



RESERVE BANK OF VANUATU

MONTHLY ECONOMIC REVIEW

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1. EXTERNAL DEVELOPMENTS

International Sector

Current available indicators of Vanuatu's main trading partners show that inflation pressures continue to linger causing central banks to either maintain or cut interest rates. Annual inflation in the United States (US) (+2.4%) and the Euro area (+2.2%) were still above the Federal Reserve Bank (Fed) and the European Central Bank's (ECB) inflation targets of 2.00 percent. In March the Fed maintained interest rates while the ECB undertook further cuts in its three key policy rates by 25 basis points. Annual inflation in New Zealand increased 2.5 percent in the March 2025 quarter, higher than 2.2 percent in December 2024 quarter. Despite the increase, inflation is still within the Reserve Bank of New Zealand (RBNZ) inflation target range of 1-3 percent. Accordingly, RBNZ and Reserve Bank of Australia have maintained interest rates following cuts in February. China in contrast continues to record an annual deflation of 0.1 percent, due to weak domestic demand. The unemployment rate has generally increased in the US (4.2%: Mar-25, 3.8%: Mar-24) and Australia (4.1%: Mar-25, 3.9%: Mar-24). New Zealand and China have recorded trade in good surpluses, owing to robust exports. China's composite PMI¹ output index recorded 51.4 percent indicating expansion in production and operation of Chinese businesses.

Commodity prices

Global commodity prices declined in March. According to the World Bank, the total commodity price index fell (-3.4%), owing to declines on both energy prices (-4.1%) and non-energy prices (-2.1%). The drop in the energy price index, was driven by decline in prices of natural gas in Europe (-13.7%) and crude oil (-4.2%).

The decline in the non-energy price index, reflected a contraction in the agricultural price index (-3.8%), in particular food prices (-2.7%), beverages (-9.4%), fertilizers (-3.8%). The offset was prices of raw materials (+1.5%). Metal and mineral prices rose (+2.0%) owing to increases in both base metals (+3.0%) and precious metals (+3.1%). Keeping other variables constant, lower commodity prices lead to lower import payments thus is expected to ease domestic inflation. Though lower export receipts are anticipated for Vanuatu exporters.

EXCHANGE RATES DEVELOPMENTS²

The Vatu (VUV) appreciated against the USD and AUD by 1.0 percent and 0.1 percent, while it depreciated against the NZD and EURO by 0.5 percent and 3.1 percent relative to February. On average, the VUV strengthened against the USD and AUD by 0.5 percent, respectively, in March.

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
Mar-25	121.9	76.7	69.7	132.0	121.8	76.7
Feb-25	123.1	76.8	69.3	128.0	122.4	77.1
% ▲	- 1.0	- 0.1	0.5	3.1	- 0.5	- 0.5
Dec-24	123.8	77.0	69.8	128.8	122.2	77.7
% ▲	- 1.5	- 0.4	- 0.2	2.5	- 0.4	- 1.2
Mar-24	119.8	78.3	72.0	129.7	119.3	78.2
% ▲	1.7	- 2.1	- 3.1	1.7	2.1	- 1.8
% ▲	Note: (-) Appreciation of Vatu					

¹ The Composite Purchasing Managers Index reflects the changes in the output in the manufacturing and non-manufacturing industries. If the PMI is above 50 percent, it reflects the overall economy is expanding; if below 50 percent, overall economy is in contraction. Source: S&P Global

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 recorded VT 75,095 million (VT 75,477 million: Feb 25). This represent a decline (-1.0%) month-on-month, due to net outflows of foreign currency, though the level rose (+7.4%) year-on-year. Total inflows recorded VT1,051 million; of which, 74.5 percent were Government development assistance and 25.5 percent, RBV's inward receipts. Outflows of foreign currency reached VT1,388 million, of this, 53.1 percent were Government external loan repayments, 42.8 percent, outflows to commercial banks, and the remaining 4.1 percent represented RBV's external payments. The current level of foreign reserves is estimated to cover at least 7.5 months of imports in March.

3. DOMESTIC DEVELOPMENTS

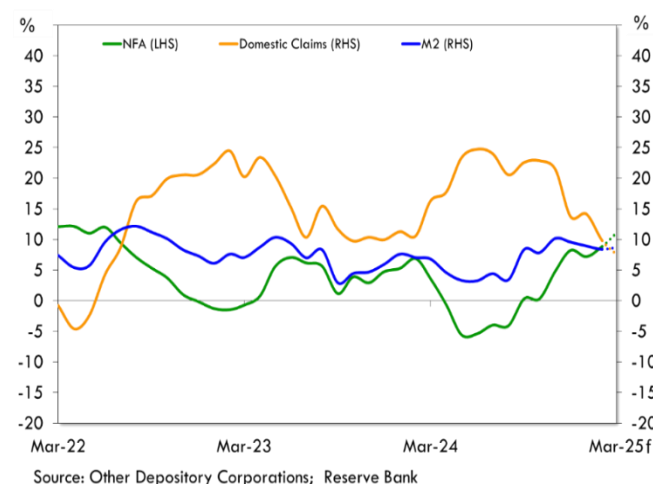
Demand for domestic labour was higher relative to the previous month, as reflected in the rise (+39.7%) in job vacancies; though the number of job openings were lesser (-45.3%) relative to March 2024. Higher demand for job openings were driven by transport, information and communication, finance and insurance, manufacturing and construction sectors.

Available partial price indicators pointed to a rise in the average³ fuel prices in March (+1.5%), though still lower (-5.2%) relative to March 2024. High average fuel prices were attributed to Port Vilas electricity tariff⁴ (+1.0%), outweighing a decrease (-1.0%) in Luganville's tariff. Port Vila's tariff were still lower (-8.2%) than previous year's level; while Luganville's tariff have increased (+1.0%) relative to a year ago.

4. MONETARY DEVELOPMENTS

Money supply is projected at VT128,823.4 million, lower (-0.4%) month-on-month, due to anticipated net outflows of foreign currency. However, year-on-year growth is expected to remain robust (+8.7%) owing to increases in both net foreign assets and domestic credit.

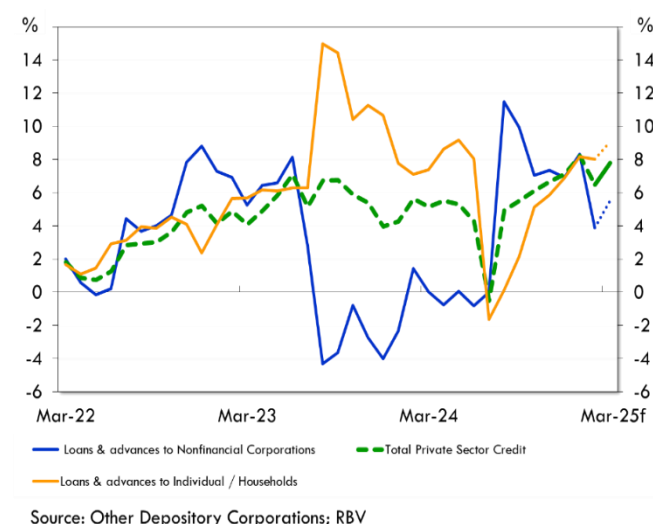
Chart 1: Determinants of Money Supply (Y-O-Y% Change)



Net Foreign Assets (NFA) is predicted at VT93,568.8 million, lower (-1.4%) relative to February; driven by net outflows of foreign currency recorded via both the commercial banks and the RBV. However, the current level is expected to be higher (+11.2%) year-on-year, reflecting net inflows of foreign currency recorded via both Institutions.

Domestic credit is expected to increase month-on-month (+1.7%) and year-on-year (+7.6%) to VT62,886.4 million. The month-on-month trend reflected increases in both the government's net credit position with the banking system and private sector credit (PSC). The trend relative to a year ago reflected growth in PSC outweighing the decrease in net credit to the Government.

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



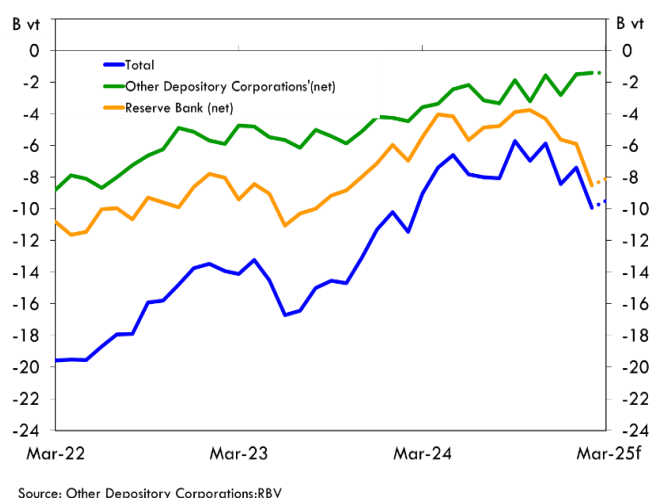
³ Average prices of both benzene and diesel prices.

⁴ Utilities Regulatory Authority (URA) reports on Port-Vila and Luganville electricity tariffs.

Private Sector Credit (PSC)⁵ is projected at VT70,799.0 million, higher by 0.8 percent month-on-month and 7.8 percent year-on-year. These trends are expected to be driven by credit extended to both businesses, and individuals and households.

The Central Governments net credit position vis-à-vis the banking system deteriorated in March, reflecting the decline in government deposits with both the commercial banks and the RBV. However, over the year to March 2025, the Government's net credit position has improved; reflecting the accumulation of government deposits with the RBV. Furthermore, the Government is expected to increase domestic borrowing in the fiscal year of 2025; therefore, it's net credit position with the banking system may deteriorate over the short term.

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



5. OPEN MARKET OPERATIONS (OMO)

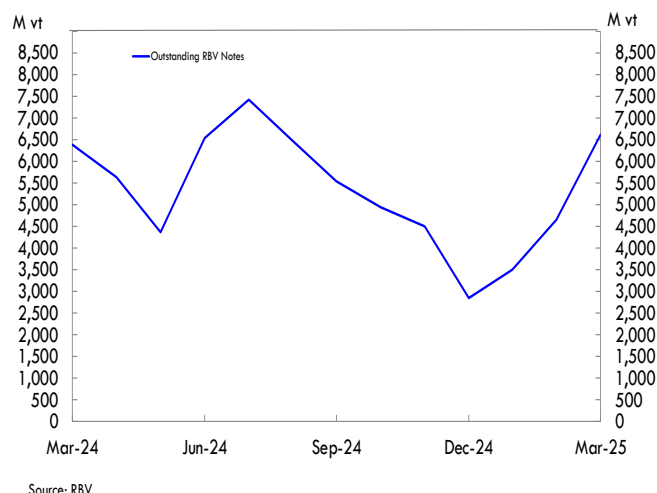
The RBV issued VT3,800 million worth of RBV notes compared to VT7,600 million in February. The decline reflected the lower level of RBV notes issued in March.

Due to the decline in the amount of RBV notes issued, total subscriptions received recorded VT4,420 million, relative to VT7,295 million in the previous month.

Allotments were made as follow:

- 7 days: VT800 million
- 14 days: VT810 million
- 28 days: VT790 million
- 63 days: VT800 million
- 91 days: VT600 million

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



A total of VT1,725 million worth of RBV notes have matured, leaving the outstanding notes at VT6,615 million, compared with VT4,650 million in the previous month.

Yields of Domestic Securities

Yields on Domestic Securities as of end March 2025:

Term	End Mar.25	End Feb.25
7 days:	0.60%	0.60%
14 days:	0.65%	0.65%
28 days:	0.68%	0.68%
63 days:	0.70%	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%

⁵ Private Sector Credit comprises of credit to Businesses' and Individuals and Households'

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



6. MONETARY POLICY UPDATE

The Reserve Bank maintained its monetary policy stance in March 2025.

In terms of monetary policy objectives, official reserves remained above its minimum threshold, recording 7.5 months of import cover at the end of March 2025. Annual inflation remained below the RBV's minimum target, recording -0.7 percent in the December 2024 quarter.

The RBV will continue to closely monitor economic developments and make necessary policy adjustments when needed.

TABLE A1 : DEPOSITORY CORPORATION SURVEY

(In Million VT)

END OF PERIOD	Mar-24	Dec-24	Feb-25	Mar-25	%Change		
					1 Month	3 Months	12 Months
1. Net Foreign Assets	84,116.3	91,953.6	94,927.9	93,568.8 f	-1.4	1.8	11.2
Monetary Authorities (Net)	65,832.9	68,644.8	71,532.9	71,114.9 f	-0.6	3.6	8.0
Other Depository Corporations (Net)	18,283.5	23,308.7	23,395.0	22,453.8 f	-4.0	-3.7	22.8
2. Net Domestic Claims	34,228.6	36,316.6	34,386.3	35,254.6 f	2.5	-2.9	3.0
(a) Domestic Claims	58,460.9	63,083.6	61,839.1	62,886.4 f	1.7	-0.3	7.6
(i) Net claims on central government	-9,028.2	-8,436.2	-9,923.9	-9,489.2 f	4.4	-12.5	-5.1
Monetary Authorities	-5,469.9	-5,622.0	-8,511.3	-8,081.4 f	5.1	-43.7	-47.7
Other Depository Corporations	-3,558.3	-2,814.1	-1,412.6	-1,407.9 f	0.3	50.0	60.4
(ii) Claims on other Sectors	67,489.1	71,519.8	71,763.0	72,375.6 f	0.9	1.2	7.2
Other Financial Corporations	371.3	233.9	224.7	272.8 f	21.4	16.6	-26.5
State and local government	18.0	9.3	8.6	8.1 f	-5.5	-12.6	-54.9
Public nonfinancial corporations	1,415.5	1,354.8	1,311.1	1,295.8 f	-1.2	-4.4	-8.5
Other nonfinancial corporations	28,261.6	29,277.9	29,652.0	29,817.2 f	0.6	1.8	5.5
Other residents sectors	37,422.7	40,643.9	40,566.7	40,981.8 f	1.0	0.8	9.5
(b) Other items (net)	-24,232.3	-26,767.0	-27,452.8	-27,631.8 f	0.7	3.2	14.0
3. Broad Money (M2)	118,513.8	128,270.2	129,314.2	128,823.4 f	-0.4	0.4	8.7
(a) Money (M1)	89,279.2	96,464.5	96,189.3	95,744.1 f	-0.5	-0.7	7.2
(i) Currency in circulation	13,640.6	16,292.5	15,603.7	15,603.7 f	0.0	-4.2	14.4
(ii) Transferable deposits	75,638.6	80,172.1	80,585.6	80,140.4 f	-0.6	0.0	6.0
(b) Quasi-money	29,234.7	31,805.7	33,124.9	33,079.3 f	-0.1	4.0	13.2
Other Deposits	29,234.7	31,805.7	33,124.9	33,079.3 f	-0.1	4.0	13.2

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

(In Million VT)

*SECTOR	Mar-24			Mar-25f			YOY % Change		
	VT	FC	Total	VT	FC	Total	VT	FC	Total
Depository Institutions Domestic	0.0	0.0	0.0	1.8	0.0	1.8			
Other Financial Corporations Domestic	310.3	61.0	371.3	272.8	0.0	272.8	-12.1	-100.0	-26.5
Central Government	304.8	0.0	304.8	283.6	0.0	283.6	-7.0		-7.0
Provincial Assemblies & Local Government	18.0	0.0	18.0	8.1	0.0	8.1	-54.9		-54.9
Statutory Non-financial Corporations Domestic	1,115.6	299.9	1,415.5	1,043.5	252.3	1,295.8	-6.5	-15.9	-8.5
Manufacturing	1,248.1	124.3	1,372.4	1,273.1	82.8	1,355.9	2.0	-33.4	-1.2
Agriculture	768.9	50.4	819.2	773.1	124.3	897.4	0.6	146.6	9.5
Public Utilities	0.4	0.0	0.4	0.5	0.0	0.5	24.0		24.0
Forestry	0.1	65.8	65.9	0.0	102.9	102.9	-100.0	56.5	56.2
Fisheries	4.0	0.0	4.0	5.5	0.0	5.5	39.3		39.3
Mining & Quarrying	100.5	0.0	100.5	95.0	0.0	95.0	-5.5		-5.5
Construction	2,178.0	902.7	3,080.7	3,230.8	572.4	3,803.2	48.3	-36.6	23.5
Distribution (Wholesale and Retail)	5,791.5	1,089.1	6,880.6	5,212.3	860.9	6,073.1	-10.0	-21.0	-11.7
Tourism	3,935.4	3,087.1	7,022.6	3,390.7	2,646.7	6,037.4	-13.8	-14.3	-14.0
Transport	1,372.4	205.1	1,577.5	2,126.3	166.7	2,292.9	54.9	-18.7	45.3
Communications	103.1	0.0	103.1	0.0	0.0	0.0	-100.0		-100.0
Entertainment & Catering	516.0	336.4	852.4	269.3	43.0	312.2	-47.8	-87.2	-63.4
Professional & Other Services	5,434.7	947.5	6,382.2	8,015.9	825.2	8,841.0	47.5	-12.9	38.5
Housing & Land Purchases	14,847.4	1,753.7	16,601.2	14,376.0	1,534.0	15,910.0	-3.2	-12.5	-4.2
Other individual	18,967.4	1,447.9	20,415.3	23,458.8	1,001.6	24,460.4	23.7	-30.8	19.8
Non Profit Institutions Serving Households	107.0	0.0	107.0	292.7	0.0	292.7	173.5		173.5
Grand Total	57,123.6	10,371.0	67,494.6	64,129.7	8,212.6	72,342.3	12.3	-20.8	7.2

* As of October 2018 data includes Wanfuteng Bank