DEPARTMENT OF FINANCE & TREASURY
GOVERNMENT OF VANUATU

QUARTERLY ECONOMIC REPORT

Q4 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 fourth quarter of 2025. The report has 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, 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 monetary indicators, including Consumer Price Index (CPI) measures of inflation, exchange rate developments with our major trading partners, and changes in the overall supply of money.

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 October 2025 IMF World Economic Outlook (WEO) shows the global economy remains resilient but is gradually slowing, with growth easing from 3.3 per cent in 2024 to 3.2 per cent in 2025 and 3.1 per cent in 2026. Early 2025 strength was temporary, driven by front-loaded trade and inventories, while weaker investment, labour markets, and confidence now signal slower momentum.

Rising protectionism, tariffs, and policy fragmentation are weakening global trade and long-term productivity. Advanced economies are growing slowly but steadily at around 1.7 per cent, constrained by ageing populations, high interest rates, and weak productivity, while emerging economies such as India and Indonesia continue to grow above 4 per cent but remain vulnerable to external shocks and debt risks. Inflation is easing globally, though remains higher in the United States. The outlook highlights risks from trade tensions, rising debt, financial instability, and China's property sector weakness, while potential gains depend on reduced trade barriers and productivity improvements from AI and reforms.

The October 2025 IMF World Economic Outlook (WEO) projects that Pacific small island economies will continue recovering at a moderate but fragile pace, driven by tourism, remittances, and external aid. Tourism-dependent countries such as Fiji, Samoa, and Vanuatu are seeing steady arrivals, but growth is expected to slow due to weaker global demand and uncertainty. Inflation is expected to remain moderate but sensitive to imported fuel, food prices, exchange rates, and transport costs. Governments face rising fiscal pressures from debt servicing, limited domestic revenue, and declining external support. The outlook highlights continued vulnerability to climate shocks and global financial tightening. The IMF recommends fiscal discipline, economic diversification, private sector development, climate-resilient infrastructure, and improved financial inclusion to strengthen long-term resilience and sustainable growth.

Vanuatu's economy shows resilient but uneven recovery following the December 2024 earthquake, airline disruptions, and challenges in education. Growth is supported by reconstruction activity, tourism recovery, and continued government response, with real GDP projected at 3.7 per cent in 2025, rising to 3.9 per cent in 2026, before averaging about 1.0 per cent over the medium term. Agriculture is improving due to the absence of cyclones, boosting food crop yields and partially offsetting weak export performance in kava, copra, cocoa, and coffee, with sector growth revised up to 2.9 per cent in 2025 and 3.1 per cent in 2026. Industry remains driven by reconstruction but constrained in manufacturing and construction, leading to a downward revision to 8.1 per cent growth. Services remain stable, supported by retail, banking, and professional services despite Air Vanuatu liquidation and strikes, with growth projected at 3.9 per cent in 2025 and 3.7 per cent in 2026.

Development overseas

World Economic Outlook

The October 2025 IMF World Economic Outlook (WEO) states that the global economy remains resilient but is gradually weakening. Global growth is slowing from 3.3 per cent in 2024 to 3.2 per cent in 2025 and 3.1 per cent in 2026, showing that the world economy is not collapsing but losing momentum. Early economic strength in 2025 was largely temporary, supported by front-loaded trade activity and inventory accumulation. However, signs of slowdown are now emerging through weaker investment, softer labour markets, and declining business and consumer confidence. Overall, the IMF describes the outlook as one of short-term resilience but weaker medium-term growth prospects.

The WEO also emphasizes that major policy shifts and increasing global fragmentation are becoming key drivers of slower global growth. Rising tariffs in the United States and growing protectionism are increasing trade uncertainty and disrupting global economic integration. At the same time, reduced development aid and tighter immigration policies are affecting labour mobility and international cooperation. As a result, the global economy is becoming less efficient, trade growth is slowing, and long-term productivity is expected to weaken.

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	3.2	3.1	3.2	3.2	3.2	3.1
Advanced economies	2.9	1.7	1.8	1.6	1.6	1.7	1.7	1.7	1.7
United States	2.5	2.9	2.8	2.0	2.1	2.0	2.1	2.1	2.1
Euro Area	3.5	0.4	0.9	1.2	1.1	1.2	1.3	1.2	1.1
Japan	0.9	1.5	0.2	1.1	0.6	0.6	0.6	0.5	0.5
Emerging Markets and Developing Economies	4.1	4.7	4.3	4.2	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), October 2025

The IMF World Economic Outlook (WEO) shows that advanced economies are experiencing slow but stable growth, averaging around 1.7 per cent over 2024–2026. Countries such as the United States, Germany, and Japan are facing weaker productivity, aging populations, high interest rates, and growing trade tensions, which are limiting economic expansion. While inflation is gradually easing, investment and consumer confidence remain cautious, resulting in modest economic momentum.

In contrast, emerging and developing economies such as India, Indonesia, and Brazil continue to drive global growth, with growth rates remaining above 4 per cent. Their economies benefit from stronger domestic demand, population growth, urbanization, and economic catch-up opportunities. However, these countries remain vulnerable to external shocks, debt pressures, weaker global trade, and reduced international support. Overall, the WEO describes a two-speed global economy where advanced economies are slower but stable, while emerging markets are faster-growing but more exposed to risks.

Global inflation is gradually declining, although inflation pressures remain higher in the United States due to tariffs and strong demand, while many other countries are experiencing more stable prices. Global trade growth is slowing as supply chains become less efficient because of rising trade tensions and fragmentation. Economic growth is increasingly being supported by domestic demand, government spending, and investment in artificial intelligence (AI). Emerging and developing economies continue to grow above 4 per cent, supported by improved economic management, but they remain vulnerable to external shocks, debt pressures, and reduced international support.

The IMF also warns of major risks to the global economy, including trade wars, weak productivity, rising public debt, higher interest rates, and possible financial instability linked to an AI-driven stock market bubble. In China, slower growth and weakness in the property sector continue to raise concerns about debt and inefficient investment. Despite these risks, the IMF believes global growth could improve if trade tensions ease, tariffs are reduced, and AI successfully boosts productivity. The report recommends that governments reduce trade uncertainty, maintain fiscal discipline, support independent central banks, and invest in education, infrastructure, and innovation.

Regional Economic Outlook

The International Monetary Fund's (IMF) October 2025 Asia Pacific Regional Economic Outlook (REO) projects Pacific small island economies to continue recovering at a moderate but fragile pace, supported by tourism, remittances, and external aid. Growth was estimated at a moderate 2.9 per cent in 2025 and 2.9 per cent in 2026. Tourism-dependent economies such as Fiji, Samoa, and Vanuatu are benefiting from steady visitor arrivals, although growth is expected to slow slightly due to weaker global demand and rising uncertainty. In Papua New Guinea, growth remains supported by mining and resource exports but may moderate because of softer commodity demand and slower investment activity.

Inflation across the Pacific is expected to remain moderate but highly sensitive to imported fuel and food prices, exchange rate movements, and transport costs because of strong import dependence. Governments across the region are also facing increasing fiscal pressure from rising debt servicing costs, limited domestic revenue, and declining external support, reducing their ability to finance infrastructure, climate adaptation, and social programs.

The WEO further highlights that Pacific economies remain highly vulnerable to climate disasters, global trade disruptions, and tighter financial conditions. Cyclones, sea-level rise, and infrastructure damage continue to threaten economic stability, while weaker global growth could reduce tourism and remittance inflows. To strengthen long-term resilience, the IMF recommends stronger fiscal discipline, economic diversification, private sector development, investment in climate-resilient infrastructure, and greater digital and financial inclusion.

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

Country	2022	2023	2024	2025	2026	2027	2028	2029	2030
Pacific Region (excluding Aus&NZ)	-0.5	2.2	3.6	2.9	2.9	3.6	2.1	2.0	2.0
Fiji	17.7	9.4	3.5	3.2	2.4	2.7	3.0	3.1	3.3
Kiribati	5.0	3.3	4.6	4.3	3.1	2.4	2.2	2.2	2.1
Marshall Islands	-0.7	-5.3	3.0	2.5	3.7	2.0	1.9	1.8	1.6
Micronesia	-2.9	0.5	0.7	1.1	1.5	0.8	0.7	0.7	0.7
Nauru	3.0	0.6	1.8	2.0	1.6	1.7	1.8	1.8	1.8
Palau	-0.8	1.4	7.1	5.7	3.5	2.7	2.3	2.2	2.2
Papua New Guinea	5.7	3.8	3.9	5.6	3.8	3.8	3.2	3.1	3.1
Samoa	2.3	15.2	4.8	4.2	3.2	2.8	2.5	2.2	2.1
Solomon Islands	-2.6	2.8	3.0	2.7	2.8	2.9	3.0	3.0	3.0
Tonga	-2.1	2.8	1.7	2.8	2.3	1.3	1.3	1.3	1.3
Tuvalu	-11.8	4.0	3.1	2.2	2.5	2.4	2.3	2.0	1.8
Vanuatu	5.6	5.8	3.8	3.1	3.5	3.2	2.8	2.5	2.5
Australia	4.2	2.1	1.0	2.0	2.0	1.7	1.9	2.1	2.3
New Zealand	2.6	2.2	-0.3	0.2	2.1	2.4	2.4	2.3	2.2

Source: IMF (REO, October 2025) & Staff calculations

Development onshore

Vanuatu's Economic Outlook

Vanuatu's economy shows optimistic signs amid recent setbacks, including December 2024 earthquake, disruptions in the national airline, and challenges in the education sector. This resilience is supported by post-earthquake reconstruction efforts, a recovery in tourism arrivals, and sustained government engagement in addressing key national priorities. According to the latest Macroeconomic Committee (MEC) 2 Forecast, real GDP growth is projected to reach 3.8 per cent in 2025, rise to 3.9 per cent in 2026, and average approximately 1.0 per cent over the medium term.

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

Vanuatu Economic Outlook	Actuals		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	3.8	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	8.7	9.2	6.3	3.9	4.1	4.0
Services	0.4	7.8	6.4	3.0	4.0	3.7	3.9	3.7	3.9	4.3

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

In the agriculture sector, the absence of cyclones during the 2024-2025 season has led to a notable improvement in the yields of garden and food crops. This has partially offset the weak export performance of key commodities such as kava, copra, cocoa, and coffee, while subdued beef exports have contributed only marginally to overall export outcomes. As a result, the sector's growth forecast for 2025 has been revised upward from 2.5 per cent to 2.8 per cent, with a further increase to 3.1 per cent projected for 2026, supported by favourable weather conditions.

Reconstruction and demolition, in the industry sector, have significantly influenced growth estimates. The sector continues to be supported by government- and donor-funded infrastructure projects; however, subsectors such as manufacturing, handicrafts, and building construction remain constrained due to earthquake-related damage and the absence of cruise ships arrivals. Consequently, the 2025 growth forecast for the industry sector has been revised downward to 8.7 per cent, representing a 0.1 percentage point decline from the previous estimate of 8.9 per cent, while the growth in 2026 increased by 9.2 per cent. This adjustment reflects the lingering impacts of the December 2024 earthquake and the slower-than-anticipated recovery in certain activities, demolition and rebuilding efforts, and the continued rollout of infrastructure projects financed by both government and development partners.

In the service sector, overall momentum remains steady, with a slight upward revision compared to the previous forecast. While the liquidation of Air Vanuatu and the teachers' strike continue to weigh on performance, the retail subsector stays resilient, supported by strong VAT collections. Additionally, subsectors such as real estate, commercial banking, and professional and technical services are experiencing robust growth. The services sector is projected to grow by 4.0 per cent in 2025, before moderating slightly to 3.7 per cent in 2026.

Government

The government's fiscal position remained strong in Q4 2025, supported by lower expenditure levels and a sizeable primary surplus. Comparisons with both Q3 2025 and Q4 2024 show improvements in fiscal management despite a slight moderation in revenue collection.

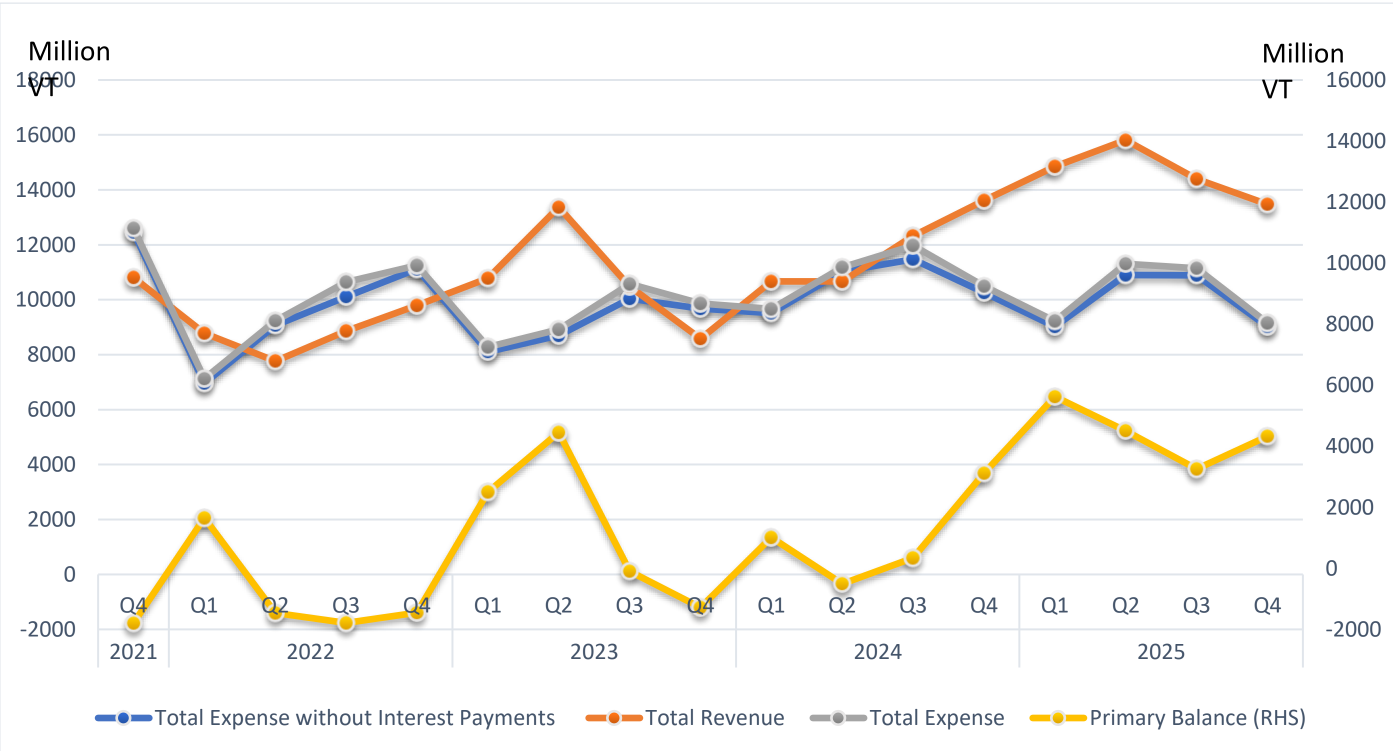
Total revenue in Q4 2025 stood at VT 13,479.5 million, declining by VT 920.1 million, or 6.4 per cent, from Q3 2025 (VT 14,399.6 million). Compared with Q4 2024, revenue also decreased slightly by VT 134.0 million, or 1.0 per cent, from VT 13,613.5 million. Despite this decline, revenue levels remained relatively high, reflecting continued resilience in domestic revenue mobilization and external inflows.

Total expenditure excluding interest payments fell significantly to VT 9,019.8 million in Q4 2025. This represented a decline of VT 1,874.1 million, or 17.2 per cent, compared with Q3 2025, and a reduction of VT 1,236.8 million, or 12.1 per cent, relative to Q4 2024. Likewise, total expenditure, including interest payments, decreased to VT 9,150.2 million, down by VT 1,992.3 million, or 17.9 per cent, from the previous quarter and by VT 1,342.3 million, or 12.8 per cent, from the same quarter of 2024.

The sharp decline in expenditure suggests tighter fiscal discipline and possibly reduced reconstruction-related spending toward the end of the year. Lower operational spending may also indicate improved expenditure management and prioritization of government resources.

As a result, the primary balance recorded a strong surplus of VT 4,329.3 million in Q4 2025. This was an improvement of VT 1,072.2 million, or 32.9 per cent, compared with the surplus of VT 3,257.1 million in Q3 2025. Relative to Q4 2024, the surplus increased by VT 1,208.3 million, or 38.7 per cent, from VT 3,121.0 million.

Chart 1: Primary Balance



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

Overall, the fiscal outcome in Q4 2025 reflects a stronger fiscal position, with expenditure declining faster than revenue. This indicates prudent fiscal management, stronger budgetary control, and continued efforts to strengthen fiscal buffers while supporting economic recovery and post-earthquake reconstruction activities.

Net Exports of Goods & Export of Services[1]

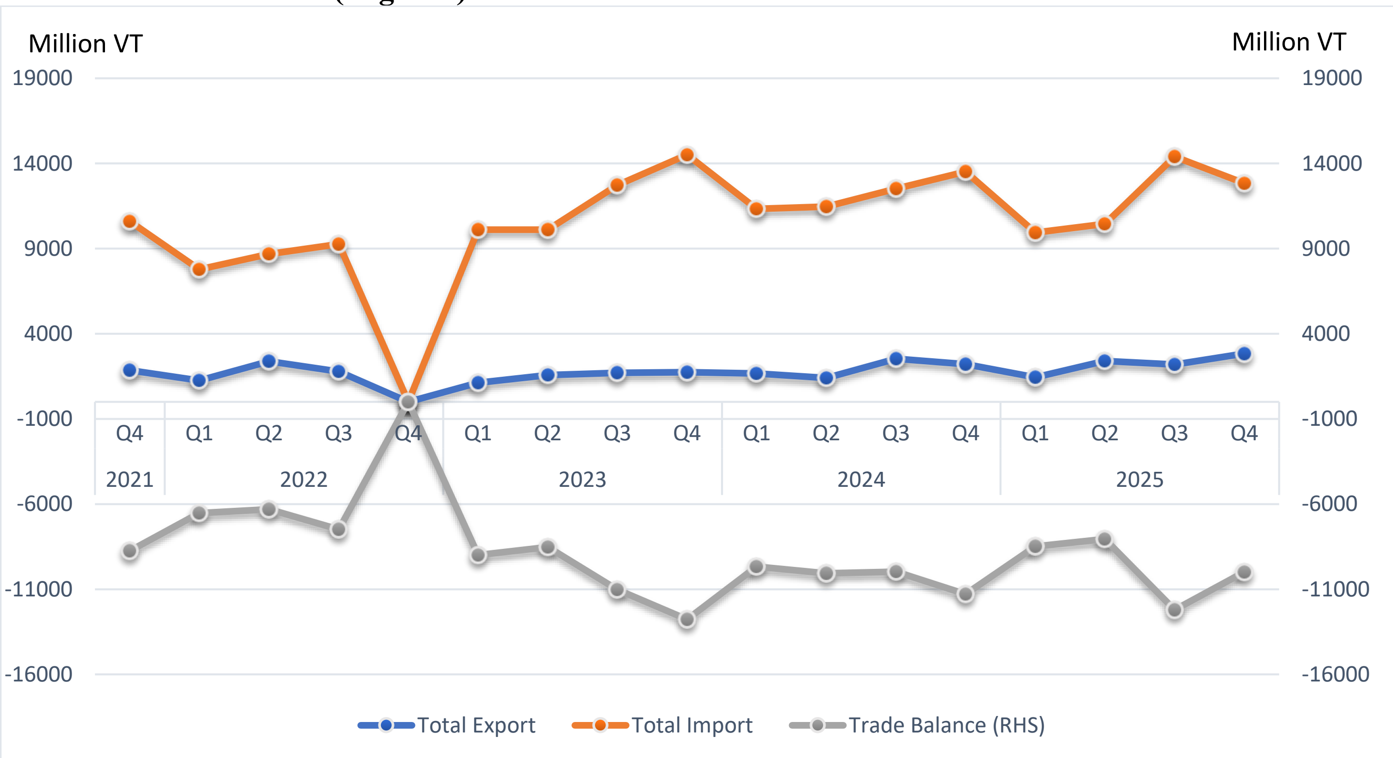
Trade Balance (Goods)

In Q4 2025, Vanuatu's external trade position showed some improvement compared to both the previous quarter and the same quarter of 2024, although the trade balance remained in deficit.

Total exports increased to VT 2,835.9 million in Q4 2025, rising by VT 636.3 million, or 28.9 per cent, from Q3 2025 and by VT 623.3 million, or 28.2 per cent, compared with Q4 2024. The growth in exports likely reflects stronger commodity shipments and improving external demand. Meanwhile, total imports declined to VT 12,837.2 million, decreasing by VT 1,568.7 million, or 10.9 per cent, from the previous quarter and by VT 669.2 million, or 5.0 per cent, year-on-year. The decline in imports may indicate moderating domestic demand and lower reconstruction-related purchases.

As a result, the trade deficit narrowed to VT 9,313.6 million in Q4 2025, improving by 19.5 per cent from Q3 2025 and by 15.3 per cent relative to Q4 2024.

Chart 2: Trade Balance (in goods)



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

[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.

Exports (Goods)

Total exports increased strongly to VT 2,836 million in Q4 2025, rising by 28.9 per cent from Q3 2025 and by 28.2 per cent compared with Q4 2024. The growth was mainly driven by higher exports of copra, kava, and coconut oil. Copra exports surged from VT 101 million in Q3 2025 to VT 494 million in Q4 2025, while kava, the country's leading export commodity, increased modestly to VT 1,651 million. Coconut oil exports also recorded strong quarterly and annual growth.

Compared with Q4 2024, copra exports expanded sharply from VT 23 million to VT 494 million, reflecting stronger production and export demand. Fish exports also increased significantly during the quarter. However, the value of cocoa exports declined both quarterly and annually, as lower prices offset a modest rise in export volume (see Cocoa, below).

Despite the strong export growth, Vanuatu's trade sector remains vulnerable to external market conditions, commodity price movements, and climate-related risks. Overall, the improved export performance reflects stronger agricultural output and favorable demand conditions, which contributed positively to foreign exchange earnings and broader economic recovery during the quarter.

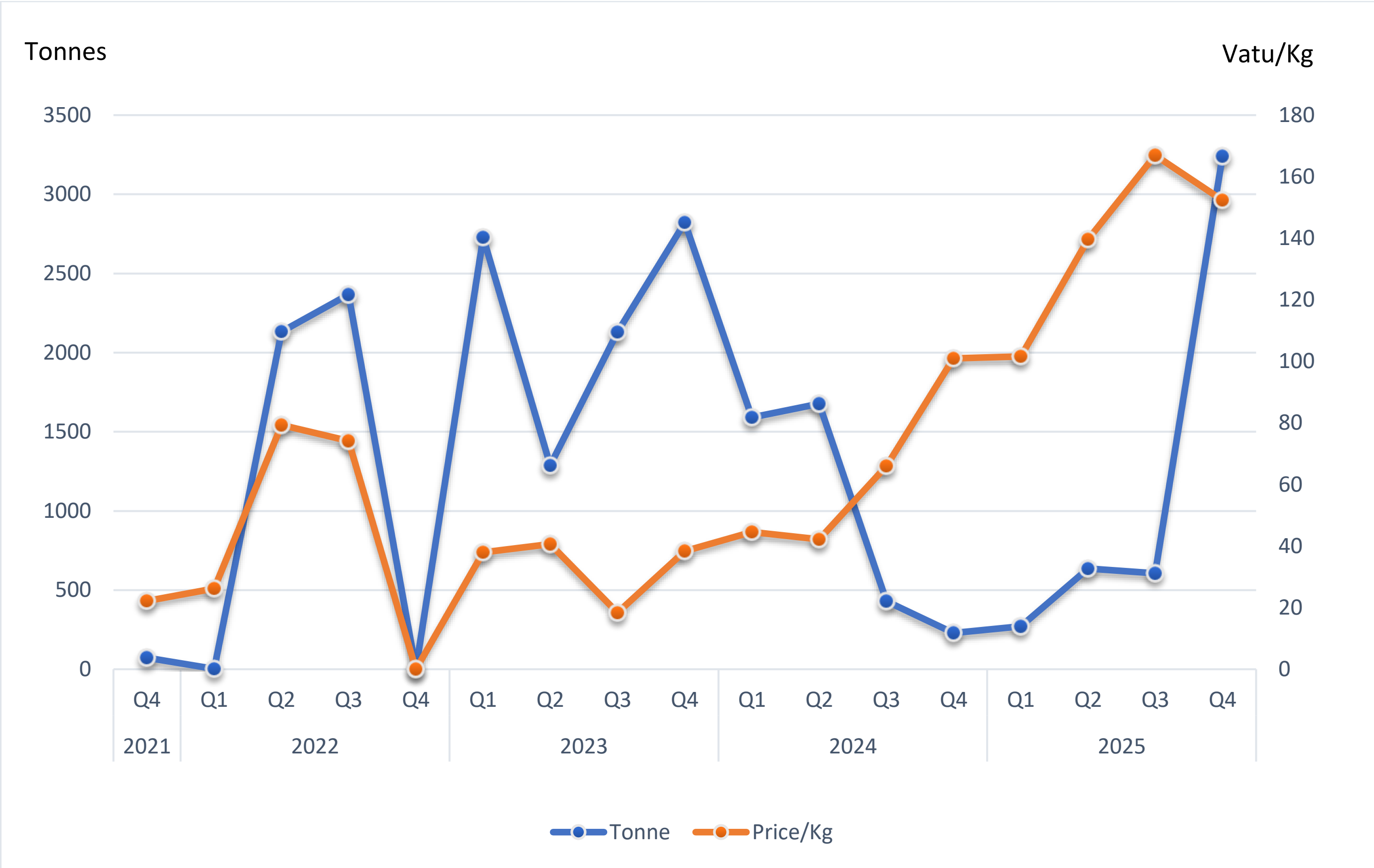
Copra

Copra export volume, in Q4 2025, increased sharply to 3,241.2 tonnes, rising by 2,634.2 tonnes, or 434.0 per cent, compared with Q3 2025. Relative to Q4 2024, export volume also surged significantly by 3,012.4 tonnes, or 1,316.6 per cent, from 228.8 tonnes. This substantial increase suggests improved copra production, stronger harvesting activity, and higher export demand during the quarter.

Despite the sharp rise in export volume, the average export price of copra declined slightly to VT 152.4 per kilogram in Q4 2025. This represented a decrease of VT 14.6 per kilogram, or 8.7 per cent, compared with Q3 2025. However, on an annual basis, the export price remained considerably higher, increasing by VT 51.4 per kilogram, or 50.9 per cent, relative to Q4 2024.

The strong increase in export quantity, combined with relatively high export prices, contributed positively to export earnings and foreign exchange inflows. However, fluctuations in prices continue to indicate the sector's vulnerability to changes in global commodity markets and external demand conditions.

Chart 3: Copra exports (average prices and volumes)



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

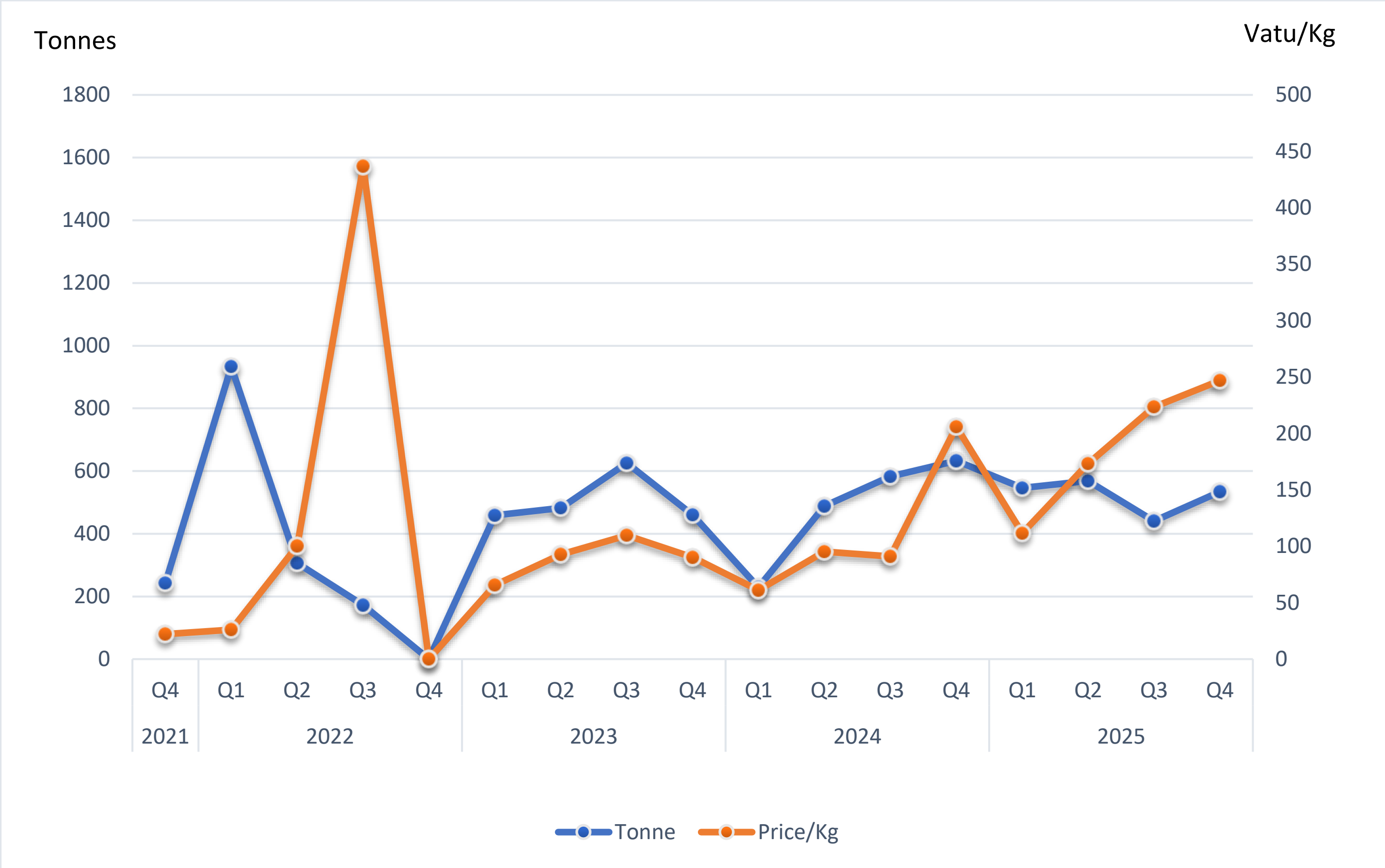
Coconut oil

Coconut oil export volume increased in Q4 2025 to 533.6 tonnes, rising by 92.6 tonnes, or 21.0 per cent compared with Q3 2025. However, export volume declined by 99.0 tonnes, or 15.6 per cent, relative to Q4 2024.

Meanwhile, the average export price rose significantly to VT 246.8 per kilogram in Q4 2025. This represented an increase of VT 23.2 per kilogram, or 10.4 per cent, over the previous quarter and a rise of VT 40.9 per kilogram, or 19.8 per cent, compared with Q4 2024.

The increase in export prices despite lower annual export volume suggests strong international market prices and improved export value. Therefore, coconut oil exports continued to contribute positively to export earnings and foreign exchange inflows, although the sector remains vulnerable to commodity price fluctuations and production-related risks.

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



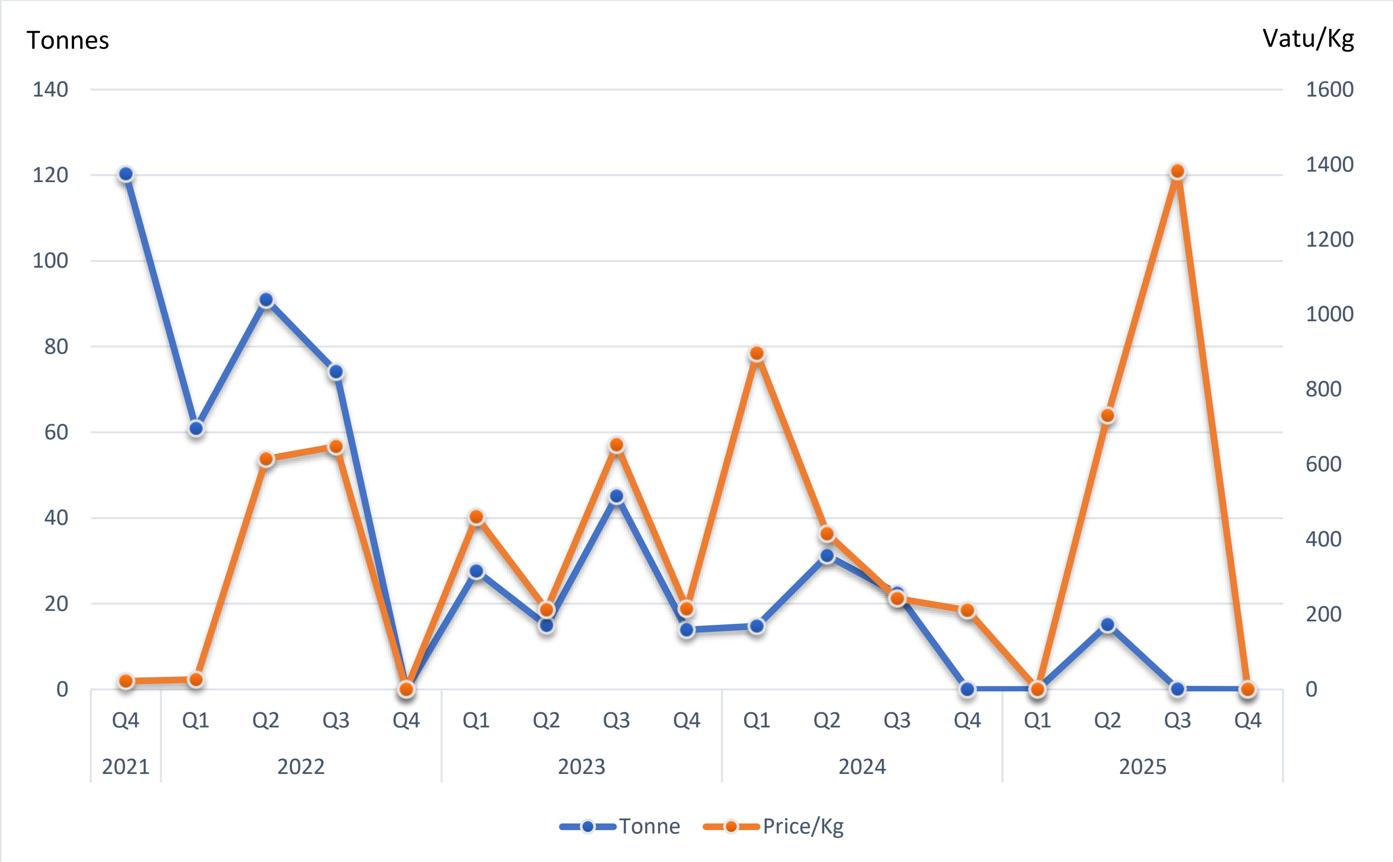
Source: *Vanuatu Bureau of Statistics. Note that Q4 2022 data is missing.*

Beef

Beef exports recorded no activity in Q4 2025, with both export volume and value falling to zero. This represents a decline from 0.05 tonnes in Q3 2025 and from 0.014 tonnes in Q4 2024, indicating a complete halt in shipments during the quarter.

Earlier periods showed highly volatile prices, including VT 1,382.6 per kg in Q3 2025 and VT 731.0 in Q2 2025, but no price was recorded in Q4 2025 due to the absence of exports. Overall, beef exports remain extremely small, irregular, and economically insignificant, reflecting weak production capacity and limited export market development.

Chart 5: Beef exports (volumes and average prices)



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

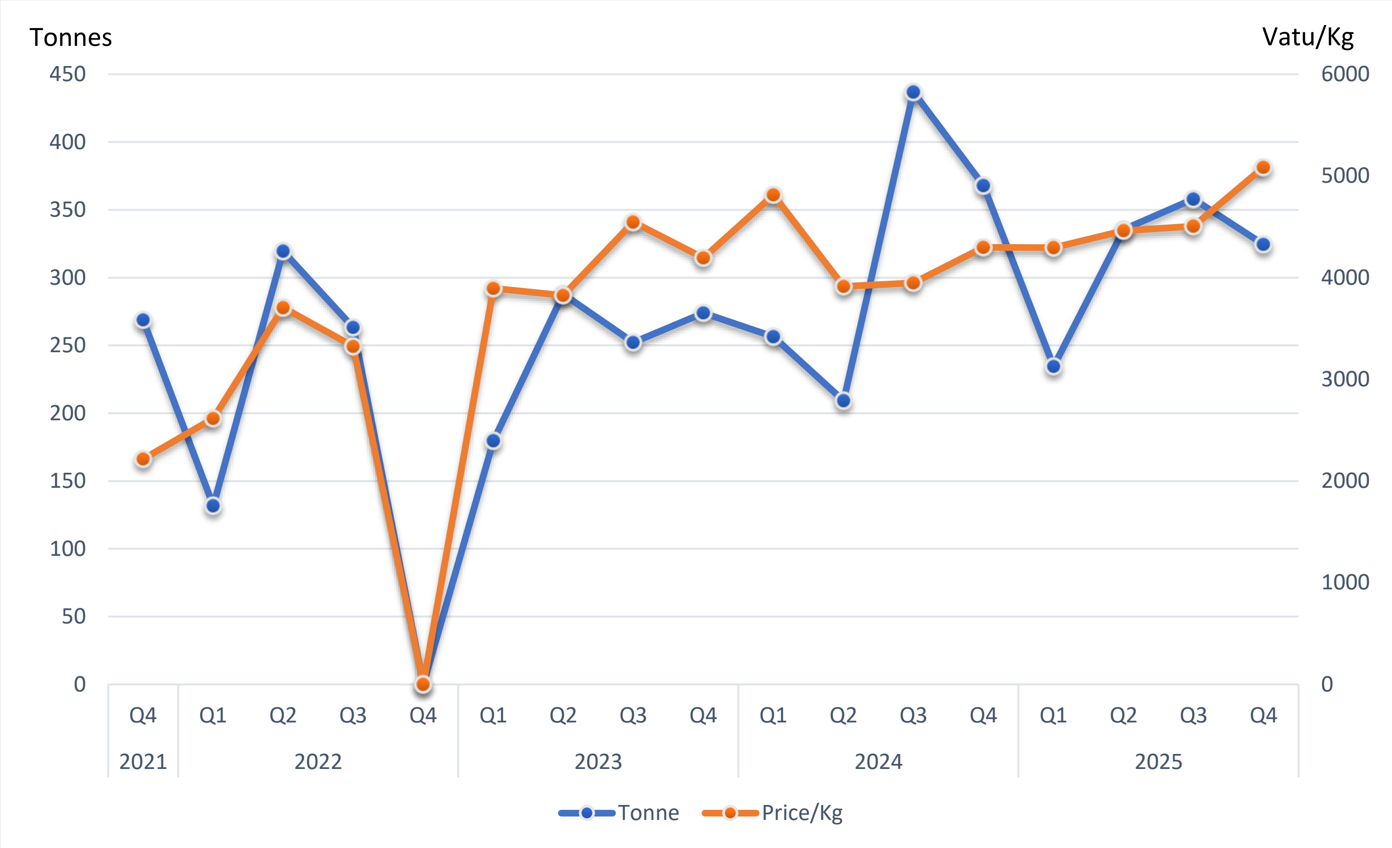
Kava

In Q4 2025, kava exports declined slightly to 324.6 tonnes, down by 33.5 tonnes or 9.4 per cent from Q3 2025 and decreased by 11.8 per cent compared with Q4 2024. Despite the quarterly fall in volume, export performance remained relatively stable, with sustained shipment levels.

The average export price rose strongly to VT 5,086.3 per kilogram in Q4 2025, increasing by 580.5 VT/kg or 12.9 per cent from the previous quarter, and by 18.4 per cent year-on-year. This indicates stronger international demand and improved market pricing conditions.

Kava remains the dominant export commodity, with stable production and strong price growth supporting export earnings. However, the slight quarterly decline in volume suggests some supply moderation, while price gains continue to offset volume fluctuations and reinforce kava's significant role in Vanuatu's export performance.

Chart 6: Kava Export (volumes and average prices)



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

Cocoa

Cocoa exports increased moderately to 234.3 tonnes in Q4 2025, rising by 23.4 tonnes or 11.1 per cent compared with Q3 2025, but remaining slightly above Q4 2024 levels. Despite the quarterly improvement in volume, export performance remained below earlier peaks recorded in 2024.

The average export price declined to VT 628.3 per kilogram in Q4 2025, falling by VT 251.8 or 28.6 per cent from Q3 2025, and down compared with Q4 2024. This reflects weaker international cocoa prices and softer demand conditions during the quarter.

Cocoa exports show mixed performance, with modest recovery in volume but declining prices weighing on export earnings. The sector remains sensitive to global price volatility, with fluctuations in both production and market conditions continuing to influence overall export stability.

Chart 7: Cocoa Export (volumes and average prices)

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

Export (Services)

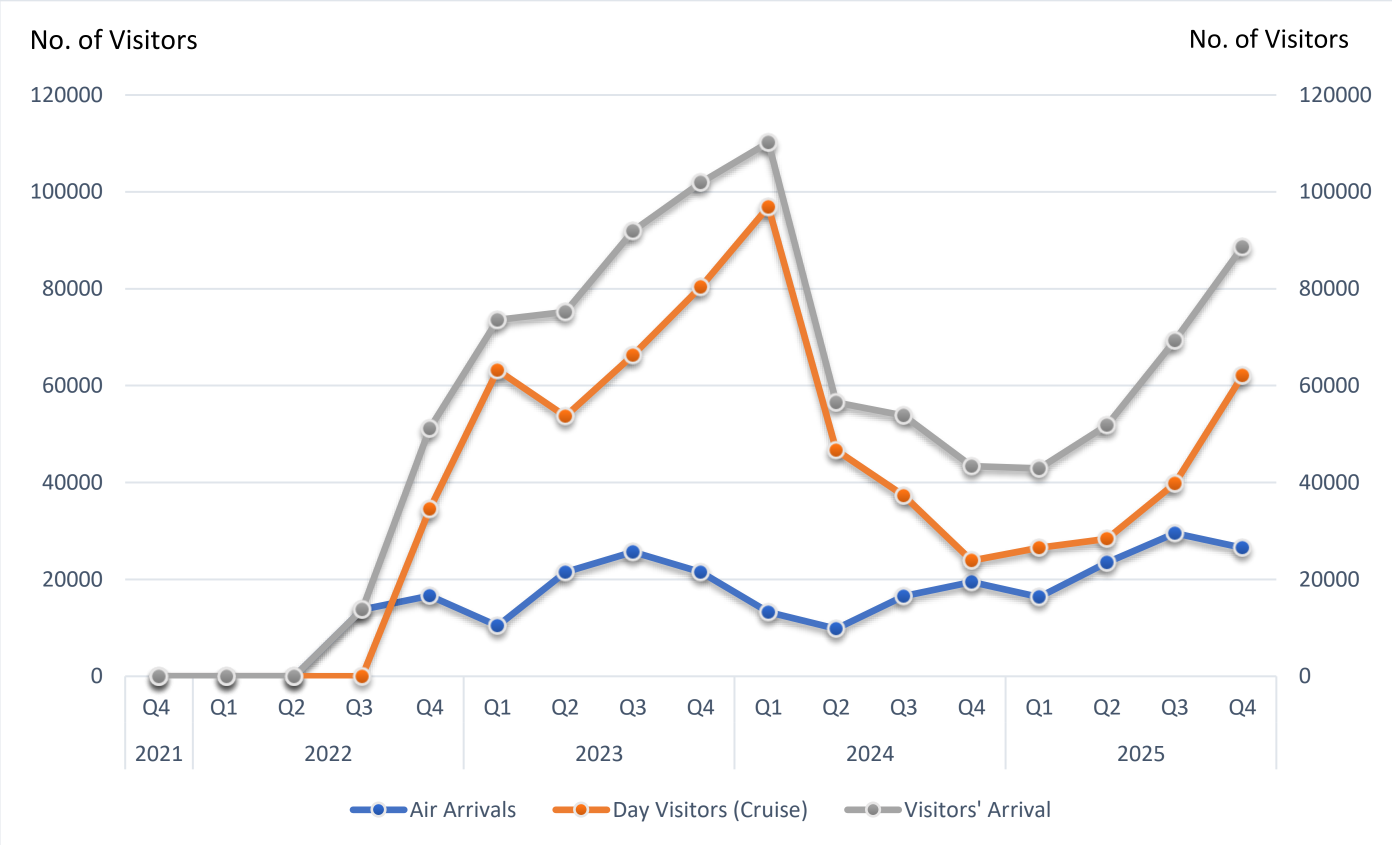
Total visitor arrivals increased strongly to 88,652 in Q4 2025, rising by 18,704 visitors or 26.7 per cent compared with Q3 2025, and by 45,190 visitors or 104.0 per cent relative to Q4 2024. This exceptional growth reflects a strong rebound in tourism activity, led predominantly by the surge in cruise vessel calls.

Air arrivals declined slightly to 26,553, down by 2,982 visitors or 10.1 per cent from Q3 2025 but remained higher by 36.4 per cent year-on-year, indicating sustained international flight demand.

In contrast, cruise (day) visitors surged significantly to 62,099, increasing by 22,317 visitors or 56.1 per cent compared with the previous quarter, and more than doubling (159.9 per cent increase) from Q4 2024. This highlights a strong rebound in cruise tourism.

Overall, the improvement in total arrivals was driven mainly by cruise tourism, while air arrivals remained relatively stable. The data suggests a strong recovery in Vanuatu's tourism sector, though it remains sensitive to transport capacity, airline connectivity, and external demand conditions.

Chart 8: Visitor arrivals (in thousands)



Source: *Vanuatu Bureau of Statistics*

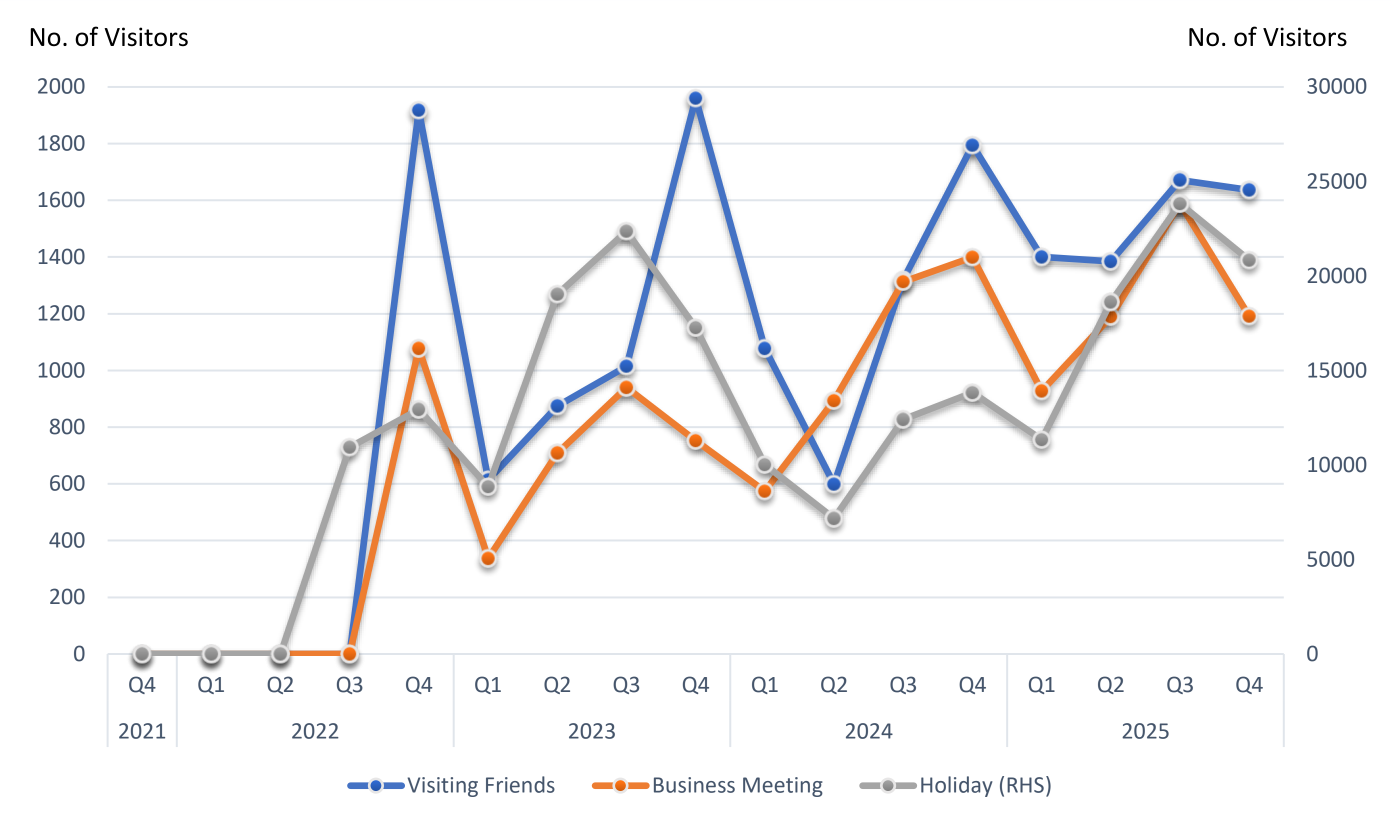
Visitor arrivals by country of origin in Q4 2025 showed robust growth across most key markets, with total inflows led primarily by Australia. Australian visitors declined slightly to 16,326, falling by 2,632 visitors or 13.9 per cent compared with Q3 2025, but remained significantly higher by 35.3 per cent year-on-year, indicating sustained strong demand from the largest source market.

New Zealand arrivals increased slightly to 1,789, up by 2.4 per cent from the previous quarter and by 21.6 per cent compared with Q4 2024, reflecting steady recovery in regional travel links.

European visitors rose to 2,884, increasing by 8.0 per cent quarter-on-quarter and by 46.6 per cent year-on-year, suggesting strengthening long-haul tourism demand. New Caledonia arrivals also recovered to 744, rising by 54.4 per cent from Q3 2025, though still below earlier peak levels.

Q4 2025 shows broad-based tourism recovery led by Australia and Europe, while regional markets remain stable. The data highlights continued reliance on a few key source markets, alongside improving diversification in visitor origin trends.

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

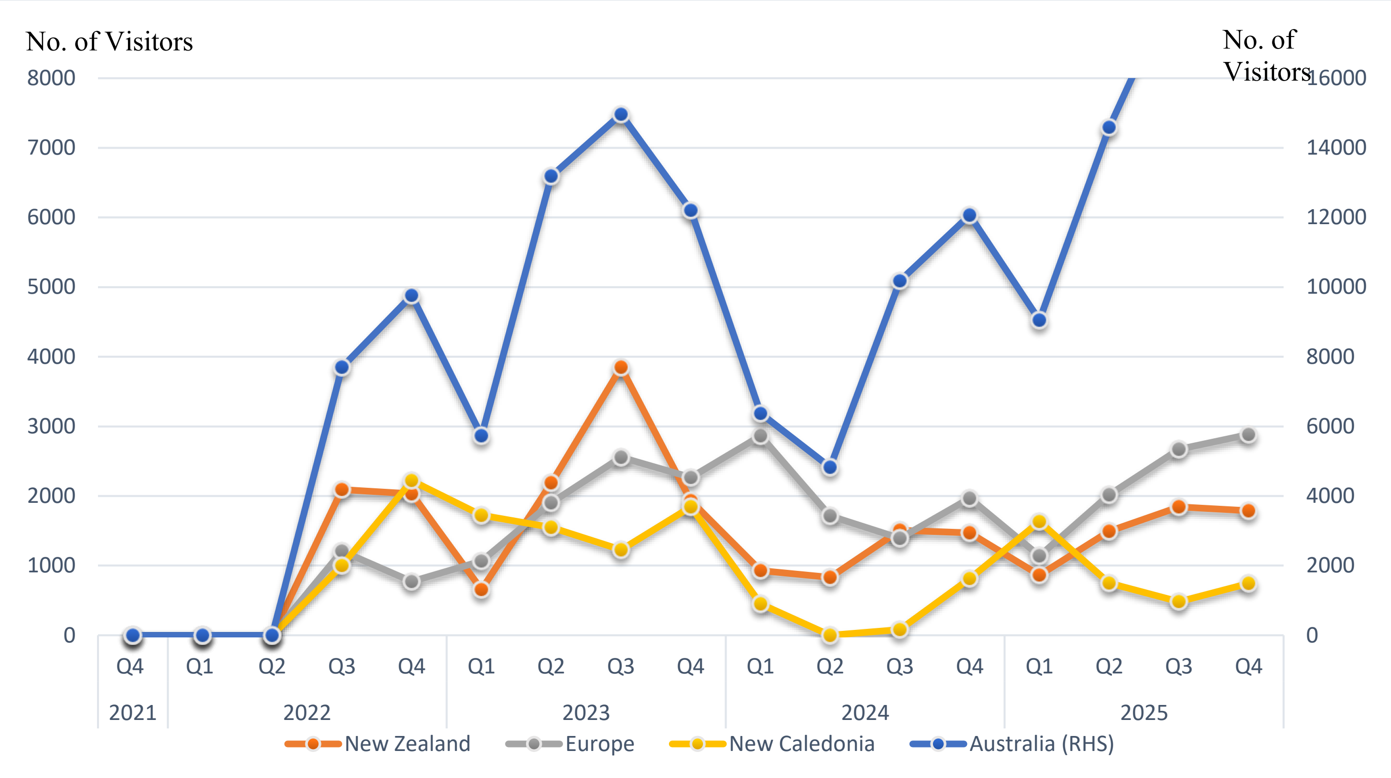


Source: *Vanuatu Bureau of Statistics*

In Q4 2025, visitor arrivals for Holiday purposes decreased moderately by 2,974, or 12.5 per cent, on a quarterly basis but increased by 50.8 per cent on an annual basis. While visitor arrivals for Business purposes declined by 25.0 per cent quarterly and 14.8 per cent annually, arrivals for Visiting Friends also dropped slightly by 2.0 per cent over the quarter and by 8.8 per cent relative to Q4 2024.

Visitor arrivals across the Holiday, Business, and Visiting Friends categories all declined slightly on a quarterly basis in Q4 2025, though annual trends diverged, with Holiday arrivals up sharply year-on-year while Business and Visiting Friends arrivals remained below Q4 2024 levels.

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



Source: *Vanuatu Bureau of Statistics*

Import (Goods)

Imported Consumer Items

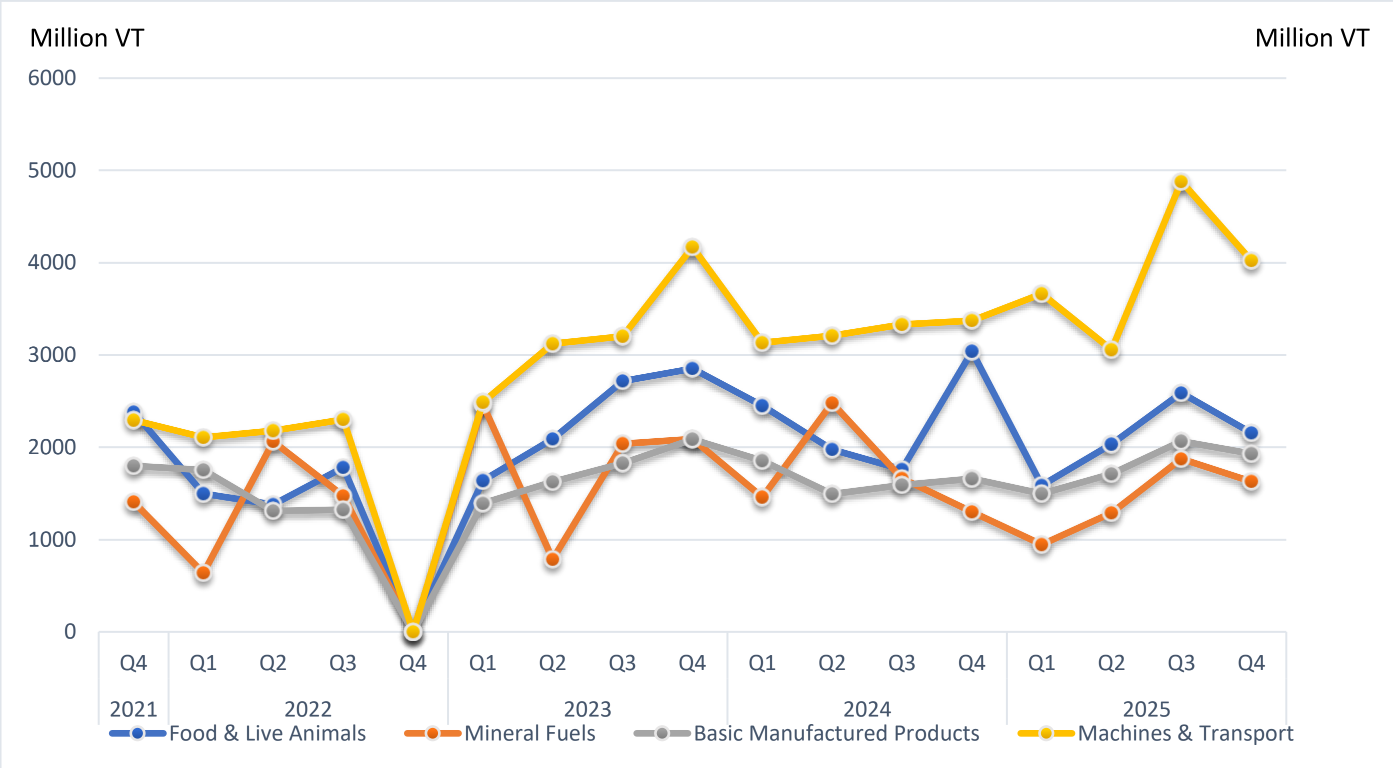
Imports cleared for home consumption showed mixed performance across major commodity groups in Q4 2025. Food and live animals declined to VT 2,155.2 million, down by 432.8 million or 16.7 per cent compared with Q3 2025 but remained lower by 883.4 million or 29.1 per cent year-on-year, indicating softer consumption or stock adjustments.

Mineral fuels fell to VT 1,629.9 million, decreasing by 245.5 million or 13.1 per cent from the previous quarter, though still higher by 331.7 million or 25.5 per cent compared with Q4 2024, reflecting volatile global energy prices.

Basic manufactured products also declined to VT 1,929.7 million, down by 135.1 million or 6.5 per cent quarter-on-quarter, but slightly above last year's level by 269.4 million or 16.2 per cent. In contrast, machines and transport equipment decreased to VT 4,023.5 million, falling by 857.4 million or 17.6 per cent from Q3 2025, and by 349.9 million or 8.0 per cent year-on-year, suggesting reduced investment or reconstruction-related imports.

Import demand weakened across most categories in Q4 2025, reflecting slower domestic demand and adjustments following earlier reconstruction-driven import surges.

Chart 11: Selected imported consumer items.



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

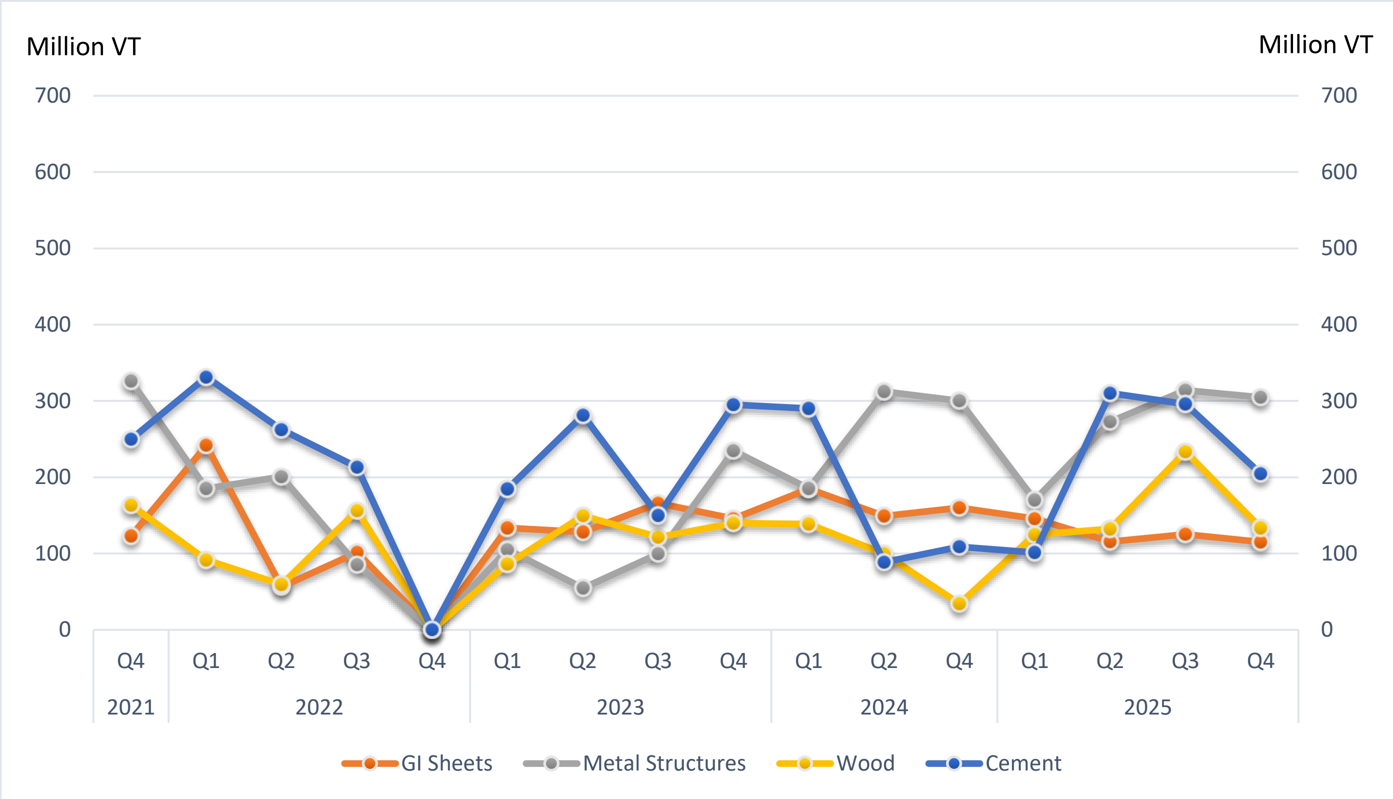
Imported Construction Materials

Imports of construction materials showed mixed movements across key categories in Q4 2025, reflecting ongoing but moderating construction activity. Cement imports declined to VT 204.4 million, falling by 91.6 million or 31.0 per cent compared with Q3 2025, and by 95.3 million or 31.8 per cent year-on-year, suggesting a slowdown in cement demand after earlier peaks.

GI sheets also decreased slightly to VT 115.2 million, down by 9.8 million or 7.8 per cent from the previous quarter and by 25.0 million or 17.8 per cent compared with Q4 2024, indicating reduced roofing-related activity. In contrast, metal structures remained relatively strong at VT 304.6 million, increasing marginally by 1.7 million or 0.6 per cent quarter-on-quarter and broadly stable compared with last year, reflecting continued structural construction works. Wood imports fell to VT 133.6 million, down by 99.9 million or 42.8 per cent from Q3 2025 but slightly higher than Q4 2024 by 99.5 million, showing volatility in finishing materials demand.

Overall, construction material imports in Q4 2025 suggest continued reconstruction activity, but at a slower pace compared with earlier quarters, with demand becoming more selective across materials.

Chart 12: Value of imported construction materials



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

Inflation

Consumer Price Index

In Q4 2025, inflationary pressures remained well contained. The quarterly CPI rose by 0.83 per cent, while the annual rate turned negative at −1.86 per cent, reflecting base effects from the elevated price environment of 2022–2023, declining global fuel prices, and subdued domestic demand in the post-earthquake recovery period. The negative annual outturn confirms a sustained disinflation from the price peaks of 2022–2023, driven by easing global commodity costs, stabilising food import prices, and continued weakness in aggregate domestic demand. The mild quarterly increase, however, signals an incipient normalisation in the price level that warrants monitoring — particularly given the pass-through risk from the vatu's depreciation against most major currencies documented in the exchange rate section.

For monetary policy, inflation risks remain low and well-anchored, though the quarterly uptick should be monitored closely as reconstruction-related demand gathers pace. Key upside risks include exchange rate pass-through to import costs, renewed global fuel price volatility, and second-round effects from a pickup in domestic credit growth. Going forward, policy should remain cautious and data-driven, supporting recovery while monitoring credit growth, import prices, and reconstruction-related demand to maintain stability.

Chart 13: Consumer Price Index (percentage change)

Source: *Vanuatu Bureau of Statistics*

Money Supply and Net Foreign Assets

Monetary Aggregates

Broad money (M2) in Q4 2025 grew by 9.92 per cent year-on-year, indicating a continued but more moderate expansion in liquidity compared with earlier quarters of 2025, when growth peaked above 13 per cent. Compared with Q3 2025, M2 growth slowed slightly from 13.06 per cent, reflecting a gradual normalization in monetary conditions. Despite this moderation, liquidity in the economy remains strong, supported by sustained foreign inflows and recovering economic activity.

The trend suggests that money supply growth is stabilizing at a healthier level, reducing the risk of excessive liquidity pressures while still providing adequate support for consumption, investment, and post-disaster reconstruction activities across the economy.

Domestic Credit

Domestic credit growth accelerated to 7.09 per cent year-on-year in Q4 2025, recovering from the cyclical trough of 3.97 per cent recorded in Q3 2025 and indicating a gradual reactivation of financial intermediation. The pickup in credit reflects an improvement in private sector borrowing appetite, supported by stabilizing post-earthquake economic conditions and the progressive restoration of business confidence. Nonetheless, credit growth remains below the double-digit rates observed at earlier points in the post-COVID recovery cycle, suggesting that lenders continue to apply prudent credit standards and that borrower balance sheets remain cautious — dynamics consistent with the IMF's recommended approach for small island economies managing elevated external debt vulnerabilities.

The trajectory of domestic credit in Q4 2025 is broadly favourable: the acceleration from near-stagnant Q3 levels signals that the financial system is beginning to transmit the accommodative monetary environment into productive lending, while the moderate pace of expansion limits the risk of credit-driven overheating that could reverse the recent inflation gains. Looking ahead, sustained growth in private sector credit — directed toward productive investment in reconstruction, agriculture, and services — will be an important determinant of Vanuatu's medium-term growth trajectory.

Net Foreign Assets (NFA)

Net foreign assets (NFA) of the banking system expanded by 12.98 per cent year-on-year during Q4 2025, indicating continued strengthening of external sector balances, although at a slower pace compared with the rapid growth recorded in previous quarters of 2025. Growth in NFA remained positive but moderated significantly from 20.50 per cent in Q3 2025, reflecting a slowdown in the accumulation of foreign assets.

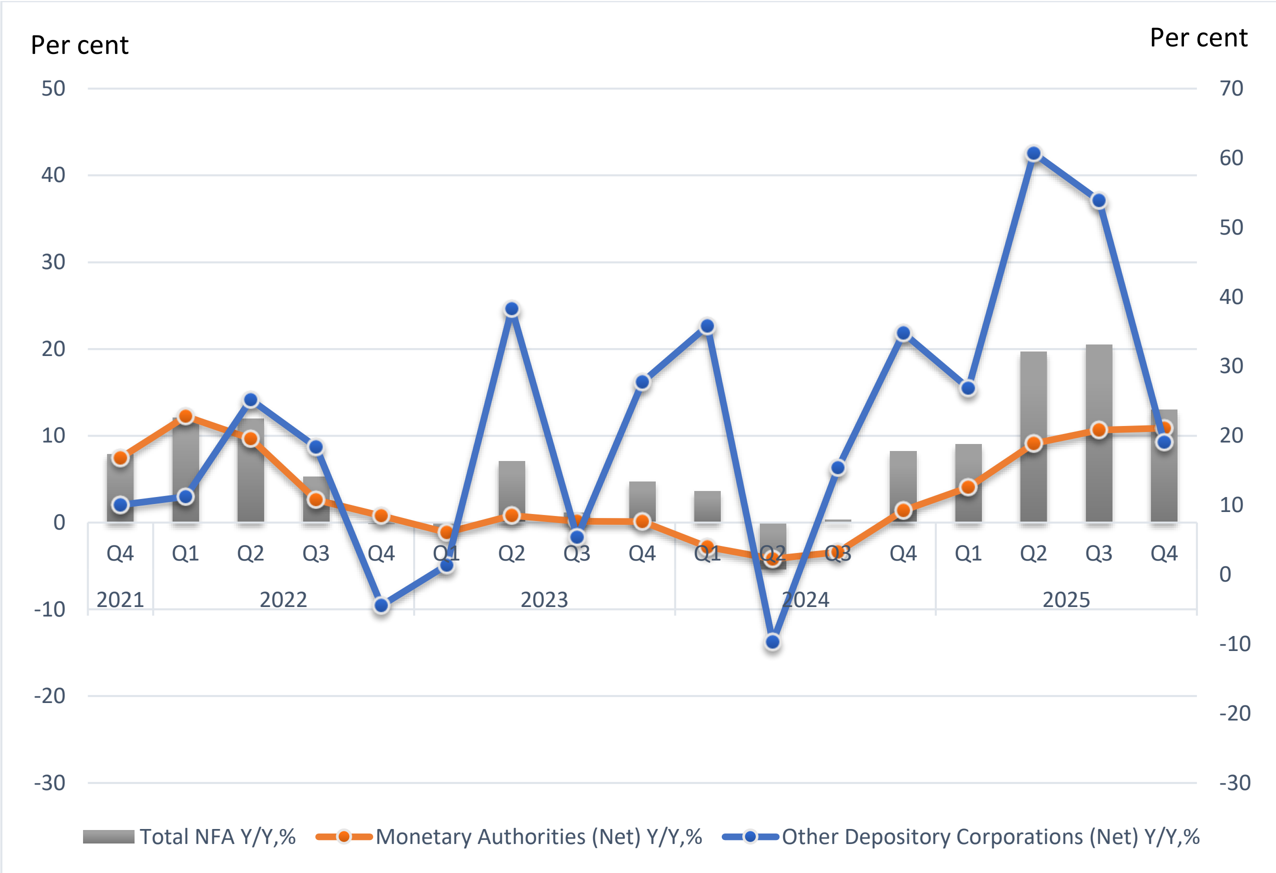
The increase was driven by both monetary authorities and other depository corporations, with monetary authorities recording growth of 10.90 per cent and other depository corporations increasing by 19.09 per cent. The sustained expansion in NFA reflects continued foreign exchange inflows from tourism recovery, commodity exports, and external receipts, which have supported liquidity in the banking system.

The Q4 2025 outcome suggests that external buffers remain strong, although the pace of accumulation is easing. This moderation indicates a gradual normalization of external inflows while still maintaining a comfortable level of foreign reserves to support exchange rate stability and resilience against external shocks.

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*

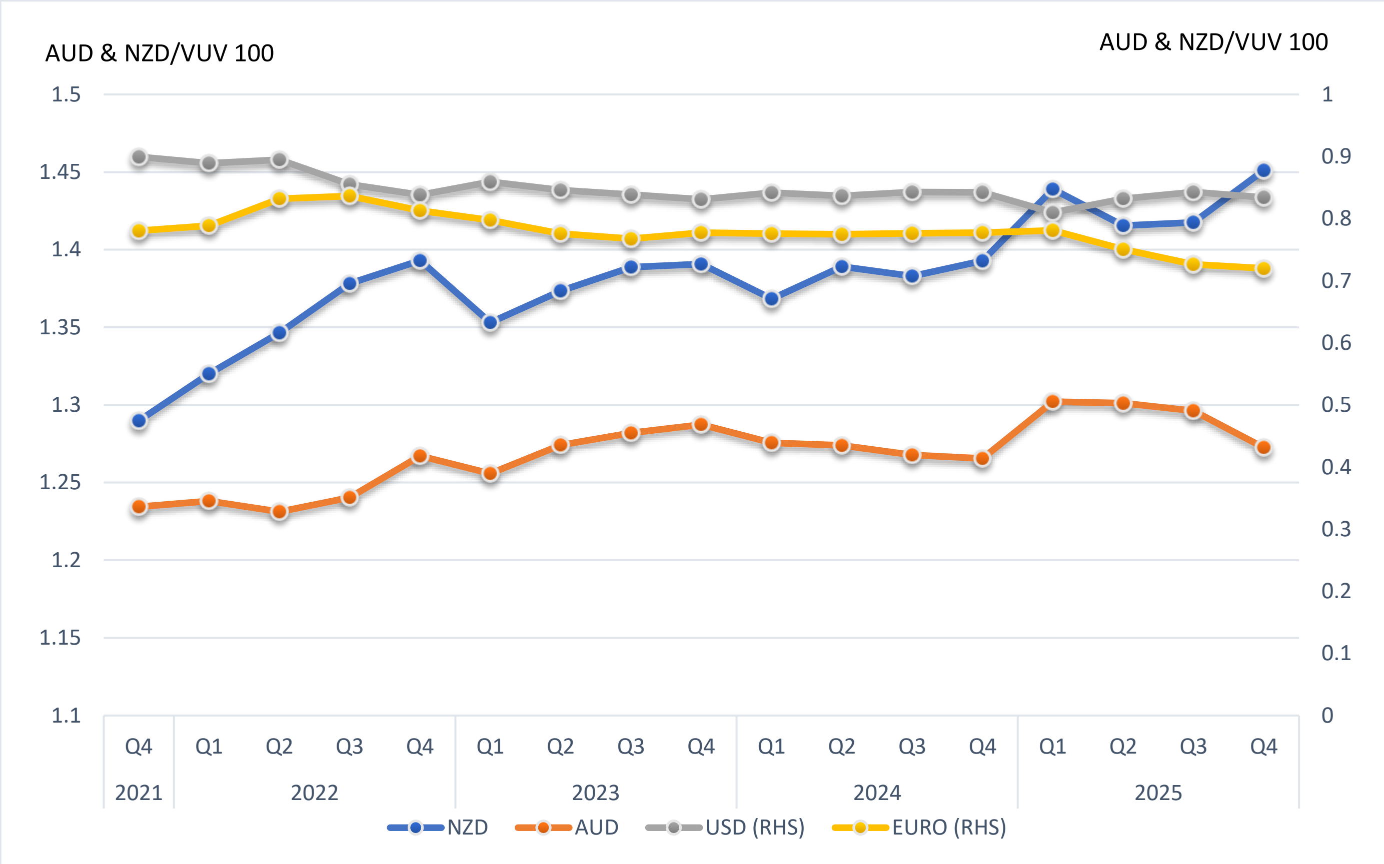
Exchange Rate

Exchange Rate

The vatu exhibited mixed movements against major trading partner currencies in Q4 2025. The Vatu continued to depreciate against the New Zealand dollar (NZD), with the exchange rate increasing from 1.42 to 1.45, representing a 2.37 per cent quarterly decline and a 4.18 per cent depreciation year-on-year. Against the Australian dollar (AUD), the Vatu appreciated on a quarterly basis, moving from 1.30 to 1.27, although it remained marginally weaker over the year by 0.56 per cent. The Vatu also strengthened against the United States dollar (USD), appreciating by 1.02 per cent quarter-on-quarter, but still recorded a small annual depreciation of 0.56 per cent. In contrast, the Vatu showed consistent appreciation against the euro (EUR), rising by 0.88 per cent quarterly and 7.39 per cent annually, indicating sustained strengthening against the euro during the period.

Overall, the Vatu showed mixed exchange rate movements, depreciating against the NZD, slightly appreciating against AUD and USD in the short term but still weaker over the year, while consistently strengthening against the EUR. These developments partly reflect ongoing foreign exchange inflows, supported by a sharp increase in tourism receipts (+189.9 per cent year-on-year) and a recovery in commodity exports. While these inflows have helped to cushion the exchange rate and stabilize import costs, the relatively stronger Vatu against some currencies may also affect the price competitiveness of Vanuatu's tourism sector in key source markets.

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 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	Quarter 4
Visitor arrivals by air (Thousands)	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	26,553.0
Visitor arrivals by air, % y/y	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	36.4
Visitor arrivals by cruise ship (Thousands)	0.0	0.0	0.0	0.0	34,554.0	63,219.0	53,684.0	66,276.0	80,399.0	96,922.0	46,685.0	37,294.0	23,897.0	26,563.0	28,390.0	39,782.0	62,099.0
Visitor arrivals by cruise ship, %y/y	0.0	0.00	0.00	0.00	0.00	0.0	0.0	0.0	132.7	53.31	-13.04	-43.73	-70.28	-72.6	-39.2	6.7	159.9
Export (values), % y/y	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	28.2
Copra, % y/y	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	2,024.2
Beef, % y/y	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	-11.7
Cocoa, % y/y	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	-100.0
Imports (values), % y/y	18.2	16.4	17.1	24.7	-100.0	29.8	16.4	37.4	0.0	12.1	13.6	-1.6	-6.9	-12.4	-8.9	15.1	-5.0
Consumption goods, % y/y	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	-5.0
Construction materials, % y/y	68.8	83.0	7.7	4.0	-100.0	-25.1	18.9	23.4	0.0	35.3	-7.9	11.4	-26.9	-28.5	23.6	0.0	31.3
Trade balance of goods in million VT	-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	3,257.1	4,329.3
Money Supply (M2), % y/y	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	992.3
Domestic Credit, % y/y	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	7.1
Net Foreign Assets (NFA), % y/y	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	13.0
Exchange rates (Foreign currency per 100 VT																	
AUD	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	1.27
NZD	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	1.45
USD	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	0.83
Euro	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	0.78	0.75	0.73	0.72
Consumer Price Index, % y/y	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	0.8

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