



RESERVE BANK OF VANUATU

MONTHLY ECONOMIC REVIEW

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1. EXTERNAL DEVELOPMENTS

International Sector

The International Monetary Fund (IMF), in its April 2025 World Economic Outlook (WEO), has asserted that “the global economy has entered a new era, as the global system that has operated for the last 80 years is being reset.” Since late January 2025, many tariff announcements have been made by the United States (US), which started with Canada, China, Mexico and ended with near universal levies on April 2, 2025. The US’ effective tariff rate has increased past levels reached during the great depression while counter-responses from the US’ major trading partners have significantly increased.

Beyond the sudden escalation of trade tensions, the increase in policy uncertainty is expected to have a significant impact on global economic activity. Thus, the IMF, in their April 2025 WEO, projected global growth to ease to 2.8 percent in 2025 and 3.0 percent in 2026, down from the January 2025 WEO projections of 3.3 percent for both 2025 and 2026, respectively. All global activity forecasts are below the historical (2000-2019) average of 3.7 percent, though remain well above recession levels.

Growth projections for both advanced and emerging markets and developing economies are expected to slow in both 2025 and 2026. Growth in advanced economies is projected at 1.4 percent in 2025 and 1.5 percent in 2026, while, growth in the emerging and developing economies is projected at 3.7 percent for 2025 and 3.9 percent in 2026. These slowdowns in growth projections, are on account of greater policy uncertainty, trade tensions, and softer demand momentum.

Global headline inflation is expected to ease, though at a slower pace than what was expected in the January 2025 WEO, recording 4.3 percent in 2025 and 3.6 percent in 2026.

The World Trade Organization (WTO)¹ projected global trade to deteriorate by 0.2 percent in 2025, due to rising tariffs and trade policy uncertainties, before recovering to 2.5 percent in 2026. The 2025 projection is almost three percentage points lower than it would have been without recent policy shifts. This marks a significant reversal in forecasts from the start of 2025 when WTO expected continued trade expansion in 2025 supported by improving macroeconomic conditions.

EXCHANGE RATES DEVELOPMENTS²

At the end of April 2025, relative to March 2025, the Vatu appreciated against the USD and AUD by 1.7 percent and 0.2 percent, while it depreciated against the NZD and EURO by 2.1 percent and 3.4 percent, respectively. On average, the Vatu strengthened against the USD and AUD by 0.4 percent and 0.8 percent in April 2025.

Table 1. Exchange Rate of Vatu against Major Currencies.

Exchange rate of the Vatu against Major Currencies						
Period	End Rates				Average Rates	
	USD	AUD	NZD	EURO	USD	AUD
Apr-25	119.9	76.5	71.1	136.5	121.3	76.2
Mar-25	121.9	76.7	69.7	132.0	121.8	76.7
% ▲	- 1.7	- 0.2	2.1	3.4	- 0.4	- 0.8
Jan-25	123.3	76.6	69.5	128.2	123.4	76.9
% ▲	- 2.8	- 0.0	2.4	6.5	- 1.7	- 0.9
Apr-24	119.7	78.6	71.6	128.4	120.2	78.3
% ▲	0.1	- 2.6	- 0.6	6.3	0.9	- 2.7
% ▲	Note: (-) Appreciation of Vatu					

¹ World Trade Organization (WTO) April 2025 Global Trade Outlook and Statistics report

² The movements of the Vanuatu Vatu currency vis-à-vis the major currencies over the reviewed period reflect the developments in the economic and financial conditions of Vanuatu and its major trading partners. An appreciation of Vatu against its major trading currencies is beneficial for

resident importers since importers will need less Vatu currency to purchase foreign goods or services in foreign currency terms. Conversely, a depreciation of the Vatu against its major trading currencies could be costly for the Vanuatu's importers, consumers and institutions that have investments in Vanuatu while it benefits the Vanuatu's exporters and institutions that have investments abroad.

2. FOREIGN RESERVE DEVELOPMENTS

The Reserve Bank of Vanuatu's (RBV) official foreign reserves decreased by 0.3 percent to VT74,896 million in April from VT75,095 million in March 2025. The level is higher by 7.7 percent relative to a year ago. Total inflows recorded VT575.8 million, of which, 53.1 percent were Government development assistance and 46.9 percent, RBV's inward receipts. Outflows of foreign currency reached VT747 million, of these, 14.3 percent comprised Government external loan repayments, 84.9 percent, outflows to commercial banks, and the remaining 0.8 percent represented RBV's external payments. The current level of foreign reserves is estimated to cover at least 7.7 months of imports in April 2025.

3. DOMESTIC DEVELOPMENTS

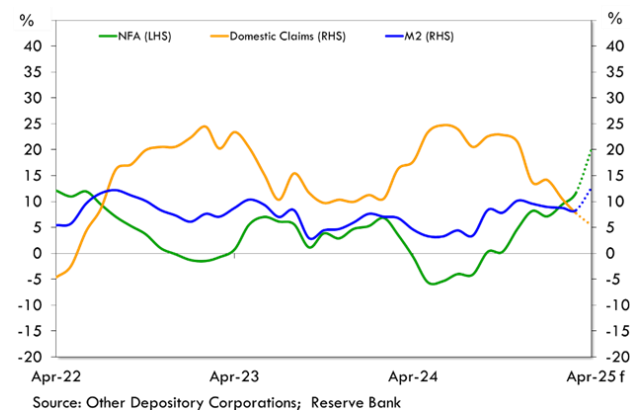
Demand for domestic labour, as reflected by the number of job vacancies³, declined relative to March (-3.7%) and April 2024 (-7.1%). The month on month downtrend was attributed to lower job openings from the services sector (transport, information and communication, finance and insurance and professional, scientific, technical and administrative services sub-sectors). The offsets were increased job vacancies for the industry sector (manufacturing, electricity and water supply sub-sectors) and the agriculture sector (animal production and forestry sub-sectors).

Domestic fuel prices⁴ slightly increased by 0.6 percent in April, although they were lower by 7.7 percent relative to April 2024. The marginal increase was partially attributed to the rise in Port Vila's electricity tariff⁵ (+2.1%) in April, although it was still lower (-3.1%) relative to the previous year's level. Luganville's electricity tariff remained virtually unchanged month-on-month, but higher (+2.0%) from April 2025. The main factors behind the recent rise were: increases in weighted unit diesel cost and material index and volatility in exchange rates movements.

4. MONETARY DEVELOPMENTS

Total money supply is estimated to increase to VT132,579.8 million (+3.3% month-on-month, 12.6% year-on-year), due to expected growths in both net foreign assets and domestic credit.

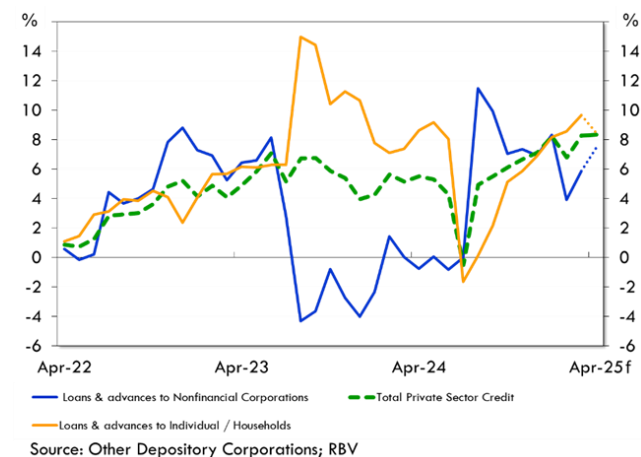
Chart 1: Determinants of Money Supply (Y-O-Y% Change)



Net Foreign Assets (NFA) is likely to increase to VT98,805.5 million (+4.9%: Mar-25, +19.8%: April 2024). Net inflows via Commercial Banks attributed the monthly trend, while the year-on-year growth is expected to reflect net inflows recorded via both the RBV and the Commercial Banks.

Domestic credit is anticipated at VT63,634.5 million (+1.1%: Mar-25, +5.4%: Apr-24). The month-on-month trend reflected the combine effects of increases in the governments net credit from the banking system and private sector credit. Private sector credit largely determined the year-on-year growth.

Chart 2: Private Sector Credit (Y-O-Y% Change)



Private sector credit (PSC⁶) is expected to reach VT71,520.4 million, (+ 0.6 %: Mar-25, +8.3%: Apr-24), attributed to growths in credit to both businesses and individuals and households. These trends largely reflected the persistent consumption and investment amidst the current economic recovery.

³ Source: Vanuatu Daily Post and Wok I Kik

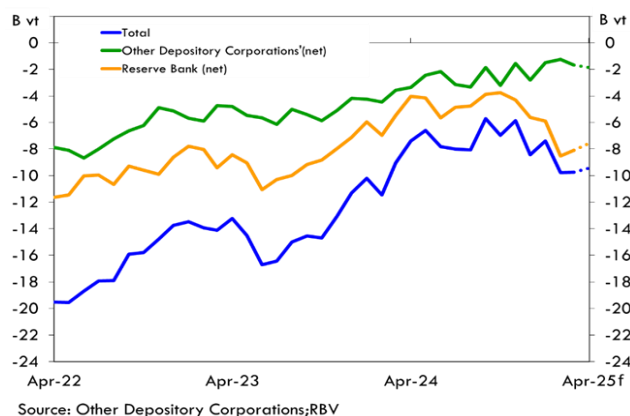
⁴ Average prices of both benzene and diesel prices.

⁵ Utilities Regulatory Authority (URA) reports on Port-Vila and Luganville electricity tariffs.

⁶ Private Sector Credit comprises of credit to non-financial corporations and other resident sectors

The Central Governments net credit position vis-à-vis the banking system deteriorated in April, reflecting the decline in government deposits with the RBV. The government has accumulated its deposits with the RBV relative to April 2024, which led to improvements in its net credit position year-on-year. However, the governments net credit position with the banking system is expected to deteriorate over the short term, as it expects to increase domestic borrowing in 2025.

Chart 3: Net Claims of the Vanuatu Government vis-à-vis the Banking Sector (BVT)



5. OPEN MARKET OPERATIONS (OMO)

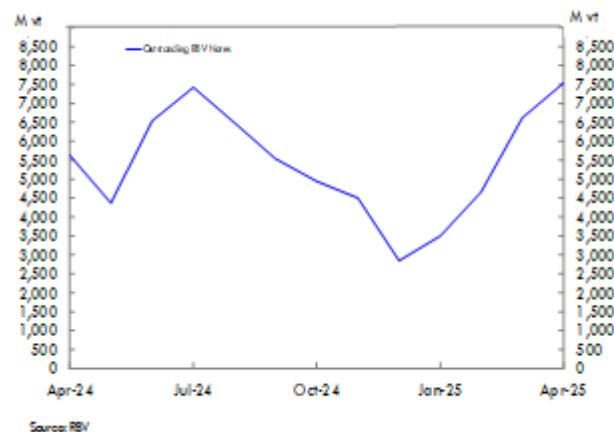
The RBV issued VT9,500 million worth of RBV notes in April (VT3,800 million: Mar-25), reflecting the increase in the number of RBV notes issued.

Total note subscriptions reached VT8,080 million (VT4,420 million: Mar-25), attributed to higher bids for each notes received.

Allotments were made as follow:

- 7 days: VT1,517 million
- 14 days: VT2,067 million
- 28 days: VT1,137 million
- 63 days: VT1,207 million
- 91 days: VT1,542 million

Chart 4: Outstanding RBV Notes
(Levels, millions of Vatu, Month-End Data)



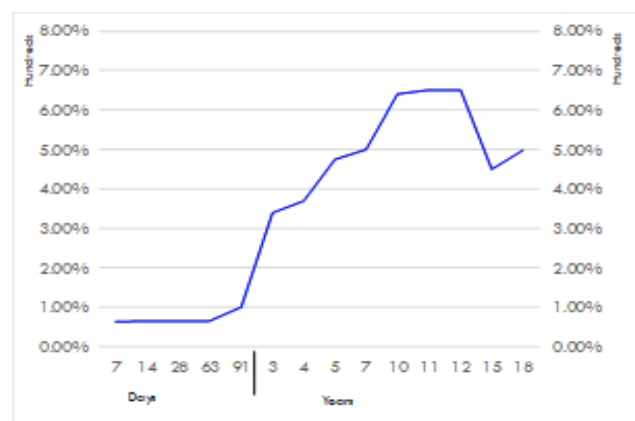
Matured notes totaled VT5,721 million leaving outstanding notes at VT7,524 million (VT6,615 million: Mar-25).

Yields of Domestic Securities

Yields on Domestic Securities as of end April 2025:

Term	End Apr.25	End Mar.25
7 days	0.63%	0.60%
14 days:	0.65%	0.65%
28 days:	0.65%	0.68%
63 days:	0.65%	0.70%
91 days:	1.00%	1.00%
3 years:	3.38%	3.38%
4 years:	3.70%	3.70%
5 years:	4.75%	4.75%
7 years:	5.00%	5.00%
10 years:	6.41%	6.41%
11 years:	6.50%	6.50%
12 years:	6.50%	6.50%
15 years:	4.5%	4.50%
18 years:	4.99%	4.99%

Chart 5: Yields on Domestic Securities
(Levels, Percentage, Month-end Position)



6. MONETARY POLICY UPDATE

The Reserve Bank has maintained its monetary policy stance in April 2025. Official foreign reserves remained above the RBV's minimum threshold, recording 7.7 months of import cover at the end of April. Moreover, annual inflation remained below the RBV's minimum target, recording -0.7 percent in December 2024.

TABLE A1 : DEPOSITORY CORPORATION SURVEY

(In Million VT)

END OF PERIOD	Apr-24	Jan-25	Mar-25	Apr-25	%Change		
					1 Month	3 Months	12 Months
1.Net Foreign Assets	82,481.9	91,871.9	94,185.1	98,805.5 f	4.9	7.5	19.8
Monetary Authorities (Net)	65,832.9	68,674.9	71,114.9	71,053.4 f	-0.1	3.5	7.9
Other Depository Corporations (Net)	16,649.0	23,197.0	23,070.2	27,752.1 f	20.3	19.6	66.7
2.Net Domestic Claims	35,382.6	36,990.6	34,196.6	33,774.3 f	-1.2	-8.7	-4.5
(a) Domestic Claims	60,377.8	64,233.0	62,968.0	63,634.5 f	1.1	-0.9	5.4
(i) Net claims on central government	-7,392.7	-7,384.5	-9,755.9	-9,446.1 f	3.2	-27.9	-27.8
Monetary Authorities	-4,042.1	-5,886.7	-8,081.4	-7,580.7 f	6.2	-28.8	-87.5
Other Depository Corporations	-3,350.6	-1,497.8	-1,674.5	-1,865.3 f	-11.4	-24.5	44.3
(ii) Claims on other Sectors	67,770.5	71,617.5	72,723.9	73,080.5 f	0.5	2.0	7.8
Other Financial Corporations	305.2	229.1	272.8	263.8 f	-3.3	15.1	-13.6
State and local government	17.5	11.9	8.1	8.1 f	-0.3	-32.3	-53.9
Public nonfinancial corporations	1,402.4	1,287.0	1,323.6	1,288.4 f	-2.7	0.1	-8.1
Other nonfinancial corporations	28,016.9	29,759.1	29,919.0	30,103.4 f	0.6	1.2	7.4
Other residents sectors	38,028.5	40,330.4	41,200.4	41,417.0 f	0.5	2.7	8.9
(b) Other items (net)	-24,995.2	-27,242.4	-28,771.4	-29,860.1 f	3.8	9.6	19.5
3.Broad Money (M2)	117,711.0	128,862.5	128,381.7	132,579.8 f	3.3	2.9	12.6
(a) Money (M1)	89,313.0	96,219.2	95,420.7	100,530.8 f	5.4	4.5	12.6
(i) Currency in circulation	13,845.5	15,857.9	15,636.8	16,396.5 f	4.9	3.4	18.4
(ii) Transferable deposits	75,467.5	80,361.4	79,783.9	84,134.3 f	5.5	4.7	11.5
(b) Quasi-money	28,398.0	32,643.3	32,961.1	32,049.1 f	-2.8	-1.8	12.9
Other Deposits	28,398.0	32,643.3	32,961.1	32,049.1 f	-2.8	-1.8	12.9

Table A4: Other Depository Corporations Sectoral Distribution of Loans and Advances in Vatu and Foreign Currency

(In Million VT)

*SECTOR	Apr-24			Apr-25			YOY % Change		
	VT	FC	Total	VT	FC	Total	VT	FC	Total
Depository Institutions Domestic	0.0	0.0	0.0	5.7	0.0	5.7 f			
Other Financial Corporations Domestic	305.2	0.0	305.2	263.7	0.0	263.8 f	-13.6	211.1	-13.6
Central Government	301.9	0.0	301.9	281.3	0.0	281.3 f	-6.8		-6.8
Provincial Assemblies & Local Government	17.5	0.0	17.5	8.1	0.0	8.1 f	-53.9		-53.9
Statutory Non-financial Corporations Domestic	1,106.2	296.2	1,402.4	1,041.9	246.4	1,288.4 f	-5.8	-16.8	-8.1
Manufacturing	1,242.7	125.4	1,368.0	1,260.2	67.9	1,328.1 f	1.4	-45.9	-2.9
Agriculture	768.6	49.7	818.3	779.7	253.1	1,032.8 f	1.5	409.0	26.2
Public Utilities	0.4	0.0	0.4	0.5	0.0	0.5 f	24.1		24.1
Forestry	0.6	124.3	124.9	0.0	101.7	101.7 f	-100.0	-18.2	-18.6
Fisheries	2.1	0.0	2.1	5.0	0.0	5.0 f	142.7		142.7
Mining & Quarrying	99.1	0.0	99.1	93.1	0.0	93.1 f	-6.1	100.0	-6.1
Construction	2,268.4	767.4	3,035.7	2,949.8	567.7	3,517.5 f	30.0	-26.0	15.9
Distribution (Wholesale and Retail)	5,394.0	1,096.8	6,490.9	5,374.8	836.8	6,211.5 f	-0.4	-23.7	-4.3
Tourism	3,674.4	3,401.4	7,075.8	3,557.7	2,850.3	6,408.0 f	-3.2	-16.2	-9.4
Transport	1,372.7	202.9	1,575.5	2,215.5	163.7	2,379.3 f	61.4	-19.3	51.0
Communications	91.4	0.0	91.4	0.7	0.0	0.7 f	-99.2	-100.0	-99.2
Entertainment & Catering	295.7	44.0	339.7	283.1	42.2	325.3 f	-4.3	-4.1	-4.2
Professional & Other Services	6,155.0	840.0	6,995.0	8,085.9	613.9	8,699.9 f	31.4	-26.9	24.4
Housing & Land Purchases	14,778.4	1,684.6	16,463.0	14,305.6	1,538.3	15,844.0 f	-3.2	-8.7	-3.8
Other individual	19,748.4	1,410.0	21,158.4	23,967.1	995.4	24,962.4 f	21.4	-29.4	18.0
Non Profit Institutions Serving Households	98.6	0.0	98.6	300.2	0.0	300.2 f	204.4		204.4
Grand Total	57,721.3	10,042.7	67,763.9	64,779.7	8,277.5	73,057.1 f	12.2	-17.6	7.8

* As of October 2018 data includes Wanfuteng Bank