RESERVE BANK OF VANUATU

PRESS RELEASE

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RBV MAINTAINS MONETARY POLICY STANCE

At its meeting on the 17th of June 2025, the Reserve Bank of Vanuatu (RBV) Board of Directors maintained its monetary policy stance. This means the Bank's policy instruments remained unchanged relative to the March stance. The policy rate at 2.75 percent, the Capital Adequacy Ratio (CAR),12.0 percent, the Statutory Reserve Deposit (SRD),5.50 percent and the Liquid Asset Ratio (LAR) at 5.0 percent. Moreover, the amount of RBV notes issued in the Open Market Operations (OMO) remained at VT1.9 billion per month.

In considering this decision, the Board noted that global economic growth is expected to slow in 2025 given the new global trade measures and heightened policy uncertainties. International financial conditions are expected to remain accommodative, as major central banks have eased their policy rates, reflecting the deceleration in inflation towards their respective targets.

The domestic economy is expected to expand 3.7 percent in 2025, from an estimated 2.2 percent in 2024; supported by post-earthquake recovery initiatives, roll out of planned public infrastructure projects and strong recovery in tourist arrivals. Monetary and financial conditions have remained supportive of growth; given the sound, adequately capitalised, profitable, highly liquidity banking sector. The Government continues with the fiscal expansionary policy in 2025 to support post-earth quake economic recovery.

On the RBV's twin monetary policy objectives, the December quarter 2024 annual inflation was -0.7 percent, below the minimum inflation target, though expected the trend to be within the annual inflation target band (0-4%) in 2025. Foreign reserves reached VT 74.8 billion in April 2025; sufficient to finance about 7.7 months of imports; above the minimum threshold of 4 months of import cover.

To support economic recovery, the Board believed that maintaining the current monetary policy stance was appropriate. 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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