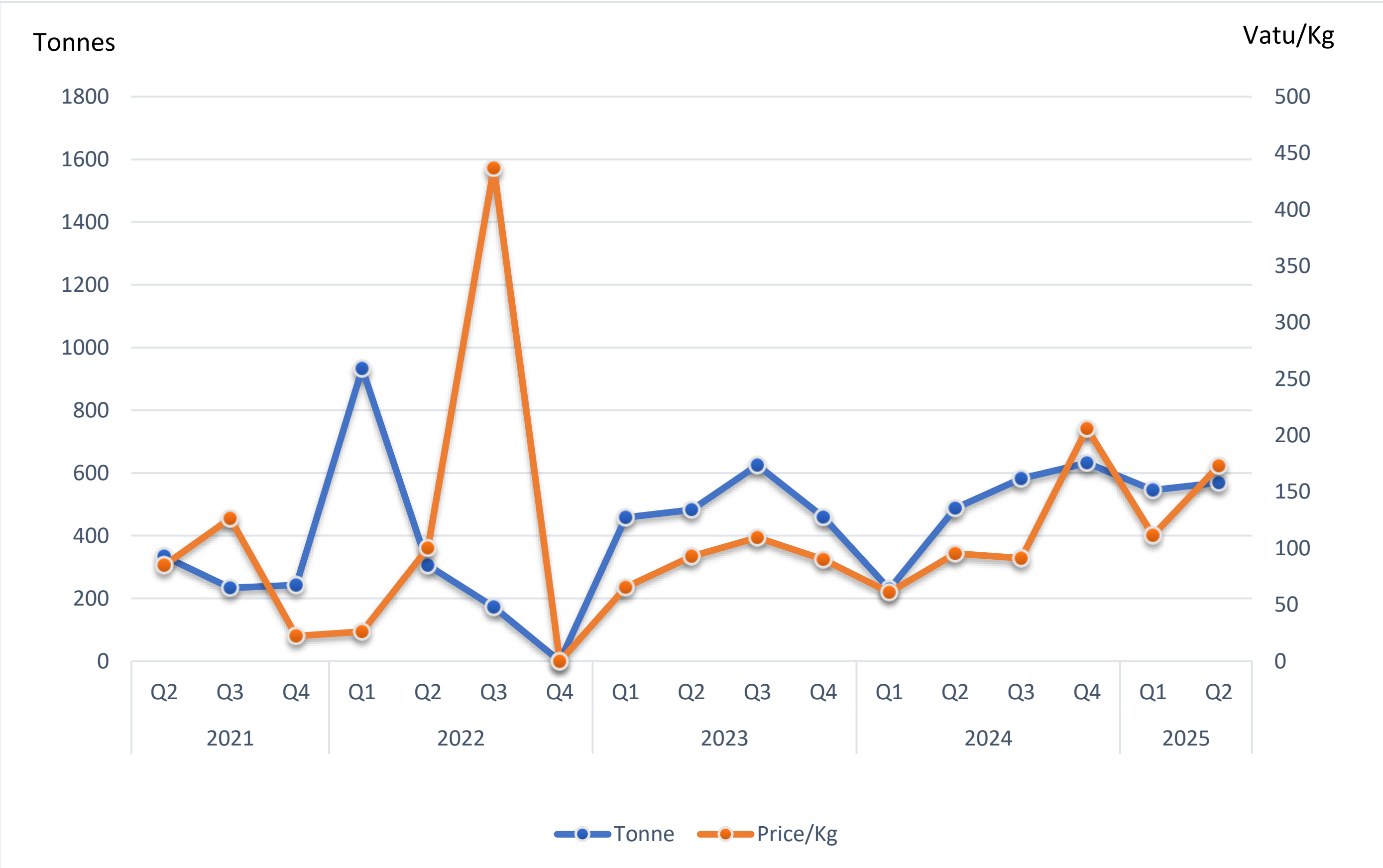
Source: *Vanuatu Bureau of Statistics. Note Q4 2022 data is missing.*

Coconut oil

The second quarter recorded an increase of coconut oil export compared to the previous quarter; export volume increased slightly by 4.2 per cent quarter-on-quarter and moderately expanded by 16.6 per cent year-on-year. Regarding the prices, the export average price exhibited a larger-than-expected expansion over the quarter by 55.2 per cent and substantially increased to 81.5 per cent over a year ago, reflecting an increase of VT 173 per kilogram from VT 102 per kilogram in the previous quarter.

This gradual improvement highlights optimism in the coconut industry, particularly the success of product diversification and resilience. Therefore, this may encourage farmers and the country to strengthen the production and development of coconut oil.

Chart 4: Coconut oil exports (volumes and average prices)



Source: *Vanuatu Bureau of Statistics. Note that Q4 2022 data is missing.*

Beef

Although there were no exports recorded in the previous quarter, beef exports have been resumed in this quarter. With a registered export volume of 15.12 tonnes in this quarter, an increase compared to nil export in the previous quarter, the change is relative to an annual contraction of export volume by 43.6 per cent.

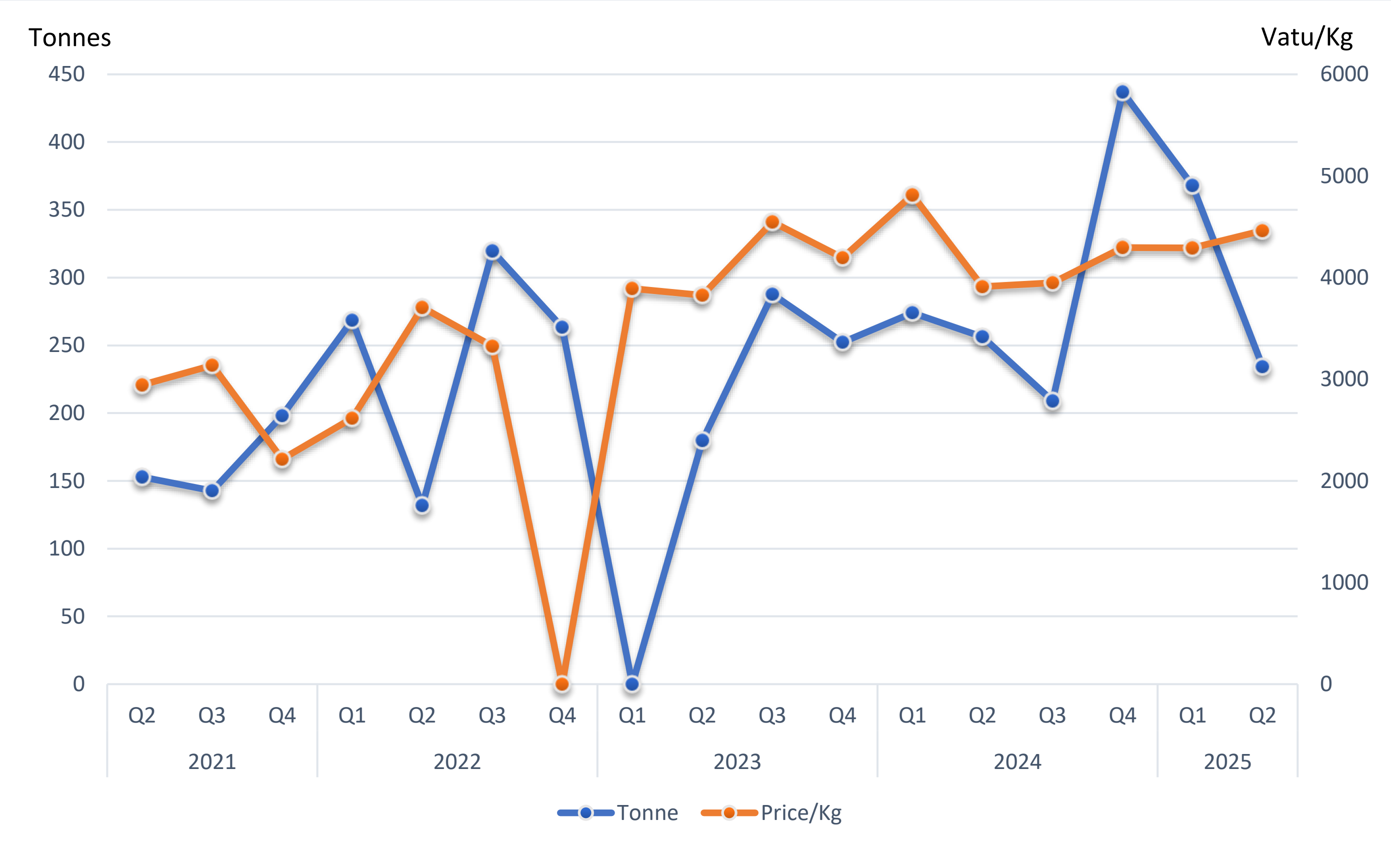
The current slowdown in beef export is critical and reflects the impact of natural disasters like the recent earthquake in December 2024 and the internal capacity to sustain external demand and fluctuations.

Kava

Kava export showed a moderate downgrade in volume but saw a slight acceleration in price over the quarter. The export volume declined both quarterly and annually, by 36.3 per cent and 8.6 per cent respectively. However, in terms of prices, the average export price is constantly accelerating, reaching VT 4,461 per kilogram, a slight surge of 3.9 per cent on a quarterly basis and 14.0 per cent on an annual basis. The upward trend of the average price offset the reduction of in export volume, resulting in a positive performance of export in Value.

The reduction of export volume determines a weak supply of kava, although the price remains attractively high. This may also signify that there is a potential room to improve and an appetite in the external market. It is vital to scale up the supply to match the external demand by improving kava-related government programs, supply chain, market accessibility, quality control, and proper kava farming management.

Chart 6: Kava Export (volumes and average prices)



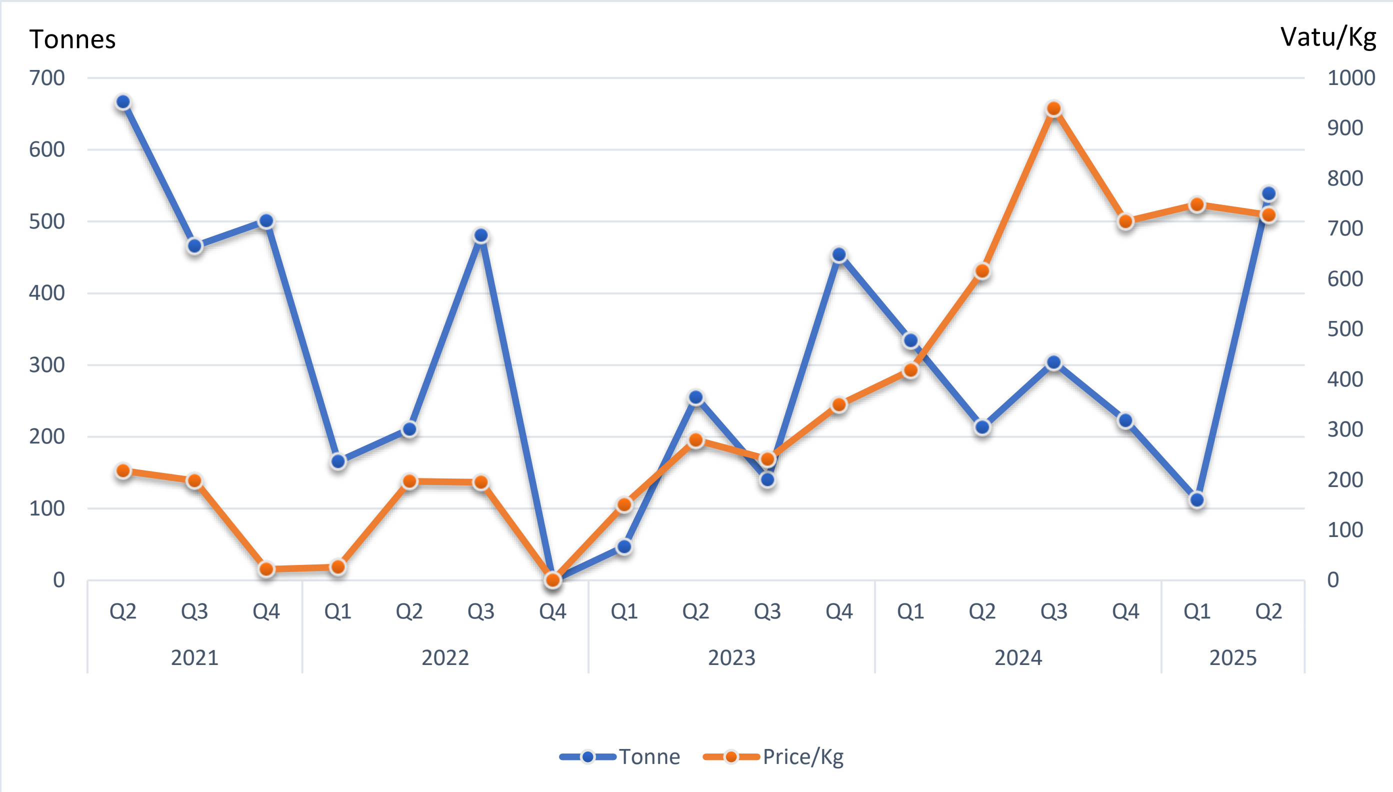
Source: *Vanuatu Bureau of Statistics. Note that Q4 2022 data is missing.*

Cocoa

Cocoa export experienced a drastic upswing in volume, despite the marginal diminution of price in this quarter. By considerably amplifying to 333.8 percent, export volume performed well quarter-on-quarter. Whereas the average price reduced slightly by 2.8 per cent quarterly to VT 727 per kilogram and rose to 18.1 per cent annually.

The current development of cocoa export indicates a strong market performance, particularly driven by the external market. Amid the price fluctuations, Vanuatu cocoa maintains its attractiveness due to its reputed quality. Therefore, there is a necessity to strengthen its supply and improve market accessibility.

Chart 7: Cocoa Export (volumes and average prices)



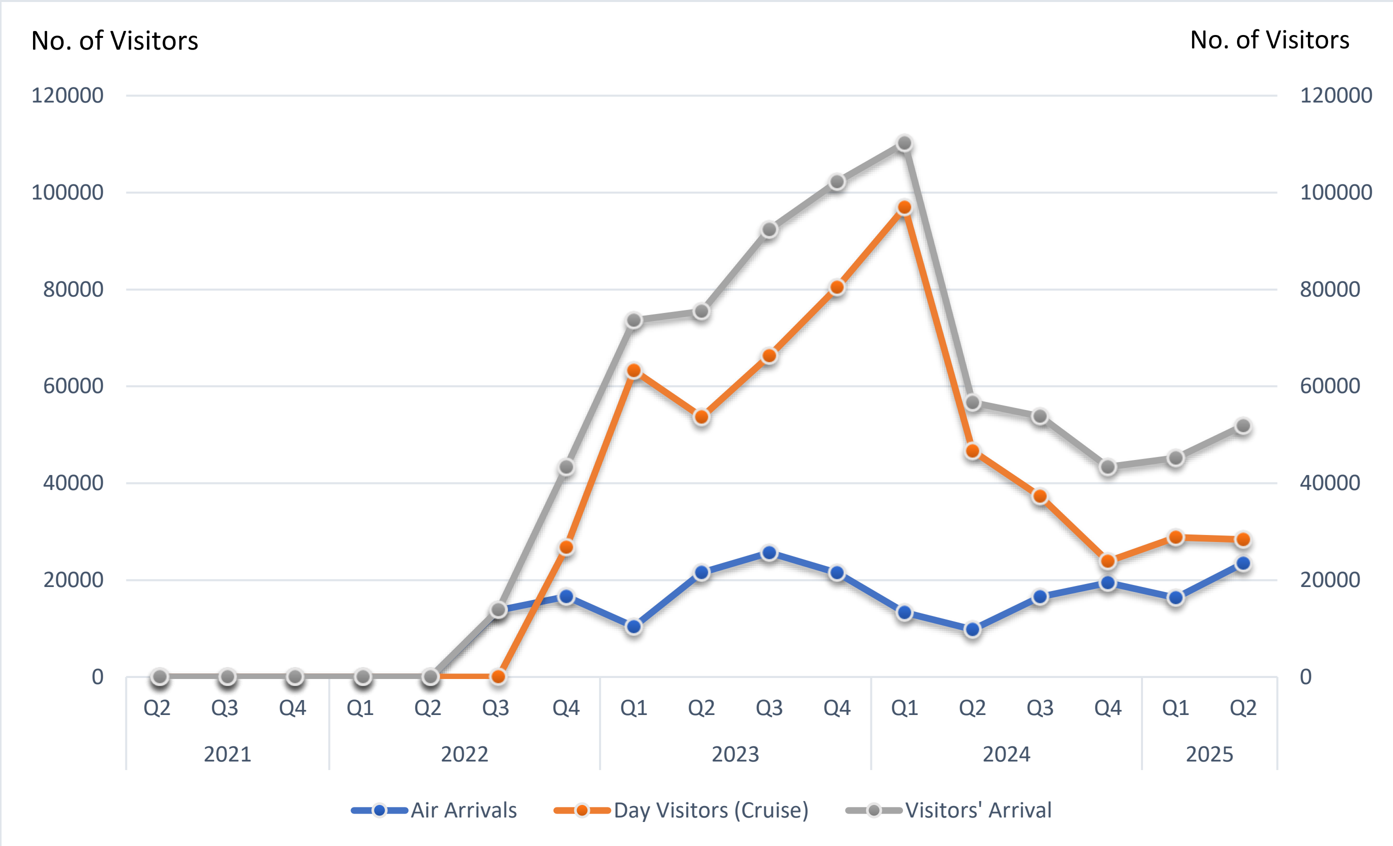
Source: *Vanuatu Bureau of Statistics. Note that Q4 2022 data is missing.*

Export (Services)

Service exports remain largely driven by tourism. Albeit the sector continues to face challenges—such as the lingering effects of the December 2024 earthquake, which led to flight cancellations and reduced tourist confidence, as well as lagging issues of Air Vanuatu—the industry is gradually recovering. International flights remain operational, and the number of cruise ship arrivals is slowly increasing, signalling a cautious rebound in tourism activity.

Visitors' arrivals in this quarter by air improved with an upsurge of 43.6 per cent on a quarterly basis and an extreme spike of 139.2 percent on an annual basis. This offset cruise ships arrivals, which contracted marginally by 1.6 per cent quarter-on-quarter and modestly to 39.2 per cent year-on-year. Total visitors' arrivals rose by 14.7 per cent in the second quarter compared to the previous quarter but declined by 8.4 per cent relative to the same quarter of the previous year. These fluctuations indicate the essential need to improve marketing efforts to promote and stabilize tourist confidence, rebuild the CBD, restore domestic air connectivity, and international vessel services.

Chart 8: Visitor arrivals (in thousands)



Source: *Vanuatu Bureau of Statistics*

Visitors arrive in Vanuatu mainly to visit friends, attend business meetings and for holidays. Strong tourism activity remains driven by visitors arriving for holidays, which has considerably increased by 64.3 per cent quarterly and 159.4 per cent annually. Visitors visiting friends also enhanced in year-on-year by a substantial boost of 131.2 per cent but modestly decreased by 1.1 per cent quarter-on-quarter. Tourists arriving for business meeting in this quarter increased both on a quarterly basis and yearly basis, by an augmentation of 28.4 per cent and by 33.1 per cent respectively.

This bounce back in tourism visiting for the three main purposes denotes that Vanuatu still maintains its reputation as the tourist destination, but it has not yet reached the pre-pandemic level. It requires a major engagement and promotion to improve the country's tourist reputation, tourism activities, and attractions.

Chart 9: Visitor arrivals (excluding day visitors) by purpose of visit

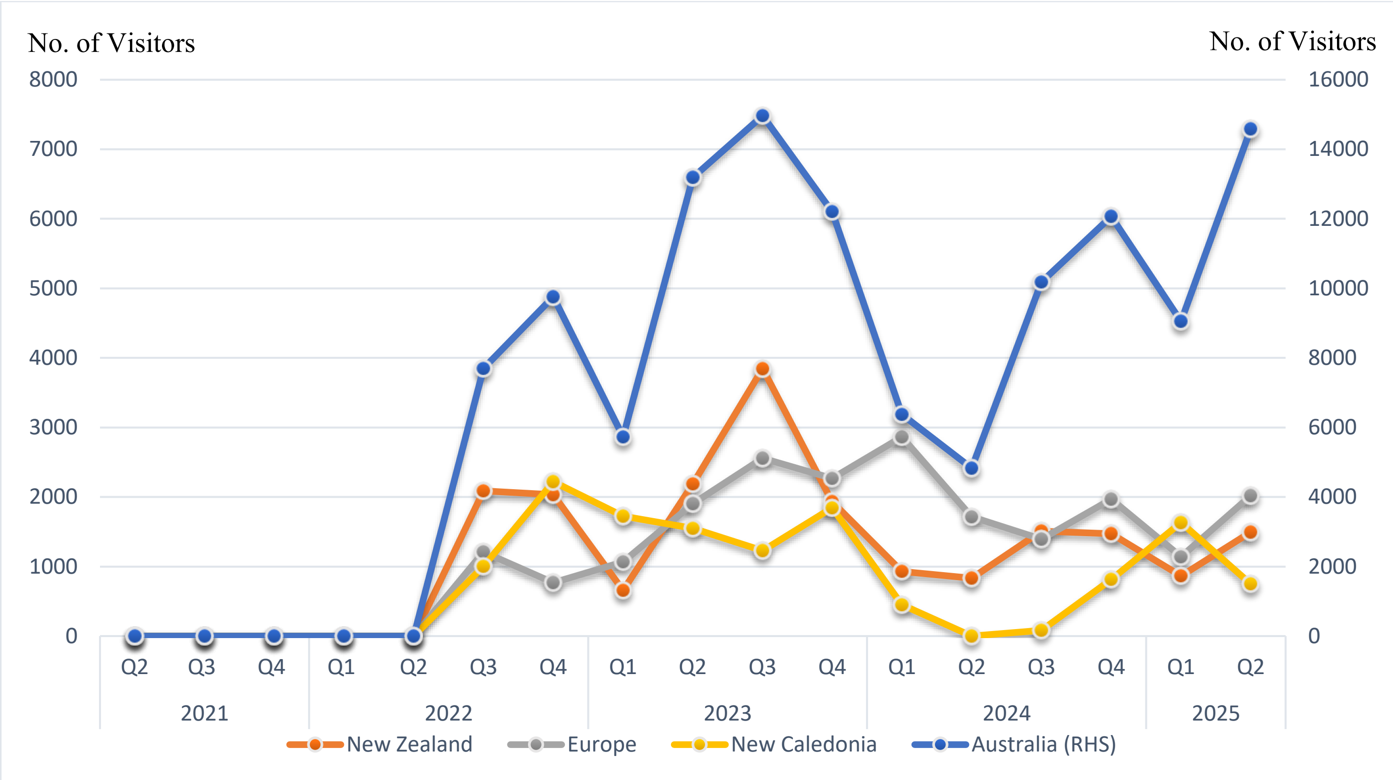
Source: *Vanuatu Bureau of Statistics*

A large number of tourists come from Australia due to Vanuatu's tropical location and proximity. The second quarter registered a substantial spike of visitors coming from Australia by 161.2 per cent relative to the previous quarter and 202.3 per cent over a year ago. Visitors' arrivals from Europe also increased by 117.3 per cent quarterly and 17.9 per cent annually, reflecting the result of the ongoing marketing efforts from the local authorities and stakeholders.

Visitors coming from New Caledonia saw a rise of 45.8 per cent in this quarter, but no visitor arrival was recorded in the same quarter of the previous year. The visitors' arrivals from New Zealand continue to grow consistently over the last quarters with a jump of 173.2 per cent compared to the previous quarter and increased by 79.7 per cent relative to the same quarter of a year ago.

These developments suggest a potential capacity to attract more tourists from these tourist markets. Therefore, authorities should maintain their efforts in promotion, marketing, and tourism attraction of Vanuatu as a tourist destination and investment. Crucially, they also, need to improve several related issues, such as improving domestic air connectivity (including restoring reliable airline booking systems) to facilitate and restore the travel of tourists to the outer islands.

Chart 10: Visitor arrivals (excluding day visitors) by usual country of residence



Source: *Vanuatu Bureau of Statistics*

Import (Goods)

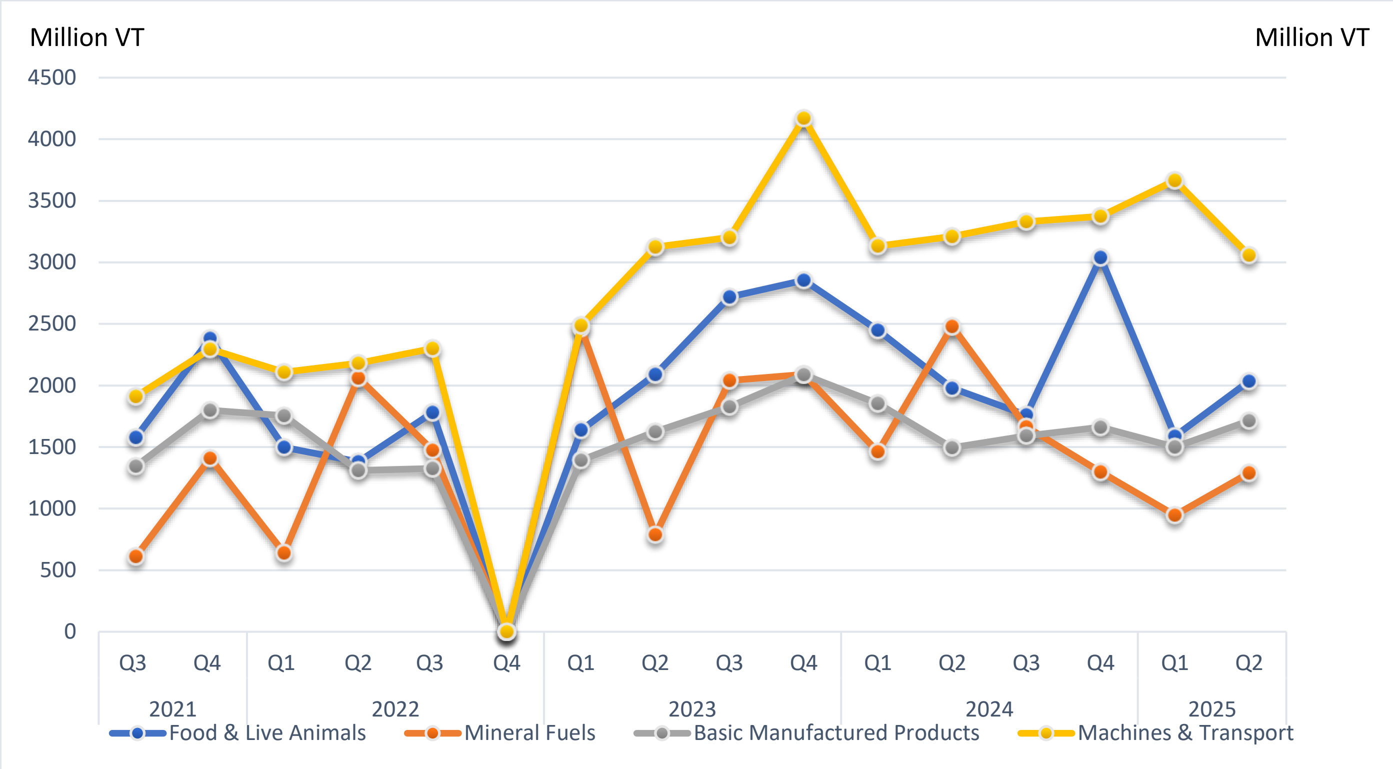
Imported Consumer Items

Over the previous quarter, the value of total imports cleared for home consumption advanced modestly to 5.3 per cent and contracted slightly to 8.9 per cent relative to the corresponding quarter of 2024. This quarterly expansion is attributed to the increase in imports of food and live animals (28.2 per cent), mineral fuels (36.2 per cent), oils, fats and waxes (38.4 per cent), chemical products (2.6 per cent), basic manufactured products (14.3 per cent), and miscellaneous manufactured goods (15.7 per cent). This was offset by a slump in imports of beverages and tobacco (8.1 per cent), crude materials except fuel (16.4 per cent), machines and transport equipment (16.6 per cent).

While other imported goods accelerated, the annual decline was largely driven by the sharp drop in imports of mineral fuel (48.0 per cent), chemical products (17.0 per cent), beverage and tobacco (7.6 per cent), and other goods (96.4 per cent).

Following the import delays triggered by the December 2024 earthquake, imports cleared for home consumption recorded a modest rebound in the second quarter of 2025, expanding by 5.3 percent quarter-on-quarter. However, the pace of recovery remained slower than anticipated, reflecting lingering logistical constraints, cautious restocking by businesses, and the gradual normalization of port and supply-chain operations.

Chart 11: Selected imported consumer items



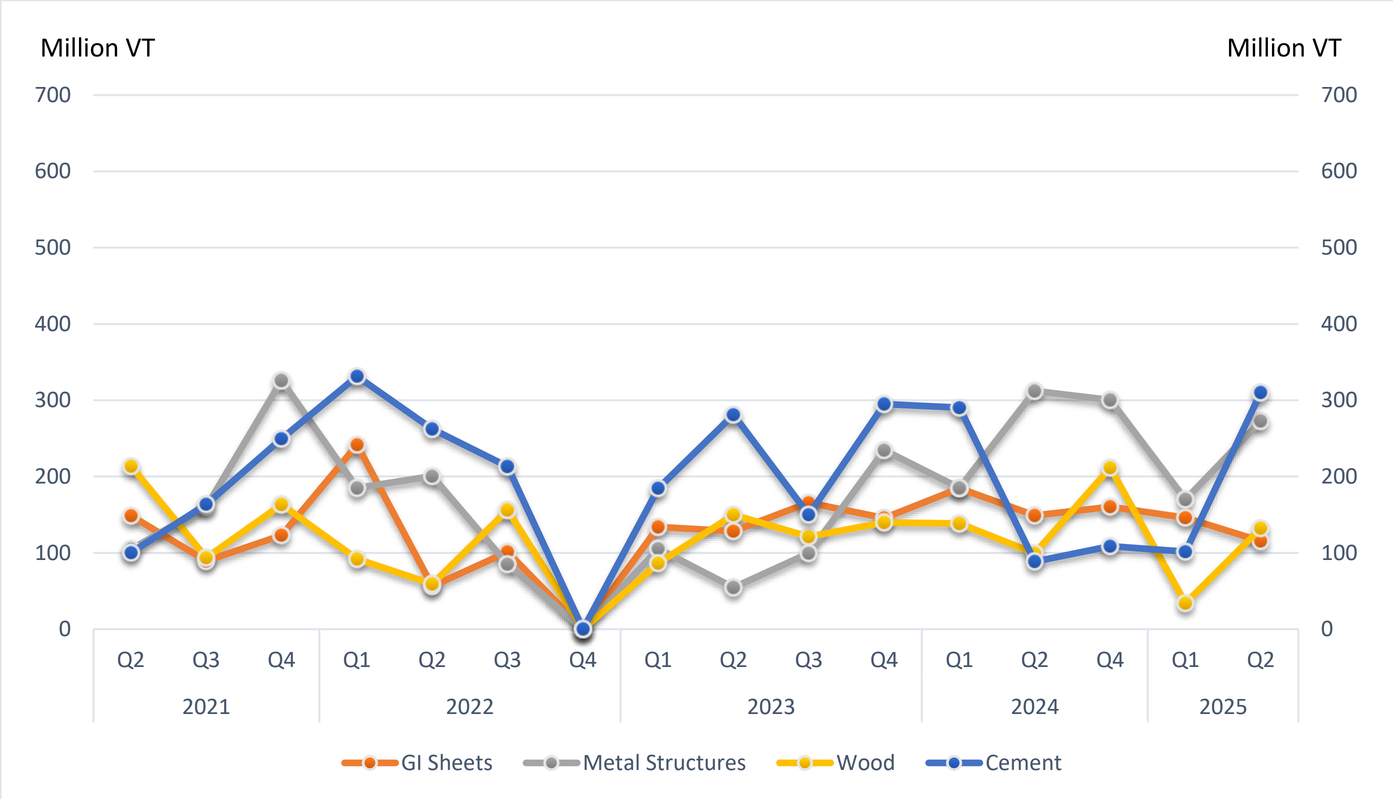
Source: *Vanuatu Bureau of Statistics. Note that Q4 2022 data is missing.*

Imported Construction Materials

The main categories of imported construction materials include cement, galvanized iron (GI) sheets, metal structures, and wood. The imported construction material is an indicator of domestic construction activities. The total value of construction material imports accelerated by 14.6 per cent over the previous quarter and by 9.8 per cent year on year, totalling VT1,093 The growth was largely supported both annually and quarterly by cement imports, which surged by 205.6 per cent quarter-on-quarter and by 250.0 per cent, suggesting the ongoing post-earthquake reconstruction efforts. Metal structures accelerated by 60.5 per cent over the quarter but subsided by 12.6 per cent relative to the corresponding quarter of 2024. However, GI sheets experienced a remarkable diminution both quarterly and annually.

Given that the overall performance improved this quarter, this may suggest that the post-earthquake reconstruction effort is being materialised.

Chart 12: Value of imported construction materials



Source: *Vanuatu Bureau of Statistics. Note Q4 2022 data is missing.*

Inflation

Consumer Price Index

In quarter 2 of 2025, headline consumer price inflation turned mildly negative by 0.6 per cent on a yearly basis while gradually increased by 1.2 per cent when compared with the previous quarter. This development is owing largely to the international market fluctuations and financial stability, as well as several domestic control measures like the use of scale in local markets and the absence of the supply shock. The inflation level was unevenly distributed across regions, with Port Vila experiencing an increase of 0.3 per cent annually, while Luganville and Lenakel saw both an upward trend by 1.0 and 0.7 per cent, respectively. Monetary policy's surveillance and prudence will ensure that any remaining inflationary risks are subdued.

Chart 13: Consumer Price Index (percentage change)

Source: *Vanuatu Bureau of Statistics*

Money Supply and Net Foreign Assets

Monetary Aggregates

In the second quarter, broad money (M2) expanded slightly by 5.2 per cent quarter-on-quarter and 13.7 per cent year-on-year, reaching VT135,546.2 million. This robust growth was driven primarily by a sharp accumulation of net foreign assets (NFA), complemented by a more moderate expansion in domestic credit. The acceleration in money supply reflects strong external inflows—principally from the rebound in tourism receipts, higher commodity export earnings, and continued proceeds from citizenship-by-investment programs—alongside a recovery in private-sector credit demand. These developments have supported higher consumption and investment, consistent with ongoing post-earthquake reconstruction and the broader economic recovery.

Domestic Credit

Domestic credit rose modestly by 0.6 percent over the quarter and by 6.1 percent over the year, reaching VT 64,623.3 million. Growth was led by a marginal increase in credit to the private sector and other non-government residents, while net claims on the central government recorded a slight decline (reflecting the strong fiscal surplus in the primary balance). The continued, albeit subdued, expansion of private-sector lending signals improving confidence and activity in retail, real estate, and reconstruction-related borrowing. Should this trend strengthen further without corresponding productivity gains, it could eventually contribute to upward pressure on domestic prices, although inflationary risks remain contained at present given the current deflationary outcome observed in the CPI.

Net Foreign Assets (NFA)

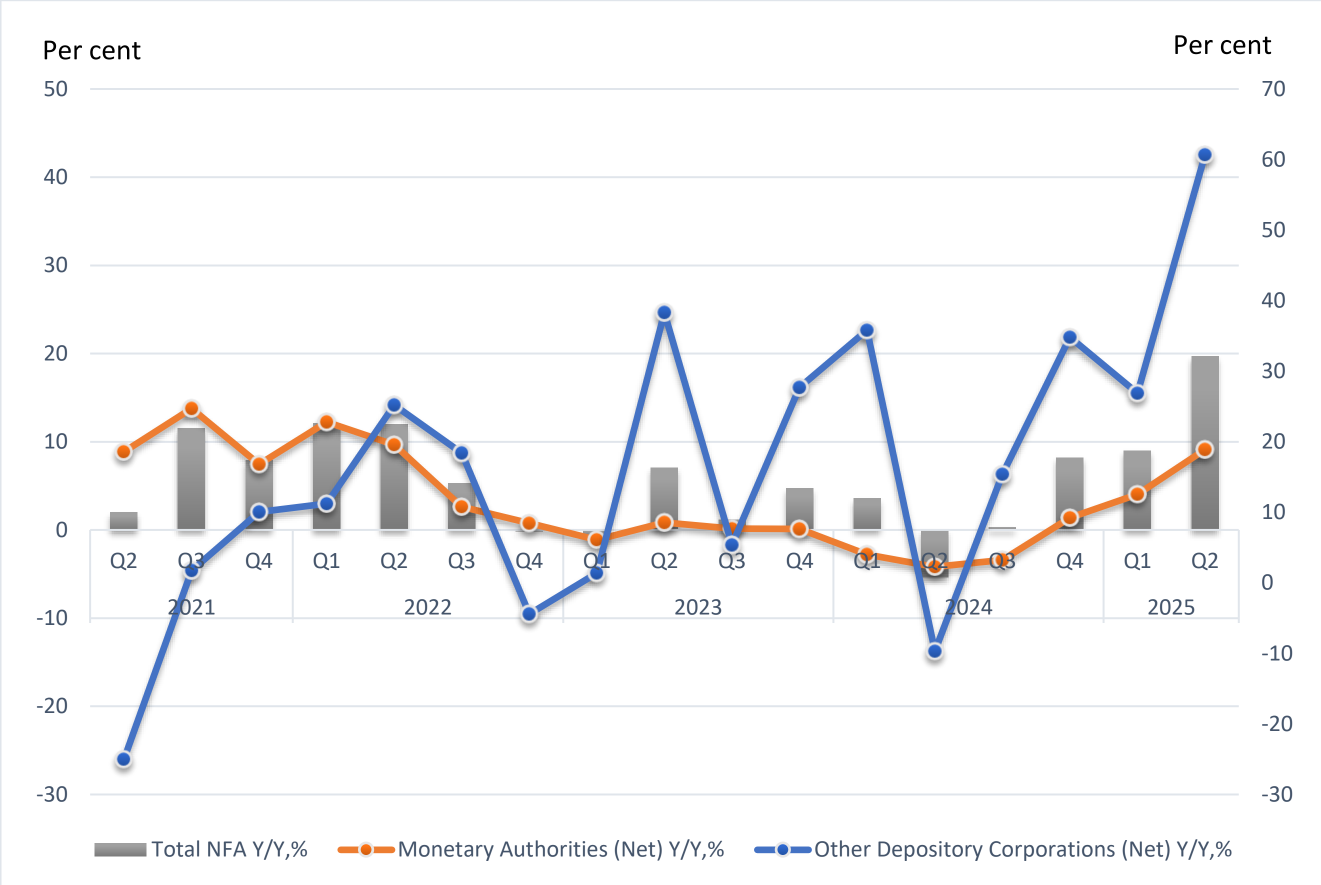
Net foreign assets remain substantially influenced by monetary authorities and other depository corporations. NFA of the banking system increased strongly by 8.7 percent quarter-on-quarter and by 19.7 percent year-on-year, attaining VT 99,869 million. The rise was broad-based across the Reserve Bank of Vanuatu and commercial banks, driven by substantial foreign-currency inflows channeled through the banking system. These inflows more than offset the continued high level of import payments associated with reconstruction activity and outflows related to reserve management. The sharp accumulation of NFA underscores the sizeable current-account surplus that Vanuatu is currently recording and provides a welcome buffer to external shocks and underpins the relative stability of the vatu. It also highlights the economy's heavy reliance on tourism, commodity exports, and citizenship-programme revenues as sources of foreign exchange.

Overall, monetary conditions remain accommodative and supportive of the recovery, with ample liquidity and no immediate pressure on prices. The Reserve Bank's prudent surveillance of credit growth and external inflows will be important to ensure that the current benign inflation environment is preserved

Chart 14: Broad money (M2) and real private sector credit (annual percentage change)

Source: *Reserve Bank of Vanuatu*

Chart 15: Net foreign assets (annual percentage change)



Source: *Reserve Bank of Vanuatu*

Exchange Rate

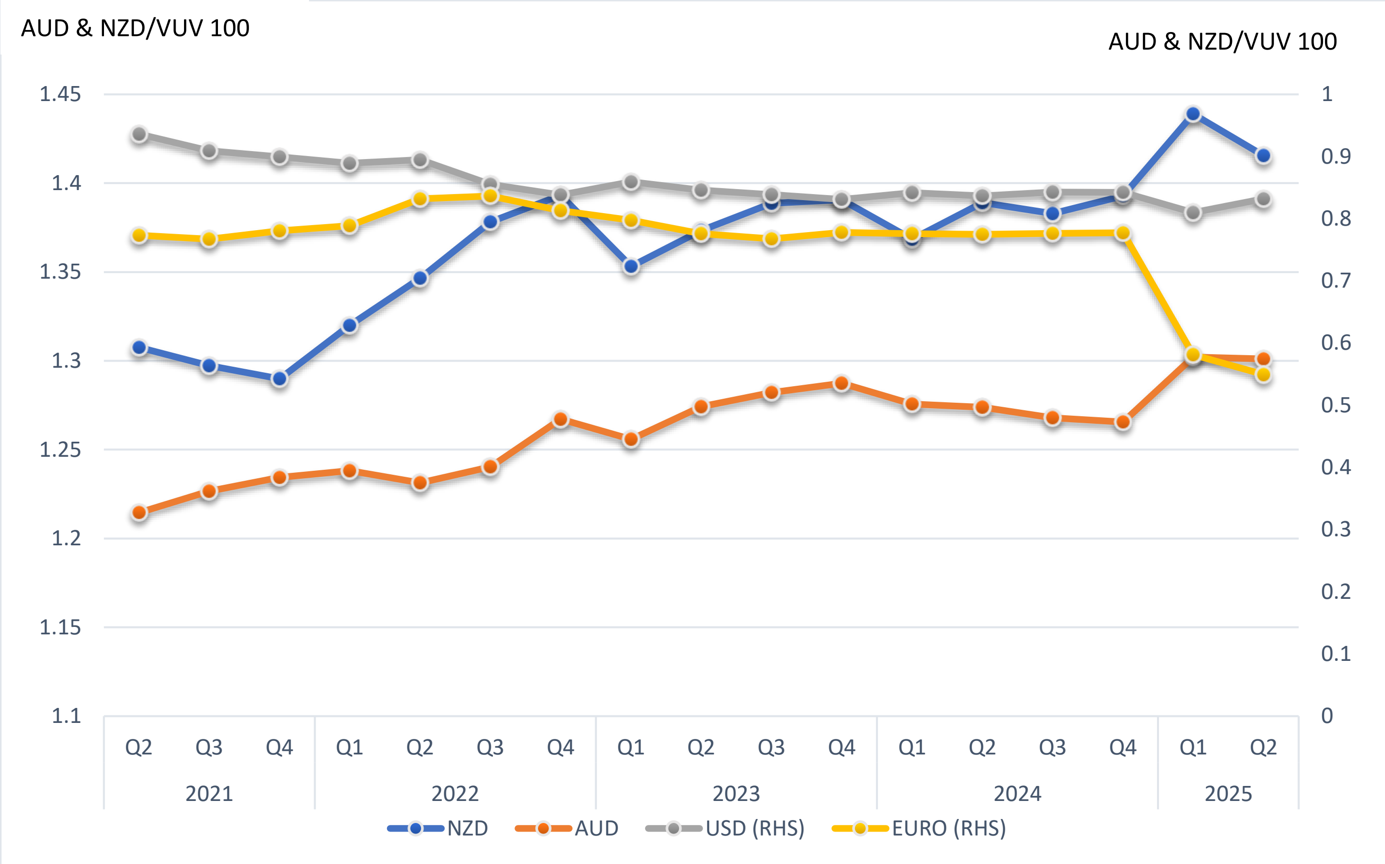
Exchange Rate

Vatu (VUV) displayed mixed movements in the second quarter against the currencies of its major trading partners (quoted as foreign currency units per 100 VUV). On a quarter-on-quarter basis, the vatu depreciated modestly against the Australian dollar (AUD) by 0.1 percent and more noticeably against the New Zealand dollar (NZD) by 1.6 percent. In contrast, it appreciated by 2.8 per cent against the US dollar (USD) and by 5.4 per cent against the euro (EUR).

Year-on-year, the vatu remained stronger against the AUD (+2.9 per cent) and the NZD (+2.3 per cent), while weakening modestly against the USD (-1.6 per cent). The vatu recorded a very sharp depreciation against the EUR (-28.7 percent) over the same period; this unusually large movement appears inconsistent with historical patterns and the relative stability of the vatu's trade-weighted index and should be verified with the Reserve Bank of Vanuatu.

These exchange-rate developments primarily reflect strong foreign-exchange inflows from the rebound in tourism arrivals, higher commodity export earnings, and citizenship-programme receipts, which have bolstered net foreign assets and limited overall currency weakness. The modest quarterly depreciation against the AUD and NZD, the source of the bulk of Vanuatu's imports, implies a slight increase in imported inflation pressure from these countries. Conversely, the appreciation against the USD has enhanced the competitiveness of key export commodities such as kava and beef that are predominantly priced in US dollars. Vanuatu's direct exposure to the euro remains minimal, so the large movement against the EUR, even if confirmed, would have limited direct macroeconomic consequences. Overall, excluding the anomalous euro movement, the vatu exhibited relative stability during the quarter, consistent with the observed deflationary pressures in the economy.

Chart 16: Exchange Rates (AUD, NZD, USD and EURO)



Source: *Vanuatu Bureau of Statistics*

Summary Table

	2021			2022				2023				2024				2025	
QUARTERLY ECONOMICS DATA	**Quarter 2**	**Quarter 3**	**Quarter 4**	**Quarter 1**	**Quarter 2**	**Quarter 3**	**Quarter 4**	**Quarter 1**	**Quarter 2**	**Quarter 3**	**Quarter 4**	**Quarter 1**	**Quarter 2**	**Quarter 3**	**Quarter 4**	**Quarter 1**	**Quarter 2**
Visitor arrivals by air (Thousands)	0.0	0.0	0.0	0.00	0.00	13,749.00	16,625.0	10,388.0	21,542.0	25,658.0	21,520.0	13,271.00	9,813.00	16,525.00	19,469.0	16,354.0	23,477.0
Visitor arrivals by air, % y/y	0.0	0.0	0.0	0.00	0.00	0.00	0.00	0.0	0.0	86.6	29.4	27.75	-54.45	-35.60	-9.53	23.2	139.2
Visitor arrivals by cruise ship (Thousands)	0.0	0.0	0.0	0.0	0.0	0.0	26,772.0	63,219.0	53,684.0	66,276.0	80,399.0	96,922.0	46,685.0	37,294.0	23,897.0	28,848.0	28,390.0
Visitor arrivals by cruise ship, %y/y	0.0	0.0	0.0	0.00	0.00	0.00	0.00	0.0	0.0	0.0	200.3	53.31	-13.04	-43.73	-70.28	-70.2	-39.2
Export (values), % y/y	83.7	15.0	20.2	42.3	36.1	30.1	0.0	-10.8	-33.6	-4.3	0.0	49.2	-11.5	49.3	27.2	-13.5	71.4
Copra, % y/y	329.7	-25.4	674.7	2,019.5	-23.1	123.0	0.0	-30.8	-76.8	-7.6	0.0	-23.0	61.5	-63.8	-85.2	-62.9	-16.9
Beef, % y/y	264.6	53.7	170.6	-48.2	-69.2	2.2	0.0	-65.7	74.1	-55.3	0.0	1,178.7	79.0	590.1	-1.1	-13.2	197.7
Cocoa, % y/y	212.5	189.2	217.4	26.1	141.3	5.8	0.0	-42.5	-83.0	-39.0	0.0	-48.3	104.6	-82.2	1.8	-100.0	-43.6
Imports (values), % y/y	-6.6	-17.6	18.2	16.4	17.1	24.7	-100.0	29.8	16.4	37.4	#DIV/0!	12.1	13.6	-1.6	-6.9	-12.4	-8.9
Consumption goods, % y/y	9.1	-8.5	34.7	16.4	17.1	24.7	0.0	29.8	16.4	37.4	0.0	12.1	13.6	-1.6	-6.9	-12.4	-8.9
Construction materials, % y/y	14.0	0.2	68.8	83.0	7.7	4.0	-100.0	-25.1	18.9	23.4	0.0	35.3	-7.9	-100.0	-5.3	-22.9	9.8
Trade balance of goods in million VT	2,516.6	904.5	-1,793.1	1,646.8	-1,467.4	-1,787.2	-1,456.1	2,503.7	4,449.5	-96.8	-1,283.1	1,008.4	-512.5	342.4	3,121.0	5,626.4	4,506.1
Money Supple (M2), % y/y	62.9	794.7	887.2	739.0	960.4	1,117.6	732.1	706.0	935.8	291.3	594.6	680.7	326.0	837.2	956.8	873.2	1,371.7
Domestic Credit, % y/y	-2.5	-1.4	8.4	-0.8	4.3	17.1	20.6	20.2	15.2	11.7	9.9	16.3	24.7	22.6	13.7	9.9	6.1
Net Foreign Assets (NFA), % y/y	2.0	11.5	7.9	12.1	12.0	5.3	-0.1	-0.7	7.0	1.2	4.7	3.6	-5.4	0.3	8.2	9.0	19.7
Exchange rates (Foreign currency per 100 VT																	
AUD	121.45	122.67	123.44	123.82	123.13	124.04	126.73	125.58	127.43	128.21	128.73	127.57	127.39	126.79	126.56	130.21	130.11
NZD	130.76	129.72	128.99	132.01	134.65	137.82	139.32	135.32	137.34	138.87	139.07	136.84	138.91	138.30	139.29	143.89	141.55
USD	93.62	90.95	89.96	88.94	89.50	85.50	83.83	85.92	84.58	83.86	83.08	84.16	83.67	84.28	84.21	80.99	83.22
Euro	77.35	76.70	78.07	78.87	83.18	83.65	81.29	79.77	77.61	76.75	77.77	77.59	77.50	77.63	77.74	58.11	54.95
Consumer Price Index, % y/y	5.2	2.3	0.9	0.7	2.7	3.6	8.9	11.2	11.6	14.4	12.1	7.0	5.3	2.2	-1.9	-0.7	-0.6

***Source**: Vanuatu Bureau of Statistics & Reserve Bank of Vanuatu. Note some Q4 2022 data is missing.*