



RESERVE BANK OF VANUATU

PRESS RELEASE

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RBV FURTHER TIGHTENS MONETARY POLICY STANCE

The Reserve Bank of Vanuatu (RBV) Board of Directors, on its meeting on the 2nd and 3rd of September 2024, agreed to further tighten the monetary policy stance of the Bank; by increasing the Policy Rate from 2.25 percent to 2.75 percent and raising the Capital Adequacy Ratio (CAR) from 10.0 percent to 12.0 percent, respectively.

The Policy Rate is the Reserve Bank of Vanuatu's key interest rate that indicates its monetary policy stance. Furthermore, CAR is a capital to risk (weighted) asset ratio as a measure to absorb potential losses or meet obligations.

These measures are effective as at 3rd of September 2024. Therefore, commercial banks are now required to hold 12 percent of their capital against risk weighted assets for the upcoming months.

The Board also agreed that the current elevated level of open market operations, approved in 2023, be maintained accordingly.

The Board took these decisions as policy measures to address the current high level of excess liquidity in the banking system; to ensure the RBV's objectives of price stability and adequacy of foreign reserves are achieved, and to ensure continued financial sector stability in the short to medium term.

The Reserve Bank of Vanuatu will continue to monitor risks and developments, and make adjustments to monetary policy accordingly, in order to maintain financial and macroeconomic stability.

Reserve Bank of Vanuatu