Budget Policy Statement 2027

1. Statement of Responsibility

The 2027 Budget Policy Statement reaffirms the Government's strong commitment to economic recovery, enhanced service delivery, and sustainable economic growth, with the overarching goal of continuously improving the wellbeing of all citizens of Vanuatu.

This Statement of Responsibility confirms the Government's commitment to the preparation and finalisation of the 2027 Budget, which is underpinned by core economic and financial policies that fully comply with the legal requirements of Sections 9 and 10 of the Public Finance and Economic Management (PFEM) Act [CAP 244]. These policies are designed to achieve the strategic objectives and targets outlined in the Government's National Sustainable Development Plan (NSDP), also known as the People's Plan 2030, in order to drive economic growth and improve service delivery across the entire Republic of Vanuatu.

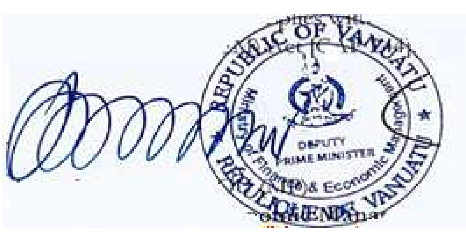
Section 9 of the PFEM Act requires the Government to:

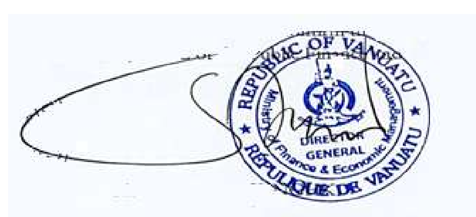
- specify its economic and financial policies, including those relating to key economic and fiscal variables; and
- State the discipline it will adhere to in its economic and financial dealings.

Section 10 of the PFEM Act requires the Government to:

- state its long-term objectives for fiscal policy in terms of major economic and fiscal variables.
- specify the main strategic priorities guiding the preparation of the budget.
- indicate the Government's targets for fiscal and economic variables; and
- provide an assurance that the long-term objectives outlined in the statement are:
    a. Consistent with the Principles of Responsible Fiscal Management laid down in Section 22 of the PFEM Act; and
    b. Consistent with the previous year's Budget Policy Statement – that is, policies have remained consistent over time or, otherwise, justifications have been made for their departure.

As the Minister and Director General responsible for formulating and implementing the Government's economic, financial, and fiscal policies, we have the honour to confirm that the 2027 Budget Policy Statement fully complies with Sections 9, 10, and 22 of the Public Finance and Economic Management (PFEM) Act [CAP 244].





Hon. Johnny Koanapo Rasou (MP)
Minister of Finance and Economic Management
Ministry of Finance and Economic Management

Mr. Roan Lester SUNGHK
Director General
Ministry of Finance and Economic Management

2. Economic and Financial Policies

This Budget Policy Statement outlines the Government's economic and financial policies, together with the key priority outcomes required to achieve the objectives and targets of the National Sustainable Development Plan (NSDP).

The Government's highest priority for 2027 is to drive economic transformation by fostering a competitive, inclusive, and resilient private sector and developing modern infrastructure. These efforts will promote sustainable economic growth and reduce import dependency. This will be complemented by initiatives to build a healthier and better-educated nation through improved public health outcomes and expanded access to quality education and vocational training, thereby strengthening Vanuatu's human capital for long-term development. Furthermore, the Government will secure Vanuatu's future in an uncertain global environment by strengthening national security, disaster resilience, and good governance to protect national sovereignty, enhance stability, and promote inclusive progress.

To this end, the Government will strategically allocate financial resources to achieve these 2027 priority goals.

This Budget Policy Statement serves as the primary guiding framework for the preparation and allocation of the 2027 Budget. It is fully aligned with the Principles of Responsible Fiscal Management, as stipulated in Section 22 of the Public Finance and Economic Management (PFEM) Act [CAP 244], which are provided in the box below. These principles require the Government to pursue its budget policy objectives in a responsible and sustainable manner.

Section 22 of the PFEM ACT: Principles of Responsible Fiscal Management

1. Reducing and then managing debt at prudent levels so as to provide a buffer against factors that may impact adversely on the level of debt in the future, by ensuring that, unless such levels have been achieved, the total overall expenditures of the State in each financial year are less than its total overall receipts in the same financial year. **3.**
2. Achieving and maintaining levels of State net worth that provide a buffer against factors that may impact adversely on the State's net worth in the future.
3. Managing prudently the fiscal risks facing the State; and
4. Pursuing policies that are consistent with a reasonable degree of predictability about the level and stability of tax rates for future years.

Budget Policies

The 2027 Budget policies have been developed in line with sections 9, 10 and 22 of the Public Finance and Economic Management (PFEM) Act [CAP 244]. The Budget policies, objectives, and targets are crucial to the process of developing and finalising the Budget 2027.

The 2027 Budget policies consist of:
1. Budget Policy Priorities for 2027,
2. Economic and Fiscal Targets for 2027 and
3. Long Term Economic Policy Objectives

A. Budget Policy Priorities for 2027

As outlined in the Government Act, the Prime Minister of the Republic of Vanuatu is responsible for setting the strategic policy direction of Government and for guiding major administrative decisions across the Republic. This mandate provides the foundation for the development of the Government's annual policy priorities and the alignment of the national budget with those priorities.

The National Sustainable Development Plan (NSDP) remains Vanuatu's long-term national framework and continues to provide the country's overarching development vision. Budget 2027 reaffirms Government's commitment to achieving that vision and recognises the NSDP as the guiding framework for the country's long-term development.

However, the NSDP is necessarily broad and long-term in nature. Delivering its ambitions requires disciplined sequencing, strong coordination across Government, and focused execution over time.

For this parliamentary term, the Government has clearly signalled that **economic transformation** is the highest priority. This is not an abstract goal but a strategic imperative, driven by two realities:

1. Necessity: Vanuatu faces external shocks and risks—climate change, geopolitical tensions, economic fragmentation, and inflationary pressures—that threaten its stability and prosperity. Without a stronger and more productive domestic economy, Vanuatu will remain vulnerable to these shocks and constrained in its ability to fund essential public services.
2. Possibility: Despite these challenges, there are strong reasons for optimism. Over the past decade, Vanuatu has made significant progress in expanding infrastructure networks, improving telecommunications coverage, making renewable energy technologies more affordable and accessible, and leveraging digital platforms for business and government service delivery. These developments mean that economic transformation is not only necessary—it is achievable.

Economic transformation is the cornerstone of Budget 2027. It is not a standalone goal but a catalyst for achieving broader national objectives:

- Reducing poverty by creating high-quality jobs.
- Enhancing resilience to climate change and economic shocks.

- Strengthening sovereignty by reducing dependence on external actors.
- Improving quality of life through better infrastructure, healthcare, and education.

To achieve this transformation, Budget 2027 aligns fiscal policy with three **overall policy priorities**:

1. To unleash economic transformation
2. To build a healthier and more educated nation
3. To safeguard Vanuatu's future in an uncertain world

Education and healthcare are included as they are some of the most fundamental drivers of economic development. Vanuatu currently is unable to provide either of these vital services to the required standard.

Security and sovereignty are also recognised as critical national priorities. In an increasingly uncertain and dangerous world, Governments must ensure that the country possess the institutional capacity and strategic capability required to safeguard our independence and protect its people. This is particularly prevalent given the major risks that are associated with the ongoing US-Israel-Iran conflict, which may require a major fiscal response, and which further highlights the need for economic sovereignty.

The priorities below do not include detailed activities or targets. These will be developed and assessed by the Ministerial Budget Committee.

These budget policy priorities apply in particular to the Fiscal Space and its allocation. However, the majority of Government spending is through recurrent allocations, as well as through donor partner spending. Much of this spending is on critical or basic functions, with limited scope for change. It is expected that, where possible, available budget allocations should be directed toward meeting these three priorities.

Priority Area One - To unleash economic transformation

Objective

Foster a competitive, inclusive, and resilient private sector and modern infrastructure to drive sustainable economic growth and reduce import dependency.

Strategy

Vanuatu's greatest economic opportunities lie not only in Port Vila, but throughout the provinces. Communities across Malekula, Santo, Tanna, and all the islands possess significant agricultural, fisheries, tourism and business potential. However, that potential remains constrained by inadequate connectivity between people, markets and services, and investment in infrastructure to unleash economic potential.

For many communities, economic development is fundamentally a connectivity challenge. Poor roads and bridges increase transport costs and restrict access to markets. Limited aviation services reduce mobility, tourism opportunities and business activity. Inadequate port infrastructure constrains trade and investment. The result is that productive regions are often unable to fully participate in national and international markets.

Budget 2027 therefore places provincial and local connectivity infrastructure at the centre of the Government's economic agenda. Strategic public investment in roads, wharfs, digital networks, and renewable energy infrastructure will reduce the cost of doing business, improve connectivity, and attract both domestic and foreign capital. A critical component is addressing land tenure issues to provide clarity and security for investors while respecting customary land rights. By aligning these efforts with our natural advantages, like renewable energy, digital transformation opportunities, and tourism appeal, we will diversify our economy, create high-value jobs, and reduce our reliance on imports.

Vanuatu's economic future also hinges on unlocking the full potential of its private sector and modernizing its infrastructure. This requires a bold, coordinated effort to remove systemic barriers that currently stifle investment and growth. Key reforms should focus on simplifying business licensing and registration, streamlining regulatory processes, and expanding access to finance and skills—especially for ni-Vanuatu entrepreneurs. The government must act as a facilitator, creating an environment where businesses can thrive without undue bureaucratic burden. Simultaneously, strategic public investment in roads, wharfs, digital networks, and renewable energy infrastructure will reduce the cost of doing business, improve connectivity, and attract both domestic and foreign capital. A critical component is addressing land tenure issues to provide clarity and security for investors while respecting customary land rights. By aligning these efforts with Vanuatu's natural advantages—such as its renewable energy potential, digital transformation opportunities, and tourism appeal—Vanuatu can diversify its economy, create high-value jobs, and reduce its reliance on imports. The ultimate goal is to build a dynamic, resilient, and self-sustaining economy that can withstand external shocks and fund essential public services for generations to come.

Economic growth is only worth pursuing however if it is good growth. Throughout the entire process therefore will be a consistent and strong commitment that any growth should be equitable, and that Vanuatu's role as a responsible custodian of the natural world for future generations is taken seriously.

Infrastructure investment acts as a powerful catalyst for economic transformation, with studies showing a higher economic multiplier than other public spending within 2–5 years. It drives structural shifts by boosting productivity, creating jobs and lowering trade costs.

Farming the land, fishing the sea and nurturing our forests continue to provide livelihood, employment and food security for our people. With a growing population needing to be fed and an expanding number of young people searching for productive ways to lead fulfilling and prosperous lives, the agriculture sector undoubtedly offers the best opportunities for inclusive broad-based economic growth. Well managed growth in the agriculture & fisheries sector is likely to have greater impact on food security, poverty alleviation and employment. Increased investment in producer oriented adaptive agricultural farming, research and extension is vital to support competitive smallholder agriculture.

Priority Area Two - To build a healthier and more educated nation

Objective

Improve public health outcomes and expand access to quality education and vocational training to empower Vanuatu's human capital for long-term development.

Strategy

Vanuatu's most valuable resource is its people. To ensure they are healthy, skilled, and empowered to drive the nation's progress, the government must invest strategically in both public health and education systems. The cornerstone of this effort is **Tugeta Yumi Helti**, the largest public health campaign in Vanuatu's history—a national movement designed to transform health outcomes through a series of targeted, quarterly campaigns addressing nutrition, sanitation, disease prevention, and community health awareness. This campaign will be complemented by critical infrastructure upgrades, including the establishment of an oncology unit at the Vanuatu National Hospital.

In parallel, education reforms must prioritize foundational literacy and numeracy, modernize curricula, and expand vocational pathways to align with labour market demands. Work in 2027 for both health and education will continue to focus on putting in place a long-term plan for the transformation of these two critical sectors.

By strengthening health and education systems, Vanuatu will build a population that is not only healthier and more educated but also better equipped to participate in and benefit from the country's economic transformation.

Priority Area Three – Securing Vanuatu's future in an uncertain world

Objective:

Strengthen national security, disaster resilience, and good governance to protect sovereignty, enhance stability, and ensure inclusive progress.

Strategy

In an era of climate change, geopolitical tension, and rapid technological disruption, Vanuatu's sovereignty and security depend on its ability to anticipate risks and respond decisively. This requires a whole-of-government approach that integrates national security, disaster resilience, and good governance.

The government must modernize its security institutions by strengthening maritime and land surveillance systems, establishing a dedicated National Cyber Security Agency, and developing a National Disaster Recovery Fund to ensure rapid response to cyclones, droughts, and other climate-related disasters. Transparency, accountability, and fiscal flexibility are essential to maintaining public trust and attracting investment, while decentralizing authority to provincial and local governments will empower communities to address their unique challenges. By combining these efforts with robust cybersecurity measures and community safety teams, Vanuatu will not only protect its sovereignty but also create a stable, secure foundation for sustainable development—one that ensures no citizen is left vulnerable to internal or external threats.

Initial allocation of fiscal space towards the policy priority:
The initial suggested allocation of the overall fiscal space for MBC to allocate to the Policy priorities is as follows. This is simply a suggested starting point, rather than a fixed allocation. Crucially, it depends on the quality of the NPPs received under each priority. The final determination will depend on these NPPs and will be up to MBC to decide.

1. To unleash economic transformation – 60%
2. To build a healthier and more educated nation – 20%
3. To safeguard Vanuatu's future in an uncertain world– 20%

Implementation Mechanism
There will be a focus in Budget 2027 on ensuring that some of the most basic processes are done to a high standard. Budget 2027 recognises that in past years some of these were not done sufficiently, and this has had major impacts on the quality of the overall scheme. Therefore, recognising this, the budget priorities are deliberately light on detail, but there will be a major focus on

1. Ensuring that only high-quality NPPs that have been signed off by relevant technical analysts within the Prime Minister's Office and the Ministry of Finance and Economic Management are presented to MBC.
2. Requiring MBC to clearly record which of the three priorities each of the approved NPPs will support and requiring MBC to produce a report showing the final allocation of funding to each of the three priorities.
3. Improving monitoring and evaluation of approved NPPs. This will be an ongoing process led by DSPPAC

B. Fiscal Policies

The Government's fiscal policy will continue to be guided by the principles of responsible fiscal management. Together with Government reforms and sound financial management, the fiscal policies will continue to place more emphasis on growing the economy through increasing Government revenue, and meeting Government expenditure programs and activities, at the same time enhancing service delivery to improve the wellbeing of all the people in Vanuatu.

C. Economic Update in 2026

World Economic Outlook (WEO)

The April 2026 World Economic Outlook by the International Monetary Fund (IMF) projects a global economy threatened by the outbreak of war in the Middle East at the end of February 2026, compounding headwinds from elevated trade barriers and policy uncertainty. Under the IMF's "reference forecast", which assumes limited duration, intensity, and scope of the conflict, with disruptions fading by mid-2026, global GDP growth is projected at 3.1 percent in 2026 and 3.2 percent in 2027. This marks a slowdown from the estimated 3.4 percent achieved in 2025 and remains below the historical (2000–19) average of 3.7 percent. Absent the war, global growth would have been revised upward to 3.4 percent in 2026; the downward revision therefore largely reflects conflict-related disruptions, partly offset by carryover from strong late-2025 data and reduced tariff rates.

Table 1: World Economic Outlook: Real GDP (year-over-year change; percent)

World Economic Outlook									
	2023	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**
World Output	3.3	3.4	3.4	3.1	3.2	3.2	3.2	3.1	3.1
Advanced Economies	1.7	1.8	1.9	1.8	1.7	1.7	1.6	1.5	1.5
United States	2.9	2.8	2.1	2.3	2.1	2.1	1.9	1.8	1.8
Japan	0.7	-0.2	1.2	0.7	0.6	0.6	0.6	0.6	0.6
Euro Area (EA)	0.4	0.9	1.4	1.1	1.2	1.4	1.2	1.1	1.1
Emerging Market and Developing Economies	4.4	4.5	4.4	3.9	4.2	4.2	4.1	4.0	4.0
China, People's Republic of	5.4	5.0	5.0	4.4	4.0	4.0	3.7	3.3	3.3

Source: International Monetary Fund, World Economic Outlook (WEO), April, 2026

Advanced economies are projected to grow by 1.8 percent in 2026 and 1.7 percent in 2027. The United States is expected to expand by 2.3 percent in 2026, supported by fiscal policy and the lagged impact of monetary easing in 2025, despite continued drag from trade barriers. Growth is projected to remain solid at 2.1 percent in 2027, though technology-driven momentum is expected to moderate. The euro area faces a sharper deceleration, with growth declining from 1.4 percent in 2025 to 1.1 percent in 2026 and 1.2 percent in 2027, as the Middle East conflict adds to lingering energy price pressures and euro appreciation weighs on manufacturing. Japan's growth is projected to fall from 1.2 percent in 2025 to 0.7 percent in 2026, reflecting the carryover of fiscal stimulus offset by weaker external demand and higher energy prices. In the United Kingdom, growth is projected to fall from 1.3 percent in 2025 to 0.8 percent in 2026, recovering only to 1.3 percent in 2027 as higher energy prices persist.

Emerging market and developing economies face a 0.3 percentage point downward revision for 2026 relative to the January 2026 WEO Update, with growth projected at 3.9 percent in 2026 and 4.2 percent in 2027. The toll is uneven: commodity-importing economies with preexisting fragilities are hit particularly hard by higher energy and food prices and foreign-exchange depreciation. China's growth has been revised downward owing to weak domestic demand and trade tensions, while India's outlook remains relatively resilient. Latin America and the Caribbean is projected to grow by 2.3 percent in 2026, with Argentina anticipating a recovery. The Middle East and Central Asia region is severely affected, with growth revised down by 2.0 percentage points for 2026 because of the conflict. Sub-Saharan Africa and low-income developing countries face significant downward revisions as they grapple with debt constraints and the commodity price shock.

Global inflation, after declining in recent years, is now projected to rise owing to conflict-driven commodity price pressures. Global headline inflation is expected to increase to 4.4 percent in 2026 before declining to 3.7 percent in 2027, representing upward revisions for both years relative to the January 2026 WEO Update. In advanced economies, inflation is projected at 2.5 percent in 2026, while emerging markets face higher and more persistent inflation owing to trade disruptions and commodity price volatility.

The IMF underscores that risks are heavily tilted to the downside. Under an adverse scenario with larger and more persistent energy price increases, global growth would slow to 2.5 percent in 2026, and inflation would reach 5.4 percent. Under a severe scenario involving damage to critical energy infrastructure and a prolonged shutdown of the Strait of Hormuz, global growth could be cut to only 2.0 percent in 2026, with headline inflation approaching 6 percent by 2027, bringing the global economy close to recession. The probability of a US recession in 2026 is assessed at about 35 percent, and the probability that global headline inflation exceeds 5 percent in 2026 is considerably higher, at 38 percent.

The medium-term outlook remains subdued. The global economy is projected to expand at an average pace of just 3.1 percent during 2028–31, reflecting geoeconomic fragmentation, reduced trade integration, and slower productivity growth. The IMF warns that a policy-driven reversal of global integration could reduce long-term global GDP by 0.3 to 7.0 percent after 10 years.

Policy Recommendations: The IMF urges policymakers to carefully sequence monetary easing to balance growth and inflation, pursue fiscal consolidation, and implement structural reforms to boost labour force participation and productivity. Strengthening multilateral trade cooperation remains critical to mitigate fragmentation. In the current environment, the IMF emphasizes that the likelihood of more severe scenarios rises progressively as hostilities continue, making policy agility essential.

Regional Economic Outlook (REO)

The Pacific Island Countries' (PICs) average growth in 2026 is projected at 2.8 percent, slowing to 2.4 percent in 2027, as the fallout from the Middle East conflict compounds global trade disruptions and elevated uncertainty. The main economies in the region, Fiji, Papua New Guinea, Samoa, Tonga, and the Federated States of Micronesia, face divergent trajectories shaped by their exposure to tourism, commodity exports, remittances, and external financing.

Among the main economies, Papua New Guinea leads with growth of 3.8 percent in 2026, sustained by the reopening of the Porgera gold mine and strong cocoa and coffee prices, though domestic retailers face margin pressures from kina depreciation and a higher minimum wage. Samoa follows at 3.2 percent, buoyed by rising tourism arrivals, up by 3.4 percent in early FY2025/26, and resilient remittances totalling US$556.9 million, with foreign reserves covering 14.6 months of imports. Fiji is projected to grow by 2.4 percent, with the IMF noting softer tourism momentum in early 2026 and rising fiscal financing pressures that could constrain spending and push up borrowing costs. Tonga reaches 2.3 percent on the back of post-volcanic reconstruction grants and elevated remittances but faces a sharp decline to 1.3 percent by 2027 as medium-term potential growth is capped at just 1.3 percent by persistent emigration and disaster vulnerability. The Federated States of Micronesia records the weakest performance, at 0.7 percent, with Compact-funded public investment offering only modest support against the drag from climate-driven emigration and skills shortages.

Inflation is projected to accelerate markedly, with the all-items consumer price index rising by 2.7 percent by the end of 2026, increasing to 4.4 percent in 2027, and moderating only to 3.0 percent by 2028, a trajectory that reflects the pass-through of higher global oil prices and the risk of second-round effects. By comparison, Australia is expected to grow by 2.0 percent in 2026 and New Zealand by 2.1 percent, both with relatively more stable inflation outlooks anchored by larger domestic buffers and more diversified economies.

Risks to the outlook are substantial and tilted to the downside. The Iran war energy shock has already pushed petrol prices higher across the region, prompting governments in Fiji, Samoa, and Papua New Guinea to issue advisories against fuel hoarding, a direct hit to import-dependent PICs with limited fiscal space to absorb energy price spikes. This compounds ongoing pressures from US–China trade tensions and tariff pass-through effects on import prices. Climate change and natural disasters remain persistent structural threats, particularly for small island states such as Tuvalu and Kiribati, while capacity and institutional constraints limit the ability of PIC governments to mount effective responses to overlapping external shocks.

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

COUNTRY	2023	2024	2025	2026	2027	2028	2029	2030	2031
Pacific (excl Aus&NZ)	*3.7*	*3.9*	*3.3*	*2.8*	*2.4*	*2.4*	*2.2*	*2.1*	*2.1*
Fiji, Republic of	9.4	3.5	3.2	2.4	2.7	3.0	3.1	3.3	3.4
Kiribati	3.3	4.6	4.3	3.1	2.4	2.2	2.2	2.1	2.1
Marshall Islands, Republic of the	-5.3	3.0	2.5	3.7	2.0	1.9	1.8	1.6	1.6
Micronesia, Federated States of	1.1	2.3	1.1	0.7	1.1	1.4	1.0	0.7	0.7
Nauru, Republic of	-0.3	1.4	2.2	2.1	2.0	2.0	2.0	2.0	2.0
Palau, Republic of	1.2	12.0	6.3	3.3	2.8	3.2	2.6	2.0	2.0
Papua New Guinea	3.8	3.9	5.6	3.8	3.8	3.2	3.1	3.1	3.1
Samoa	15.2	4.8	4.2	3.2	2.8	2.5	2.2	2.1	2.0
Solomon Islands	2.8	3.0	2.7	2.8	2.9	3.0	3.0	3.0	3.0
Tonga	2.8	1.7	2.8	2.3	1.3	1.3	1.3	1.3	1.3
Tuvalu	4.0	3.1	2.2	2.5	2.4	2.3	2.0	1.8	1.6
Vanuatu	5.8	3.8	3.1	3.5	3.2	2.8	2.5	2.5	2.5
Australia	2.1	1.0	2.0	2.0	1.7	1.9	2.1	2.3	2.3
New Zealand	2.2	-0.3	0.2	2.1	2.4	2.4	2.3	2.2	2.2

Source: IMF & Staff calculations

Vanuatu Economic Outlook (VEO)

Overview

The Vanuatu economy is projected to grow by 3.8 per cent in 2026, a modest acceleration from the revised 2025 estimate of 3.7 per cent, reflecting continued post-earthquake recovery momentum and strong sectoral fundamentals. The forecast was endorsed by the Macroeconomic Committee (MEC) at its first meeting on 10 April 2026.

The 2026 outlook incorporates, for the first time, actual GDP figures for 2023 and 2024 published by the Vanuatu Bureau of Statistics (VBoS), together with a new chain-linking methodology that provides a more accurate sectoral representation of the national economy. The new methodology, combined with revised agricultural estimates that increase the weight of the agriculture sector in aggregate GDP, initially produced lower headline growth rates than previously reported. Applying the methodology to the MEC 2 2025 sub-sectoral growth rates yielded estimates of 3.1 per cent for 2025 and 3.4 per cent for 2026. Following revisions using end-2025 data, including Quarterly Statistical Indicators (QSI), tourism arrivals, and construction imports growth estimates have been revised back up to 3.7 per cent in 2025 and 3.8 per cent in 2026. The lower intermediate figures reflect a statistical reweighting rather than a deterioration in underlying economic conditions.

Table 3: Real Gross Domestic Product Growth (% change)

	2021	2022	2023	2024	2025e	2026f	2027f	2028f	2029f	2030f
Agriculture, Fishing & Forestry	2.3	4.0	2.2	3.9	5.0	4.4	3.7	3.9	3.3	3.5
Industry	-0.4	-0.8	14.9	11.0	8.6	9.8	8.6	5.1	4.5	4.3
Services	0.2	5.8	6.7	2.6	3.2	3.3	3.6	3.4	3.6	3.9
Real GDP Growth	**-1.2**	**5.6**	**5.8**	**3.8**	**3.7**	**3.8**	**3.9**	**3.7**	**3.7**	**3.8**

Source: Vanuatu Bureau of Statistics and Macroeconomic Committee (MEC) 1 2026 Estimates

The Vanuatu economy continues to face headwinds from global economic uncertainty. The Middle East oil price shock has been identified as the principal downside risk to the 2026 outlook, with potential pass-through effects on domestic inflation, construction input costs, jet fuel prices, food import prices, and consumer confidence. The indirect effects of global economic volatility could significantly impact Vanuatu through reduced visitor arrivals and lower demand for exports across global markets. Additional challenges persist, including poor domestic air connectivity following the liquidation of Air Vanuatu, delays in capital projects, the Coconut Rhinoceros Beetle (CRB) threat to copra production, tropical cyclone risks, labour shortages, land disputes, and correspondent banking relationship challenges.

Agriculture, Fisheries, and Forestry Sector

The Agriculture, Fisheries, and Forestry sector is forecast to grow by 4.4 per cent in 2026, moderating from 5.0 per cent in 2025, before normalizing further to 3.7 per cent in 2027. The sector remains pivotal to Vanuatu's economic landscape, contributing significantly to both subsistence and commercial activities.

Crop production in 2026 shows mixed performance across commodities. Fruits and vegetables are expected to normalize from a high base following the absence of natural disasters in the first half of 2026, after recording an exceptional 7.0 per cent growth in 2025, driven by a cyclone-free season. Coconuts and kava have both been upgraded for 2026 on the back of strong export performance, supported by pharmaceutical demand for kava products. Cocoa has been revised downward to reflect weak external demand.

Animal production has been revised down for 2026 owing to insufficient cattle supply and weak end-2025 data. The cattle sub-sector has been reduced for 2026 due to insufficient supply, following steady performance in 2025. The Forestry sub-sector has also been revised down for 2026, reflecting labour shortages associated with the seasonal working schemes and high utility costs, as confirmed by Business Enterprise Survey (BES) interviews with timber companies.

Expenditure linkages for the agriculture sector in 2026 include strong coconut oil and kava export performance supporting export-driven growth. Headline sector growth of 4.4 per cent in 2026 reflects strong crop production and continued kava momentum, with offsetting normalization in the forestry and cattle sub-sectors.

Downside risks to the agriculture sector in 2026 include a worse-than-expected spread of the CRB, labour shortages associated with the seasonal workers programme, and weather, cyclone, and climate change risks. Recommended policies include intensive efforts to contain the CRB, programmes to improve productivity in agriculture to boost wages and the sector's attractiveness and strengthening reintegration programmes alongside improved local skillsets and capacity development in the private sector.

Industry Sector

The Industry sector is forecast to remain the fastest-growing component of the economy at 9.8 per cent in 2026, accelerating from 8.6 per cent in 2025, before moderating to 8.6 per cent in 2027. The strong performance is driven by post-earthquake reconstruction activities and the implementation of government capital projects.

Construction activity in 2026 is expected to intensify further. Building construction, completion, and installation have all been revised upward for 2026 based on BES interviews with the Vanuatu Project Management Unit (VPMU) and the China Civil Engineering Construction Corporation (CCECC), confirming that post-earthquake reconstruction and government infrastructure projects will intensify in 2026. With uncertainty over the timing of insurance payouts, earthquake reconstruction works in the Central Business District (CBD) and surrounding area are anticipated to extend into 2026 and 2027. The building construction sub-sector is expected to remain robust, with project activity extending beyond the Capital Budget and positive growth supported by private sector credit.

Major infrastructure projects driving growth in 2026 include the Pentecost Road Phase 2, the Vanuatu Climate Resilient Transport Project Phase 2, Tanna Road Phase 3, the Efate Ring Road Rehabilitation Project, and the Ambae Road project.

The Manufacturing sub-sector reflects mixed performance across activities. Food and Beverages manufacturing has been revised upward, supported by Tusker and water production and improved tourism demand. Abattoirs have been revised downward in line with weak abattoir data. The Electricity and Water Supply sub-sector has been downgraded slightly to 9.0 per cent for 2026, still 1.0 percentage point above 2025 growth, reflecting offsetting trends: the oil shock potentially suppressing electricity demand via higher costs, while construction activity and BES interviews support a positive six-month outlook.

Expenditure linkages for the industry sector in 2026 include strong 2024–25 construction actuals and donor- and government-funded projects supporting upgrades to Gross Fixed Capital Formation (GFCF). Import leakages via construction materials are expected, and the Middle East oil shock adds upside risk to import costs.

Downside risks to the industry sector in 2026 include delays to Capital Budget implementation and to post-earthquake reconstruction owing to capacity constraints, and the oil shock raising construction input costs (fuel, transport, and materials). Recommended policies include implementing infrastructure and recovery projects as planned, with a clear schedule for project delivery, and developing proactive measures to insulate Vanuatu's economy from the oil price shock, including consideration of targeted fuel subsidies.

Services Sector

The Services sector is forecast to grow by 3.3 per cent in 2026, up from 3.2 per cent in 2025, and to accelerate further to 3.6 per cent in 2027. The sector benefits from continued tourism recovery, improved wholesale and retail trade, and expanding financial services activity.

Tourism-related sectors show positive momentum in 2026. Hotels and Restaurants have been upgraded by 1.0 percentage point on the expectation of increased tourist arrivals. Visitor arrivals have significantly exceeded expectations, with strong year-on-year growth reflecting the successful entry of new airline carriers, including Qantas and Jetstar, government tourism marketing initiatives, and the influx of recovery workers following the earthquake. Air Vanuatu's fleet expansion supports a positive outlook for air transport at 1.5 per cent growth, while expanded international airline routes are expected to further boost services exports. Accommodation and Food Services continue to recover, although challenges with domestic air connectivity continue to affect tourism to Santo, Tanna, and other outer islands.

Wholesale and Retail Trade activities show strong performance, supported by government stimulus measures and improved economic conditions. Motor Vehicle Maintenance and Repair, and Cooperatives have been revised up based on strong Private Sector credit (PSC) data and interviews with ASCO, Carpenter Motors, and the Department of Cooperatives. Oil Companies have been revised slightly downward to reflect downside risk from the Middle East oil price shock. Retail Trade specifically shows robust growth, driven by Value Added Tax (VAT) effects and PSC initiatives that have supported consumer spending.

The Transport sector shows varied performance patterns in 2026. Transport (Land and Sea) and Bus and Taxi have been revised down slightly to reflect potential oil cost passthrough, partly offset by tourism. Air transport is maintained at 1.5 per cent to reflect Air Vanuatu fleet expansion. Other Services have been revised upward, driven by rising Vanuatu National Provident Fund (VNPF) membership, professional and technical services to support construction projects, strong PSC lending, and strong bank and insurance performance.

Expenditure linkages for the services sector in 2026 include strong consumption expected following BES interviews on wholesale and retail trade and positive PSC data. Services exports have also been upgraded due to consistent tourism performance and expanded international airline routes.

Downside risks to the services sector in 2026 include further delay in the return of full international and domestic airline routes, the oil shock raising jet fuel costs and causing flight cancellations, and long-term reputational damage to Vanuatu as a tourist and investment destination owing to airline issues. Recommended policies include prioritizing domestic air connectivity and restoring international routes, monitoring developments in the Middle East and assessing the impact on tourism and transport costs, and intensifying marketing and destination promotion.

Risks and Outlook

The risks to Vanuatu's 2026 outlook are broadly balanced across the upside and downside. Upside risks include faster-than-expected tourism recovery, as was experienced in 2025, as well as rapid progress on post-earthquake reconstruction projects. The large uptick in government revenue in 2025 could also promote growth via fiscal spending.

Downside risks, however, are dominated by the Middle East oil price shock, where imported inflation could hamper tourism arrivals and raise costs for both construction and agricultural firms. Additional downside risks include risks to domestic and international air connectivity as well as delays to government construction projects due to capacity and institutional constraints. The spread of the Coconut Rhinoceros Beetle also continues to present risks for agricultural production.

Government policies, including fuel subsidies, tourism marketing, and programmes to boost agricultural productivity, are effective measures to insulate Vanuatu's economy from these risks. It is highly recommended to have proactive policies to insulate the economy from the oil shock, including consideration of targeted fuel subsidies, maintenance of the capital budget delivery schedule, and a continued focus on restoring domestic and international air connectivity.

Taken together, these developments support the view that the Vanuatu economy is on a steady growth path. Construction, agriculture, and tourism continue to be the primary engines of expansion, and the incorporation of actual 2023 and 2024 GDP data provides a more robust statistical foundation for future forecasting. The MEC projects real GDP growth of 3.8 per cent in 2026, a modest acceleration from 3.7 per cent in 2025, reflecting continued post-earthquake recovery momentum and strong sectoral fundamentals.

Monetary Update

The Reserve Bank of Vanuatu (RBV) maintained its monetary policy stance on 8 April 2026, keeping the policy rate unchanged at 2.75 percent since September 2024. This decision reflects a careful balance between supporting economic recovery and preserving price and financial stability in the face of ongoing external inflationary pressures. Key policy settings remain unchanged, including the Statutory Reserve Deposit at 5.50 percent, the Capital Adequacy Ratio at 12 percent, and the Liquid Asset Ratio at 5 percent. The Bank continues to manage excess liquidity through open market operations, maintaining RBV note issuances at VT1,900 million per issue while reducing the frequency from four to three times per month.

Since 2025, the Bank has consistently achieved its policy objectives. Inflation (target 1), has eased significantly, declining to 0.8 percent in the December quarter of 2025, supported by lower global commodity prices, the appreciation of the Vatu against the US dollar, and stable domestic food supply conditions. At the same time, gross official foreign reserves (target 2) remain strong, with preliminary figures for March 2026 reaching around VT82.6 billion, well above the minimum import cover threshold, largely supported by inflows of development assistance.

Gross official reserves are expected to moderate in 2026 but remain above the minimum benchmark of four months of import cover. This outlook reflects rising import demand driven by economic recovery, elevated global commodity prices, and a slowdown in external grant inflows. Nonetheless, appropriate policy measures are expected to help manage these pressures and support foreign exchange stability.

Monetary conditions remain supportive of growth for the year to February 2026. Money supply expanded by 8 percent, driven by increases in private sector credit and net foreign assets. Credit to the private sector remains robust at 6.4 percent relative to February 2025, particularly in key sectors such as tourism, construction, and services, supporting the post-earthquake recovery. The Government's net credit position with the banking system deteriorated over both the month and the year to February 2026, primarily reflecting a decline in government deposits held with the RBV. At the same time, liquidity in the banking system remains ample, with excess reserves at elevated levels.

Money supply is projected to expand further in 2026, underpinned by continued growth in net foreign assets, driven by inflows related to government services, donor-funded projects, and investment income, as well as sustained expansion in private sector credit. Credit to the private sector is expected to remain robust, reflecting improved business confidence and ongoing recovery across key sectors of the economy. Net claims on Government may increase, although this could be partly offset by stronger revenue performance and continued external budget support. Meanwhile, liquidity in the banking system is expected to remain ample, with excess reserves staying elevated.

The banking sector continues to demonstrate resilience. Banks remain well-capitalised, with a Capital Adequacy Ratio of 23.8 percent at the end of 2025, significantly above the regulatory minimum. Asset quality has improved, with non-performing loans declining to 10.2 percent of total loans in February 2026. Profitability has strengthened considerably, supported by higher earnings and reduced provisioning costs. Liquidity also remains strong, with the liquid asset ratio at 48.4 percent in February 2026, well above required levels, although unevenly distributed across institutions. Overall, the financial system remains stable, sound, and capable of supporting economic growth. However, risks remain—notably from credit quality, external shocks, and ongoing challenges related to correspondent banking relationships—and these will continue to be closely monitored.

Inflation

Looking ahead, inflation is expected to remain within the RBV's target range of 0 - 4 percent through to 2027. Annual average inflation is projected to rise modestly to 1.5 percent in 2026 and 2.8 percent in 2027, reflecting strengthening domestic activity alongside external pressures such as higher fuel and food prices and global uncertainties. The exchange rate regime will continue to anchor price stability, and the Bank stands ready to adjust policy if inflationary risks intensify.

Exchange Rate

Movements of the Vatu vis-à-vis the major foreign trading currencies reflect developments in the economic and financial conditions of Vanuatu's major trading partners. In February 2026, the Vatu appreciated by 0.7 percent on a month-on-month basis against the US dollar, New Zealand dollar (2.2 percent), and euro (2.1 percent), while it depreciated against the Australian dollar (0.2 percent). This movement largely reflects monetary policy divergence across Vanuatu's main trading partners, particularly the Reserve Bank of Australia's tighter monetary stance, compared with other central banks that maintained their policy rates. On a year-on-year basis, the Vatu appreciated against the US dollar (5.0 percent) but depreciated against the Australian dollar (8.3 percent), New Zealand dollar (0.9 percent), and euro (7.8 percent), respectively.

D. Budget Management

The 2027 Budget will be finalised and implemented while the economy is still recovering from the effects of the December 2024 7.3 magnitude earthquake as well as the global fuel supply crises from the Middle East oil price shock. The Government will continue to monitor the situation and may continue to implement the necessary fiscal measures to safeguard the economy against spillover effects of the geopolitical crisis. Despite the ongoing recovery efforts, the Government will continue to strengthen its revenue compliance and at the same time encourage line agencies to raise additional revenue in 2026 through effective tax administration compliance and enforcement of both new and existing revenue initiatives. This will ensure the government can meet its expenditure programs and activities while also managing its debt levels. On this note, the Government will continue to ensure that a balanced budget is presented and approved by Parliament this year for implementation next year in line with the legal requirements of the PFEM Act [CAP 244].

In addition, the Government continues to acknowledge its development partners and is looking forward to their financial assistance next year to meet Government budget policy priority outcomes that are in line with the NSDP, or the People's Plan 2030.

E. Government Debt and Financing

Considering recent economic challenges, effective and efficient public debt management is critical to safeguard Vanuatu's fiscal sustainability. The government remains committed to balancing development financing needs with maintaining debt at sustainable levels, guided by the Medium-Term Debt Management Strategy (MTDS) 2025-2028. The strategy allows the government to effectively identify and manage risk and be transparent in accounting for public debt while promote collaboration with relevant stakeholders and development partners.

As of June of 2026, preliminary estimates indicate that Vanuatu's total public debt stood at VT 62,067.54 million, representing 37.9% of GDP (based on forecasted nominal values). This comprised of VT 43,157.60 million in external debt (26.3% of GDP) and VT 17,758.4 million in domestic debt (11.5% of GDP). For 2027, the total debt is estimated to increase to VT 65, 114.4 million, however with an increased nominal forecast in 2027, debt to GDP ratio is estimated to improve to 34.7% with external loans of VT42.734.1 million (22.8% of GDP) and domestic debt at VT22,380.3 million (11.9% of GDP).

Debt Sustainability and Risks

In the 2025 International Monetary Fund's (IMF) Debt Sustainability Analysis (DSA), of which the IMF conducts several stress test scenarios, indicated a high risk of overall debt distress with the present value (PV) of public debt-to-GDP projected to exceed the 55% indicative benchmark from 2032 onwards, a year earlier than previously forecasted. The risk of external debt distress rating improved from high in the previous DSA, to moderate mainly driven by the gradual recovery in tourism and the creditor's agreement for the national airline, which have reduced downside risks. Under the baseline scenario, external debt indicators remain below their thresholds while reduced near term borrowings has further strengthened the debt profile.

To mitigate these risks, the government is pursuing several strategies which are also highlighted in the recent published Medium-Term Debt Strategy 2025-2028.

- **Prioritize Concessional Financing**

- Mobilise concessional loans from multilateral and bilateral partners to finance key development priorities.
- Ensure new borrowing remains consistent with the DSA and supports sustainable economic growth.
- Enhance coordination with development partners to better align financing with national development objectives.

- **Enhance Risk and Cost Management**

- Implement the MTDS 2025–2028 to guide borrowing based on cost–risk considerations.

- Publish an Annual Borrowing Plan to enhance predictability and accountability.
- Monitor and manage refinancing, interest rate, and exchange rate risks using appropriate indicators.

Domestic Debt Market Development and Sustainability

The domestic market appetite has shown demand for short term securities evident in the first 3 – months Treasury Bill issued in November 2025 which resulted in oversubscription. Rising demand for short term instruments has led to planned Treasury bills in 2026 and 2027, including short-term treasury bonds. Key market participants currently include two commercial banks, Bank of South Pacific (BSP) and National Bank of Vanuatu (NBV) alongside the Vanuatu National Provident Fund (VNPF), and a small pool of corporate and individual investors. While deepening the domestic debt market remains a priority, the absence of a secondary market continues to constrain market liquidity and investor participation.

Going forward, the government is committed to adopting the following approaches outlined in the Medium-Term Debt Strategy 2025- 2028.

Develop the Domestic Debt Market

- Broaden and diversify the domestic investor base to reduce concentration risks.
- Support the establishment of a secondary market for government securities to improve liquidity and market efficiency.
- Enhance predictability and transparency through regular issuance planning and investor communication.
- Strengthen technical capacity within the Ministry of Finance and the Reserve Bank to manage domestic debt operations.

F. Revenue and Taxes

Revenue inflows remain a critical priority for the Government's overall operations. It is essential that revenue policies are designed to support and sustain stable income generation, without which the Government may face challenges in meeting increasing public expenditure obligations and ensuring the continuity of service delivery across the public service.

The total recurrent revenue forecast (excluding grants) for the 2026 financial year is estimated at VT 46,877.3 million, representing an increase of 18.7 percent compared to the 2025 revenue forecast of VT 39,480.6 million. This projected growth is primarily driven by strong performance in Value Added Tax (VAT) collections and the Citizenship Programme, alongside improved revenue performance across other key sectors during 2025. The positive outlook reflects continued economic resilience and strengthened domestic revenue mobilisation efforts.

The Ministry of Finance and Economic Management, through its Tax Policy Unit, is responsible for preparing the annual revenue forecast for the forthcoming financial year as part of the national budget formulation process. The revenue forecast is primarily developed using effective tax rate methodologies applied against the Gross Domestic Product (GDP) projections endorsed by the Macro Economic Committee (MEC), ensuring that revenue estimates are aligned with prevailing macroeconomic assumptions and expected economic performance.

For the 2027 Budget preparation, the Tax Policy Unit will continue consultations with relevant Ministries, Departments, and revenue agencies to assess revenue trends, policy impacts, and fiscal risks affecting forecast performance. This process will be supported by the Revenue Governance Committee, with the final consolidated revenue forecasts to be submitted to the Ministerial Budget Committee for approval as part of the 2027 budget framework

While the need to broaden the current tax base remains an important medium-term fiscal consideration, the Government has not yet approved any new direct taxation measures for implementation. Potential reforms, including the introduction of a Salary and Wages Tax, have been considered in policy discussions; however, no formal decision has been made on their adoption. The current policy position remains that greater revenue gains can still be achieved through strengthened administration of existing revenue measures, improved taxpayer compliance, and enhanced efficiency in the collection of current revenue streams before pursuing additional direct taxation reforms.

VAT will remain the highest single revenue source for the Government in Budget 2027. The Department of Customs and Inland Revenue received funding in 2026 to boost their existing resources to improve compliance efforts, and stronger collection of VAT and other related taxes is expected. Following the Ministerial Budget Committee's directive to prioritise the procurement of a new VAT monitoring system, the Department of Customs and Inland Revenue (DCIR) has commenced the early stages of implementation of the Vanuatu Sales and Monitoring System. After delays experienced over the past year, the project is now progressing well, with DCIR advancing initial implementation activities as part of this key revenue administration reform.

In relation to the Citizenship Programme, the revenue projection for 2026 has been revised upward from VT 7 billion, originally projected for 2025, to over VT 10 billion, with collections expected to increase further in 2027. Since 2021, revenue generated from the programme had experienced a gradual decline due to challenges associated with correspondent banking arrangements and ongoing amendments to citizenship regulations. However, reforms implemented during 2025, including the introduction and effective invoicing mechanism, together with other administrative improvements, have contributed to a marked improvement in programme performance. This has resulted in stronger revenue outcomes from the Citizenship Programme in 2025 and supports the positive outlook for future collections.

Ongoing Revenue Policy Reforms

The Minister responsible for Finance and Economic Management has recently established a Revenue Governance Committee and a Revenue Technical Committee to support the Government's efforts to strengthen and expand domestic revenue mobilisation. In addition, Ministries are encouraged to establish their own internal Revenue Governance Committees to promote institutional ownership, improve coordination, and support the effective implementation of new revenue-generating initiatives across Government.

Vanuatu Commitments with OECD Global Forum and EU Code of Conduct

Vanuatu continues its efforts to meet international standards of good tax practices. This includes the ones set by the OECD's Global Forum on Transparency and Exchange of Information for Tax purposes (Global Forum) and the European Union's Code of Conduct Group (EU CoCG).

Vanuatu has recently been rated as "Largely Compliant" in the OECD Global Forum's assessments regarding the Exchange of Information on Request (EOIR) standard. This is an upgrade from the previous 2019 overall assessment rating of 'Partially Compliant'. This rating reflects the country's continuous efforts to ensure compliance with international standards on tax transparency and the effective exchange of information.

Vanuatu remains on the European Union's list of non-cooperative tax jurisdictions due to concerns over offshore structures that enable profit generation without sufficient economic substance. To address these concerns, the Government has prepared the **Resident Entity (Economic Substance) Bill** and the **Resident Entity (Consequential Amendments) Bill**, both currently awaiting parliamentary approval. Once enacted, these reforms are expected to support Vanuatu's efforts toward delisting by the EU Code of Conduct Group.

Outstanding Revenue

Revenue arrears continue to pose a major challenge to domestic revenue mobilisation, particularly in relation to outstanding non-tax revenues and VAT liabilities. A significant portion of these arrears consists of long-outstanding debts, accumulated penalties, weak historical compliance enforcement, and liabilities associated with dissolved or inactive entities. These ongoing challenges continue to place pressure on the Government's efforts to strengthen revenue collection and improve overall fiscal performance.

To improve the accuracy of government receivables and strengthen revenue administration, the Government intends to reactivate the National Write-off Committee to review aged arrears and recommend appropriate write-offs where justified. Concurrently, the Government will strengthen tax administration, compliance, and enforcement measures to reduce the accumulation of new arrears and improve overall revenue performance.

Effective revenue collection remains critical to financing approved Government expenditure programs and maintaining fiscal sustainability.

G. Expenditure Programme and Policies

The 2027 Budget Appropriation will be financed through a combination of existing and new revenue-generating mechanisms, grants from the Government's major development partners, and, where necessary, the issuance of Government Bonds and Treasury Bills to address any financing shortfalls. It will integrate both Government and donor resources to effectively pursue national policy objectives, with resource allocation aligned to the three priority areas outlined in the 2027 Budget Policy Statement. This approach will minimize duplication of programs and resources while ensuring the efficient implementation of expenditure policies and initiatives. Consistent with its commitment to sound financial management and fiscal discipline, the Government aims to achieve a balanced budget in 2027, while enhancing service delivery and promoting sustainable economic growth through strategic resource allocation.

4. New Policy Proposals (NPPs)

The allocation of the 2027 fiscal space to NPPs will align with the three budget policy priority outcomes outlined in Section 3.A. NPPs will be considered for funding only if they have been approved by the head of the respective agency and formally submitted through the Government's financial management system, accompanied by all required supporting documentation.

In addition, NPPs must be:

- able to be accommodated within the overall aggregate fiscal envelope;
- accompanied by well-researched and detailed proposals to reinforce the Government's key policies, programs, and activities;
- within the capacity of the Ministry to implement over the suggested time frame;
- able to expand and develop the economic capacity and growth rate of the country;
- financially sustainable (if the activity is to become ongoing activity) and
- within the capacity to generate greater revenue potentials to the Government

5. Economic and Fiscal Targets for 2027

The following economic, financial and fiscal policies, objectives, and target are crucial for financial resource allocation and at the same time for achieving a balanced budget in 2027.

Table 6: Economic and Fiscal Policy Targets

Economic and Fiscal Policy Targets	**Long-term Economic and Fiscal policy objectives**
Budget balance Balanced Budget	Recurrent balance is positive over the medium-term.
Revenue Recurrent revenue is forecast to be at least 30.0 per cent of GDP	Revenue is consistent with the balanced budget objective
Expenditure Recurrent expenditure is forecast to be at least 30.0 per cent of GDP	Expenditures are consistent with the balanced budget objective.
Debt Ensure that the Net Present Value (NPV) of external debt to GDP is less than the threshold of 40.0 per cent of GDP.	The annual Nominal Public and Publicly Guaranteed Debt-to-GDP ratio remains below 60 per cent associated with disaster and climate change-related risks.
Economic Growth Forecast Real GDP Growth rate of 3.9 per cent	The annual average economic growth rate is higher than the population growth rate.
Inflation Inflation forecast to be within its target range of 0-4 per cent.	The annual inflation rate remains below 4.0 per cent.

6. Conclusion

This Budget Policy Statement has been finalized and presented in accordance with Sections 9, 10, and 22 of the Public Finance and Economic Management Act [CAP 244]. It serves as the primary guiding framework for the allocation and finalization of the 2027 Budget Appropriation, which will be submitted to Parliament for approval before the end of the current financial year. The 2027 Budget Appropriation will be financed through a combination of Government resources and support from development partners. These funds will support the implementation of priority expenditure programs, policy objectives, and targets outlined in this Budget Policy Statement and the National Sustainable Development Plan (NSDP) – The People's Plan 2030 – to promote economic growth, improve service delivery, and enhance the wellbeing of all citizens in Vanuatu.