RESERVE BANK OF VANUATU

PRESS RELEASE

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RBV MAINTAINS MONETARY POLICY STANCE

At its meeting on the 18th of March 2025, the Reserve Bank of Vanuatu (RBV) Board agreed to maintain its monetary policy stance. This means the policy rate remains at 2.75 percent, the Capital Adequacy Ratio (CAR) remains at 12.0 percent, the Statutory Reserve Deposit (SRD) remains at 5.50 percent and the Liquid Asset Ratio (LAR) remains at 5.0 percent. Furthermore, the level of Open Market Operations (OMO) remained unchanged at VT1.9 billion per month.

In considering this decision, the Board noted that global economic growth has stabilised and is expected to remain stable in the short to medium term. International financial conditions are expected to ease, as major central banks have eased their policy rates, reflecting the deceleration in inflation towards their respective targets.

The domestic economy is expected to rebound in 2025, by 3.6 percent from an estimated 2.2 percent in 2024. Monetary and financial conditions have remained supportive of growth; as the banking sector remained sound, profitable, highly liquid and adequately capitalised. The Government is anticipating further fiscal expansionary policy in 2025, to support economic recovery after the devastating effects of the 17th December 2024 earthquake.

On the RBV's twin monetary policy objectives, the annual headline inflation has decline by 1.9 percent in September 2024 quarter (2.2 percent in June 2024 quarter), owing to declining prices of drinks and tobacco, housing and utilities, food and communications. Inflation is expected to remain within the RBV target band in 2025. Additionally, foreign reserves reached VT 75.5 billion; sufficient to finance about 7.8 months of imports in February 2025; above the minimum threshold of 4 months of import cover.

Based on the above developments, the Board believe to be appropriate that maintaining the current monetary tightening was necessary. The RBV will continue to monitor global and domestic developments and their impacts on the twin policy objectives and make adjustments to monetary policy accordingly.

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