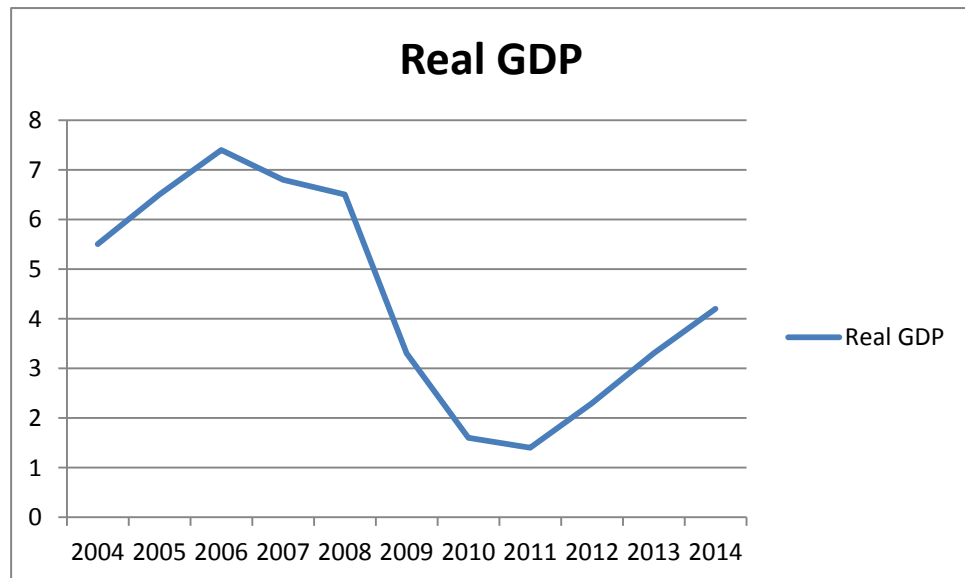


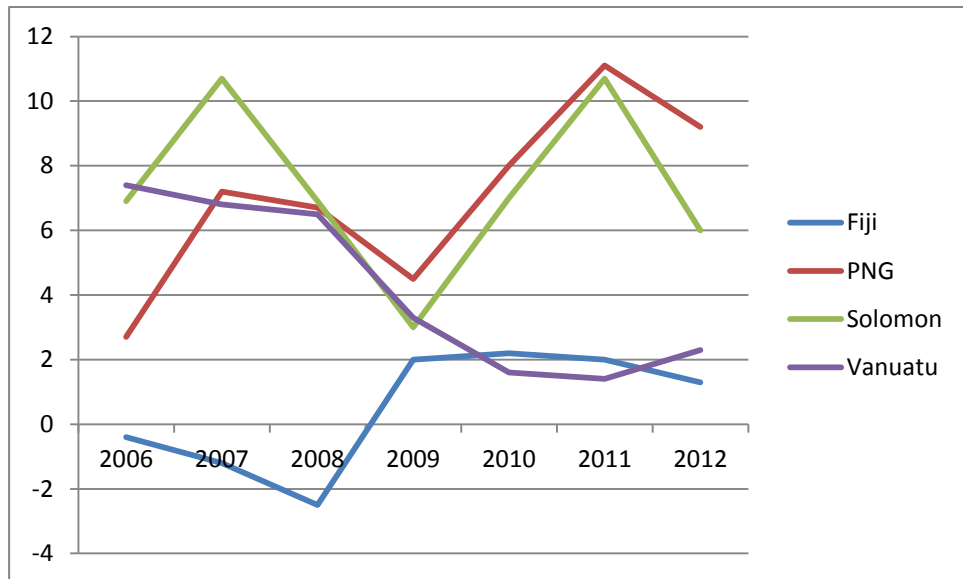
## The Economy in Vanuatu

- Economic Growth Story
  - Small, open and vulnerable, dualistic (75% rural but urbanisation increases and thus urban poverty)
  - Since 2004 growing 2009



- Average growth 4.4% (2004-2012)
- Growth started to increase again in 2012 due to increase in tourism
- Outlook: 2013 and Beyond
- Pick up in tourism and private sector investment
- Donor-supported investment projects
- As donor projects only tourism key so need **structural reforms** in these areas
  - Land
  - Roads
  - Cost of doing business high
- Graph relative to other PICs

MSG Growth Relative to Vanuatu (2006-2012)

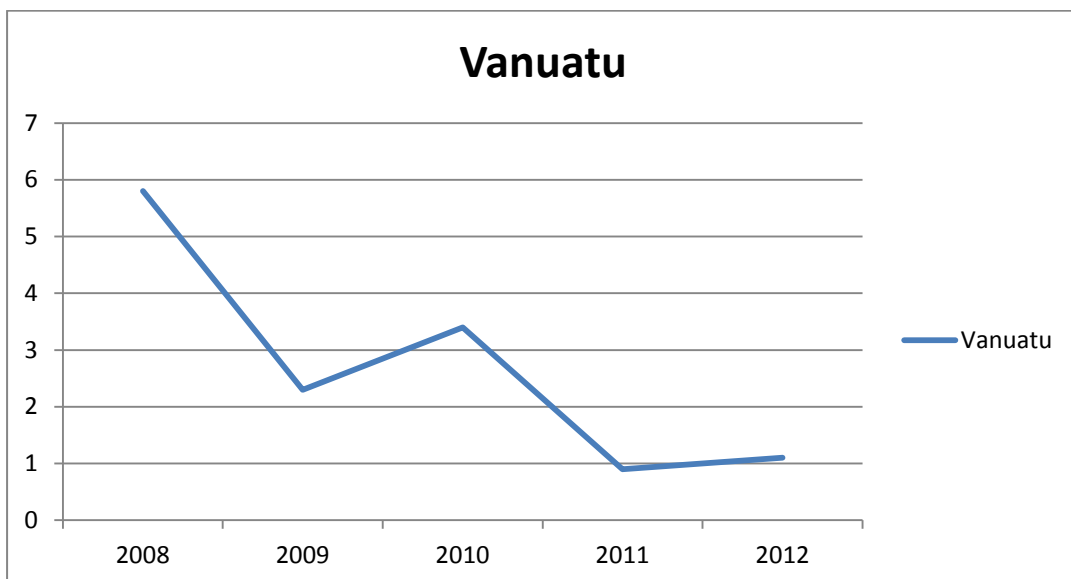


- Average Growth MSG 2006-2012

PNG	Solomon	Vanuatu	Fiji
9.2	7.3	4.2	1.3

➤ Growth dominated by natural resource boom (PNG/Solomon)

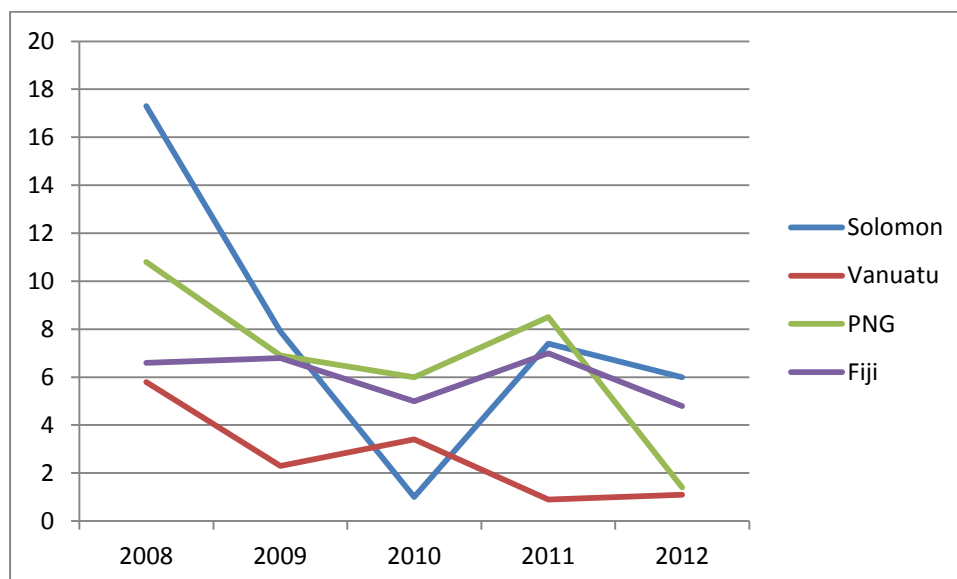
- Macroeconomic Fundamentals Strong
  - Reserves over 6 months of import cover
  - Inflation low 0.8 (2012) – good record overtime



- Fiscal position fine but deficits continue – need to monitor & public debt/GDP ratio 20.2% (Domestic 7.7% and External 13.9%) at a low level
- Banks soundness indicators strong (IMF 2013 Article IV Mission)

- Graph relative to other PICS

Inflation Vanuatu relative to MSG, 2008-2012



- Development Indicators
  - HDI Value 0.626 (An increase from 0.623) – medium human category
  - HDI Rank 124/187

	HDI Value	HDI Rank	Life Expectancy at Birth	Expected Years of Schooling	Mean Years of schooling	GNI per capita (PPP US\$)
Vanuatu	0.626	124	71.3	10.6	6.7	3,960
Kiribati	0.629	121	68.4	12	7.8	3,079
Solomon Islands	0.53	143	68.2	9.3	4.5	2,172
East Asia & Pacific	0.683	-	72.7	11.8	7.2	6,874
Medium HDI	0.64	-	69.9	11.4	6.3	5,428

Source UNDP

- Some Challenges Ahead
  - Strong Macroeconomic and Prudential buffers strong but .....
  - Political fragmentation – fluid and fragile governments

- Need to diversify tourism – 60% tourist from Australia (concentration weakness)
- Accountability and Governance – state owned enterprise, civil service
- Soft and physical infrastructure – e.g. institution and roads
- Human resource – young pool
- Sustaining Economic Growth