DEPARTMENT OF FINANCE & TREASURY

GOVERNMENT OF VANUATU

QUARTERLY ECONOMIC REPORT

Q3 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 exports of goods and services, inflation, money supply, and exchange rates.

Introduction

The Department of Finance and Treasury is pleased to publish its Quarterly Economic Report for the third quarter of 2025. The report contains economic analysis based on quarterly statistical indicators published by the Vanuatu Bureau of Statistics, 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, 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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Executive Summary

The global economic outlook has been revised modestly upward since earlier in the year, with the IMF's July 2025 World Economic Outlook projecting global growth at 3.0 per cent in 2025 and 3.1 per cent in 2026, reflecting stronger-than-expected trade front-loading, lower average effective US tariff rates, and improved global financial conditions. Nevertheless, growth remains below both the 2024 outcome of 3.3 per cent and the pre-pandemic average of 3.7 per cent, and risks remain tilted to the downside. A re-escalation of trade tensions, geopolitical instability, or fiscal vulnerabilities in highly indebted economies could weigh significantly on the outlook. Global headline inflation is projected to ease to 4.2 per cent in 2025 and 3.6 per cent in 2026, though it remains above pre-pandemic levels in many economies.

At the regional level, the Asian Development Bank projects Pacific growth at 3.9 per cent in 2025, with the 2026 forecast revised slightly downward to 3.5 per cent reflecting expected softening in visitor arrivals. Growth across the subregion continues to be shaped primarily by Papua New Guinea and Fiji, the two largest economies. For Vanuatu specifically, the ADB projects growth of 2.0 per cent in 2025 and 2.5 per cent in 2026, driven by post-disaster reconstruction and a gradual resumption of tourism activity, though acknowledging that the full recovery of tourism and public services is expected to take time. Pacific economies more broadly face significant downside risks, including exposure to external shocks, climate-related disasters, and structural constraints.

Domestically, Vanuatu's economy demonstrated continued resilience in Q3 2025. The Macroeconomic Committee's June 2025 forecast revised growth upward to 3.7 per cent in 2025 - a 1.5 percentage point increase from the estimated 2024 pace - rising to 3.9 per cent in 2026. The Government recorded a primary surplus of VT 3,257 million, a substantial improvement on the same period of the prior year, underpinned by strong VAT and Economic Citizenship Programme revenue performance. Annual inflation remained comfortably within the RBV's target range at 1.1 per cent, and net foreign assets rose 20.5 per cent year-on-year to VT 102,471 million, bolstered by significant earthquake-related donor inflows.

The quarter's most notable development was a landmark recovery in tourism, with total visitor arrivals reaching 69,948 - surpassing pre-COVID levels - driven by the entry of new international airline carriers and the resumption of cruise ship services. Trade in goods presented a more mixed picture, with the trade deficit widening to VT 11,576 million as strong import growth, reflecting post-earthquake reconstruction and recovering domestic consumption, outpaced export performance. Looking ahead, sustaining Vanuatu's economic momentum will require targeted policy attention to address structural constraints in the agricultural export sector, ensure equitable distribution of tourism gains across the islands, and manage the fiscal and inflationary implications of ongoing reconstruction activity.

Development overseas

World Economic Outlook

The IMF's July 2025 World Economic Outlook Update projects global growth at 3.0 per cent in 2025 and 3.1 per cent in 2026, a modest upward revision from the April 2025 forecast. This reflects stronger-than-expected front-loading ahead of tariffs, lower average effective US tariff rates than those announced in April, an improvement in global financial conditions including a weaker US dollar, and fiscal expansion in some major jurisdictions. Nevertheless, growth remains below both the 2024 outcome of 3.3 per cent and the pre-pandemic historical average of 3.7 per cent, with apparent near-term resilience driven largely by trade-related distortions expected to wane.

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
World Output	3.6	3.5	3.3	3.0	3.1	3.2	3.2	3.2	3.1
Advanced economies	2.9	1.7	1.8	1.5	1.6	1.7	1.7	1.7	1.7
United States	2.5	2.9	2.8	1.9	2.0	2.0	2.1	2.1	2.1
Euro Area	3.5	0.4	0.9	1.0	1.2	1.2	1.3	1.2	1.1
Japan	0.9	1.5	0.2	0.7	0.5	0.6	0.6	0.5	0.5
Emerging Markets and Developing Economies	4.1	4.7	4.3	4.1	4.0	4.2	4.1	4.1	4.0
China	3.1	5.4	5.0	4.8	4.2	4.2	4.1	3.7	3.4

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

Growth in advanced economies is projected at 1.5 per cent in 2025 and 1.6 per cent in 2026. In the United States, growth is forecast at 1.9 per cent in 2025 and 2.0 per cent in 2026, supported by lower effective tariff rates and looser financial conditions, though private demand is cooling and immigration has weakened. In the Euro Area, growth is expected at 1.0 per cent in 2025 and 1.2 per cent in 2026, with the outlook weighed down by trade uncertainty and the fading of front-loading effects.

Emerging markets and developing economies are projected to grow at 4.1 per cent in 2025 and 4.0 per cent in 2026. China's growth has been revised upward to 4.8 per cent in 2025 and 4.2 per cent in 2026, reflecting stronger-than-expected first-half activity and the significant reduction in US-China tariffs. India is forecast to grow at 6.4 per cent in both 2025 and 2026, maintaining its position as the fastest-growing major economy.

Global headline inflation is expected to fall to 4.2 per cent in 2025 and 3.6 per cent in 2026, broadly unchanged from the April forecast. In the United States, inflation is projected to remain above the 2 per cent target through 2026 as tariffs pass through to consumer prices, while inflationary dynamics in the Euro Area are expected to be more subdued.

Risks remain tilted to the downside. A rebound in effective tariff rates, a breakdown in trade negotiations, or an escalation of geopolitical tensions - particularly in the Middle East - could weigh significantly on growth and reignite inflationary pressures. Fiscal vulnerabilities in highly indebted economies, including the United States, could raise long-term interest rates and tighten global financial conditions. The IMF recommends that countries reduce policy-induced uncertainty through clear and transparent trade frameworks, restore fiscal space through credible medium-term consolidation, and pursue structural reforms to lift medium-term growth prospects.

Regional Economic Outlook

The Asian Development Bank's (ADB) July 2025 Asian Development Outlook projects Pacific growth to remain at 3.9 per cent in 2025, while the 2026 forecast has been revised downward to 3.5 per cent from 3.6 per cent in the April 2025 outlook, reflecting expected softening in visitor arrivals. The economic outlook for the subregion is predominantly determined by Papua New Guinea and Fiji, the two largest economies, with growth projections for both countries remaining unchanged from the April forecast.

In Papua New Guinea, the subregion's largest economy, growth was forecast to ease to 4.2 per cent in 2025 and 3.8 per cent in 2026, reflecting muted petroleum production and ongoing development challenges, such as power blackouts, security constraints, and the high cost of doing business, which continue to weigh on prospects in resource extraction and agriculture. In Fiji, the subregion's second-largest economy, growth was expected to moderate to 3.0 per cent in 2025 and rise slightly to 3.2 per cent in 2026, supported by a robust rebound in visitor arrivals, increasing consumption, and stimulus from public infrastructure projects. In Vanuatu, following the disruption caused by Air Vanuatu liquidation and the December 2024 earthquake, growth was projected at 2.0 per cent in 2025 and 2.5 per cent in 2026.

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

Country	2021	2022	2023	2024	2025	2026
Pacific Region (excluding Aus&NZ)	-1.5	8.2	4.7	4.2	3.9	3.5
Fiji	-4.9	19.8	7.5	3.5	3.0	3.2
Kiribati	8.5	3.9	4.2	5.8	4.1	3.3
Marshall Islands	-2.8	1.2	-1.1	-3.9	2.5	3.0
Micronesia	3.0	-0.9	0.8	1.1	1.7	1.1
Nauru	7.2	3.0	1.6	2.0	2.5	2.5
Palau	-11.9	-1.1	1.5	6.6	9.5	4.5
Papua New Guinea	-0.5	5.7	3.8	4.3	4.2	3.8
Samoa	-7.1	-5.3	8.6	10.0	5.5	3.0
Solomon Islands	2.6	2.4	3.0	2.5	2.9	3.2
Tonga	0.4	-2.3	2.1	1.6	2.5	2.3
Tuvalu	1.8	0.7	3.7	3.1	2.7	2.5
Vanuatu	-1.6	5.2	2.4	1.7	2.0	2.5
Australia	5.4	4.1	2.1	1.0	1.6	2.1
New Zealand	5.7	2.9	1.8	-0.5	1.4	2.7

Source: Asian Development Bank, Asian Development Outlook (July 2025), IMF WEO July 2025

Inflation in the Pacific is forecast at 3.4 per cent in 2025 and 3.7 per cent in 2026, with the outlook driven primarily by higher domestic price pressures in Papua New Guinea, which outweigh slower inflation across the rest of the subregion in line with moderating international commodity price trends. More volatile commodity prices, particularly for fuel, and supply chain disruptions - including those arising from geopolitical tensions - pose significant risks to the inflation outlook.

Key downside risks to the Pacific outlook include a re-escalation of conflict in the Middle East, which could disrupt shipping and raise oil and commodity prices, with small island economies particularly vulnerable given their dependence on energy imports and the potential widening of current account deficits. Pacific economies remain highly exposed to disasters and external shocks and continue to face structural challenges including limited fiscal space and capacity constraints. Recommended policy priorities include improving financial inclusion and digital transformation, strengthening fiscal discipline, and attracting private investment to ensure long-term resilience and sustainability.

Development onshore

Vanuatu's Economic Outlook

Vanuatu's economic outlook remains cautiously optimistic, notwithstanding the significant challenges posed by the Air Vanuatu liquidation and the December 2024 earthquake. The recovery is underpinned by post-earthquake reconstruction activity and strong inbound visitor arrivals. The Macroeconomic Committee's (MEC) June 2025 forecast revised its growth projection upward to 3.7 per cent in 2025 - a 1.5 percentage point increase from the estimated 2024 pace - rising to 3.9 per cent in 2026 and averaging 4.0 per cent over the medium term. Fiscal performance through April 2025 has been stronger than expected, driven primarily by VAT collections and the Honorary Citizenship Programme. Monetary conditions remain stable, with inflation and official reserves both within the Reserve Bank of Vanuatu's target ranges and import cover standing at over eight months, well above the four-month legal minimum.

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

Vanuatu Economic Outlook										
	Actuals		*Estimate*		*Forecast*					
	2021	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**
Real GDP Growth (2006 prices)	-1.6	5.2	4.0	2.2	3.7	3.9	4.0	3.9	4.1	4.2
Agriculture, Fishing and Forestry	2.7	3.9	-0.8	2.2	2.8	3.1	3.4	3.5	3.2	3.3
Industry	-1.3	-19.7	3.2	1.8	8.1	9.2	6.3	3.9	4.1	4.0
Services	0.4	7.8	6.4	3.0	3.9	3.7	3.9	3.7	3.9	4.3

Source: Vanuatu Bureau of Statistics & Macroeconomic Committee estimates June 2025

In the agriculture sector, the absence of cyclones during the 2024-25 season contributed to a notable improvement in food and garden crop yields, partially offsetting weaker export performance across major commodities including kava, copra, cocoa, and beef. On this basis, the sector's growth forecast has been revised upward from 2.5 per cent to 2.9 per cent in 2025, with a further increase to 3.1 per cent projected for 2026, supported by continued favourable weather conditions and elevated subsistence production.

In the industry sector, growth has been shaped significantly by post-earthquake reconstruction and demolition activity, with the government's rollout of construction projects providing additional support. However, sub-sectors including manufacturing, handicraft production, and building construction remain constrained by earthquake damage and the ongoing absence of cruise ship arrivals. As a result, industry sector growth has been revised downward to 8.1 per cent in 2025, reflecting the lingering effects of the December 2024 earthquake and a slower-than-expected resumption of activity in certain areas. Growth is projected to strengthen to 9.2 per cent in 2026, driven primarily by an acceleration in reconstruction and rebuilding work alongside the continued implementation of infrastructure projects.

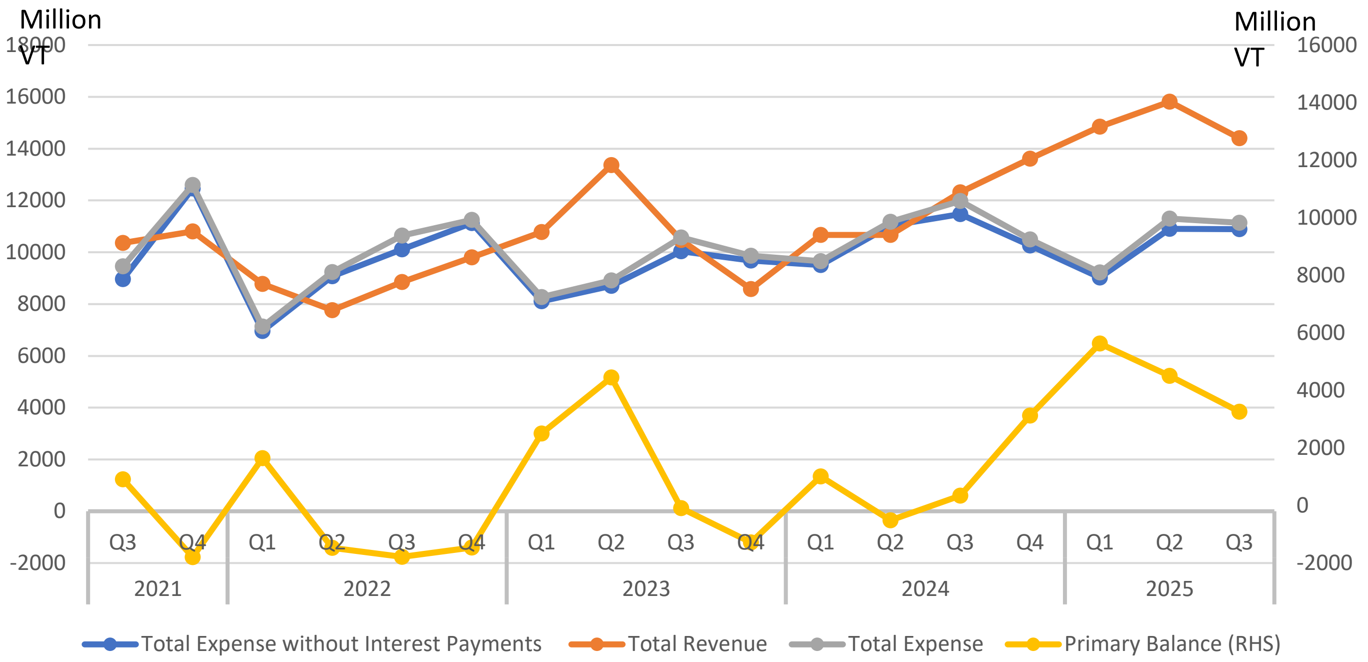
In the services sector, performance has been broadly steady, with a marginal improvement relative to the previous forecast. The liquidation of Air Vanuatu and the teachers' strike continue to weigh on the sector; however, the retail sub-sector has maintained its momentum, supported by strong VAT receipts, while real estate, commercial banking, and technical services have shown robust improvement. Growth in the services sector is projected at 3.9 per cent in 2025, easing slightly to 3.7 per cent in 2026.

Fiscal Performance

In the third quarter, the government recorded a primary surplus of VT 3,257 million, representing a 27.7 per cent decline from the previous quarter but a substantial improvement on the VT 342.4 million surplus recorded in the same period of the prior year. Total revenue contracted by 8.9 per cent on a quarterly basis while expanding 16.9 per cent year-on-year, and total expenditure decreased by 1.4 per cent quarterly and 7.0 per cent annually. The quarter-on-quarter decline in the primary surplus is therefore attributable to revenue underperformance relative to Q2 2025, while the significant year-on-year improvement reflects sustained strong annual performance across key revenue categories.

On the revenue side, Other Revenue fell by 59.6 per cent in Q3 2025 relative to the prior quarter, largely owing to the exceptional performance of Economic Citizenship Programme (ECP) receipts in Q2 2025, which had elevated the prior quarter's base. Grant funding increased by 50.8 per cent quarter-on-quarter and 130.7 per cent year-on-year, principally reflecting the substantial inflow of donor assistance following the December 2024 earthquake. Value-Added Tax (VAT) receipts rose by 34.5 per cent and 30.2 per cent on a quarterly and annual basis, respectively, while excise tax collections also recorded growth over both periods. On an annual basis, overall revenue strength is primarily attributable to VAT and ECP performance, supported in part by the implementation of a new invoicing system that has enhanced the Government's capacity to capture revenue from passport sales.

Chart 1: Primary Balance



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

Government expenditure was broadly more stable than revenue over the quarter. Most expenditure categories declined on both a quarterly and annual basis, with the exception of Compensation of Employees and Other Expenses. Use of Goods and Services, for instance, fell by 23.1 per cent quarter-on-quarter and 16.9 per cent year-on-year. Expenditure on interest, grants, and social benefits also contracted during the quarter. Compensation of Employees, however, rose by 15.8 per cent quarterly and 15.0 per cent annually in Q3 2025.

In aggregate, these movements resulted in a modest decline in total expenditure on both a quarterly and annual basis, an outcome that is indicative of the capacity and institutional constraints that continue to limit the Government's ability to meet its spending targets, notwithstanding robust VAT and ECP revenue performance.

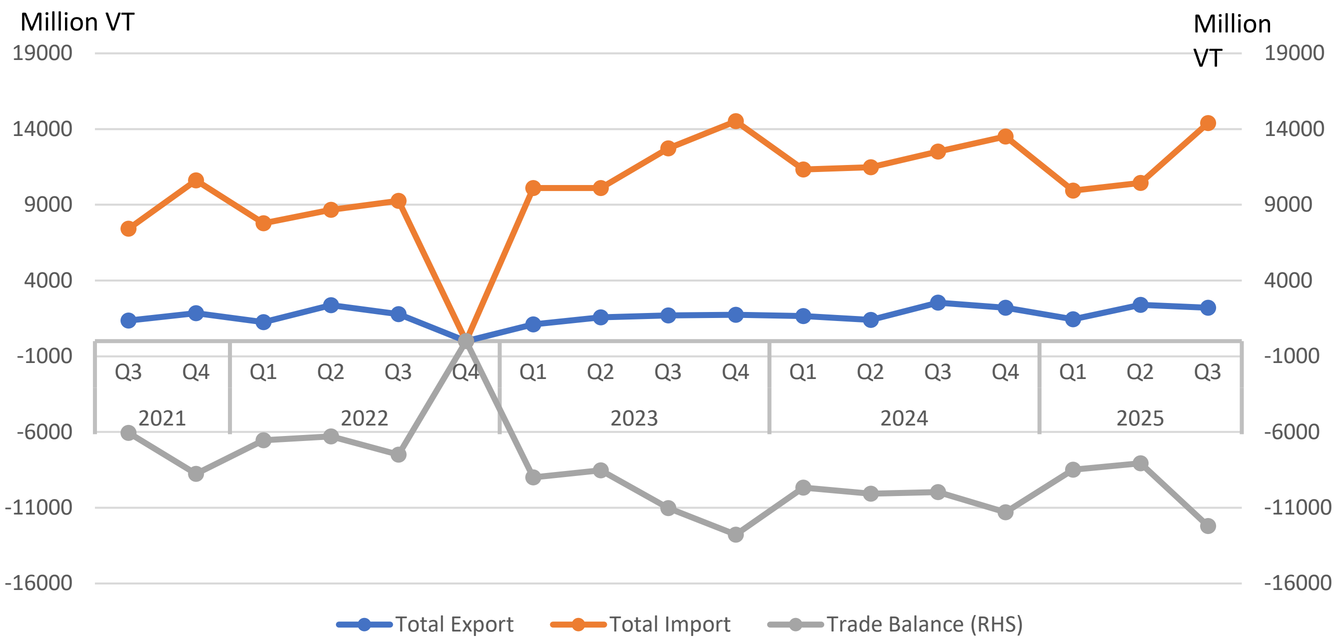
Overall, the Government's strong fiscal surplus position reflects meaningful progress in revenue mobilisation. In the coming quarters, proactive planning and targeted policy measures will be important in addressing the capacity and institutional constraints that currently impede the Government's ability to fully deploy its expenditure allocations.

Net Exports of Goods & Export of Services[1]

Trade Balance (Goods)

The trade deficit widened in Q3 2025 to VT 11,575.8 million, representing a 46.7 per cent increase quarter-on-quarter and an 18.7 per cent increase year-on-year. This deterioration was largely driven by a surge in imports, which rose by 37.8 per cent on a quarterly basis and 15.1 per cent annually. Total exports, including re-exports, rose by 10.3 per cent quarter-on-quarter and 2.4 per cent year-on-year. However, this spike in exports was largely driven by re-exports, with total exports excluding re-exports declining by 8.2% quarterly and 13.4% annually. Both of Vanuatu's urban centres, Port Vila and Luganville, recorded declining exports and rising imports over the quarter.

Chart 2: Trade Balance (in goods)



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

The simultaneous increase in imports and decline in exports excluding re-exports points to a combination of elevated domestic demand for foreign goods and weakening external competitiveness of Vanuatu's local

[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.

industries. The rise in imports may be partially attributable to increased procurement of construction materials in support of post-earthquake reconstruction efforts, while the contraction in exports likely reflects both reduced local productive capacity and softening external demand.

Exports (Goods)
The value of exports, excluding re-exports, declined in Q3 2025 on both a quarterly and annual basis, falling 8.2 per cent and 13.4 per cent respectively. The quarter-on-quarter contraction was primarily driven by a 52.7 per cent decline in cocoa export values, alongside substantial reductions in fish exports of 38.0 per cent and the complete absence of beef veal and sawn timber exports during the period. These losses were partially offset by modest quarterly growth in kava and copra exports, which rose by 7.8 per cent and 14.1 per cent respectively. The year-on-year decline was principally attributable to a 5.3 per cent annual decrease in kava production, Vanuatu's most significant export commodity, compounded by similar annual contractions in cocoa, beef, and sawn timber exports. A notable 138.0 per cent annual increase in copra exports provided a partial offset to these reductions, though insufficient to reverse the overall downward trend.

Taken together, these results underscore the structural vulnerabilities facing Vanuatu's export sector. Domestic industries remain exposed to commodity price volatility, climate and disaster-related shocks, and fluctuations in external market demand; risks that warrant ongoing attention in the design of trade and productive sector policies.

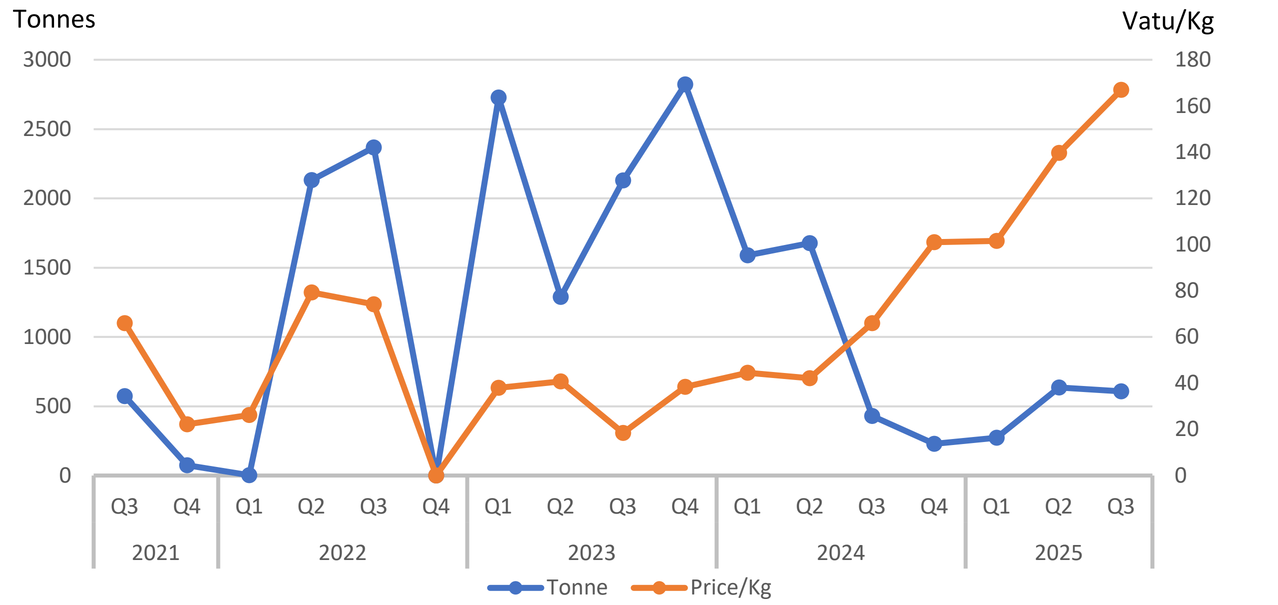
Copra
Copra exports recorded strong performance in Q3 2025, with export values rising 14.1 per cent quarter-on-quarter and 138.0 per cent year-on-year to VT 101 million overall. This growth was largely underpinned by a sharp appreciation in average export prices, which increased by 19.6 per cent quarterly and 153.0 per cent annually. Export volumes, by contrast, presented a more mixed picture, rising 41.5 per cent on an annual basis while declining modestly by 4.6 per cent quarter-on-quarter.

While the strong value performance reflects favourable external price conditions, it also highlights the importance of strengthening the resilience and productive capacity of Vanuatu's copra sector to sustain and capitalise on this demand. Key challenges remain, including the ongoing impact of the Coconut Rhinoceros Beetle (CRB), constraints on international market access, and broader environmental risks. Addressing these structural impediments will be essential to ensuring that Vanuatu's copra industry can reliably meet external demand and translate favourable price conditions into durable export growth.

Coconut oil
Coconut oil exports recorded a negligible 0.1 per cent increase in value on a quarterly basis in Q3 2025, alongside a more substantial 89.9 per cent annual increase to VT 99 million. However, these gains were driven entirely by elevated export prices rather than volume growth, with average export prices rising 29.2 per cent quarter-on-quarter and 145.4 per cent year-on-year. Export volumes, by contrast, fell by 22.5 per cent quarterly and 24.3 per cent annually.

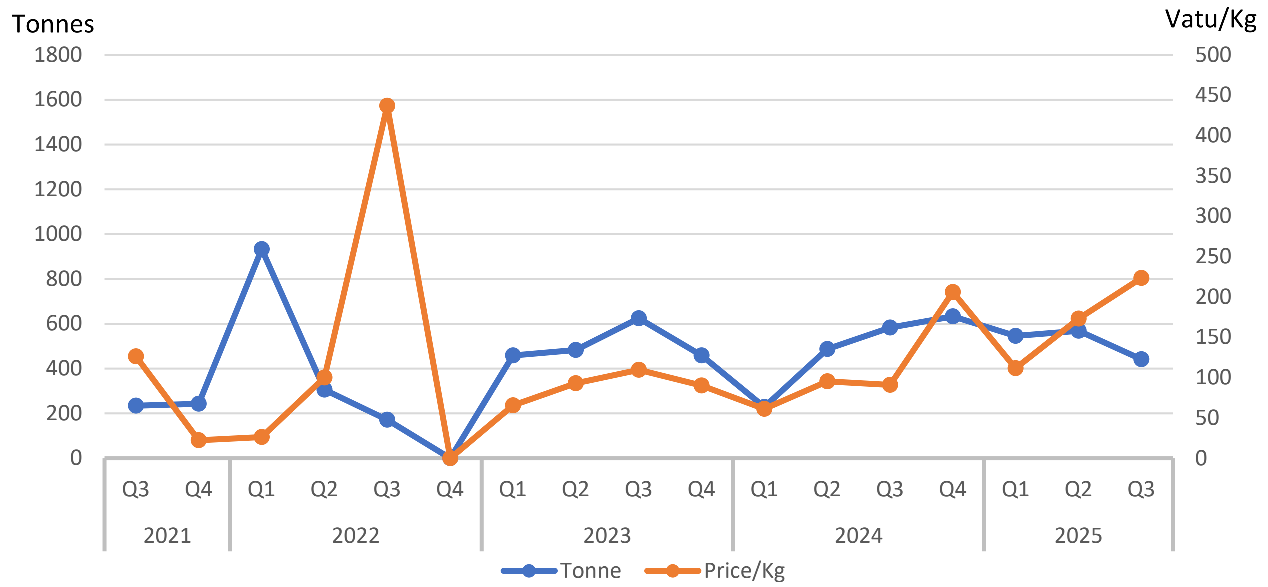
The divergence between rising prices and falling volumes highlights both an opportunity and a structural challenge for Vanuatu's coconut oil sector. The price surge reflects a global supply shortage driven by adverse weather and production difficulties in major coconut oil-producing countries, creating favourable conditions for exporters. However, Vanuatu's producers have been unable to fully capitalise on this demand, with declining export volumes pointing to persistent domestic constraints including the ongoing impact of the Coconut Rhinoceros Beetle, environmental vulnerabilities, and the inherent difficulty of rapidly scaling coconut oil production. Targeted investment in sector productivity, biosecurity, and replanting programmes will therefore be essential if Vanuatu is to translate the current price environment into sustained export earnings growth.

Chart 3: Copra exports (average prices and volumes)



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

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

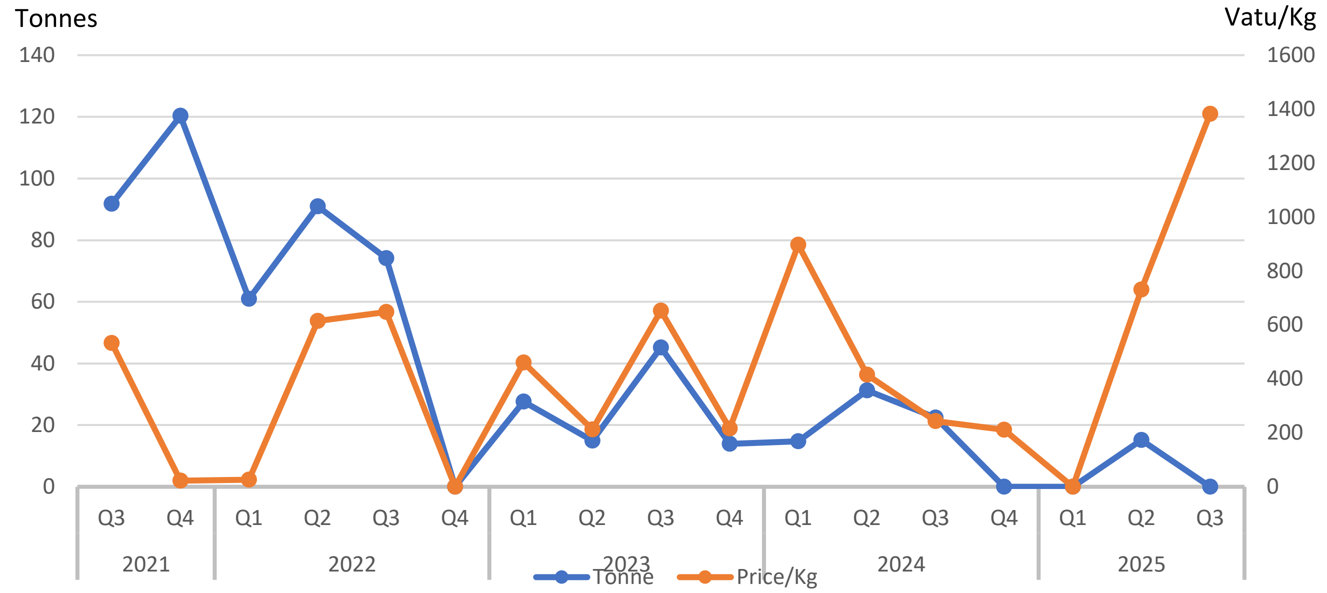


Source: Vanuatu Bureau of Statistics. Note Q4 2022 data is missing.

Beef

Beef exports recorded no activity in Q3 2025, declining from VT 11.0 million in the preceding quarter. This occurred despite reported quarterly and annual increases in average export prices of 89.1 per cent and 469.4 per cent respectively, though these figures should be interpreted with caution given that they are likely derived from limited data in the absence of any export volumes. The complete cessation of export activity, with volumes falling from 15.0 tonnes in Q2 2025 to zero, points to a significant contraction in the beef export sector and warrants close monitoring in coming quarters.

Chart 5: Beef Export (volumes and average prices)



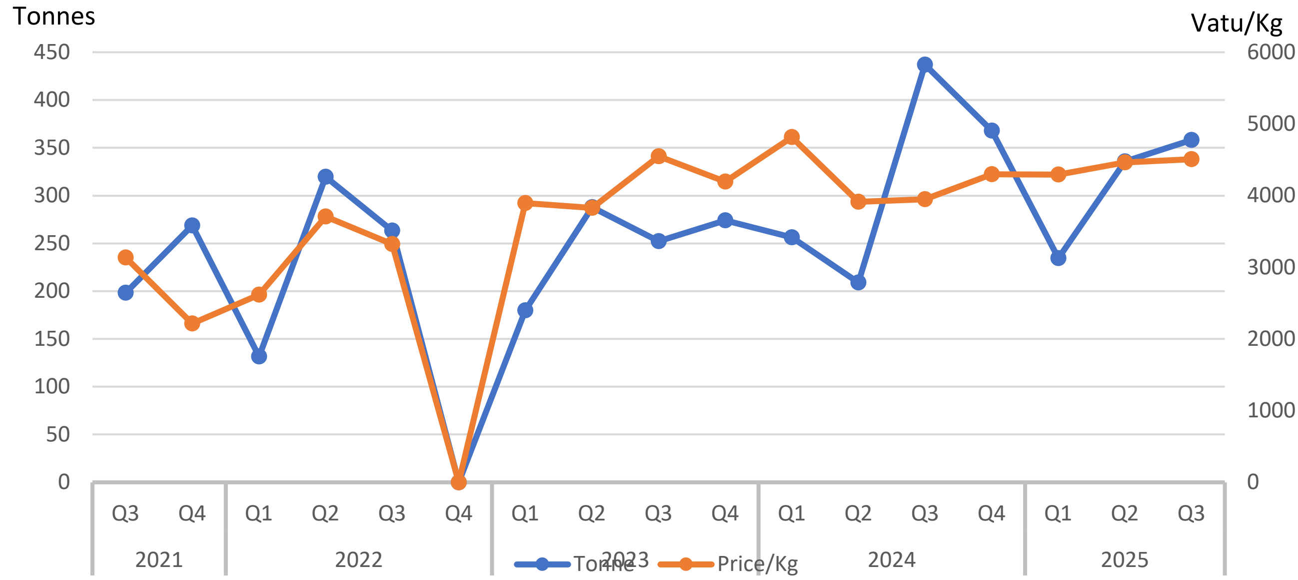
Source: Vanuatu Bureau of Statistics. Note Q4 2022 data is missing.

Kava

Kava, Vanuatu's largest export commodity, recorded a 7.8 per cent quarterly increase and a 5.3 per cent annual decrease in export values, reaching VT 1,651 million in Q3 2025. Despite the modest annual decline, this quarter's export values remain elevated relative to the average of VT 1,338 million recorded across 2024. Export volumes rose 6.7 per cent quarter-on-quarter but fell 18.1 per cent year-on-year, while average export prices increased by 1.0 per cent quarterly and 14.1 per cent annually. The annual contraction in export values therefore reflects a meaningful decline in quantities that was only partially offset by stronger pricing, suggesting that supply-side constraints, rather than weakening demand, are the primary driver of underperformance.

The sustained appreciation in kava export prices, combined with declining volumes, points to a structural mismatch between international demand and Vanuatu's productive capacity. This gap is likely compounded by the inherent constraints of kava cultivation, including multi-year growing cycles that limit producers' ability to respond quickly to price signals, as well as the lingering impact of climate-related disruptions on planting and yields. To address these supply-side bottlenecks, the Government could consider investing in targeted replanting programmes to expand the productive base, alongside farmer education and extension services focused on forward planning, crop management, and quality improvement. Strengthening access to finance for smallholder kava farmers could further support producers in aligning output with export demand.

Chart 6: Kava Export (volumes and average prices)



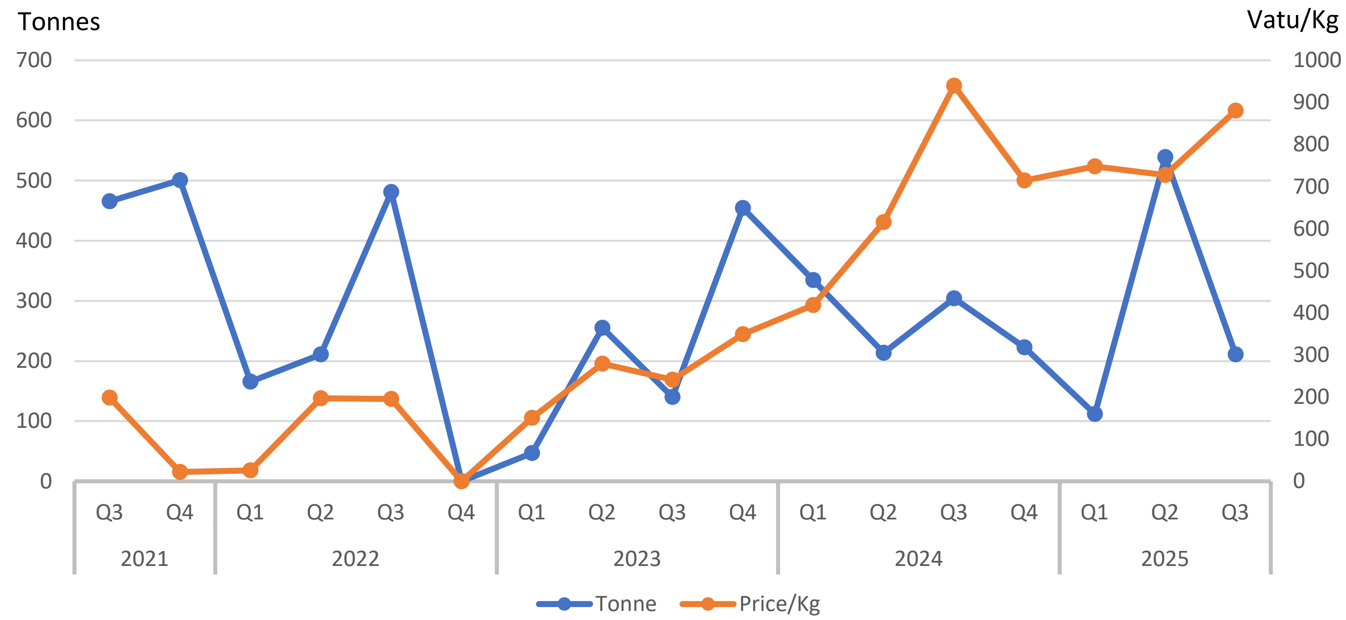
Source: Vanuatu Bureau of Statistics. Note that Q4 2022 data is missing.

Cocoa

Cocoa export values declined to VT 186 million in Q3 2025, representing a 52.7 per cent quarterly and 36.5 per cent annual contraction. However, this apparent downturn should be contextualised against the exceptionally strong performance of Q2 2025, and the Q3 figure is broadly consistent with the average of VT 182 million recorded across the quarters of 2024. Export volumes fell by 60.9 per cent quarterly and 30.6 per cent annually, while average export prices rose 21.0 per cent quarter-on-quarter, though they remain 6.3 per cent below their year-prior level.

The sustained elevation in cocoa prices since early 2024 reflects a global supply crisis driven primarily by severe weather disruptions and crop disease outbreaks in West Africa, which produces approximately 70 per cent of the world's cocoa. Although prices have since moderated, they remain structurally elevated by historical standards, continuing to benefit cocoa exporters in other producing regions. For Vanuatu, this price environment has partially offset the impact of declining export volumes, and the Q3 figures suggest that domestic producers are broadly keeping pace with 2024 output levels. To capitalise more fully on favourable global pricing, the Government could consider targeted support for the cocoa sector.

Chart 7: Cocoa Export (volumes and average prices)



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

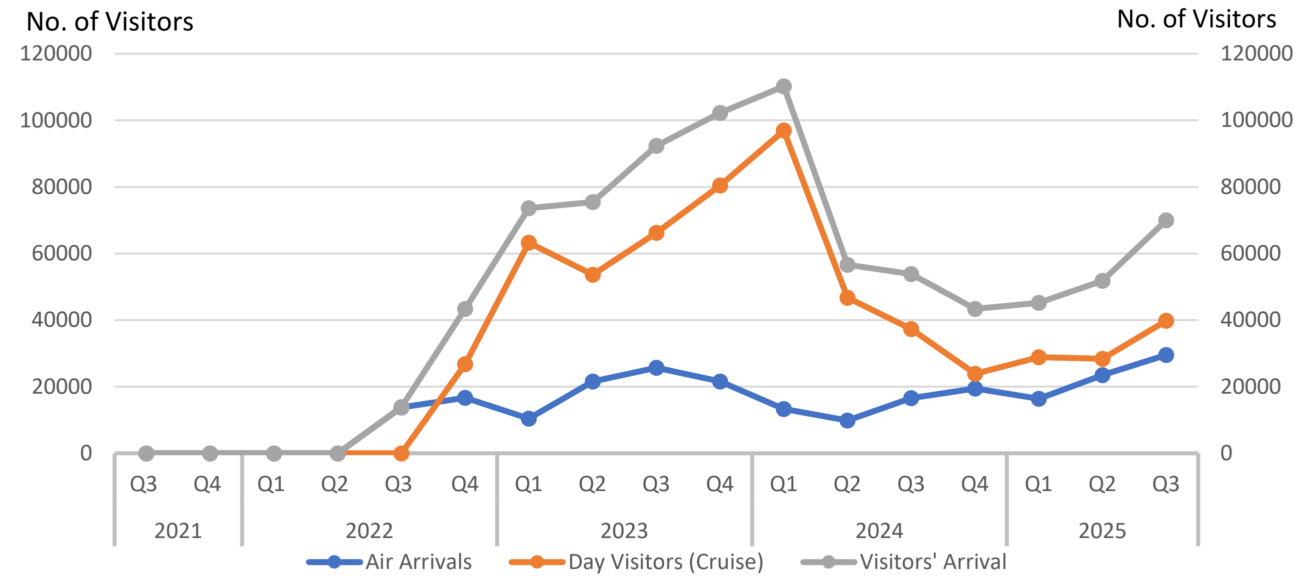
Export (Services)

Service exports remain predominantly driven by tourism. The sector has navigated significant headwinds in recent periods, including domestic air connectivity disruptions following the liquidation of Air Vanuatu and reputational concerns surrounding destination safety in the aftermath of the December 2024 earthquake. Nonetheless, conditions have improved markedly in 2025, with the entry of new international airline carriers, targeted tourism marketing initiatives, and the resumption of cruise ship arrivals collectively contributing to a recovery in visitor numbers. Feedback from accommodation and hospitality operators in Port Vila indicates that the increase in international air access has more than compensated for earthquake-related tourism losses, pointing to a resilient and ongoing recovery in the sector.

Visitor arrivals (overall)

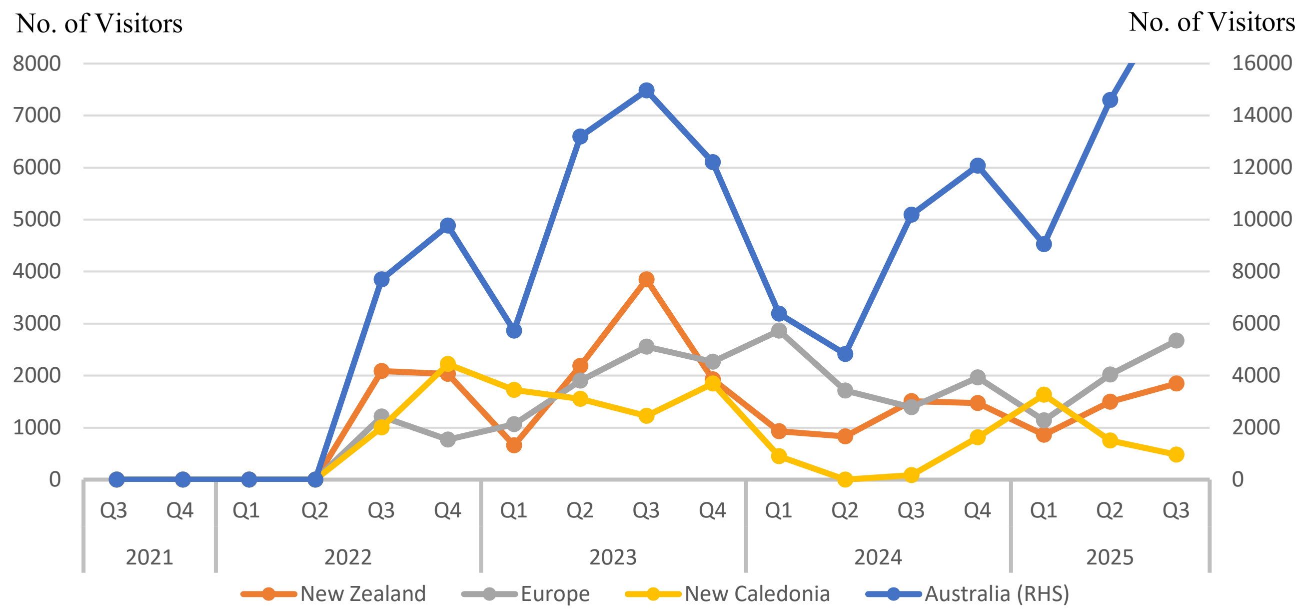
Visitor arrivals rose strongly in Q3 2025, increasing 34.9 per cent quarter-on-quarter and 29.5 per cent year-on-year to a total of 69,948 visitors. Notably, this figure surpasses the 63,407 visitors recorded in Q3 2019, confirming that tourism activity has now fully recovered beyond pre-COVID levels - a significant milestone for the sector. Total arrivals comprised 29,535 air arrivals, up 25.8 per cent quarterly and 78.7 per cent annually, and 39,782 cruise ship arrivals, up 40.1 per cent quarterly and 6.7 per cent annually. The growth in air arrivals is attributable to the entry of new international airline carriers following the liquidation of Air Vanuatu, which has significantly improved the reliability, frequency, and accessibility of international air connections. The sharp increase in cruise ship arrivals reflects the resumption of cruise services following the temporary disruption caused by the December 2024 earthquake. The resumption of Air Vanuatu's domestic services in the second half of the year has further supported tourism demand to the outer islands.

Chart 8: Visitor arrivals (in thousands)



Source: Vanuatu Bureau of Statistics

Chart 9: Visitor arrivals (excluding day visitors) by usual country of residence



Source: Vanuatu Bureau of Statistics

Visitor arrivals (country of residence)

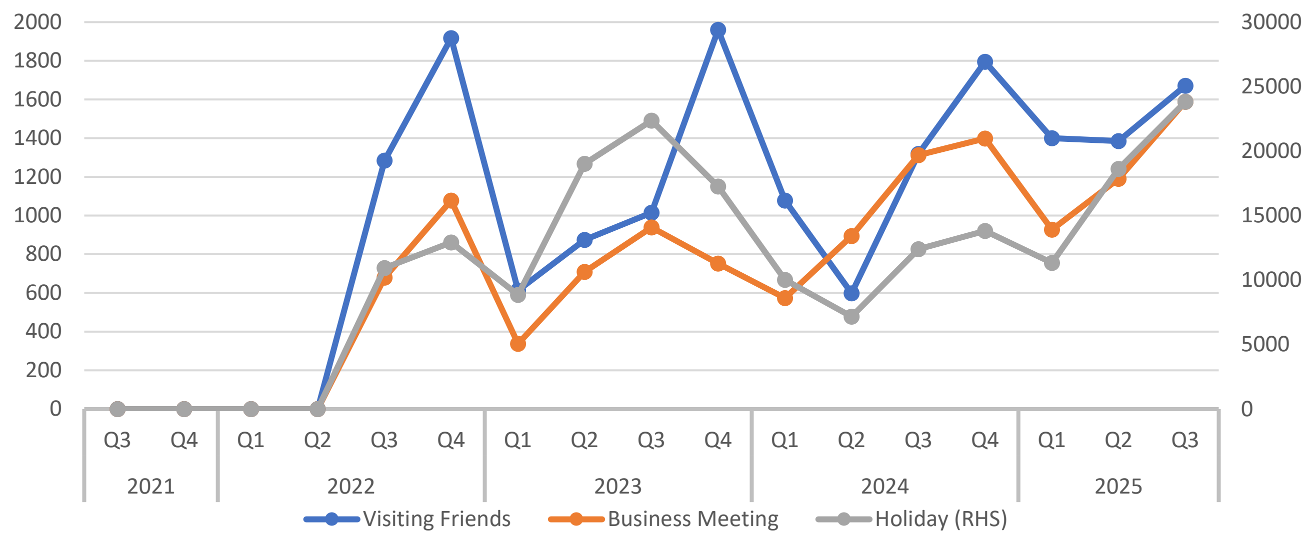
Growth in visitor arrivals was broad-based across all origin markets. Australian visitors, who account for the largest share of arrivals at 64.2 per cent of the total, increased by 29.9 per cent quarterly and 86.2 per cent annually. European visitors, representing 9.0 per cent of total arrivals, rose by 32.2 per cent quarter-on-quarter and 91.7 per cent year-on-year. New Zealand visitors, comprising 6.2 per cent of total arrivals, grew by 22.4 per cent quarterly and 23.3 per cent annually, while visitors from other Pacific countries rose by 18.5 per cent and 18.4 per cent on a quarterly and annual basis, respectively. New Caledonian visitor numbers recorded a particularly notable 473.8 per cent annual increase, largely reflecting the normalisation of conditions following civil unrest in New Caledonia in 2024, although a 35.6 per cent quarterly decline suggests that arrivals from this market have not yet fully stabilised.

The strong performance across all visitor origin markets reflects the significant improvement in air access to Vanuatu following the entry of new international airline carriers in 2025, which has considerably increased the ease and frequency of travel to the country. The resumption of cruise ship arrivals, following an initial disruption in the wake of the December 2024 earthquake, has provided a further boost to visitor numbers. Taken together, these developments point to a robust and broadening recovery in Vanuatu's tourism sector.

Visitor arrivals (purpose of visit)
The composition of visitor arrivals in Q3 2025 reflects Vanuatu's continued positioning as a leisure destination, with 80.7 per cent of visitors arriving for holiday purposes, followed by those visiting friends and relatives (5.7 per cent), business, meetings, and conferences (5.4 per cent), and other purposes (7.7 per cent). Holiday arrivals increased by 27.9 per cent quarter-on-quarter and 92.0 per cent year-on-year, reflecting the combined impact of improved international air connectivity and effective tourism marketing by both airline carriers and the Vanuatu Tourism Office. Business and conference visitors also recorded solid growth of 33.5 per cent quarterly and 21.0 per cent annually, indicating emerging opportunities beyond the leisure segment.

Sustaining and broadening these gains will require proactive policy attention on two fronts. First, tourism policy should seek to ensure that the benefits of increased visitor arrivals are distributed equitably across the country, with targeted investment in domestic air and sea connectivity to facilitate the dispersal of tourism activity beyond Port Vila and Luganville to the outer islands. Second, Vanuatu is well-placed to strengthen its positioning as a destination for business tourism, meetings, and conferences - a segment that typically generates higher per-visitor expenditure and is less sensitive to seasonal fluctuations. Dedicated business tourism marketing, investment in conference facilities, and engagement with regional business networks could help Vanuatu capture a greater share of gains from business-related services exports in coming years.

Chart 10: Visitor arrivals (excluding day visitors) by purpose of visit



Source: Vanuatu Bureau of Statistics

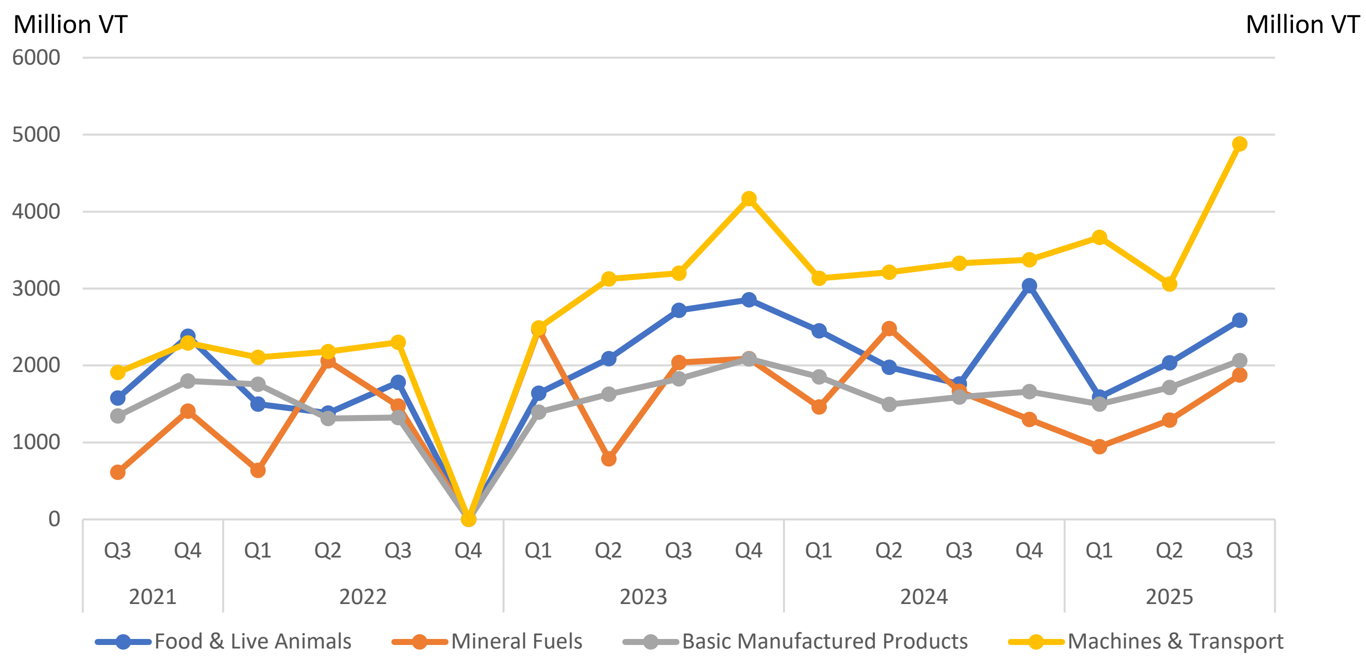
Import (Goods)

Imported Consumer Items

The value of total imports cleared for home consumption increased by 37.8 per cent quarter-on-quarter and 15.1 per cent annually in Q3 2025, reaching VT 14,406 million. Growth was broad-based across the primary import categories, with notable increases in Food and Live Animals (27.2% QoQ, 47.0% YoY), Mineral Fuels (45.5% QoQ, 12.7% YoY), Basic Manufactured Products (20.5% QoQ, 29.9% YoY), and Machines and Transport Equipment (59.7% QoQ, 46.6% YoY), while only Miscellaneous Manufactured Goods and Crude Materials Excluding Fuel recorded annual contractions.

The composition of this growth points to a confluence of demand drivers: the sharp rise in Machines and Transport Equipment is consistent with imports of construction equipment for post-earthquake reconstruction, whereas the increase in Food and Manufactured Goods reflects a recovery in domestic consumer demand supported by easing inflation and post-pandemic normalisation. Taken together, these trends suggest that the import surge is being driven by a combination of investment and consumption - both broadly positive indicators of economic activity, though they also underscore the structural trade deficit challenges outlined earlier in this report.

Chart 11: Selected imported consumer items



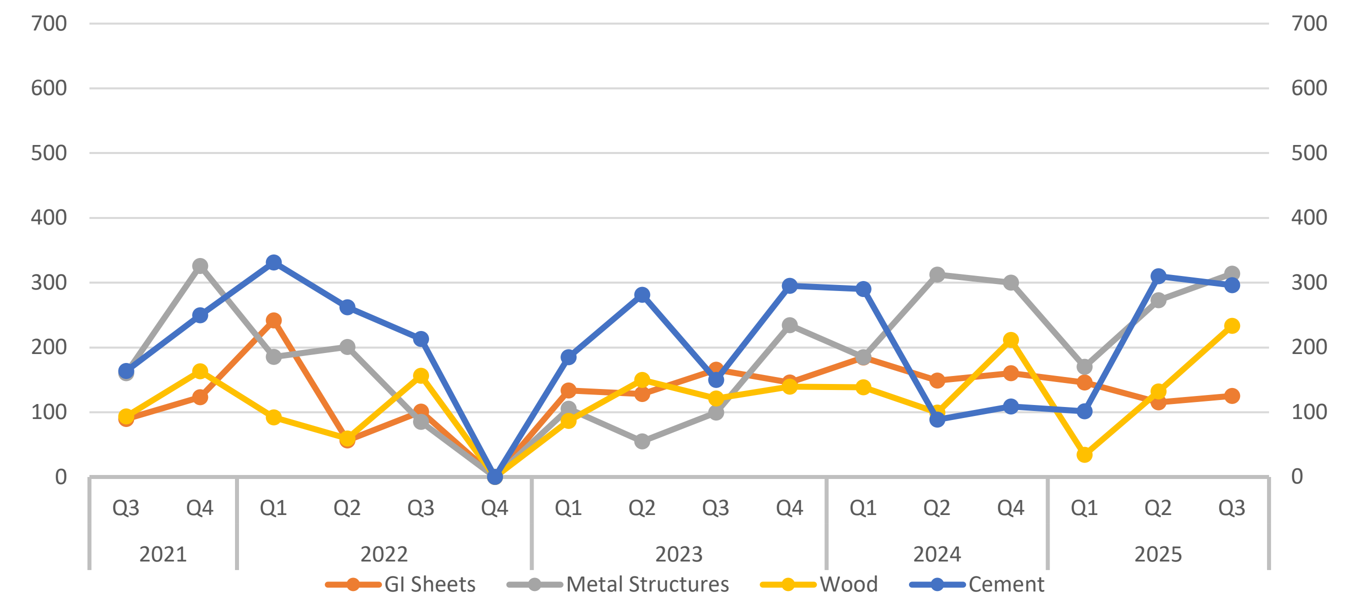
Source: Vanuatu Bureau of Statistics. Note that Q4 2022 data is missing.

Imported Construction Materials

Imports of construction materials rose 23.1 per cent quarter-on-quarter and 22.5 per cent annually in Q3 2025, reaching a total of VT 1,514 million. Growth was recorded across the principal subcategories, with Metal Structures increasing 15.1 per cent quarterly and 126.1 per cent annually, GI Sheets rising 8.4 per cent and 13.2 per cent, respectively, and Wood recording a particularly strong 76.7 per cent quarterly and 10.4 per cent annual increase. Cement imports rose 34.1 per cent year-on-year, with only a modest 4.1 per cent quarterly decline.

The sustained strength of construction material imports reflects two concurrent drivers: ongoing public infrastructure investment, which has underpinned elevated construction activity throughout 2024, and the commencement of post-earthquake rebuilding. The annual increases across nearly all subcategories - particularly the more than doubling of Metal Structures imports on a year-on-year basis - are indicative of the scale of reconstruction demand entering the supply chain. As post-earthquake rebuilding and infrastructure projects progress from planning phases into active construction and completion, these imports are expected to rise further in coming quarters.

Chart 12: Value of imported construction materials



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

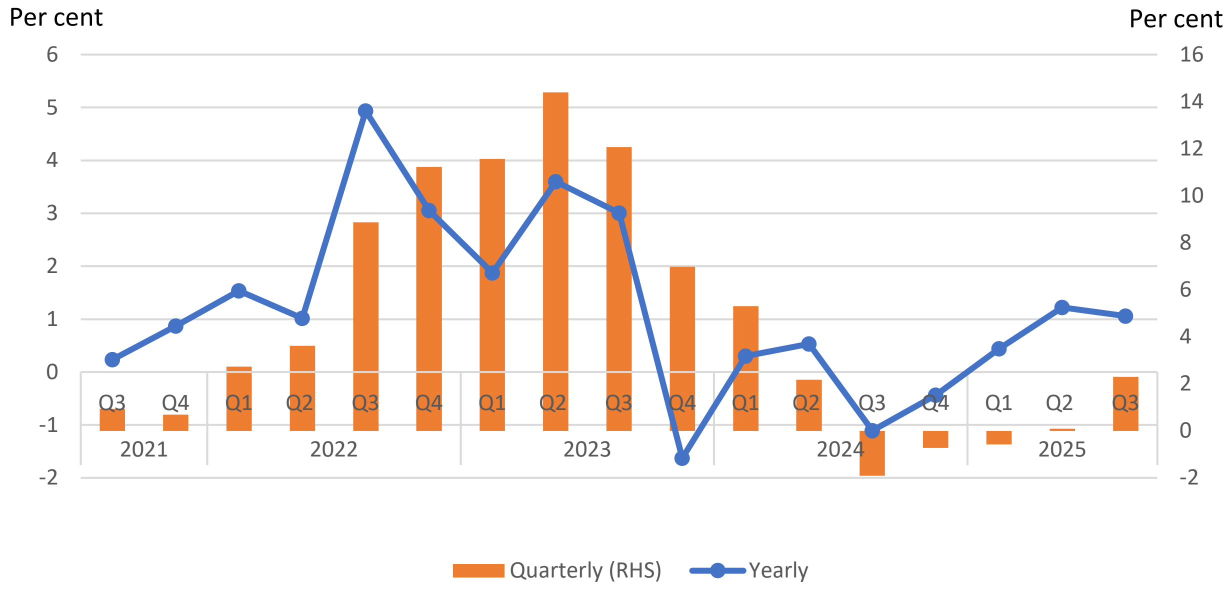
Inflation

Consumer Price Index

Annual inflation in Q3 2025 stood at 1.1 per cent, easing marginally from 1.2 per cent in the preceding quarter, and remaining comfortably within the Reserve Bank of Vanuatu's target range of 0 to 4 per cent. Across Vanuatu's main urban centres, annual inflation was recorded at 1.2 per cent in Port Vila, 1.8 per cent in Lenakel, and 0.1 per cent in Luganville. On a quarterly basis, inflation rose to 2.3 per cent, reversing the deflation of 0.6 per cent recorded in Q2 2025, with Port Vila recording 2.3 per cent, Luganville 1.5 per cent, and Lenakel 4.4 per cent.

The sustained moderation in annual inflation represents a continuation of the downward trend from post-COVID price pressures and reflects both domestic stabilisation and broader global dynamics. Easing international commodity and manufactured goods prices have reduced imported inflationary pressures, which had been a significant driver of price growth in the post-pandemic period. The quarterly uptick, while notable, remains within the target range and is not yet indicative of renewed inflationary pressure. Continued monitoring will nonetheless be important, particularly given the potential for reconstruction-related demand and rising import volumes to exert upward pressure on domestic prices in coming quarters.

Chart 13: Consumer Price Index (percentage change)



Source: Vanuatu Bureau of Statistics

Money Supply and Net Foreign Assets

Monetary Aggregates

Total money supply in Vanuatu expanded by 13.1 per cent year-on-year and 3.2 per cent quarter-on-quarter in Q3 2025 to VT 139,821 million, driven by increases in both net foreign assets and domestic credit, and supported by growth in both narrow money and quasi money. The broader expansion in money supply is consistent with the rebounding economic activity documented elsewhere in this report, including rising import demand, recovering tourism, and reconstruction-driven investment. However, if money supply growth outpaces the productive capacity of the economy, it can contribute to inflationary pressures over time, and its interaction with elevated import volumes and reconstruction-driven demand warrants close monitoring to ensure that price stability is maintained within the RBV's target range.

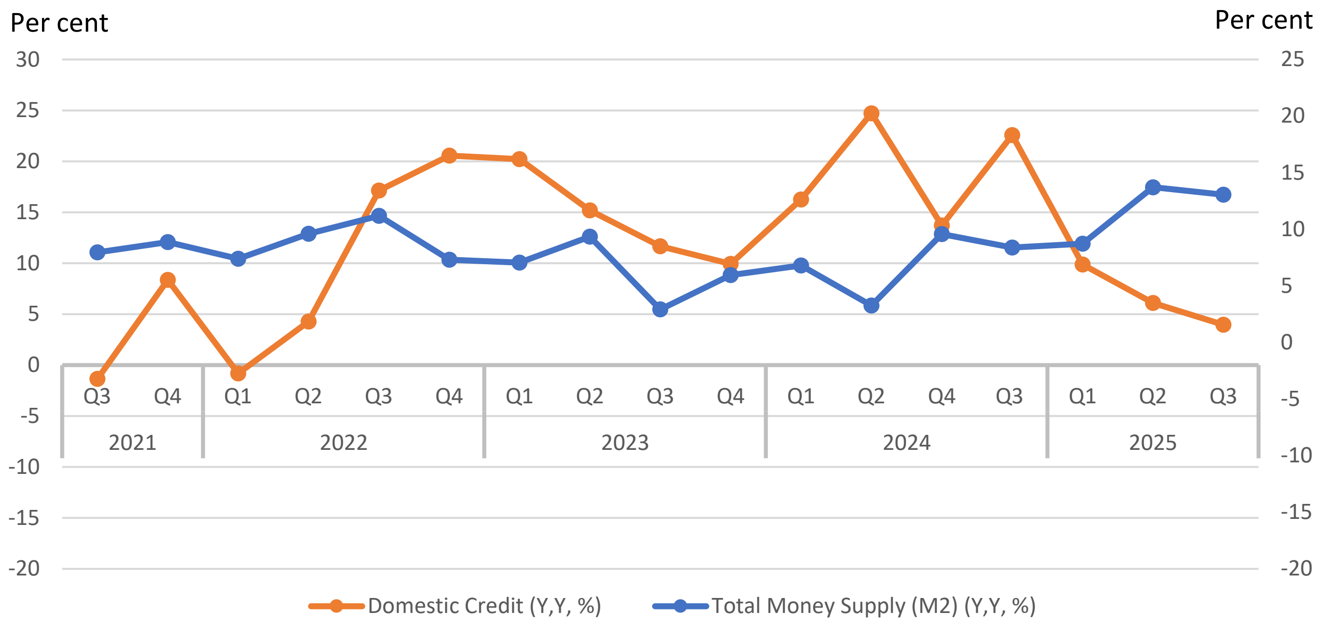
Domestic Credit

Domestic credit rose by 3.5 per cent quarter-on-quarter and 4.0 per cent annually in Q3 2025, reaching VT 66,875 million. This growth was driven by an increase in private sector credit alongside a deterioration in the Government's net credit position with the banking system. The continued expansion of private sector credit to both households and businesses is consistent with the broader recovery in consumption and investment activity in the post-pandemic and post-earthquake period. Sustained private sector credit growth is a positive signal for the economic outlook, as it suggests that businesses are investing in productive capacity and households are increasing expenditure, both of which support broader economic growth and employment.

Net Foreign Assets (NFA)

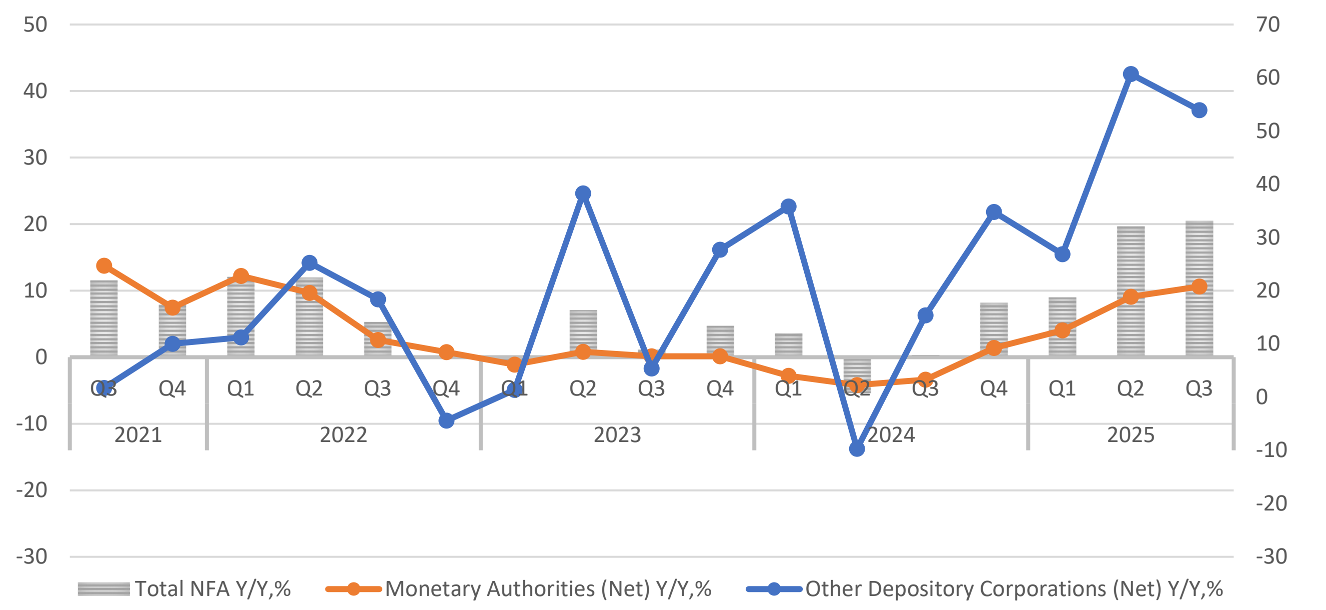
Net foreign assets rose by 2.6 per cent quarter-on-quarter and 20.5 per cent year-on-year in Q3 2025, reaching VT 102,471 million. The substantial annual increase is largely attributable to the significant inflow of donor grant funding mobilised in response to the December 2024 earthquake, which has materially strengthened Vanuatu's external asset position. Additional contributions came from returns on overseas investments and an increase in commercial banks' foreign asset holdings. The elevated level of net foreign assets is a positive indicator of external sector resilience, providing a buffer against external shocks and supporting the Reserve Bank of Vanuatu's capacity to maintain exchange rate stability and meet import financing requirements in the near term.

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

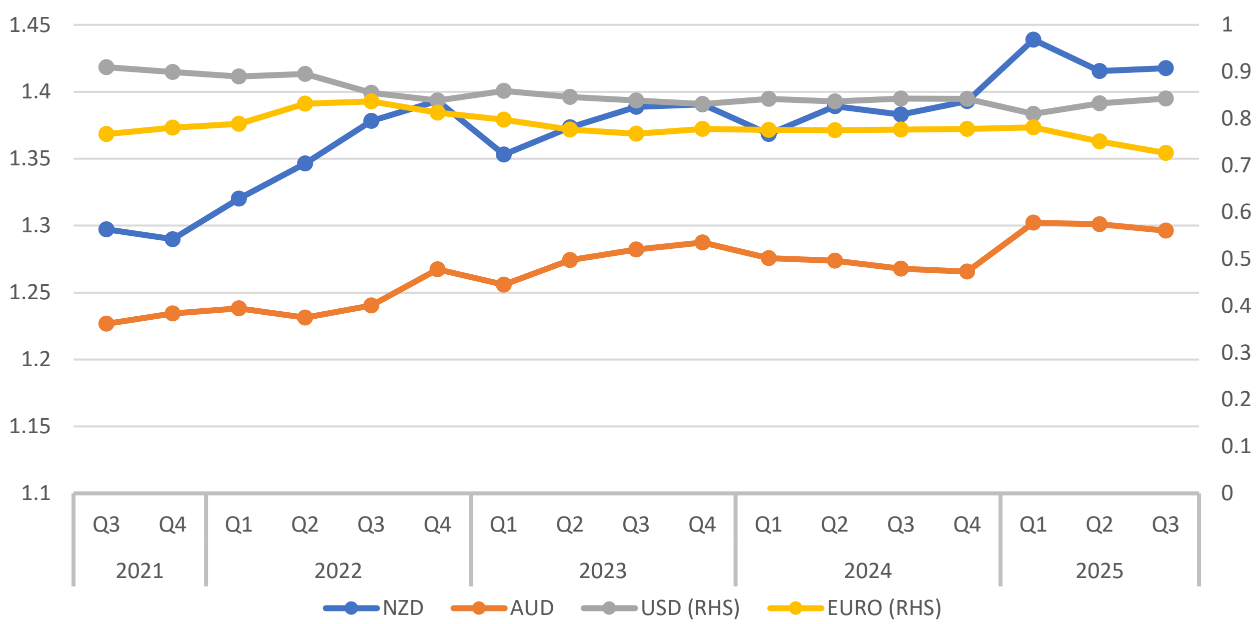
Exchange Rate

Exchange rates between the Vatu and major currencies remained largely stable on a quarterly basis, consistent with Vanuatu's managed basket exchange rate regime. The Vatu held steady against the Australian Dollar at AUD 1.30 per 100 VT, the New Zealand Dollar at NZD 1.42 per 100 VT, and the US Dollar at USD 0.84 per 100 VT. A modest quarterly depreciation was recorded against the Euro, with the exchange rate edging down from EUR 0.75 to EUR 0.73 per 100 VT.

On an annual basis, the picture was more mixed. The Vatu appreciated against the Australian and New Zealand Dollars, with the AUD exchange rate rising by 2.24 per cent and the NZD rate by 2.50 per cent year-on-year. Given that Australia and New Zealand collectively account for many of Vanuatu's visitor arrivals, this appreciation modestly reduces Vanuatu's price competitiveness as a tourism destination, as it effectively increases the cost of travel and in-country expenditure for visitors from these markets. However, it also slightly reduces the cost of imports from these countries.

The Vatu depreciated against the Euro, with the exchange rate declining by 6.43 per cent annually from EUR 0.78 to EUR 0.73 per 100 VT, which may contribute modestly to the cost of euro-denominated imports. The USD exchange rate remained broadly unchanged on an annual basis. Overall, the relative stability of the Vatu across major currencies reflects the effectiveness of the managed basket regime in moderating exchange rate volatility.

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



Source: Vanuatu Bureau of Statistics

Summary Table

	2021		2022				2023				2024				2025		
QUARTERLY ECONOMICS DATA	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	Quarter 3
Visitor arrivals by air (Thousands)	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	29,535.0
Visitor arrivals by air, % y/y	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	78.7
Visitor arrivals by cruise ship (Thousands)	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	39,782.0
Visitor arrivals by cruise ship, % y/y	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	6.7
Export (values), % y/y	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	-13.4
Copra, % y/y	-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	138.0
Beef, % y/y	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	-36.5
Cocoa, % y/y	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	-98.7
Imports (values), % y/y	-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	15.1
Consumption goods, % y/y	-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	15.1
Construction materials, % y/y	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	0.0
Trade balance of goods in million VT	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	141.3
Money Supply (M2), % y/y	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	1,305.5
Domestic Credit, % y/y	-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	4.0
Net Foreign Assets (NFA), % y/y	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	20.5
Exchange rates (Foreign currency per 100 VT																	
AUD	1.23	1.23	1.24	1.23	1.24	1.27	1.26	1.27	1.28	1.29	1.28	1.27	1.27	1.27	1.30	1.30	1.30
NZD	1.30	1.29	1.32	1.35	1.38	1.39	1.35	1.37	1.39	1.39	1.37	1.39	1.38	1.39	1.44	1.42	1.42
USD	0.91	0.90	0.89	0.89	0.86	0.84	0.86	0.85	0.84	0.83	0.84	0.84	0.84	0.84	0.81	0.83	0.84
Euro	0.77	0.78	0.79	0.83	0.84	0.81	0.80	0.78	0.77	0.78	0.78	0.78	0.78	0.78	5.81	5.50	5.41
Consumer Price Index, % y/y	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	0.1	2.3

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