DEPARTMENT OF FINANCE & TREASURY
GOVERNMENT OF VANUATU

QUARTERLY ECONOMIC REPORT

Q1 of 2026

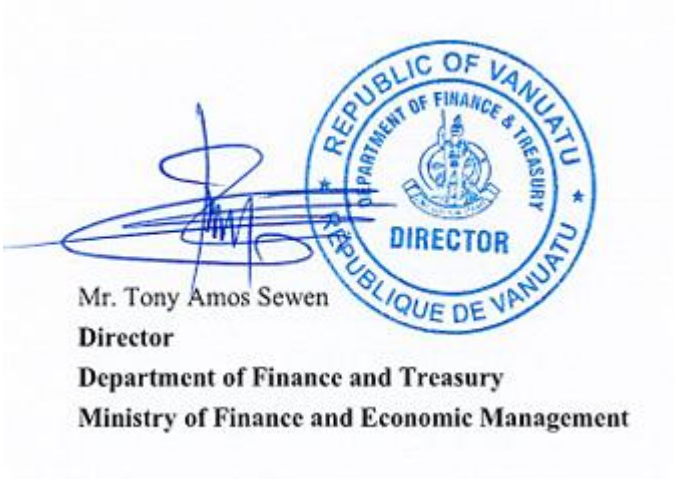
The Quarterly Economic Report (QER) series are produced by the Economics Unit of the Department of Finance and Treasury discussing Vanuatu's fiscal position, net export of goods and services, inflation, money supply and exchange rate.

Introduction

The Department of Finance and Treasury is pleased to publish its Quarterly Economic Report for the first quarter of 2026. The report has economic analysis based on quarterly statistical indicators published by the 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 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.



Mr. Tony Amos Sewen
Director
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Ministry of Finance and Economic Management

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Executive Summary

The January 2026 IMF World Economic Outlook (WEO) Update projects global growth to remain resilient at 3.3 per cent in 2026 and 3.2 per cent in 2027, rates similar to the estimated 3.3 per cent outturn in 2025. This marks a small upward revision of 0.2 percentage points for 2026 relative to the October 2025 WEO, with 2027 unchanged. Steady headline momentum masks a balancing of divergent forces: headwinds from shifting trade policies are being offset by tailwinds from surging technology and AI-related investment, together with supportive fiscal and monetary policy. Global headline inflation is expected to decline from an estimated 4.1 per cent in 2025 to 3.8 per cent in 2026 and 3.4 per cent in 2027. Risks remain tilted to the downside: a reassessment of AI-driven productivity gains could trigger a sharp financial market correction, trade tensions could re-escalate, geopolitical tensions could erupt, and larger fiscal deficits and high public debt could put renewed pressure on long-term interest rates.

For the Pacific, the Asian Development Bank's (ADB) December 2025 Asian Development Outlook (ADO) Update holds growth steady at 4.1 per cent in 2025 and 3.4 per cent in 2026, with subregional inflation lowered to 2.5 per cent in 2025 and retained at 3.4 per cent for 2026. Papua New Guinea (PNG) and Fiji, the Pacific's two largest economies, continue to anchor the outlook, supported by resource-related output and stable tourism respectively, while capacity and institutional constraints and vulnerability to natural hazards remain the key downside risks for the subregion. In September 2025, the ADB projected Vanuatu's growth rate at 1.5 per cent in 2025 and 2.5 per cent in 2026, due to delays in recovery and reconstruction efforts following the December 2024 earthquake.

Domestically, first-quarter indicators point to an economy gathering pace. The Government's fiscal position was very strong, with total revenue reaching a record VT 17,530.1 million and a primary surplus of VT 5,950.8 million. Total exports remained elevated at VT 2,706.3 million, 87.9 per cent above Q1 2025, led by an exceptional copra shipment volume and continued strength in kava. Total visitor arrivals reached a record 103,954, more than double the level of a year earlier, driven by a surge in cruise ship calls. Inflation remained low and stable, with the CPI rising 0.6 per cent over the quarter and 1.0 per cent over the year. The principal near-term risks to this favourable picture include a re-escalation of global trade tensions, unfavourable weather patterns such as El Niño, or a deterioration of financial conditions, all of which could raise import costs and consumer prices and harm Vanuatu's economic performance. However, buffers to absorb this shock are strong, with the RBV's gross reserves remaining sufficient, combined with strong Government revenue performance compared to prior years.

Development overseas

World Economic Outlook

The January 2026 IMF WEO Update states that global growth is projected to remain resilient at 3.3 per cent in 2026 and 3.2 per cent in 2027, rates similar to the estimated 3.3 per cent outturn in 2025. The forecast shows a small upward revision of 0.2 percentage points for 2026 compared with the October 2025 WEO, with 2027 unchanged. This steady headline performance reflects a balancing of divergent forces: headwinds from shifting trade policies are offset by tailwinds from surging technology-related investment concentrated more in North America and Asia than in other regions. Fiscal and monetary support, broadly accommodative financial conditions, and the adaptability of the private sector are all adding further momentum to the global economy.

Since the October 2025 forecast, trade tensions have continued to abate, though they remain subject to occasional flare-ups, leaving the overall US effective tariff rate at about the same level despite country-specific changes. Global headline inflation is expected to decline from an estimated 4.1 per cent in 2025 to 3.8 per cent in 2026 and 3.4 per cent in 2027, virtually unchanged from October 2025. Growth in advanced economies is projected at 1.8 per cent in 2026 and 1.7 per cent in 2027, led by the United States at 2.4 per cent in 2026, while growth in emerging market and developing economies is expected to hover just above 4.0 per cent in both years, with China revised up to 4.5 per cent in 2026 and India moderating to 6.4 per cent.

Risks to the outlook remain tilted to the downside. A reassessment of AI-driven productivity expectations could trigger a decline in investment and an abrupt financial market correction, spreading from AI-linked companies to other segments and eroding household wealth. Trade tensions could flare up again, prolonging uncertainty, while domestic political or geopolitical tensions could disrupt financial markets, supply chains and commodity prices. Larger fiscal deficits and high public debt could put renewed pressure on long-term interest rates and broader financial conditions. On the upside, faster AI adoption could lift global growth due to productivity gains and business dynamism, and a sustained easing in trade tensions would provide further support. The IMF recommends that policymakers prioritise rebuilding fiscal buffers, preserving price and financial stability, reducing policy-driven uncertainty, and advancing structural reforms without further delay.

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

Country	2022	2023	2024	2025	2026	2027	2028	2029	2030
World Output	***3.8***	***3.5***	***3.3***	***3.3***	***3.3***	***3.2***	***3.2***	***3.2***	***3.1***
Advanced economies	3.0	1.7	1.8	1.7	1.8	1.7	1.7	1.6	1.5
United States	2.5	2.9	2.8	2.1	2.4	2.0	2.1	1.9	1.8
Euro area	3.6	0.4	0.9	1.4	1.3	1.4	1.3	1.2	1.1
Japan	1.0	1.2	-0.2	1.1	0.7	0.6	0.6	0.5	0.5
Emerging Markets and Developing Economies	4.3	4.7	4.3	4.4	4.2	4.1	4.1	4.1	4.0
China	3.1	5.4	5.0	5.0	4.5	4.0	4.0	3.7	3.4

Source: IMF WEO Update January 2026; IMF WEO October 2025

Regional Economic Outlook

The Pacific's average growth is held steady at 4.1 per cent in 2025 and 3.4 per cent in 2026 according to the ADB's December 2025 ADO Update, unchanged from the September 2025 forecast. PNG and Fiji, the subregion's two largest economies, continue to anchor the outlook, while the main economies of the region

face divergent trajectories shaped by their exposure to tourism, commodity exports, remittances, and external financing.

Among the main economies, the ADB retains its forecasts for PNG and Fiji unchanged from the September 2025 outlook. Strong resource-related output, higher prices for key exports, and improved foreign exchange availability continue to drive the outlook for PNG, while stable tourism supports growth prospects in Fiji. Tourism also remains a key growth driver elsewhere in the Pacific, alongside public spending stimulus. Although the subregional average is unchanged, Samoa's economy grew slightly faster than initially estimated in September 2025, supported by strong growth in construction, trade, and transport.

The Pacific's regional inflation projection is lowered to 2.5 per cent for 2025 but retained at 3.4 per cent for 2026. Price trends in Fiji drive the downward adjustment for 2025, with measures to reduce the cost of essential goods and services having a larger impact than anticipated, while inflation was also lower than projected in Palau. By contrast, inflation ran higher than estimated in the Marshall Islands on significant increases in utility costs, a factor behind the subregion's unchanged 2026 projection. Declining global commodity and energy prices are expected to ease imported inflation across the subregion in 2026, though domestic pressures from higher wages and local price adjustments persist in economies such as Kiribati and the Federated States of Micronesia.

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

Country	2023	2024	2025	2026
Pacific Region (excluding* Aus&NZ*)	***5.3***	***3.8***	***4.1***	***3.4***
Cook Islands	14.0	14.0	10.4	2.5
Fiji	9.4	3.5	3.0	3.0
Kiribati	2.7	5.3	3.9	3.3
Marshall Islands	-4.0	3.0	3.0	3.5
Federated States of Micronesia	0.4	1.7	0.8	1.1
Nauru	0.6	1.8	2.3	2.5
Niue	6.1	8.7	3.4	3.0
Palau	1.5	6.6	8.2	3.9
Papua New Guinea	3.8	4.0	4.6	3.6
Samoa	15.2	4.6	4.0	2.7
Solomon Islands	3.0	2.5	2.9	3.2
Tonga	2.1	1.4	2.5	2.3
Tuvalu	3.7	3.3	2.7	2.5
Vanuatu	5.8	1.0	1.5	2.5
Australia	2.1	1.0	1.9	2.1
New Zealand	1.8	-0.6	0.8	2.2

Source: ADB ADO Update December 2025; ADB ADO September 2025; IMF WEO Update January 2026 and IMF WEO October 2025 for Australia and New Zealand forecasts.

Risks to the outlook are tilted to the downside. Renewed tariff tensions and trade policy uncertainty, together with elevated financial market volatility, remain key risks that could weigh on exports and investment across developing Asia and the Pacific. Within the Pacific specifically, capacity and institutional constraints and extreme vulnerability to external shocks remain the key constraints on growth.

Development onshore

Vanuatu's Economic Outlook

Vanuatu's economy carries into the first quarter of 2026 the resilience it showed through the setbacks of the past year - the December 2024 earthquake, the liquidation of Air Vanuatu, and disruption in the education sector from the teachers' strike. As of Q1 2026, the Macroeconomic Committee (MEC) has not yet confirmed a revised growth forecast for 2026 and beyond, as the next MEC forecasting meeting is scheduled for April 2026. The most recent confirmed projections remain those agreed at the MEC's meeting in July 2025, summarized in Table 3 below. Early indicators from the first quarter of 2026 - record government revenue collection, a further rebound in visitor arrivals, and continued reconstruction-related activity, each discussed in more detail in the following sections of this report - are broadly consistent with the resilience embedded in that forecast. According to the MEC 2 2025 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 4.0 per cent over the medium term (2027-2030).

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: Department of Finance and Treasury

In the agriculture sector, the absence of cyclones during the 2024-2025 season supported a notable improvement in the yields of garden and food crops, which partially offset weak export performance from key commodities such as kava, copra, and cocoa, while subdued beef exports contributed only marginally to overall export outcomes. This underpinned the MEC's upward revision of the sector's 2025 growth forecast from 2.5 per cent to 2.8 per cent, with a further increase to 3.1 per cent projected for 2026. Since that forecast was confirmed, Q1 2026 trade data reported elsewhere in this report point to a marked strengthening in both copra and kava export earnings. This development is expected to influence the agriculture sector’s outlook once the MEC reconvenes in April 2026.

In the industry sector, reconstruction and demolition activity has significantly influenced growth estimates. The sector continues to be supported by government- and donor-funded infrastructure projects; however, subsectors such as manufacturing and handicrafts remained constrained by earthquake-related damage and the absence of cruise ship arrivals at the time of the MEC's July 2025 assessment. The 2025 growth forecast for the industry sector was revised downward to 8.7 per cent, while the 2026 forecast was raised to 9.2 per cent. The strong Q1 2026 pickup in government spending on goods and services and continued construction-related import demand, noted later in this report, are consistent with strong momentum in the industry sector carried into 2026.

In the services sector, overall growth remained steady as of the MEC's July 2025 forecast. While the liquidation of Air Vanuatu and the teachers' strike continued to weigh on performance, the retail subsector remained resilient, supported by strong VAT collections, and subsectors such as real estate, commercial banking, and professional and technical services were experiencing robust growth. The services sector was projected to grow by 4.0 per cent in 2025, moderating slightly to 3.7 per cent in 2026. The record Q1 2026 visitor arrivals and continued strength in VAT collections suggest this momentum has, if anything, been sustained into the new year.

Government

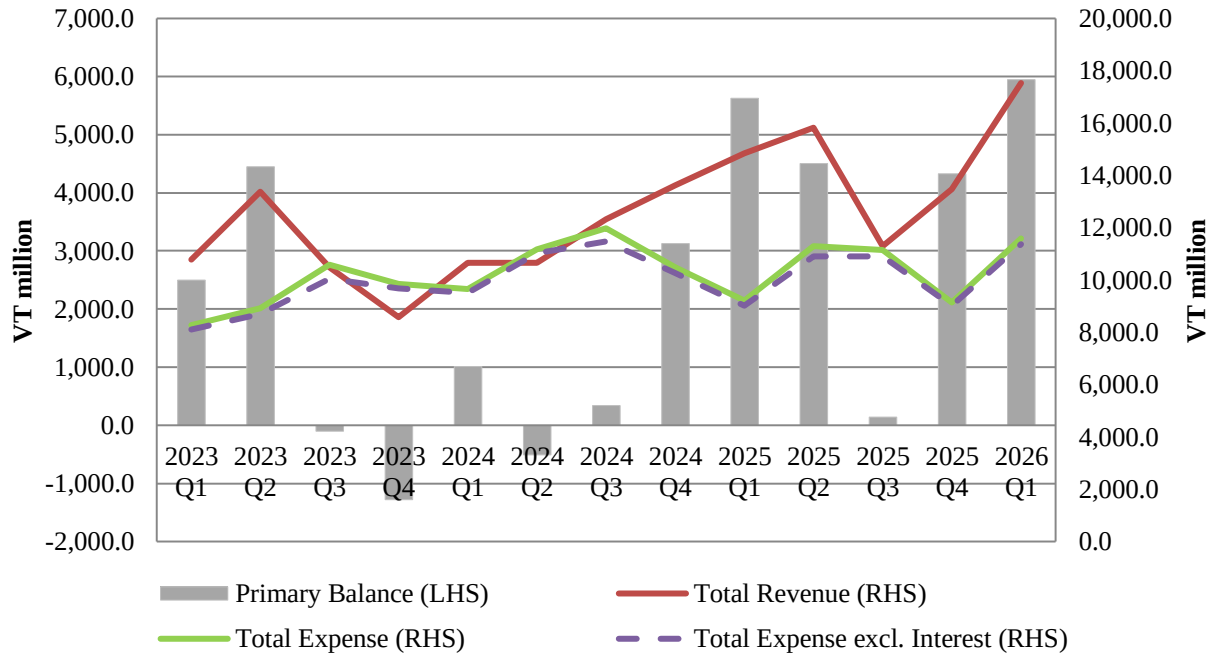
The Government's fiscal position was very strong in the first quarter of 2026, supported by record revenue collection. Comparisons with both Q4 2025 and Q1 2025 show substantial improvements on the revenue side, more than offsetting a seasonal pickup in expenditure.

Total revenue in Q1 2026 reached VT 17,530.1 million, increasing by VT 4,050.6 million, or 30.1 per cent, from Q4 2025 (VT 13,479.5 million). Compared with Q1 2025, revenue rose by VT 2,679.6 million, or 18.0 per cent, from VT 14,850.5 million. The outturn was driven by exceptionally strong tax collections: total tax revenue rose to VT 9,435.8 million, up 39.4 per cent from the previous quarter and 26.0 per cent year-on-year, with VAT collections of VT 4,633.9 million (up 31.2 per cent from Q4 2025 and 15.9 per cent year-on-year) pointing to buoyant domestic consumption and continued strength in the retail sector. Other revenue more than doubled year-on-year to VT 6,516.5 million, largely driven by a new invoicing system applied to receipts from the Economic Citizenship Programme, while grants declined to VT 1,577.8 million, down 62.3 per cent from Q1 2025, likely reflecting the timing of donor disbursements.

Total expenditure excluding interest payments rose to VT 11,376.1 million in Q1 2026, an increase of VT 2,356.3 million, or 26.1 per cent, compared with Q4 2025, and of VT 2,357.0 million, or 26.1 per cent, relative to Q1 2025. Total expenditure including interest payments increased to VT 11,579.2 million, up by VT 2,429.1 million, or 26.5 per cent, from the previous quarter and by VT 2,355.1 million, or 25.5 per cent, from the same quarter of 2025. The increase was concentrated in use of goods and services (VT 3,058.1 million, up 55.5 per cent from Q4 2025) and social benefits, consistent with the resumption of reconstruction-related spending at the start of the year, while compensation of employees moderated to VT 5,675.8 million from VT 6,332.6 million in Q4 2025.

As a result, the net operating balance recorded a strong surplus of VT 5,950.8 million in Q1 2026. This was an improvement of VT 1,621.5 million, or 37.5 per cent, compared with the surplus of VT 4,329.3 million in Q4 2025, and of VT 324.4 million, or 5.8 per cent, relative to the surplus of VT 5,626.4 million recorded in Q1 2025.

Chart 1: Government Revenue and Expenditure, Q1 2023-Q1 2026



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

Overall, the fiscal outcome in Q1 2026 reflects a very strong start to the year, with revenue growing considerably faster than expenditure. The record tax outturn indicates a broadening domestic revenue base and strong compliance, providing fiscal space to support post-earthquake reconstruction.

Net Exports of Goods & Export of Services[1]

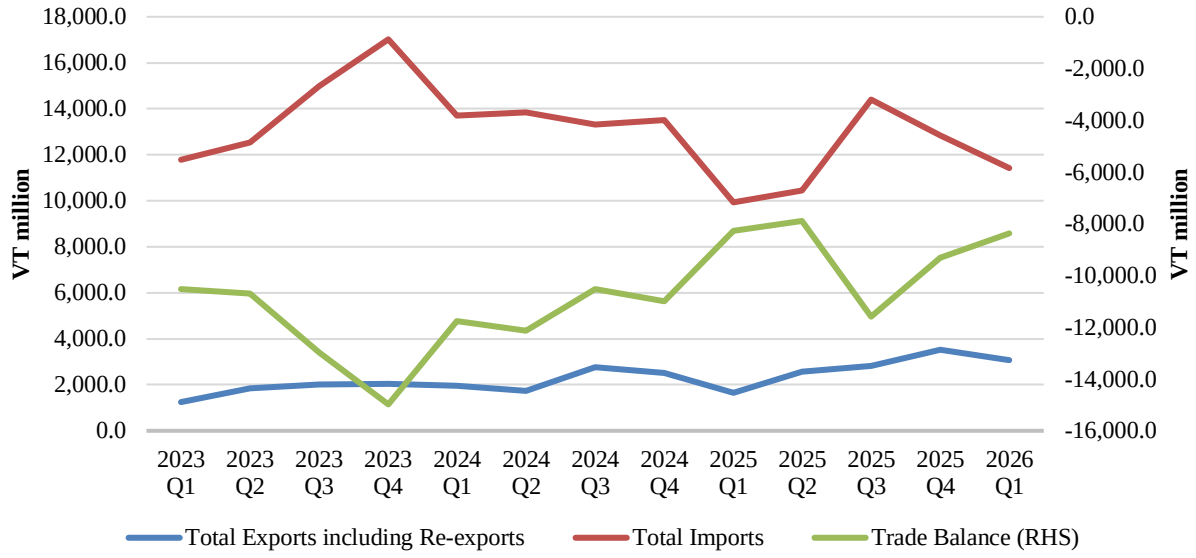
Trade Balance (Goods)

In Q1 2026, Vanuatu's external trade position improved relative to the previous quarter, with the trade deficit narrowing as imports declined faster than exports, although the deficit remained slightly wider than a year earlier.

Total exports including re-exports stood at VT 3,062.1 million in Q1 2026, easing VT 461.5 million, or 13.1 per cent, from the strong Q4 2025 outturn, but rising by VT 1,410.0 million, or 85.4 per cent, compared with Q1 2025. The exceptional year-on-year growth reflects the copra export boom and sustained strength in kava shipments. Meanwhile, total imports declined to VT 11,435.1 million, decreasing by VT 1,402.0 million, or 10.9 per cent, from the previous quarter, though remaining VT 1,501.8 million, or 15.1 per cent, higher year-on-year, consistent with continued reconstruction-related import demand.

As a result, the trade deficit narrowed to VT 8,373.0 million in Q1 2026, improving by 10.1 per cent from Q4 2025, while remaining 1.1 per cent wider than in Q1 2025.

Chart 2: Merchandise Trade Balance, Q1 2023 – Q1 2026



Source: Vanuatu Bureau of Statistics

Exports (Goods)

Exports excluding re-exports remained elevated at VT 2,706.3 million in Q1 2026, nearly doubling from a year earlier. The growth was overwhelmingly driven by copra, whose export value rose to VT 759.5 million, the strongest quarterly outturn since Q4 2021, while kava, the country's leading export commodity, contributed VT 1,563.8 million, up 62.0 per cent year-on-year. Coconut oil earnings eased to VT 99.6 million and cocoa to VT 116.7 million. Beef exports recorded no activity for a second consecutive quarter.

Despite the strong performance, the export base remains narrow and heavily concentrated in kava and coconut products, leaving earnings vulnerable to commodity price movements, shipping availability, and

[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.

climate-related risks. The Q1 outcome nonetheless contributed positively to foreign exchange earnings at a time when import costs are expected to rise.

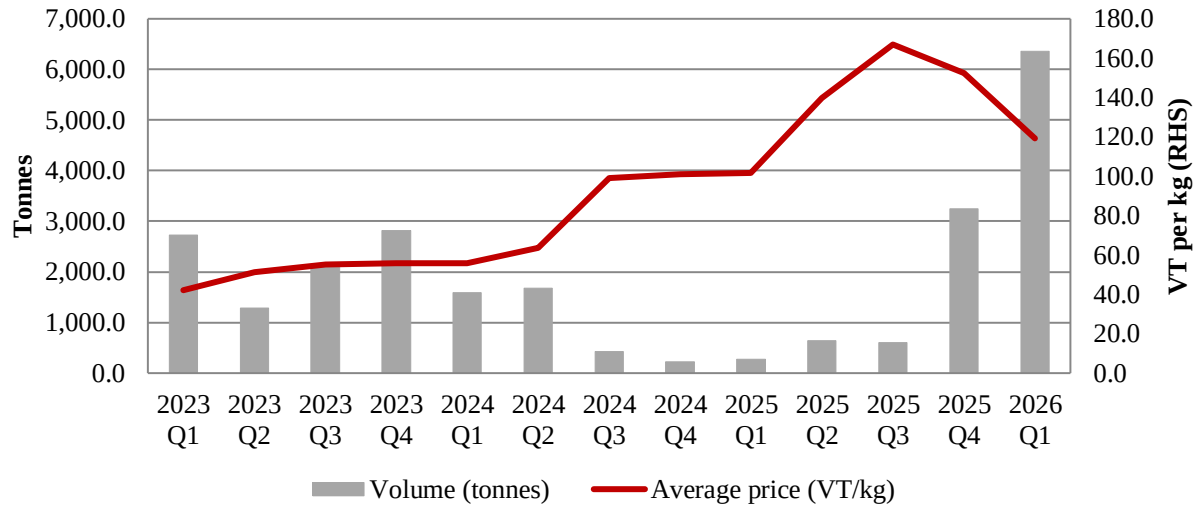
Copra

Copra export volume surged to 6,360.4 tonnes in Q1 2026, rising by 3,119.3 tonnes, or 96.2 per cent, compared with Q4 2025, and marking the highest quarterly volume since Q4 2021. Relative to Q1 2025, export volume increased more than twenty-fold from 271.7 tonnes. This exceptional expansion extends the recovery that began in late 2025 and suggests sustained improvements in copra production, harvesting activity, and export demand.

The strong supply response was accompanied by a moderation in prices. The average export price of copra declined to VT 119.4 per kilogram in Q1 2026, a decrease of VT 33.0 per kilogram, or 21.6 per cent, compared with Q4 2025. On an annual basis, however, the export price remained higher by VT 17.8 per kilogram, or 17.5 per cent, relative to Q1 2025.

The combination of record volumes and still-elevated prices lifted copra export earnings to VT 759.5 million, up 53.8 per cent from the previous quarter. The sector nonetheless remains exposed to global coconut product price cycles, and the pace of the recent volume expansion warrants monitoring for sustainability.

Chart 3: Copra exports (average prices and volumes), Q1 2023-Q1 2026



Source: Vanuatu Bureau of Statistics.

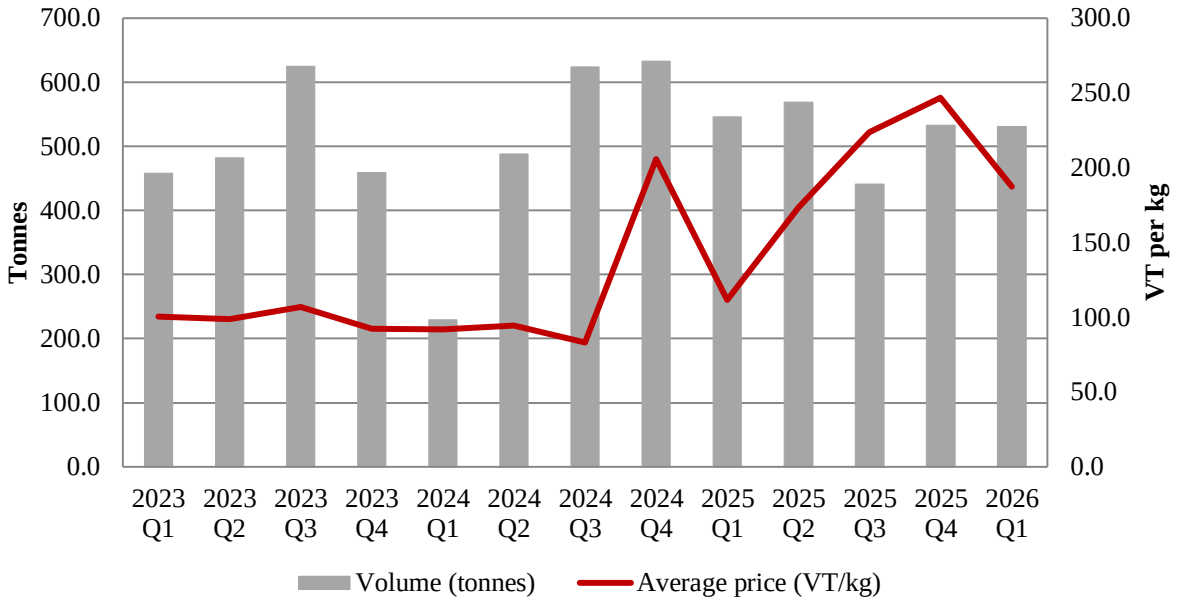
Coconut oil

Coconut oil export volume was broadly stable at 530.8 tonnes in Q1 2026, easing by 2.8 tonnes, or 0.5 per cent, compared with Q4 2025, and by 15.0 tonnes, or 2.7 per cent, relative to Q1 2025.

The average export price declined to VT 187.5 per kilogram in Q1 2026, a decrease of VT 59.3 per kilogram, or 24.0 per cent, from the elevated Q4 2025 level. On an annual basis, however, the price remained substantially higher, up VT 76.0 per kilogram, or 68.1 per cent, compared with Q1 2025.

The price correction from the Q4 2025 peak reduced export earnings to VT 99.6 million, down 24.4 per cent quarter-on-quarter but still 63.5 per cent above a year earlier. Coconut oil continues to contribute steadily to export receipts, though the divergence between strong copra volumes and flat oil volumes suggests millers may face competition from raw copra exporters for supply.

Chart 4: Coconut oil exports (volumes and average prices), Q1 2023-Q1 2026



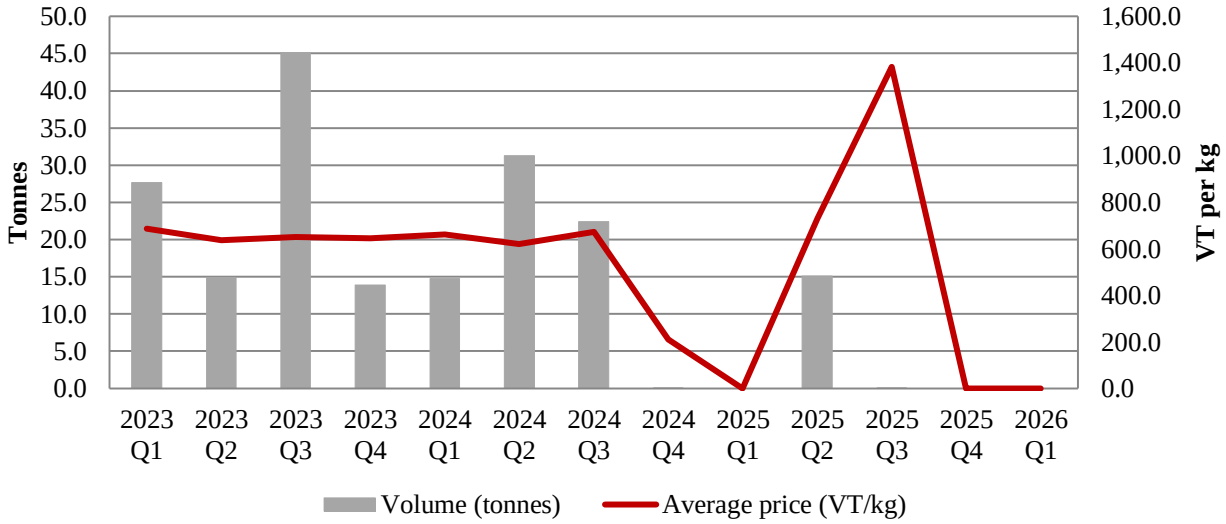
Source: Vanuatu Bureau of Statistics.

Beef

Beef exports recorded no activity in Q1 2026 for the second consecutive quarter, with both export volume and value at zero. Shipments have been negligible since mid-2025, when only 0.05 tonnes were recorded in Q3 2025.

The continued absence of beef exports reflects persistent weakness in production capacity, herd rebuilding requirements, and limited export market development. Beef exports remain economically insignificant in the current trade account, and a resumption of meaningful shipments will depend on progress in the livestock sector's recovery.

Chart 5: Beef exports (volumes and average prices), Q1 2023-Q1 2026



Source: Vanuatu Bureau of Statistics.

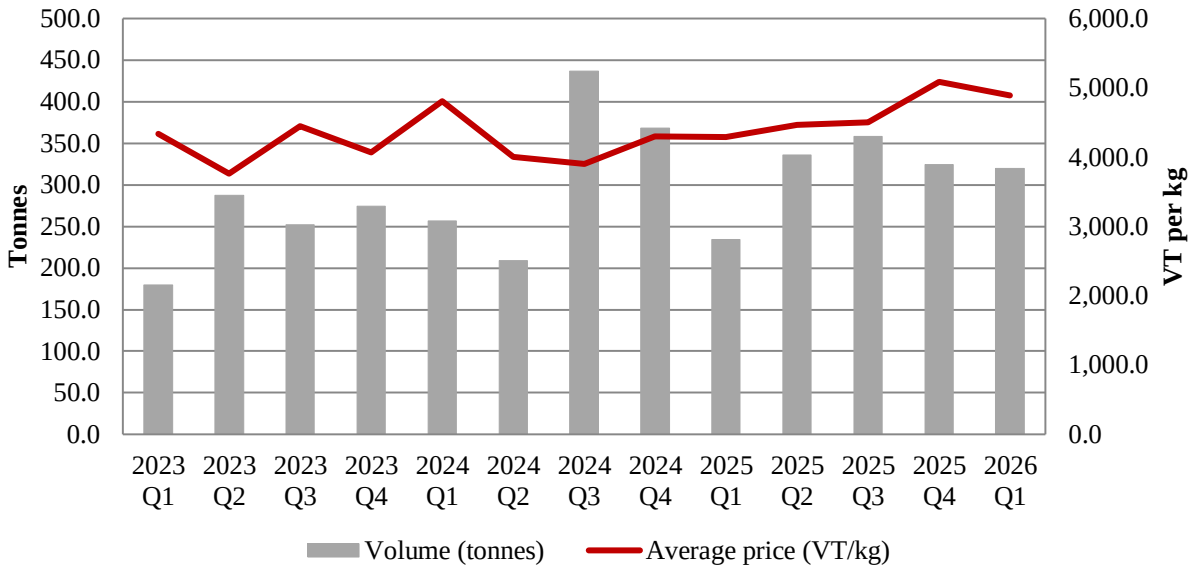
Kava

Kava exports were broadly steady at 319.6 tonnes in Q1 2026, down by 5.0 tonnes or 1.5 per cent from Q4 2025, but 36.3 per cent higher than the 234.4 tonnes recorded in Q1 2025. Shipment levels have now been sustained above 300 tonnes for four consecutive quarters, indicating a durable expansion in supply.

The average export price eased to VT 4,893.3 per kilogram in Q1 2026, declining by VT 193.0 per kilogram, or 3.8 per cent, from the Q4 2025 peak, but remaining 14.0 per cent higher year-on-year. Prices have held near record levels, reflecting continued strong international demand.

Kava remains the dominant export commodity, generating VT 1,563.8 million in Q1 2026, or 58 per cent of total domestic exports. Stable volumes combined with elevated prices continue to underpin export earnings and reinforce kava's central role in Vanuatu's external performance, although concentration risk remains a structural vulnerability.

Chart 6: Kava Export (volumes and average prices), Q1 2023-Q1 2026

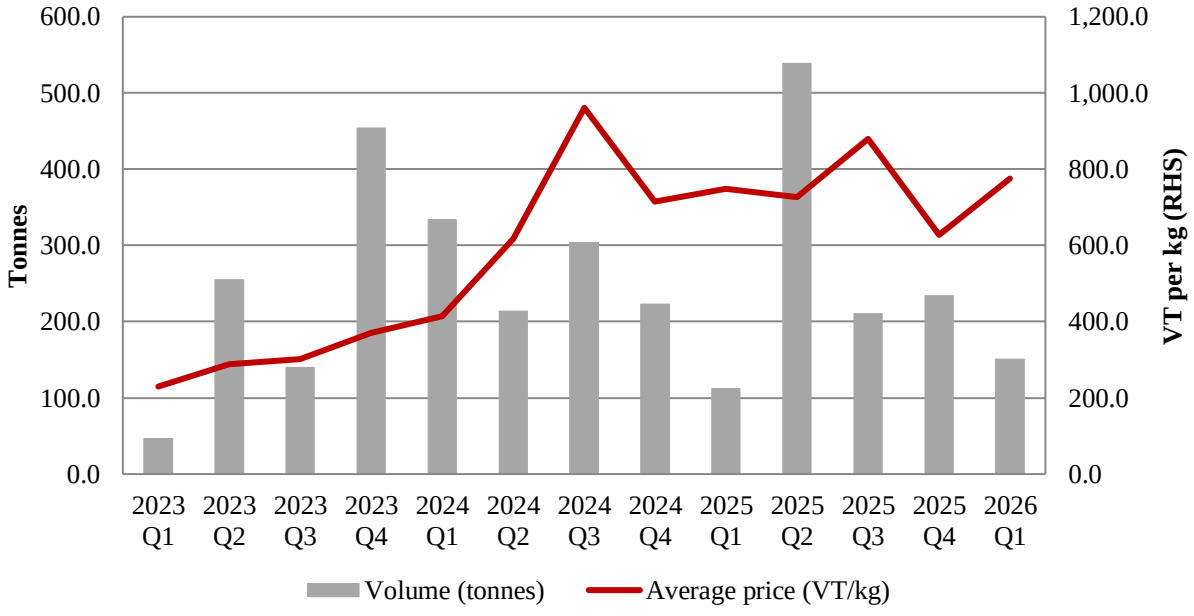


Source: Vanuatu Bureau of Statistics.

Cocoa

Cocoa export volume declined to 150.5 tonnes in Q1 2026, falling by 83.8 tonnes, or 35.8 per cent, compared with Q4 2025, though remaining 34.3 per cent above the 112.1 tonnes recorded in Q1 2025.

Chart 7: Cocoa Export (volumes and average prices), Q1 2023-Q1 2026



Source: Vanuatu Bureau of Statistics.

The average export price recovered to VT 775.3 per kilogram in Q1 2026, rising by VT 147.0 per kilogram, or 23.4 per cent, from Q4 2025, and by 3.6 per cent year-on-year, reflecting firmer international cocoa prices during the quarter.

The price recovery only partially offset the lower volumes, and cocoa export earnings declined to VT 116.7 million, down 20.7 per cent from the previous quarter. The sector's performance remains volatile, with both production and international price conditions continuing to drive quarter-to-quarter swings in earnings.

Exports (Services)

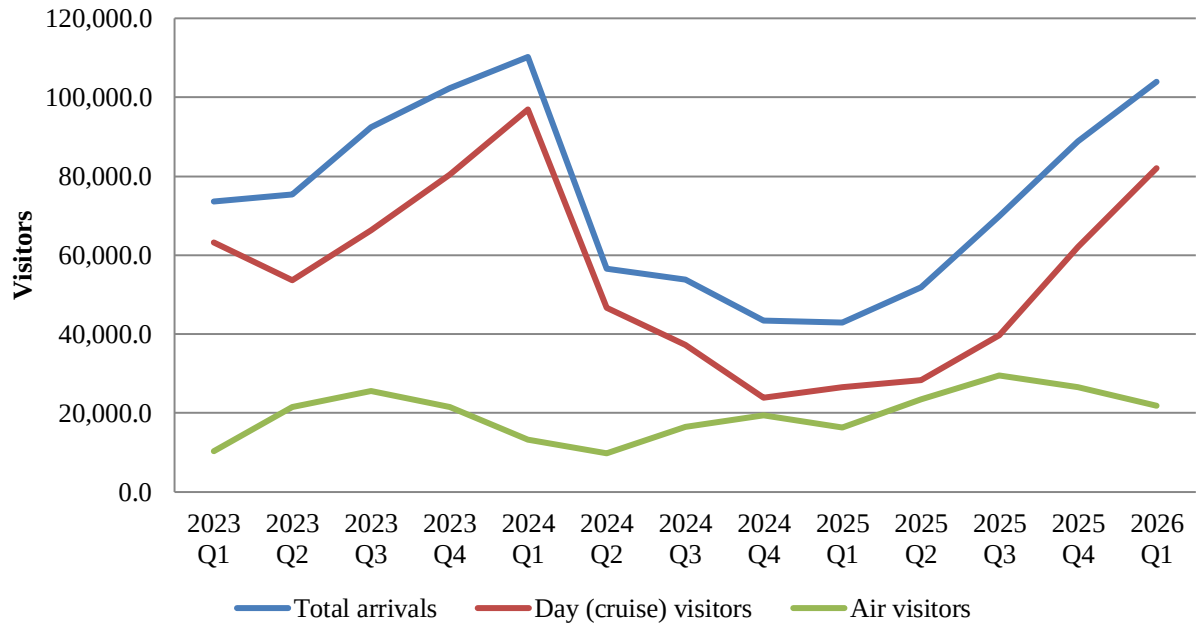
Total visitor arrivals reached a record 103,954 in Q1 2026, rising by 15,107 visitors, or 17.0 per cent, compared with Q4 2025, and by 61,019 visitors, or 142.1 per cent, relative to Q1 2025. This is the first quarter since Q1 2024 in which total arrivals exceeded one hundred thousand, and the exceptional outturn was driven overwhelmingly by an upward spike in cruise tourism.

Day (cruise) visitors surged to 82,079 in Q1 2026, increasing by 19,980 visitors, or 32.2 per cent, compared with the previous quarter, and more than tripling (a 209.0 per cent increase) from Q1 2025. The sustained recovery in cruise vessel calls has now extended over four consecutive quarters of strong growth and marks a decisive return of the cruise segment following its earlier post-earthquake absence.

Visitor arrivals by air declined seasonally to 21,848, down by 4,705 visitors, or 17.7 per cent, from Q4 2025, consistent with the usual first-quarter pattern, but remained 33.6 per cent higher year-on-year, indicating sustained demand as international connectivity continues to normalize following the 2024 Air Vanuatu liquidation.

Overall, the data confirm a strong and broadening recovery in Vanuatu's tourism sector, though earnings remain sensitive to the composition of arrivals: day visitors generate substantially lower spending per head than air visitors. This implies the revenue and economic performance impact of the cruise surge is more modest than the headline arrivals figures suggest. Transport capacity, airline connectivity, and external demand conditions remain the key constraints.

Chart 8: Visitor arrivals (in thousands), Q1 2023-Q1 2026



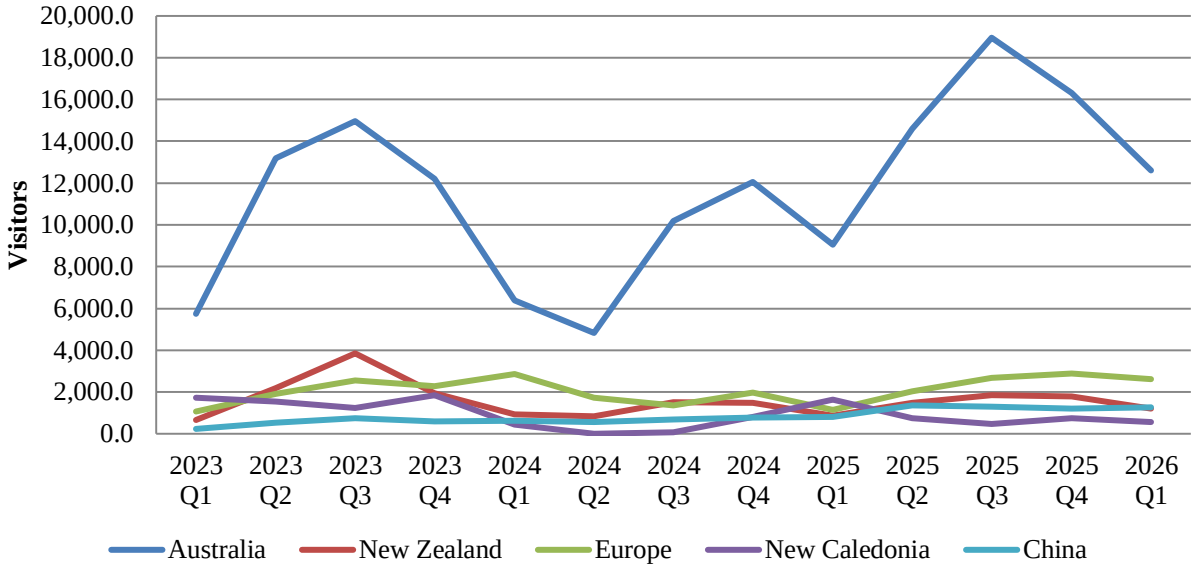
Source: Vanuatu Bureau of Statistics

Visitor arrivals by country of origin in Q1 2026 showed a seasonal moderation across most key markets relative to the December quarter, but very strong growth in annual terms. Australian visitors declined to

12,590, down by 3,736 visitors, or 22.9 per cent, compared with Q4 2025, but remained 39.1 per cent higher year-on-year, confirming sustained strong demand from Vanuatu's largest source market. New Zealand arrivals fell to 1,195, down 33.2 per cent from the previous quarter but up 38.5 per cent compared with Q1 2025.

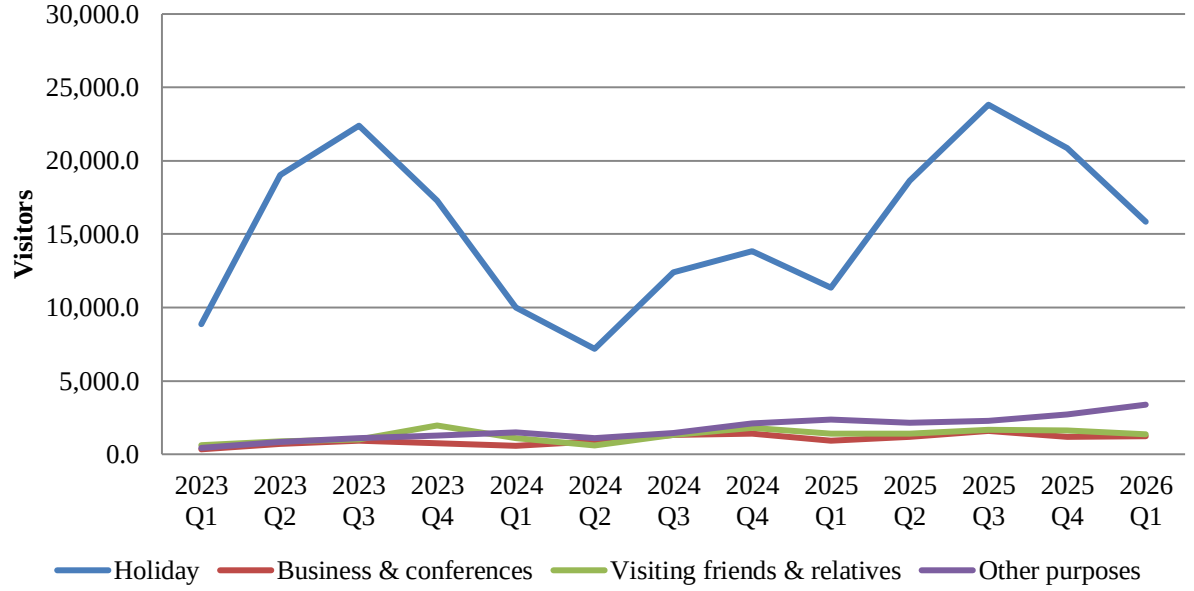
European visitors eased to 2,622, down 9.1 per cent quarter-on-quarter but more than doubling (up 130.2 per cent) year-on-year, suggesting a structural strengthening in long-haul tourism demand, especially due to the influx of international airline carriers servicing Vanuatu. Arrivals from China rose to 1,266, up 5.6 per cent from Q4 2025 and 56.9 per cent year-on-year, while other Pacific countries contributed 1,548 visitors, nearly tripling from a year earlier. In contrast, New Caledonia arrivals fell to 557, down 65.9 per cent year-on-year, reflecting continued economic difficulties in that market.

Chart 9: Visitor arrivals (excluding day visitors) by usual country of residence, Q1 2023-Q1 2026



Source: Vanuatu Bureau of Statistics

Chart 10: Visitor arrivals (excluding day visitors) by purpose of visit, Q1 2023-Q1 2026



Source: Vanuatu Bureau of Statistics

By purpose of visit, holiday arrivals declined seasonally to 15,835 in Q1 2026, down 24.0 per cent from the December quarter peak but 39.7 per cent higher than a year earlier. Business and conference arrivals rose

slightly to 1,208, up 1.3 per cent over the quarter and 30.3 per cent annually, while arrivals for visiting friends and relatives eased to 1,352, down 17.4 per cent over the quarter and 3.5 per cent relative to Q1 2025. Arrivals for other purposes rose to 3,377, up 25.1 per cent over the quarter.

Import (Goods)

Imported Consumer Items

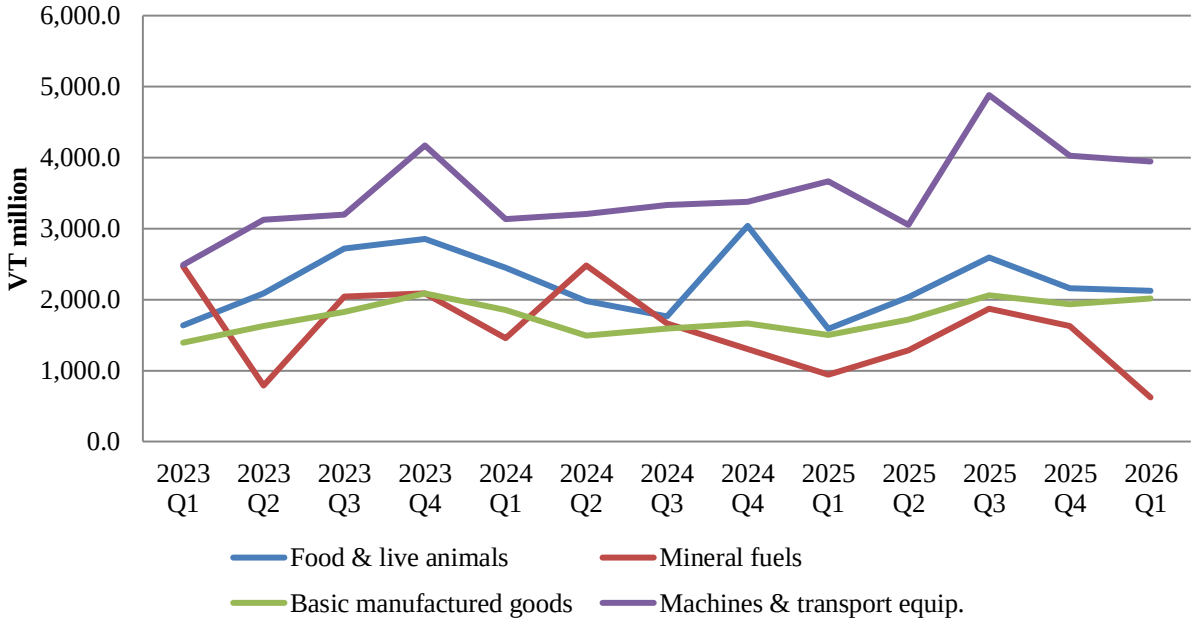
Imports cleared for home consumption declined to VT 11,435.1 million in Q1 2026, down 10.9 per cent from Q4 2025 but 15.1 per cent higher year-on-year, with mixed performance across major commodity groups.

Food and live animals were broadly stable at VT 2,121.5 million, easing 1.6 per cent from the previous quarter but remaining 33.6 per cent higher year-on-year, indicating robust consumption demand. Machines and transport equipment, the largest import category, held at VT 3,946.7 million, down just 1.9 per cent quarter-on-quarter and 7.7 per cent higher year-on-year, consistent with the continued rollout of reconstruction and infrastructure projects. Basic manufactured products rose to VT 2,012.6 million, up 4.3 per cent over the quarter and 34.3 per cent annually, indicating strong domestic consumption.

The most striking movement was in mineral fuels, which fell sharply to VT 621.7 million, down VT 1,008.2 million, or 61.9 per cent, from the previous quarter and 34.3 per cent year-on-year. This decline reflects seasonal fluctuation in fuel shipments, which are typically lower in the first quarter of each year. It may also be driven by a spike in fuel prices due to the Strait of Hormuz disruption that began in February 2026; however, the price effect from this disruption only began to filter into landed costs by end-Q1 2026. The fuel import bill is expected to rise substantially from Q2 2026 as higher global prices pass through to landed costs, and this category warrants close monitoring in the coming quarters.

Beverages and tobacco declined to VT 430.1 million (down 27.2 per cent quarter-on-quarter), while chemical products eased to VT 791.4 million (down 12.8 per cent quarter-on-quarter) and miscellaneous manufactured goods to VT 1,195.7 million (down 3.7 per cent quarter-on-quarter). Overall, the import profile suggests that underlying demand remains firm, with the quarterly decline concentrated in fuels and in the unwinding of the seasonal Q4 peak in certain consumer product categories.

Chart 11: Selected imported consumer items, Q1 2023-Q1 2026



Source: Vanuatu Bureau of Statistics.

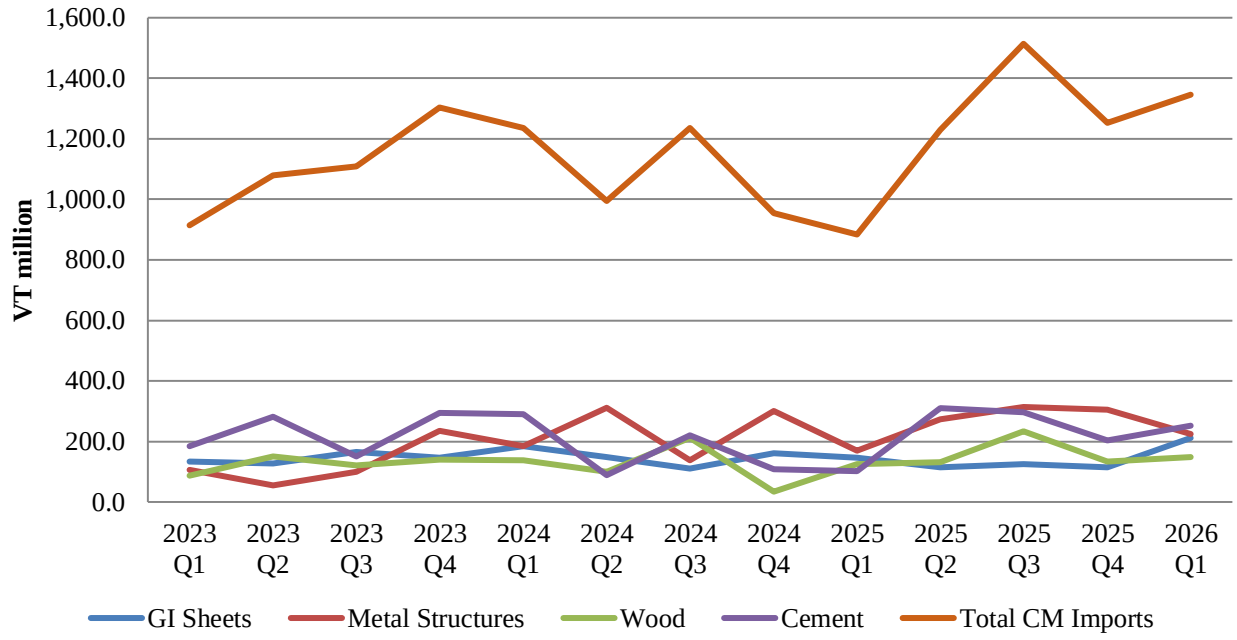
Imported Construction Materials

Imports of construction materials indicate a continued spike in private and public construction projects, both due to post-earthquake rebuilding and Government-led infrastructure projects. Total construction materials imports rose to VT 1,346.1 million in Q1 2026, up VT 93.9 million, or 7.5 per cent, from Q4 2025 (VT 1,252.2 million) and VT 462.3 million, or 52.3 per cent, higher than Q1 2025 (VT 883.8 million).

The composition of the increase, however, points to some rotation across material categories rather than uniform growth. GI sheets imports rose sharply to VT 211.5 million, up 83.7 per cent quarter-on-quarter and 45.0 per cent year-on-year, consistent with the roofing and cladding phase of ongoing rebuild works. Cement imports similarly strengthened to VT 252.9 million, up 23.8 per cent over the quarter and more than doubling (up 149.2 per cent) from Q1 2025. Wood imports edged higher to VT 149.0 million, up 11.5 per cent quarter-on-quarter and 19.4 per cent year-on-year, a more modest but still positive contribution. In contrast, metal structures imports fell back to VT 225.6 million, down VT 79.1 million, or 26.0 per cent, from the elevated Q4 2025 level, though still 32.7 per cent higher on an annual basis.

Taken together, the pattern is consistent with the industry sector's growth profile: overall construction materials demand remains firmly elevated relative to the pre-earthquake baseline, with the mix of materials imported each quarter shifting with the phase of individual reconstruction and infrastructure projects. The strength in GI sheets and cement is consistent with an active building phase, while the quarterly reduction in metal structures may suggest delays in the completion of larger structural infrastructure projects.

Chart 12: Total Value of Construction Materials Imports, Q1 2023-Q1 2026



Source: Vanuatu Bureau of Statistics.

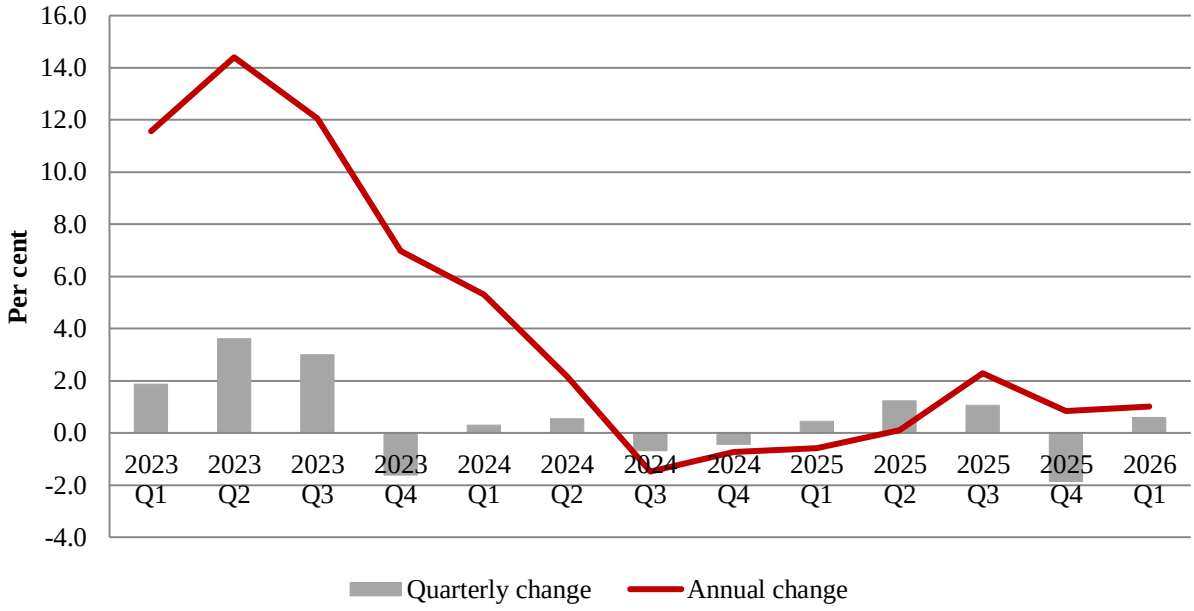
Inflation

Consumer Price Index

Inflationary pressures remained low and well contained in the first quarter of 2026. The headline CPI increased 0.6 per cent over the quarter, while the annual inflation rate firmed to 1.0 per cent, up from 0.8 per cent in Q4 2025. The current outcomes confirm the normalization of the price level following the post-pandemic inflation of 2022 and 2023, with headline inflation now positive but subdued. Improved supply conditions and stable food import prices throughout the quarter have ensured gradual price growth.

The outlook, however, has shifted materially. The Strait of Hormuz disruption that began in February 2026 and the associated disruption to fuel supplies are expected to raise landed fuel costs from the second quarter of 2026, although the pass-through of these costs to electricity tariffs, transport costs, and food prices in the Vanuatu economy is expected to be gradual. Monetary policy should remain data-driven, monitoring second-round effects from fuel prices, exchange rate movements, and reconstruction-related demand.

Chart 13: Consumer Price Index (percentage change), Q1 2023-Q1 2026



Source: Vanuatu Bureau of Statistics

Money Supply and Net Foreign Assets

Monetary Aggregates

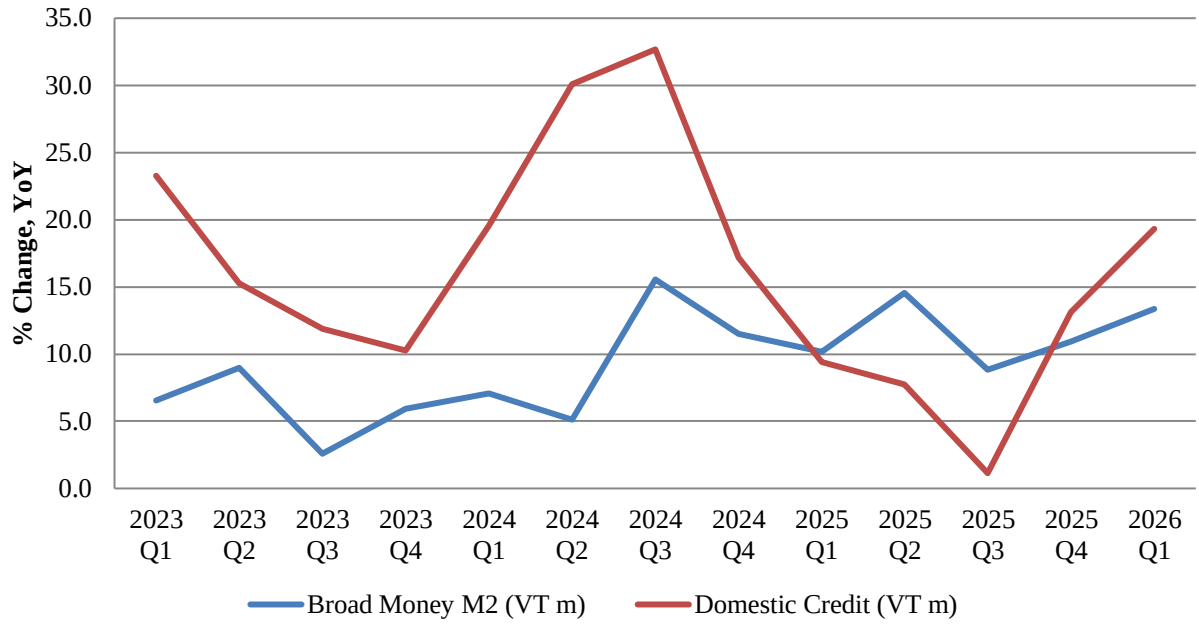
Momentum in the banking sector continued into the first quarter of 2026. Broad money (M2) expanded to VT 142,740.1 million, up 2.3 per cent quarter-on-quarter and 13.3 per cent year-on-year, driven by growth in both net foreign assets and domestic credit. Of total money supply, 26.8 per cent was held in foreign currencies and 73.2 per cent in Vatu.

Domestic Credit

Domestic credit rose to VT 69,980.4 million, up 5.7 per cent quarter-on-quarter and 19.3 per cent year-on-year, reflecting a deterioration in the government's net credit position with the banking system alongside continued growth in private sector credit. In particular, the government's net credit position deteriorated by 10.1 per cent quarterly and 30.7 per cent annually to VT -6,756.8 million, while domestic claims on other sectors rose by 4.1 per cent quarterly and 12.2 per cent annually to VT 76,737.2 million. The RBV's March 2026 Quarterly Economic Report indicates that the private sector credit expansion can be largely attributed to the distribution, construction, professional, and tourism sectors, as well as an increase in personal loans.

This domestic credit data echoes the post-earthquake reconstruction and large-scale Government infrastructure project story highlighted in Vanuatu's economic outlook. High levels of credit flowing to construction-related and ancillary services echo the industry-driven growth boom taking place in Vanuatu from 2025 onwards. The influx of international airline carriers following the Air Vanuatu liquidation can also partially explain the spike in tourism-related lending, as this sector is likely to become more lucrative as tourism arrivals rebound throughout the country.

Chart 14: Monetary Aggregates and Domestic Credit

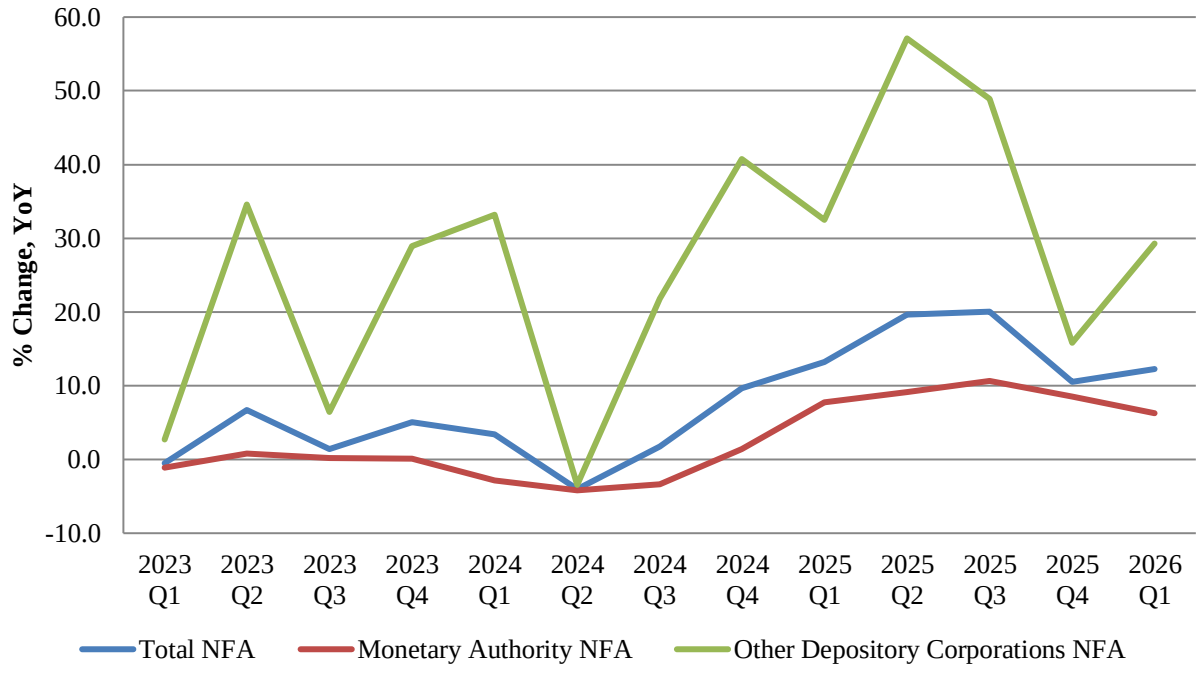


Source: Reserve Bank of Vanuatu, Quarterly Economic Review, March 2026.

Net Foreign Assets (NFA)

Net foreign assets stood at VT 107,929.6 million in the March quarter of 2026, up 4.0 per cent quarter-on-quarter and 12.2 per cent year-on-year. The rise was driven by net foreign currency inflows through commercial banks, which rose by 29.3 per cent annually and 10.4 per cent quarterly to VT 32,377.7 million, and the Reserve Bank, which rose by 6.2 per cent annually and 1.4 per cent quarterly to VT 75,552.0 million. Commercial bank inflows reflected higher holdings of foreign assets abroad, while Reserve Bank inflows were attributed to returns on foreign investments and receipts for government and donor-related projects.

Chart 15: Net Foreign Assets



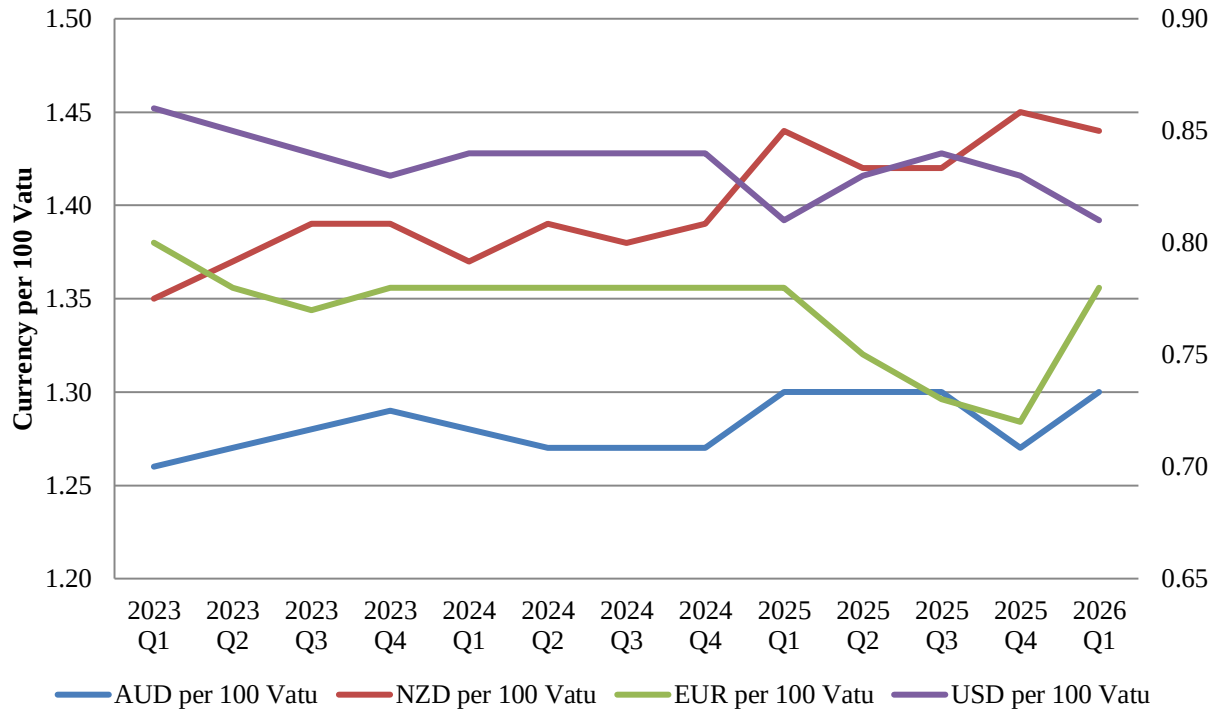
Source: Reserve Bank of Vanuatu, Quarterly Economic Review, March 2026.

Exchange Rate

The vatu's average exchange rate against its major trading-partner currencies in Q1 2026 showed divergence in direction across currencies. On a quarterly basis, the vatu appreciated against both the Australian dollar and the euro, with a 2.4 per cent increase in the amount of AUD required to purchase 100 vatu, to AUD 1.30, and an 8.3 per cent increase in the amount of EUR required to purchase 100 vatu, to EUR 0.78. Over the same quarter, the vatu depreciated against both the NZD and USD, by 0.69 per cent against the NZD and 2.41 per cent against the USD. These movements imply that, on a quarterly basis, imports sourced via Australia and Europe will be cheaper in vatu terms, while exports sent to the US and New Zealand are expected to be more competitive. These movements are therefore expected to be beneficial for Vanuatu's economic performance, given the dominance of Australian-imported consumer goods in domestic consumption and the strong prominence of US-demand driven kava exports in Vanuatu's total exports basket.

On a year-on-year basis, the vatu's position in Q1 2026 is unchanged against all four currencies, exactly matching the levels recorded in Q1 2025. This reflects a round trip rather than a year without movement. Against the euro, the vatu depreciated steadily through 2025, before reversing sharply in Q1 2026. A similar pattern is evident against the US dollar, where the vatu strengthened over the first three quarters of 2025. Movements against the Australian and New Zealand dollars were more contained throughout the year by comparison. Limited exchange rate movements are also expected given the RBV's reliance on a managed exchange rate regime, where the vatu is pegged against a basket of currencies of main trading partners.

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



Source: Vanuatu Bureau of Statistics.

Summary

	2023				2024				2025				2026
QUARTERLY ECONOMICS DATA	**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**
Visitor arrivals by air (Thousands)	10,388	21,542	25,658	21,520	13,271	9,813	16,525	19,469	16,354	23,477	29,535	26,553	21,848
Visitor arrivals by air, % y/y			86.6	29.4	27.75	-54.45	-35.60	-9.53	23.2	139.2	78.7	36.4	33.6
Visitor arrivals by cruise ship (Thousands)	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	82,079.0
Visitor arrivals by cruise ship, %y/y				200.3	53.31	-13.04	-43.73	-70.28	-72.6	-39.2	6.7	159.9	209.0
Export (values), % y/y	-10.7	-33.6	-4.2		49.2	-11.5	49.9	27.2	-13.5	71.4	-13.7	28.2	87.9
Copra, % y/y	-30.8	-76.8	-7.6		-23.0	61.5	-63.8	-85.2	-62.9	-16.9	138.0	2,024.3	2,209.8
Beef, % y/y	-42.5	-83.0	-39.0		-48.3	104.6	-48.6	1.8	-100.0	-43.6	-99.5	-100.0	
Cocoa, % y/y	-65.7	74.1	-55.3		1,178.6	79.0	590.1	-1.1	-13.2	197.7	-36.5	-11.7	-2.7
Kava, % y/y	63.0	-6.7	24.0		58.3	-22.7	52.0	41.8	-21.7	79.0	-5.3	4.5	62.0
Imports (values), % y/y	27.9	23.1	33.3		16.3	10.5	-11.3	-20.7	-27.5	-24.5	8.3	-5.0	15.1
Construction materials, % y/y	-25.1	18.9	23.4		35.3	-7.9	11.4	-26.9	-28.5	23.6	22.5	31.3	52.3
Trade balance of goods in million VT	-10,530.3	-10,692.4	-12,973.2	-14,979.5	-11,755.4	-12,130.5	-10,530.3	-10,998.2	-8,281.3	-7,889.9	-11,575.8	-9,313.6	-8,373.0
Money Supply (M2), % y/y	6.5	9.0	2.6	5.9	7.1	5.1	15.6	11.5	10.2	14.5	8.9	10.9	13.3
Domestic Credit, % y/y	23.3	15.3	11.9	10.3	19.6	30.1	32.7	17.2	9.4	7.8	1.1	13.1	19.3
Net Foreign Assets (NFA), % y/y	-0.5	6.7	1.4	5.1	3.4	-4.0	1.8	9.7	13.3	19.7	20.0	10.5	12.2
Exchange rates (Foreign currency per 100 VT)													
AUD	1.26	1.27	1.28	1.29	1.28	1.27	1.27	1.27	1.30	1.30	1.30	1.27	1.30
NZD	1.35	1.37	1.39	1.39	1.37	1.39	1.38	1.39	1.44	1.42	1.42	1.45	1.44
USD	0.86	0.85	0.84	0.83	0.84	0.84	0.84	0.84	0.81	0.83	0.84	0.83	0.81
Euro	0.80	0.78	0.77	0.78	0.78	0.78	0.78	0.78	0.78	0.75	0.73	0.72	0.78
Consumer Price Index, % y/y	11.6	14.4	12.1	7.0	5.3	2.2	-1.5	-0.7	-0.6	0.1	2.3	0.8	1.0