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
• Average Growth MSG 2006-2012

<table>
<thead>
<tr>
<th></th>
<th>PNG</th>
<th>Solomon</th>
<th>Vanuatu</th>
<th>Fiji</th>
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<tbody>
<tr>
<td>Growth</td>
<td>9.2</td>
<td>7.3</td>
<td>4.2</td>
<td>1.3</td>
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</tbody>
</table>

➤ 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

<table>
<thead>
<tr>
<th>Country</th>
<th>HDI Value</th>
<th>HDI Rank</th>
<th>Life Expectancy at Birth</th>
<th>Expected Years of Schooling</th>
<th>Mean Years of schooling</th>
<th>GNI per capita (PPP US$)</th>
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<tbody>
<tr>
<td>Vanuatu</td>
<td>0.626</td>
<td>124</td>
<td>71.3</td>
<td>10.6</td>
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<td>69.9</td>
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<td>6.3</td>
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</tbody>
</table>

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