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Vanuatu—Recent Economic Developments

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VANUATU

Recent Economic Developments

Prepared by L. Tan (SEA), B. Jang (STA), and L. Meuller (TRE)

Approved by the Southeast Asia and Pacific Department

June 7, 1996

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Vanuatu: Basic Data

Area: 12,200 square kilometers
 Population (1994): 161,000
 Population growth: 2.7 percent per annum
 GDP per capita (1994): US\$1,230

	1991	1992	1993	1994	Est. 1995
(Percentage change)					
Output and prices					
Real GDP	4.5	-0.7	4.4	2.6	3.2
Consumer prices	5.6	4.1	1.7	2.7	1.7
(In percent of GDP)					
Government finance					
Revenue and grants	39.8	37.8	34.0	37.2	37.5
Grants	16.6	14.3	12.4	13.4	13.3
Expenditure	41.3	41.2	35.3	40.2	39.1
Current expenditure	28.9	27.9	26.5	26.6	26.3
Overall balance	-1.5	-3.4	-1.3	-3.0	-1.6
Overall balance (excluding grants)	-18.1	-17.7	-13.8	-16.4	-14.9
(In billions of vatu)					
Monetary survey					
Net foreign assets	22.2	20.6	21.0	19.7	22.8
Domestic credit	4.5	6.2	6.5	7.5	8.4
Total broad money	23.9	23.5	24.5	25.3	28.2
(percentage change)	-0.6	-1.6	3.9	3.5	11.4
Vatu broad money	6.8	8.3	8.7	10.3	10.4
(percentage change)	19.5	21.0	5.7	17.4	1.6
Vatu deposit rate (end of period)	6.2	5.7	5.6	5.7	5.5
(In millions of U.S. dollars)					
Balance of payments					
Exports, f.o.b.	18.2	23.6	22.7	25.0	28.3
Imports, f.o.b.	-68.9	-68.3	-65.8	-74.6	-80.0
Trade balance	-50.7	-44.7	-43.1	-49.6	-51.7
Services, net	12.6	12.3	11.1	7.6	9.9
Official transfers, net	32.2	28.1	25.8	30.0	32.1
Current account balance 1/ (In percent of GDP)	-3.9 -3.2	-4.3 -2.3	-6.2 -3.1	-12.1 -5.6	-9.8 -4.1
Overall balance 2/	2.2	2.4	3.7	-2.2	4.9
Gross official reserves (end of period)					
In millions of U.S. dollars	39.8	41.8	45.7	43.6	48.3
In months of imports	7.4	7.9	8.9	7.4	7.6
Exchange rates (period average) 3/					
Nominal effective exchange rate	93.6	90.9	89.2	90.9	89.4
Real effective exchange rate	96.2	94.3	93.2	94.4	91.1
(In percent)					
External debt					
External debt/GDP	18.6	19.9	19.3	17.8	18.6
External debt-service ratio	0.3	0.5	0.5	0.7	0.6

Sources: Data provided by the Vanuatu authorities; and staff estimates.

1/ Excluding private transfers.

2/ Changes in net foreign assets of the Reserve Bank.

3/ Trade weighted. 1988 = 100.

I. Overview¹

Vanuatu has maintained macroeconomic stability during the 1990s with annual inflation averaging 3-4 percent, international reserves equivalent to 7-8 months of imports, and a low debt service ratio (Chart 1 and Basic Data). However, real per capita income has stagnated, notwithstanding generous amounts of foreign assistance, and the disparity in living standards between the formal and subsistence sectors remains wide. The subsistence sector--comprising about 80 percent of the population--is engaged in small-scale agricultural production, primarily copra, beef, and cocoa. The formal sector is dominated by services, notably government, tourism, and an offshore financial center.

In 1995, economic growth recovered to over 3 percent, following the slowdown in the previous year, due to increased agricultural production, especially copra and cocoa, and the growth in construction and tourism. Inflation remained below 2 percent, notwithstanding the impact of a new turnover tax on consumer prices, owing to a sharp reduction in import tariffs and a decline in rental prices. The overall fiscal deficit narrowed mainly due to lower capital expenditure. At the same time, extra revenues from several one-off receipts were used to finance large supplementary budgetary appropriations. On the external front, higher international copra prices boosted export earnings and tourism receipts grew steadily. Reflecting these developments, the external current account deficit narrowed and gross official reserves increased to 7 1/2 months of imports at end-1995.

II. Output and Expenditure

A. Aggregate Supply and Demand²

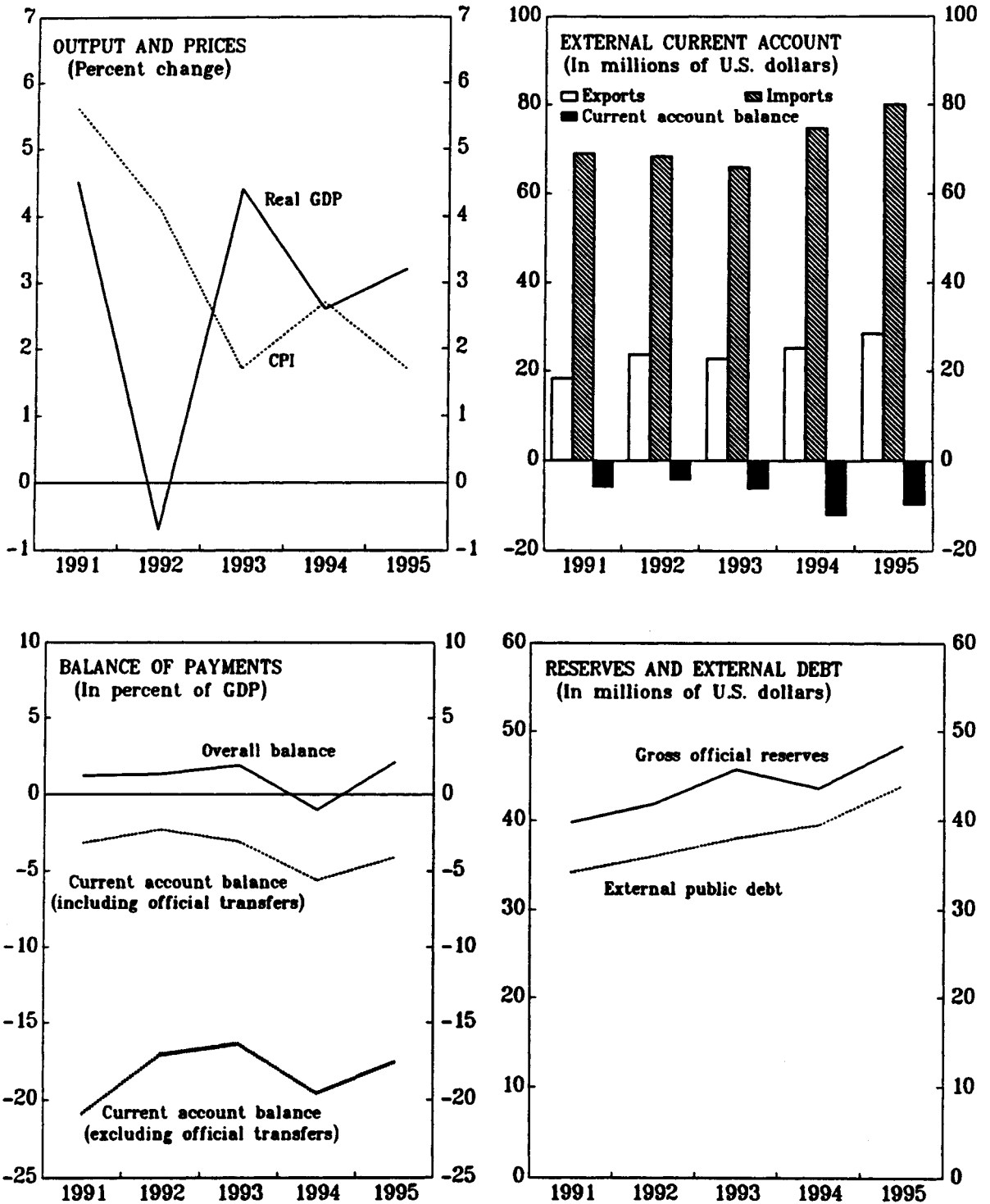
The Vanuatu economy has experienced modest growth in recent years, averaging about 3 percent between 1991 and 1995. In 1994, the growth in real GDP slowed to 2.6 percent, as agricultural production was adversely affected by a severe drought and demand was reduced owing to a prolonged civil service strike. In addition, tourism stagnated in the first half of the year although it increased in the second half, in line with the economic recovery of the region.

In 1995, GDP growth picked up to an estimated 3.2 percent, led by a strong performance in the agricultural, tourism and construction sectors (Table 1). The agricultural

¹The term "country," as used in this paper, does not in all cases refer to a territorial entity that is a state as understood by international law and practice; the term also covers some territorial entities that are not states, but for which statistical data are maintained and provided internationally on a separate and independent basis.

² The national accounts, which had not been produced since 1990, have recently been prepared for the period 1991-95. The new statistics are still preliminary.

SELECTED ECONOMIC INDICATORS, 1991-95



Sources: Data provided by the Vanuatu authorities; and staff estimates.

sector, which accounts for about 23 percent of GDP, grew by 6.4 percent, reflecting increased production in copra and cocoa. Copra—the main agricultural product—continued to increase as trees recovered from the cyclones of 1992. Overall, the service sector—which accounts for some 63 percent of GDP—experienced only 1.4 percent growth in 1995 owing to weak private consumption, although tourism continued to do well with 4.5 percent growth. Industry expanded by 6.4 percent, as a large number of construction approvals from 1994 were carried over into 1995.

On the demand side, private consumption (as a percent of GDP) declined in 1995 compared with the previous year, due to the introduction of a 4 percent turnover tax and increases in the cost of public transportation (Table 3). Government consumption remained mostly unchanged. Meanwhile, gross capital formation rose in line with the high construction activity which was more than covered by the increase in national savings. Reflecting these developments, the deficit on the net exports of goods and services narrowed in 1995.

B. Sectoral Developments

Agricultural production increased by 6.4 percent in 1995, due to higher copra and cocoa output. Aided by favorable weather conditions, copra production increased by approximately 13 percent (Table 5). The procurement price for copra remained at VT 25,000 for the higher quality (hot-air dried) variety and VT 20,000 for the lower quality (smoked) variety; over the past few years, this price differential has induced a shift toward production of the higher quality copra, which now accounts for about 86 percent of total production. Cocoa production recovered in 1995 from the drought stricken poor harvest in the previous year.

Beef production declined in 1995, mainly due to depressed prices in Japan, the largest export market for beef. However, production is expected to rebound as the Melanesian Spearhead Group (MSG) agreement (see section VI.B) has opened the markets of the Solomon Islands and Papua New Guinea to Vanuatu-produced beef. Commercial ventures in hog and poultry production are few: commercial pig production is concentrated on Efate Island and there are two poultry producers in Port Vila. A joint venture between Vanuatu and New Zealand has been established to develop the deep water commercial fishing industry. The production of logs declined in 1995 as a result of the log export ban introduced in 1994; however, exports of log products such as sawn timber and plywood have increased.

The industrial sector in Vanuatu is small and inward-oriented, accounting for only about 13 percent of GDP. Growth in industrial production fell from 7.3 percent in 1994 to 6.4 percent in 1995, due to weak domestic demand in the second half of 1995. The construction sector exhibited a strong performance (although building approvals were down from the previous year) as a large number of construction approvals were carried over from 1994 into 1995. Two major projects that came on stream in 1995 were the construction of the University of the South Pacific Law School and the hydro-dam project in Luganville.

Tourism is a major contributor to the service sector in Vanuatu. Tourism grew by 4.5 percent in 1995, with the number of tourists reaching 31,217, the bulk of them from Australia, New Zealand and New Caledonia (Table 9). The average length of stay of visitors remained at about 9 days. While tourism continued to be buoyant, the growth in domestic trade remained weak in 1995; two branches of a major wholesale company closed, leaving the service sector with an overall growth rate of 1.4 percent in 1995. Transport and communication picked up following the deregulation of the licensing procedures in the taxi and bus market. Looking ahead, the Government is giving special attention to the tourism sector as a potential growth area and has outlined a tourism master plan toward this end.

III. Prices, Wages and Employment

A. Prices

Inflation slowed from 2.7 percent in 1994 to 1.7 percent in 1995, broadly in line with Vanuatu's major trading partners (Table 10). Despite an increase in the turnover tax, inflation declined in 1995 due to a significant reduction in import tariffs and a sharp decrease in rents. A housing loan scheme introduced by the National Provident Fund boosted new housing construction activity, which together with the sale of government houses softened the rental market in 1995; vacancy rates in housing for middle and high income groups went up.

The 4 percent turnover tax on wholesalers and retailers introduced in January 1995 contributed to inflation as many businesses took the opportunity to raise their prices well in excess of the tax and the taxes had a cascading effect on prices--the prices of some goods, such as clothing and footwear, rose by more than 10 percent. However, the pressure that resulted from the turnover tax was mitigated by reductions in import duties on essential foodstuffs in April 1995--imported goods account for about one-half of Vanuatu's CPI basket. The impact on inflation of the minimum wage increases introduced in 1995 was not very significant since the unskilled wage levels for the public sector and the urban private sector were already above the new minimum level (see below).

B. Wages and Employment

Minimum wages were increased in 1995 to a unified level of VT 16,000 for urban and rural workers alike, in line with recommendations made earlier by the Minimum Wage Board. Prior to that, the minimum wage was VT 13,200 in urban areas and VT 11,400 in rural areas. These changes do not appear to have had a significant impact on wages and employment overall since average salaries are around VT 120,000 for skilled labor and VT 26,000 for unskilled labor in the public sector, and around VT 200,000 for skilled labor and VT 34,000

for unskilled labor in the private sector.³ However, the increase in minimum wages is likely to have had an adverse impact on rural small businesses.

The economically active population is estimated at some 80,000 or 50 percent of ni-Vanuatu population, the bulk of whom are engaged in subsistence agriculture. The formal economy is dominated by services, including government, tourism and an offshore finance center. There has been a slow but steady growth in employment in the formal sector; the total number of paid employees registered with the Vanuatu National Provident Fund (VNPF) at the end of 1995 was about 34,000 compared with some 28,000 in 1993, and the number of employers grew from some 2,700 to 3,400 over the same period (Table 16).

IV. Public Finance

The nonfinancial public sector in Vanuatu comprises the central government, six provincial governments, eleven state-owned enterprises, and the Vanuatu Commodities Marketing Board (VCMB). The operations of the central government cover the recurrent budget, the Development Fund and many Special Funds, as well as noncash transactions such as technical assistance financed from abroad and grants in kind. Recurrent receipts—consisting of tax and non-tax revenues—are credited to the Revenue Fund which is held at the Reserve Bank and used to finance recurrent expenditures such as the wages and salaries of government employees, purchases of goods and services, subsidies and transfers (including transfers to the Development Fund), and debt service payments.⁴ Development expenditures are financed from the Development Fund, which consists of foreign cash grants, multilateral and bilateral loans, transfers from the recurrent budget, and domestic bond issues.

A. Fiscal Developments

The fiscal situation improved in 1995, with the overall budget deficit declining to an estimated 1 ½ percent of GDP from about 3 percent of GDP in 1994 mainly due to lower capital expenditure (Chart 2). At the same time, extra revenues from several one-off receipts were used to finance supplementary expenditures of some VT 600 million over the original budget (Table 11).

³ Despite the differences in salaries, there have been only minor shifts from public to private sector employment—primarily to tourism and the finance industry—as public sector employment is still perceived to be attractive because of other benefits.

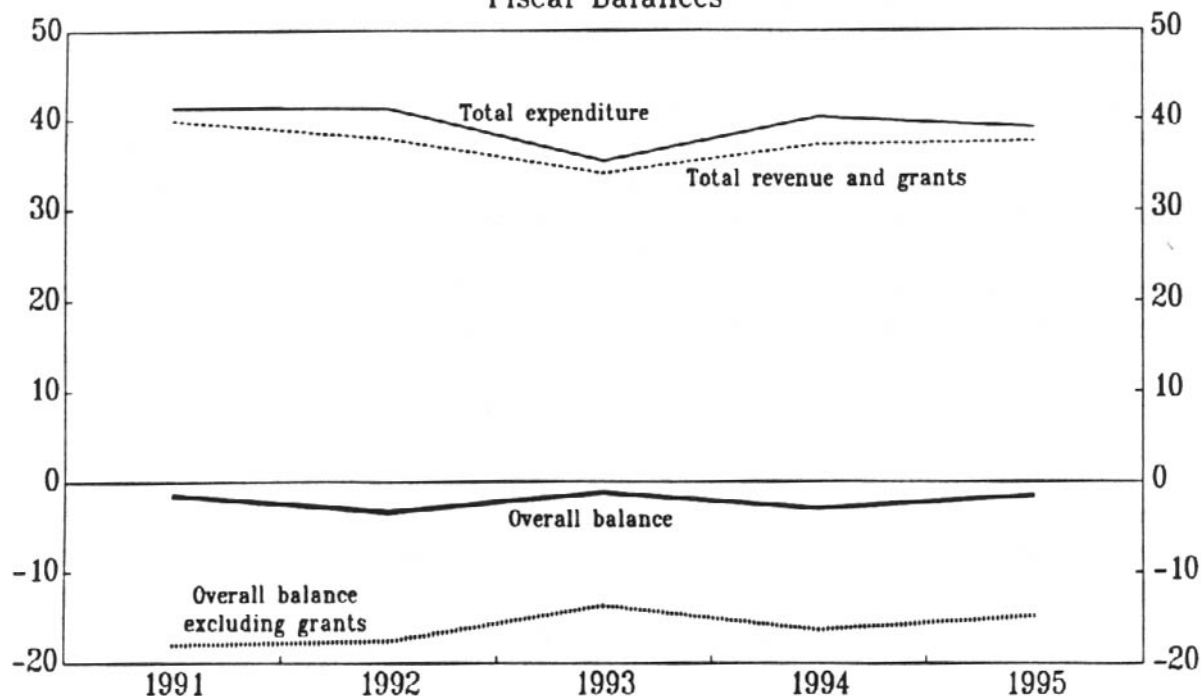
⁴ The authorities' definition of recurrent revenue is identical to that of the staff's, but their definition of recurrent expenditures is different. The staff's definition is based on the IMF's Government Finance Statistics (GFS). The authorities' definition includes principal debt repayments, bond redemption provisions and transfers to the Development Fund, but excludes technical assistance and transfers to the VCMB.

VANUATU

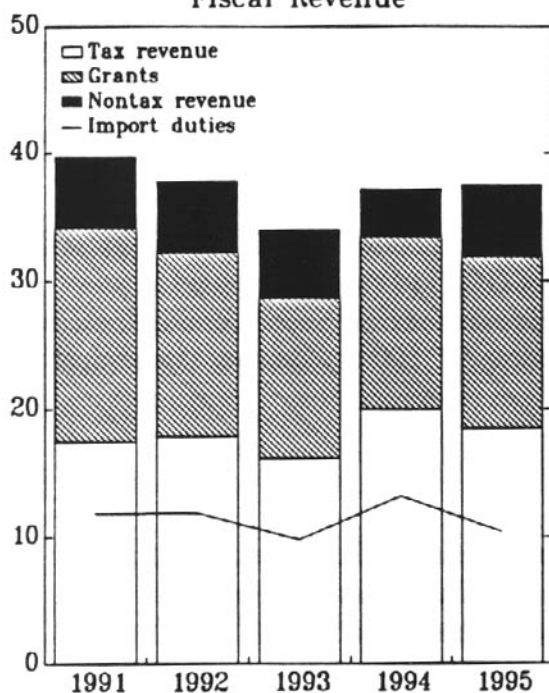
Fiscal Indicators, 1991-95

(In percent of GDP)

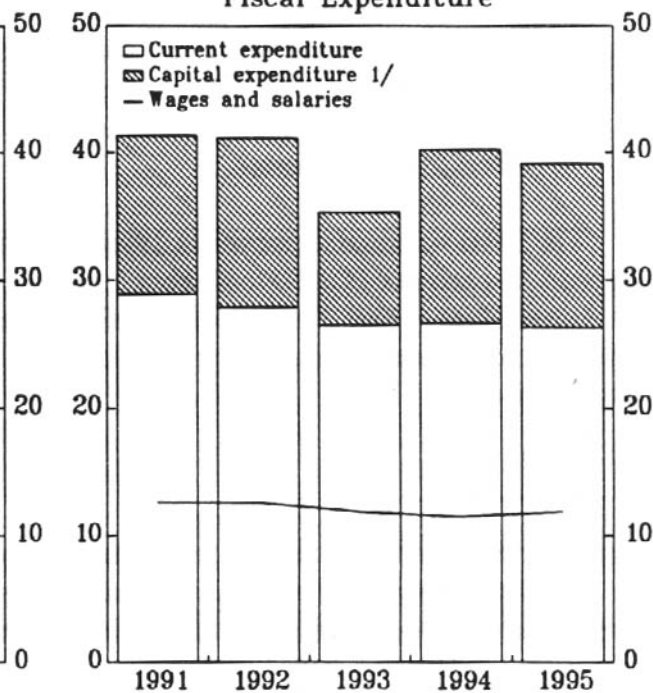
Fiscal Balances



Fiscal Revenue



Fiscal Expenditure



Source: Data provided by the Vanuatu authorities.

1/ Development expenditure plus net lending.

Two major offsetting tax developments in 1995 were the introduction of a 4 percent turnover tax on wholesalers and retailers in January⁵ and substantial import duty reductions in April. The new turnover tax yielded an estimated VT 303 million, boosting total tax revenues by over 1 percent of GDP. (The revenue from this tax was not incorporated into the 1995 budget.) However, this was offset by a drop in tariff revenue of almost VT 400 million relative to the budget. Import duty rates were slashed for a wide range of items, including: foodstuffs such as dairy products,⁶ sugar, salt, yeasts, and tea (from 30-45 percent to 20 percent), chemicals (from 17-25 percent to 10 percent), metals (from 12-25 percent to 10-20 percent), and machinery (from 25 percent to 10 percent.) Duty rates were eliminated completely for items such as cereals and flour (previously taxed at 15-25 percent), and coal and petroleum products (previously taxed at 17 percent).⁷

Nontax revenues benefitted from several one-off receipts, including VT 200 million from the Government's sale of its 20 percent share in Banque d'Hawaii and VT 50 million from the sale of government houses, as well as higher-than-anticipated Reserve Bank profits. The flow of foreign aid continued in 1995, with cash grants, aid in kind, and foreign technical assistance amounting to about VT 3½ billion, over 13 percent of GDP.

Wages and salaries continued to constitute the largest share of expenditure--55 percent of current expenditure, excluding technical assistance payments--and remained the foremost area of concern. Ironically, public sector employment increased following the civil service strike of 1994--although some 600 striking workers were dismissed or terminated, a larger number was hired to replace them. The share of transfers and subsidies also increased, from 12 percent of total current expenditure in 1994 to 14 percent in 1995. As required by the Decentralization Act of 1994, 5 percent of central government revenue (totaling VT 256 million) was transferred to the six provincial governments in the form of administration and equipment grants. This represented a substantial increase over the annual VT 30-50 million previously allocated to the 11 local councils, especially in view of the fact that there were no corresponding transfers of expenditure.

In functional terms, the largest expenditure allocations were to the education sector (almost 20 percent of total current expenditure) and general public services (over 32 percent of total current expenditures), the latter being where most of the two supplementary budgetary appropriations were spent. As for development expenditures, major projects in 1995 included the construction of the University of the South Pacific Law School in Port Vila,

⁵ See the annex in the last year's report on Recent Economic Developments (SM/95/24) for a summary of Vanuatu's tax system.

⁶The tariff on yogurt and cheese was subsequently raised to 45 percent in September 1995, following complaints by the fledgling domestic industry of their loss of import protection.

⁷Import duties on prefabricated buildings were removed in September 1995.

funded by an interest-free loan from the Chinese Government, the hydro-dam project in Luganville, and a primary schools rehabilitation program. The upgrading of the airports, originally scheduled to begin in 1995, however, was delayed to 1996.

B. The 1996 Budget

The annual budget framework in Vanuatu involves only a recurrent budget and does not encompass a development budget. The authorities, as in the past, adopted a balanced recurrent budget for 1996. The overall fiscal deficit however is estimated to widen to about 2 percent of GDP in 1996 owing to an increase in development expenditures related to an upgrading of the airports.

The budget (recurrent) calls for VT 6.8 billion in expenditures, a 14½ percent increase over the previous budget (but only about 4½ percent more than actual spending in 1995).⁸ It highlights expenditure on infrastructure maintenance, funded by savings from the public sector wage bill and increases in selected import tariffs. A major effort is being made to keep the public sector wage bill under control in 1996, following the overspending in 1995. The latest budget calls for a 10 percent cut in expenditure on wages and salaries relative to the budgeted 1995 level (excluding the supplementary appropriations), implying no increase in the wage bill compared with the outturn in 1995. This is to be achieved through a rationalization of the civil service to reduce the large number of daily-rated workers taken on in the aftermath of the strike, combined with an across-the-board wage and hiring freeze.

The projected savings from the wage bill are targeted to be spent mainly on much-needed repair and maintenance of the country's existing infrastructure. Hence the Department of Public Works has received a much larger allocation than in previous years (about 75 percent above the 1995 budget). The education and health sectors have also been given increased allocations of 7 percent each over the 1995 budget. By contrast, the provincial governments will receive slightly less than the statutory 5 percent of total revenues as the 1995 revenues were especially high, artificially boosted by several one-off receipts.

On the revenue side, the 1996 budget incorporates three main measures: an increase in the duty rate imposed on selected goods, such as tobacco products (from VT 2,074-9,074 per kilogram to VT 2,264-9,321 per kilogram), motor fuels (from VT 15-30 per liter to VT 30-35 per liter), and biscuits (from 20 percent to 65 percent); an increase in the service tax on most items from 5 percent to 7 percent (or 9 percent in the case of motor vehicles, and 10 percent for rice and wheat); and an increase in the gaming duty from 10 percent to 15 percent. Aside from the rate increases, improved collection measures are also expected to contribute to higher customs revenues in 1996.

⁸The 1996 budget was prepared on a zero-base, in an attempt to reflect spending needs more accurately than in previous years when the practice was to adopt incremental add-ons to past expenditure.

On development expenditures, given the emphasis on tourism as a potential high-growth sector, airport upgrading has become a high priority. Three airport projects are planned (to begin in 1996): the replacement of the Lenakel strip at Tanna airport; the resurfacing of the runway at Pekoa airport on Santo to accommodate the landing of Boeing 737 aircraft; and the upgrading of facilities at Bauerfield airport in Port Vila to handle Boeing 767 traffic. As far as possible, commercial borrowing will be eschewed: the Tanna project, estimated at VT 380 million, will be financed by a grant from the Caisse Française de Développement; the Santo project, estimated at A\$7 million, will be financed through a combination of French and Australian grants and concessionary loans; and the Port Vila project, estimated at VT 750 million, will be financed by a concessionary loan from the European Investment Bank.

C. The Vanuatu Commodities Marketing Board (VCMB)

Despite high international copra prices of more than US\$400 per ton and domestic procurement prices that have remained unchanged since 1992 (at VT 20,000 per ton for the smoked variety and VT 25,000 per ton for the hot-air dried variety), the VCMB's operating balance remained negative, although its gross operating deficit decreased from VT 143.7 million in 1994 to VT 21.8 million in 1995 (Table 15). No government subsidies were paid to the VCMB in 1995. A government loan of VT 133.8 million drawn from a partial release of funds from the 1988-91 Stabex allocation reduced the net overall operating deficit to VT 9.9 million in 1994. The remaining VT 40 million Stabex funds left in the 1988-91 allocation have been frozen pending the results of an audit into the VCMB's financial operations. The audit is long overdue as the VCMB's inability to break even under the current favorable conditions signals the need for a careful study of its operational costs.

V. Financial Sector

The domestic financial sector includes the Reserve Bank of Vanuatu (RBV), the four main commercial banks (the state-owned National Bank of Vanuatu and three foreign bank branches),⁹ five trust companies, two insurance companies, the Development Bank of Vanuatu (DBV), the Vanuatu National Provident Fund, and some other financial institutions. The Offshore Finance Center (OFC) includes 80 banks with offshore banking licenses. Offshore banks are not permitted to accept local deposits from Vanuatu nationals or to make loans domestically. In the recent past, three offshore banks were granted domestic banking licences.

The scope for independent monetary policy in Vanuatu is limited by the openness of the external accounts and the exchange rate peg. There are no interest rate controls, and the RBV does not impose direct credit ceilings on commercial banks. The interbank market has been completely inactive, and there is no primary market for either treasury bills or central bank bills. There is a statutory reserve requirement, which has been set at 10 percent since

⁹The three foreign banks are the ANZ Bank, Banque d'Hawaii, and Westpac Bank.

1988, mainly for prudential reasons. Commercial banks have traditionally been holding a high level of excess balances.

A. Money and Credit

Developments in broad money are heavily influenced by changes in foreign currency deposits, which account for about two thirds of total broad money. Broad money expanded by 3 1/2 percent in 1994, and more sharply, by 11 percent in 1995, mainly owing to large increase in foreign currency deposits (Chart 3 and Table 18). The latter declined by 4 percent in 1994, but increased by 18 percent in 1995, reflecting substantial private capital inflows and a shift back into foreign currency deposits from vatu deposits.¹⁰ Vatu broad money increased by 17 percent in 1994, and only by 1 1/2 percent in 1995; abstracting from the shifts between foreign currency and vatu deposits in the last two years, vatu broad money increased at an annualized rate of about 9 percent during 1994-1995, roughly similar to the increase in 1993.

Changes in broad money were largely reflected in changes in net foreign assets held by the banking system. Net foreign assets of commercial banks rose by 16 percent in 1995, reflecting the substantial increase in foreign currency deposits. Practically all foreign currency deposits taken by commercial banks were placed abroad, and the foreign exchange positions of the banks were broadly in balance (Table 20); commercial banks take a small margin by offering lower interest rates on foreign currency deposits in view of Vanuatu's advantage as a tax haven. Thus, the availability of domestic credit to the private sector was largely determined by the demand for vatu broad money and the fiscal position.

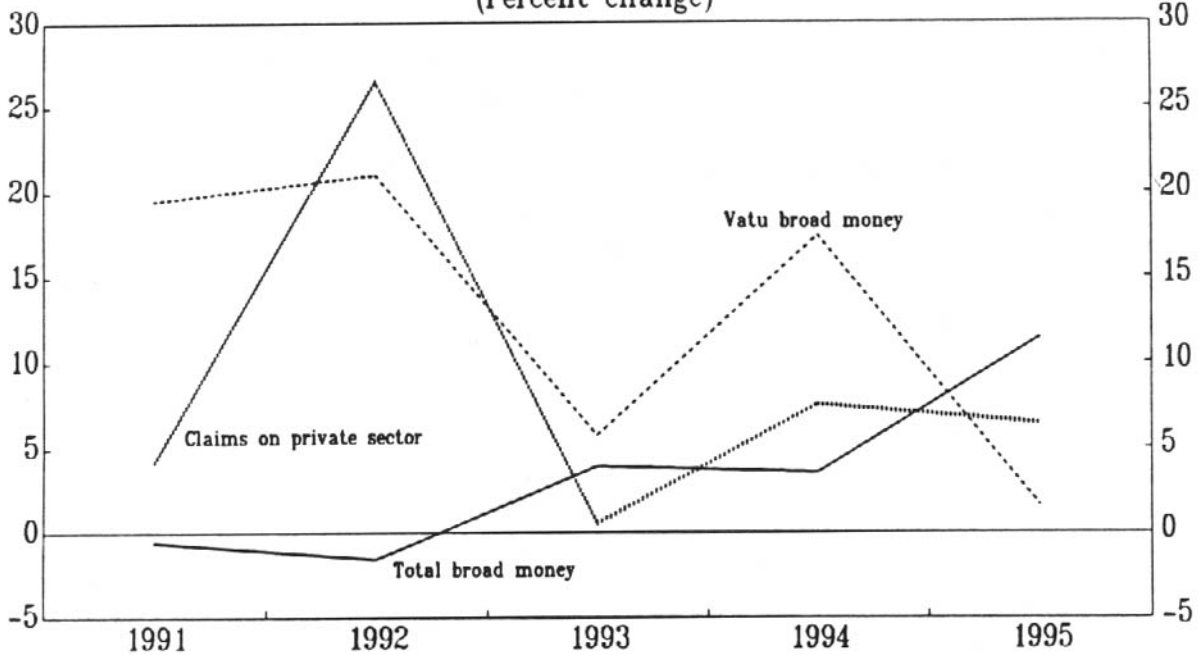
Net credit to the Government by the banking system rose by VT 295 million in 1994 and VT 368 million in 1995; the Government continued to draw down its deposits with the banking system to finance the overall fiscal deficit. Credit to the private sector rose by 7 1/2 percent in 1994 and 6 1/2 percent in 1995, broadly in line with nominal GDP growth during these years. Of this, credit to the construction sector increased substantially owing to buoyant construction activities, and credit for vehicles rose sharply, reflecting the liberalization of the licensing procedures for the taxi and bus market.

In spite of a drawdown of government deposits held with the RBV, reserve money declined by 6 1/2 percent in 1994 owing to a decline in the net foreign assets of the RBV (Table 17). In 1995, however, reserve money increased by 30 percent owing to an increase in net foreign assets and a continued drawdown of government deposits to finance the fiscal deficit.

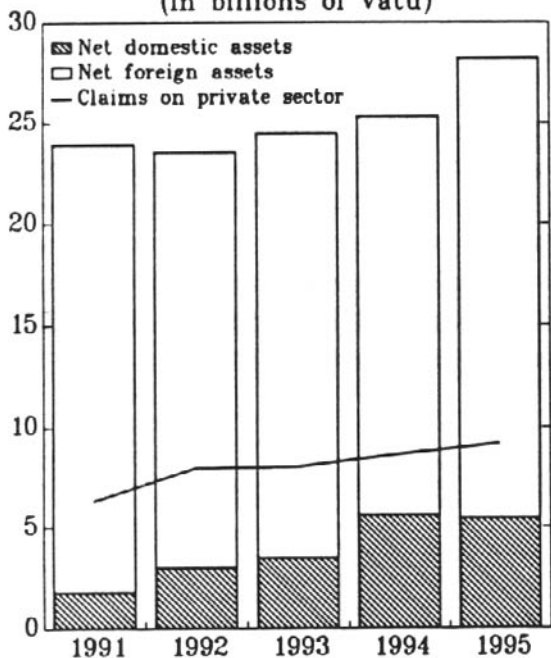
¹⁰ In 1994, foreign currency deposits declined and there was a shift to vatu deposits as interest rate differentials were in favor of vatu deposits and the vatu appreciated vis-a-vis the U.S. dollar. In 1995, with rising international interest rates, the interest rate differentials were in favor of foreign currency deposits resulting in a shift back into foreign currency deposits.

Monetary Indicators, 1991-95

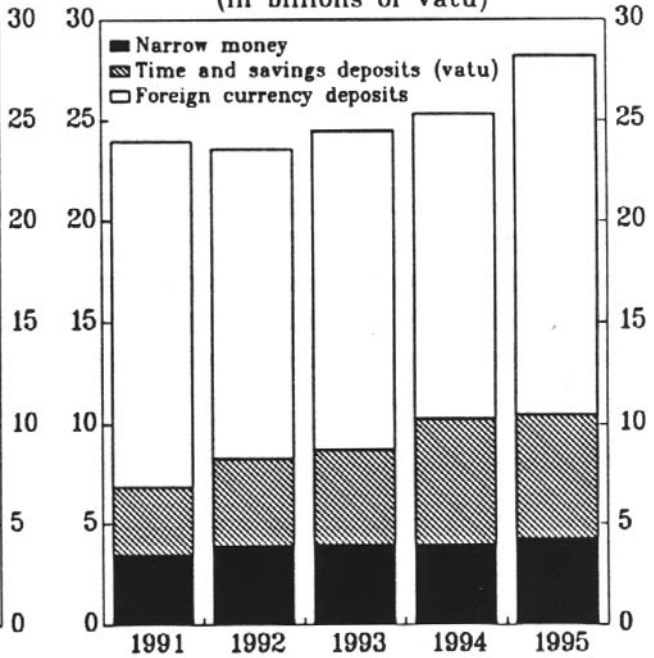
Monetary Developments (Percent change)



Broad Money: Asset Side (In billions of vatu)



Broad Money: Liability Side (In billions of vatu)



Source: Data provided by the Vanuatu authorities.

B. Interest Rates

Interest rates in Vanuatu are market-determined. Although the RBV issued guidelines on bank lending rates in the mid-1980s, these guidelines have not been enforced in recent years. Interest rates on foreign currency deposits adjust to international rates, but vatu deposits rates have been generally sticky and slow to adjust to changes in international rates, notwithstanding the openness of the economy to capital flows. Residents are free to hold deposits in any currency; however, a minimum amount of US\$5,000 is required to maintain foreign currency accounts. The demand for foreign currency deposits has been influenced by interest rate differentials and developments in exchange rates, as well as the domestic political situation.

Lending rates offered by commercial banks ranged between 8 and 17 percent in 1994 and between 10 1/2 and 17 percent in 1995. The weighted average lending rate has been relatively stable, fluctuating between 13 1/2 and 14 1/2 percent during 1991-95;¹¹ it showed a declining trend during 1995. The spread between domestic deposit and lending rates has fluctuated between 8 and 10 percentage points in recent years. It declined somewhat over the last two years, but it remained high at 8 1/2 percentage points at the end of 1995, reflecting the perceived riskiness of projects, high administrative costs, and high excess balances held by the banks. Although the spread is high by international standards, it is similar to the spreads observed in the neighboring Pacific Island economies.

VI. External Sector

The balance of payments in Vanuatu is characterized by a substantial trade deficit, which has been financed by a surplus in the services account and large inflows of foreign aid. The current account has recorded a deficit of 3-5 1/2 percent of GDP in recent years. Owing to sizable inflows of foreign direct investment, mostly reinvested earnings, the overall balance has recorded a surplus in recent years except for 1994. However, there have been large short-term capital outflows (including errors and omissions) as banks and nonbank residents placed funds abroad. Gross official reserves have been maintained at the equivalent of about 7 1/2 months of imports.

¹¹Actual lending rates charged to borrowers were much higher owing to numerous fees and charges as well as requirements for countervailing deposits. In particular, given the limited range of assets available as collateral, banks have required up to 100 percent of countervailing deposits.

A. Balance of Payments¹²

In 1995, the current account deficit narrowed to 4.1 percent of GDP, from 5.6 percent in 1994, reflecting a rise in export earnings and the steady growth in tourism receipts. After a substantial increase in 1994, exports continued to increase by 11 percent in U.S. dollar terms in 1995, mainly owing to substantial increases in copra export prices and volumes (Table 25). Squash exports also increased in unit value and volume terms in 1995. Exports of beef, which is now the second important export commodity, stagnated in 1995 owing to increased competition in the Japanese market from other countries such as Australia, the United States, and New Zealand.¹³ Timber exports, which had declined sharply in 1990 as a result of the ban on exports of uncut logs, rebounded beginning 1992 following the granting of exemptions from the export ban. However, after the reintroduction of the export ban in June 1994, log exports declined. The decline in the export of uncut logs has been partly offset by the increase in the exports of sawn wood and wood products. After increasing by 16 percent in 1994, imports for domestic consumption continued to increase by 8 percent in U.S. dollar terms in 1995, reflecting buoyant construction activities and continued steady growth in tourism. In particular, the growth of mineral fuel and basic manufactures imports was strong (Table 26).

The share of exports to the European Union increased to 37 percent in 1995 from 32 percent in 1994, reflecting an increase in copra exports. This share however has declined significantly in recent years, from about 50 percent in 1991, due to the diversification of agricultural products and export markets (Table 27). Japan, Vanuatu's second largest market, has been the primary destination for exports of beef and squash. Australia continued to dominate the import market, accounting for 37 percent in 1994 and 1995. New Zealand, Japan, France, and Fiji together accounted for a similar share.

Vanuatu's foreign exchange receipts are dominated by services, in particular tourism receipts and interest income, and official transfers. On the payments side of the services account, investment income of foreign companies, freight and insurance, and the value of expatriate services are major items. In 1995, the services account surplus increased, reflecting higher tourism receipts and interest income (Table 28). After declining in 1992 and 1993, official grants, including capital in cash and in kind and technical assistance, continued to increase in 1994 and 1995 (Table 29).

¹² The balance of payments statement is not a particularly detailed one, and net errors and omissions are very large, suggesting substantial errors elsewhere in the accounts. Other major problems include the lack of reliable foreign aid data.

¹³ Beef exports had expanded rapidly in recent years owing to the upgrading of the abattoir facilities.

The long-term capital account surplus increased from US\$27 million in 1993 to about US\$32 million in 1994 and 1995. These increases largely reflected an increase in direct investment, mostly in the form of reinvested earnings. In 1995, there was a sharp increase in private capital inflows, which was matched by a big jump in the foreign assets of commercial banks. The overall balance of payments recorded a surplus of US\$4.9 million in 1995, and gross official reserves increased to US\$48.3 million (7 1/2 months of imports).

Although Vanuatu's external public debt has increased over recent years, its external debt indicators have remained favorable. External debt increased from US\$39.5 million in 1994 to US\$43.9 million in 1995 (Table 31). The debt-GDP ratio was 18.6 percent in 1995, compared with 17.8 percent in 1994. However, most of external financing was concessional loans from the Asian Development Bank, the International Development Association, and bilateral donors. Therefore, the debt-service ratio remained very low (less than 1 percent) in recent years; in 1995 it amounted to 0.6 percent of exports of goods and nonfactor services.

B. Exchange and Trade System

The vatu has been pegged to an undisclosed basket of currencies since February 1988. The rate in terms of the U.S. dollar was VT 113.74 as of December 31, 1995. The weights assigned to the currencies in the basket have not been revised since 1988. Within the framework of a fixed exchange rate regime, the nominal and real effective exchange rates of the vatu have remained relatively stable in recent years (Chart 4). The nominal and real effective exchange rates of the vatu depreciated somewhat during 1995 reversing the appreciation that had taken place in the year before.

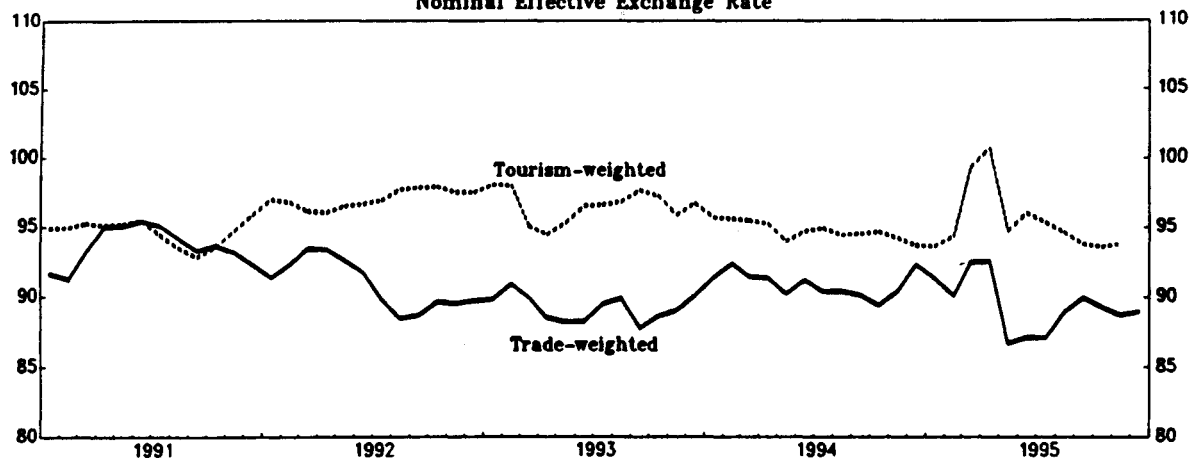
Vanuatu has accepted the obligations of Article VIII, Sections 2, 3, and 4 and maintains an exchange system free of restrictions on current and capital transactions. Import duties on a wide range of foodstuffs and essential items, as well as on alcohol and tobacco were reduced in 1995. The tariff cuts were substantial, ranging from 2 to 35 percent. Most exports are subject to export duties, which are currently 3 percent.

To promote regional trade and cooperation, the Melanesian Spearhead Group (MSG)—consisting of Papua New Guinea, Solomon Islands, and Vanuatu—entered into a trade agreement effective September 1994. The goods for duty-free trade under the agreement were beef from Vanuatu, canned tuna from Solomon Islands, and tea from Papua New Guinea. Toward the end of 1995, the following changes were made to the Agreement: (1) all goods listed for duty-free trade was allowed to originate from any of the MSG countries; and (2) the original list of products for duty-free trade was expanded to include the following items—coffee, yogurt, cheese and curd, wooden furniture, kava, jam, fruit jellies, portland cement, matches, fiberglass boats, toilet paper, iron or steel nails, and plastic shopping bags.

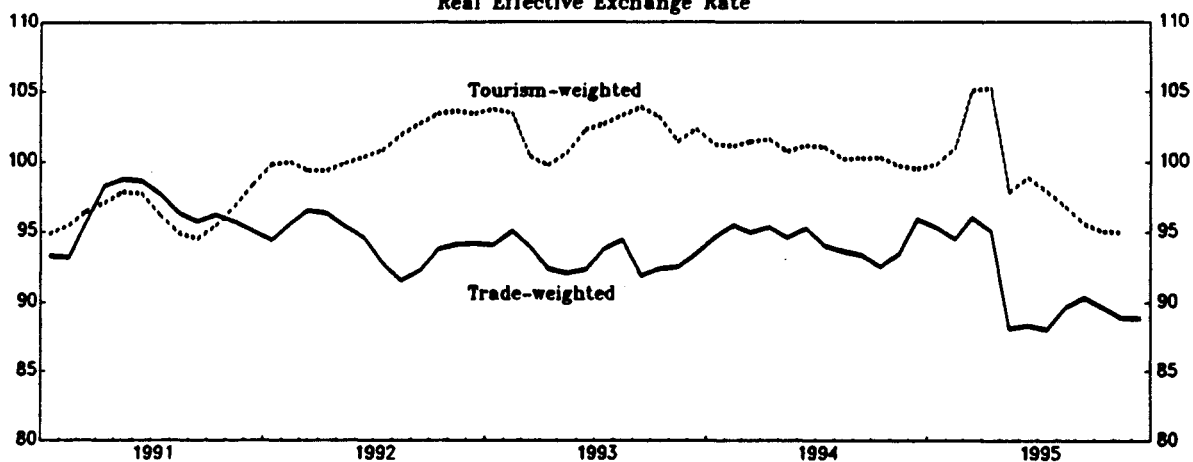
In May 1995, the Government of Vanuatu submitted a formal application to accede to the World Trade Organization (WTO) and a Working Party was established by the WTO to

VANUATU
Exchange Rate Indices, 1991-95
(1988 = 100)

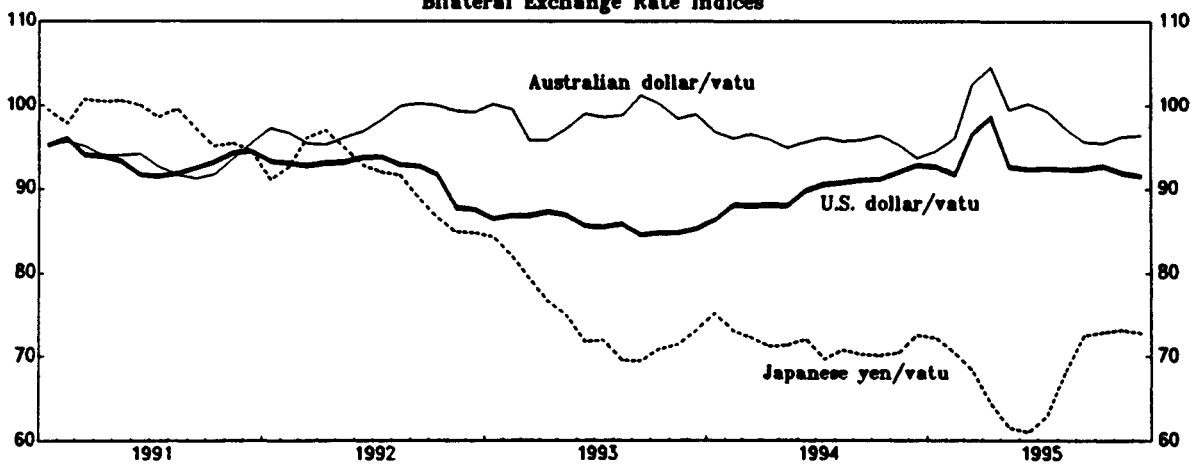
Nominal Effective Exchange Rate



Real Effective Exchange Rate



Bilateral Exchange Rate Indices



Sources: Data provided by the Vanuatu authorities, IMF, Information Notice System; and IMF, International Financial Statistics.

oversee Vanuatu's membership process. The authorities are currently responding to clarifications sought by the Working Party on the memorandum on the foreign trade regime submitted by the Government in August 1995. Given that fiscal revenues in Vanuatu depend heavily on import duties and levies, the accession to the WTO could have a significant impact on future government revenues depending on Vanuatu's efforts to restructure its tax system. In view of Vanuatu's status as a less developed country, it has at least ten years to modify its current level of import duties to be consistent with the WTO rules. With respect to trade, Vanuatu's main export commodities face very small or zero tariffs, and exports are not likely to be directly affected by the accession to the WTO. However, Vanuatu would need to strengthen its competitiveness and adjust to the more open global trade environment.

Table 1. Vanuatu: Gross Domestic Product by Type of Economic Activity
in Constant 1983 Prices, 1991-95
(In millions of vatu)

	1991	1992	1993	Prov. 1994	Est. 1995
Agriculture, forestry and fishery	2,855	2,735	3,034	3,102	3,300
(Percentage change)	-1.4	-4.2	10.9	2.2	6.4
Copra	545	530	544	524	619
Cattle	329	369	518	552	561
Cocoa	144	92	143	82	110
Coffee	4	1	1	1	2
Other commercial agriculture	175	180	189	198	194
Subsistence agriculture	1,159	1,186	1,214	1,266	1,304
Forestry and logging	499	377	424	477	510
Industry	1,902	1,742	1,763	1,892	2,013
(Percentage change)	8.3	-8.4	1.2	7.3	6.4
Manufacturing	1,002	930	864	899	926
Electricity	229	199	204	205	222
Construction	671	613	696	788	865
Services	8,424	8,606	8,868	9,020	9,143
(Percentage change)	6.1	2.2	3.0	1.7	1.4
Trade, hotels, and restaurants	4,607	4,772	4,792	4,796	4,844
Transport and communication	890	907	950	953	1,000
Finance and insurance	1,089	1,041	1,010	1,035	1,040
Real estate and other services	705	667	710	735	765
Government services	1,380	1,440	1,652	1,715	1,701
Domestic services	84	84	86	88	87
Less: Imputed bank services	-331	-305	-331	-302	-294
Gross domestic product	13,181	13,083	13,665	14,014	14,456
(Percentage change)	4.5	-0.7	4.4	2.6	3.2

Sources: Statistics Office; and staff estimates.

Table 2. Vanuatu: Gross Domestic Product by Type of Economic Activity,
in Current Prices, 1991-95
(In millions of vatu)

	1991	1992	1993	Prov. 1994	Est. 1995
Agriculture, forestry and fishery	3,672	3,983	5,231	5,371	6,051
(Percent change)	8.3	8.5	31.3	2.7	12.7
Copra	482	629	692	609	738
Cattle	513	512	782	832	874
Cocoa	176	105	151	86	114
Coffee	6	2	2	2	2
Other commercial agriculture	179	183	194	202	210
Subsistence agriculture	1,420	1,504	1,594	1,733	2,035
Forestry and logging	896	1,048	1,816	1,907	2,078
Industry	2,763	2,718	2,880	3,237	3,569
(Percent change)	14.1	-1.6	6.0	12.4	10.3
Manufacturing	1,280	1,260	1,240	1,320	1,386
Electricity	358	378	393	420	462
Construction	1,125	1,080	1,247	1,497	1,721
Services	13,903	14,840	15,668	16,352	17,094
(Percent change)	10.2	6.7	5.6	4.4	4.5
Trade, hotels, and restaurants	7,489	7,933	8,184	8,433	8,611
Transport and communicatio	1,609	1,726	1,845	1,880	2,247
Finance and insurance	1,736	1,754	1,735	1,833	1,918
Real estate and other services	1,214	1,329	1,442	1,513	1,594
Government services	2,241	2,458	2,868	3,056	3,089
Domestic Service	164	172	181	185	185
Less: Imputed bank services	(550)	(532)	(587)	(548)	(550)
Gross domestic product	20,338	21,541	23,779	24,960	26,714
(Percent change)	10.4	5.9	10.4	5.0	7.0

Sources: National Planning and Statistics Office; and staff estimates.

Table 3. Vanuatu: Gross Domestic Product by Expenditure Components
in Constant 1983 Prices, 1991-95
(In millions of vatu)

	1991	1992	1993	Prov. 1994	Est. 1995
Household consumption (Percentage change)	7,221 4.9	7,217 -0.1	7,165 -0.7	7,401 3.3	7,606 2.8
Govt. final consumption (Percentage change)	3,749 10.9	3,705 -1.2	4,143 11.8	4,159 0.4	4,201 1.0
Recurrent expenditure	2,643	2,913	3,331	3,325	3,515
Development expenditure	1,106	792	812	834	686
Gross fixed cap. form. (Percentage change)	3,359 -16.0	3,493 4.0	3,720 6.5	3,987 7.2	4,547 14.0
Durable equipment	1,506	1,668	1,733	1,739	1,922
Construction/Land improvement	1,853	1,825	1,987	2,248	2,625
Increase in stocks	319	322	331	349	339
Gross domestic expenditure (Percentage change)	14,648 0.4	14,737 0.6	15,359 4.2	15,896 3.5	16,693 5.0
Exports of goods & services (Percentage change)	6,063 -0.9	6,479 6.9	6,596 1.8	7,106 7.7	7,398 4.1
Domestic exports, f.o.b.	1,024	1,254	1,310	1,447	1,518
Re-exports	208	213	158	163	164
Other	4,831	5,012	5,128	5,496	5,716
Less: Imports of goods & services (Percentage change)	8,219 -9.9	7,593 -7.6	7,832 3.1	8,601 9.8	8,692 1.1
Expenditure on gross domestic product (Percentage change)	12,492 7.8	13,623 9.1	14,123 3.7	14,401 2.0	15,399 6.9
Statistical discrepancy	689	-540	-458	-387	-943
Gross domestic product (Percentage change)	13,181 4.7	13,083 -0.7	13,665 4.4	14,014 2.6	14,456 3.2
Net factor income from abroad	-900	-1,320	-1,651	-1,820	-1,662
Gross national product at constant market prices	12,281	11,763	12,014	12,194	12,794

Sources: Statistics Office; and staff estimates.

Table 4. Vanuatu: Gross Domestic Product by Expenditure Components,
in Current Prices, 1991-95
(In millions of vatu)

	1991	1992	1993	Prov. 1994	Est. 1995
Household consumption (Percent change)	11,301 0.3	11,662 3.2	11,701 0.3	12,286 5.0	12,777 4.0
Govt. final consumption (Percent change)	5,868 16.1	5,988 2.0	6,765 13.0	6,903 2.0	7,216 4.5
Recurrent expenditure	4,137	4,708	5,439	5,519	5,958
Development expenditure	1,731	1,280	1,326	1,384	1,258
Gross fixed cap. form. (Percent change)	5,258 -27.4	5,645 7.4	6,075 7.6	6,618 8.9	7,705 16.4
Durable equipment	2,358	2,695	2,830	2,886	3,277
Construction/Land improvement	2,900	2,950	3,245	3,732	4,428
Increase in stocks	500	520	540	580	570
Gross domestic expenditure (Percent change)	22,927 -4.7	23,815 3.9	25,081 5.3	26,387 5.2	28,268 7.1
Exports of goods and services (Percent change)	9,488 14.3	10,471 10.4	10,772 2.9	11,796 9.5	12,429 5.4
Domestic exports, f.o.b.	1,602	2,027	2,140	2,402	2,551
Re-exports	326	345	258	270	275
Other	7,560	8,099	8,374	9,124	9,603
Less: Imports of goods and services (Percent change)	12,863 -6.2	12,270 -4.6	12,789 4.2	14,278 11.6	14,603 2.3
Expenditure on GDP (Percentage change)	19,552 4.9	22,016 12.6	23,064 4.8	23,905 3.6	26,094 9.2
Statistical discrepancy	786	-475	715	1,055	620
Gross domestic product (Percent change)	20,338 10.4	21,541 5.9	23,779 10.4	24,960 5.0	26,714 7.0
Net factor income from abroad	-1,409	-2,133	-2,696	-3,021	-2,792
Gross national product	18,929	19,408	21,083	21,939	23,922

Sources: National Planning and Statistics Office; and staff estimates.

Table 5. Vanuatu: Agricultural Production, 1991-95

	1991	1992	1993	Prov. 1994	Est. 1995
(In metric tons; unless otherwise indicated)					
Copra (thousand tons) 1/	28.4	27.3	28.0	27.0	30.4
By center					
Vila	2.4	0.7	0.1	0.0	0.2
Santo	26.0	26.7	27.9	26.9	30.2
By type of processing					
Smoked	6.7	6.2	5.1	4.2	4.1
Hot air/sun dried	21.7	21.1	22.8	22.8	26.3
Cocoa 2/	2,174	1,358	2,121	1,205	1,780
Coffee 3/	41.4	67.3	22.0	26.0	31.0
Robusta	10.0	8.7	5.0	...	...
Arabica	31.4	58.6	17.0	...	...
Kava 4/	29.0	63.0	44.0	85.0	52.0
Beef 5/□	3,387	3,329	3,699	4,039	3,782
Pork 6/	67.3	58.6	49.0	30.7	35.7
Milk (in thousand liters) 7/	315	307	310	346	411
Chicken meat 8/	186	249	245	258	235
Eggs (thousand of dozens)	208	239	259	286	274
(In thousands of vatu per metric ton)					
Memorandum items:					
Copra prices					
Average domestic price paid to producers 9/	19.4	26.2	28.3	28.3	27.8
Average f.o.b. price received	16.9	34.3	25.1	32.7	54.1
Cocoa prices					
Average domestic price paid to producers 9/	104	98	94	371	86
Average f.o.b. price received	105	103	111	131	123

Sources: National Planning and Statistics Office; Vanuatu Commodities Marketing Board (VCMB); Department of Agriculture and Horticulture.

1/ Copra purchased by the VCMB for export and/or processing. Estimates of domestic consumption of coconuts by villagers are not available, but may be as high as 20,000 metric tons of copra equivalent.

2/ Cocoa purchased by the VCMB for export.

3/ Tons of green beans processed and dried.

4/ Tons of exports on a dried weight volume basis. Kava exported for pharmaceutical purposes is dried whereas kava for the beverage market is sold fresh (green).

5/ Total volume slaughtered in Port Vila and Luganville abattoirs.

6/ Port Vila abattoir only.

7/ Includes transport allowance.

8/ Production of Toa Enterprise and Chicken City on Efate.

9/ Includes transport allowance.

Table 6. Vanuatu: Manufacturing Industries, 1991-95 1/

	1991	1992	1993	Prov. 1994	Est. 1995
(In number of employees)					
Employment					
Food, beverages, and tobacco	548	555	522	459	...
Textile, clothing, and leather	135	98	73	74	...
Wood and wood products	560	537	556	551	...
Paper and paper products	54	50	57	57	...
Chemical, rubber, plastic and non-metallic products	122	120	111	141	...
Metals and metal products	108	115	148	143	...
Other	39	53	74	85	...
Total	1,566	1,528	1,541	1,510	1,550
(In millions of vatu)					
Value added					
Food, beverages, and tobacco	504	484	568	495	...
Textile, clothing, and leather	80	39	48	90	...
Wood and wood products	356	361	287	327	...
Paper and paper products	63	62	68	99	...
Chemical, rubber, plastic and non-metallic products	116	105	118	83	...
Metals and metal products	137	139	153	150	...
Other	23	36	34	76	...
Total	1,280	1,226	1,276	1,320	1,386
Memorandum items:					
Total salaries in manufacturing (VT mn.)	698	696	646	644	676
Ratio: salaries to value added (percent)	54.5	56.8	50.6	48.8	48.8
Value added per employee (VT thousand)	817	802	829	874	894
Average salary per employee (VT thousand)	446	455	419	426	436

Sources: Data provided by the Department of Industry, and staff estimates.

1/ Estimates are based on two-digit ISIC classification.

Table 7. Vanuatu: Imports of Petroleum Products, 1991-94
(In thousands of barrels of oil equivalent) 1/

	1991	1992	1993	Prov. 1994
Regular gasoline (petrol)	37.8	32.7	34.6	30.9
Distillate/diesel/ADO	98.6	112.1	122.1	140.0
Kerosene	7.0	4.0	5.4	4.9
Aviation fuel 2/	12.0	14.0	16.2	...
Liquid petroleum gas (LPG)	5.5	6.2	10.7	10.6
Total	160.9	169.0	189.1	186.4

Sources: National Planning and Statistics Office.

1/ The conversion factor is one kiloliter = 6.29 barrels of oil for petrol, distillate, kerosene, and aviation gas; in the case of LPG, the conversion factor is one ton LPG/butane = 10.9 barrels of oil equivalent (boe).

2/ Excluding jet fuel for re-export.

Table 8. Vanuatu: Electricity production by Union Electrique du Vanuatu (UNELCO) in Port Vila and Luganville, 1991-95 1/

	1991	1992	1993	Prov. 1994	Est. 1995
(In kilowatts)					
Installed capacity at end of year	8,540	12,480	12,480	10,500	10,500
Maximum demand	5,770	6,684	7,090	6,400	6,800
(In thousands of kilowatt hours)					
Output for the year	24,994	29,907	31,200	29,920	31,843
Sales	24,204	28,791	29,894	27,817	28,039
(In vatu)					
Sales revenue (in million vatu)	600	655	707	651	661
Average revenue per kilowatt-hour	24.8	22.8	23.7	23.4	23.6

Source: Energy Planning Unit, Ministry of Lands, Energy and Rural Water Supply, based on extracts from the annual returns of Union Electrique du Vanuatu (UNELCO).

1/ Data prior to 1992 exclude Luganville.

Table 9. Vanuatu: Tourism Statistics, 1991-95

	1991	1992	1993	Prov. 1994	Est. 1995
Visitor arrivals (number)	39,548	42,673	44,483	42,140	43,554
(Percentage change)	13.9	7.9	4.2	-5.3	3.4
Australia	21,379	23,767	23,258	22,942	24,302
New Caledonia	3,509	4,485	5,692	5,464	4,919
New Zealand	7,288	6,441	6,133	5,293	6,436
Japan	706	844	1,174	1,227	980
France	630	827	884	951	1,025
United States	1,103	1,119	1,124	937	977
United Kingdom	606	556	508	560	512
Fiji	869	808	885	839	858
Solomon Islands	565	666	700	756	758
Papua New Guinea	463	399	585	469	353
Other	2,430	2,761	3,540	2,702	2,434
Of which: tourists	28,566	31,008	31,565	29,880	31,217
(Percentage change)	17.8	8.5	1.8	-5.3	4.5
Average length of stay of visitor (days)	9.2	9	9.1	9.4	9.1
Room-night capacity (thousands)	186.7	191.7	187.1	194.6	222.9
(Capacity utilization, percent)	63.5	65.3	65.9	61.2	51.9
Bed-nights capacity (thousands)	392.7	418.8	419.9	445.1	523.2
(Capacity utilization, percent)	55.5	56.1	55.7	51.9	41.1
Cruise-ship passengers	37,023	59,346	43,059	40,598	56,665
(Percentage change)	-11.6	60.3	-27.4	-5.7	39.6

Sources: National Planning and Statistics Office; and National Tourism Office.

Table 10. Vanuatu: Consumer Price Index, 1991-95 1/

	Weights	1991	1992	1993	Prov. 1994	Est. 1995
	(percent)	(Percentage change)				
Food (home consumption)	30.52	2.3	1.7	2.3	1.9	1.1
Beverages and tobacco	10.37	6.6	-0.4	1.4	8.1	8.1
Clothing and footwear	4.68	2.7	-2.2	1.7	2.0	12.5
Rent, water, fuel, and electricity	20.68	8.5	21.5	1.6	0.4	-15.7
Household articles	8.31	3.5	2.3	2.2	6.5	10.1
Transport and communications	13.17	18.7	0.9	-2.8	4.8	10.9
Recreation, health, and education	12.27	-4.0	2.1	3.9	-1.0	12.7
Total 2/	100.00	5.6	5.1	1.7	2.7	1.7

Sources: Data provided by the National Planning and Statistics Office (NPSO); and staff estimates.

1/ The weights are derived from the 1985 Household and Expenditure Survey, revalued in terms of 1990 prices. Expatriates account for 38.87 percent of the index, ni-Vanuatu for 61.13 percent. Port Vila accounts for 84.97 percent of the index, Luganville for 15.03 percent.

2/ As published in the NPSO, Consumer Price Index Annual Report, 1994. Totals differ slightly from the weighted average of changes in the components.

Table 11. Vanuatu: Central Government Fiscal Operations, 1991-96

	1991	1992	1993	1994	Est. 1995	Budget 1996	Proj. 1996
(In millions of vatu)							
Total revenue and grants	8,087	8,137	8,074	9,275	10,013	...	10,550
Revenue	4,707	5,054	5,123	5,942	6,456	6,800	6,800
Tax	3,566	3,853	3,843	4,986	4,940	5,542	5,542
Non-tax	1,140	1,201	1,279	956	1,515	1,259	1,259
Foreign grants	3,381	3,083	2,951	3,333	3,557	...	3,749
Development grants 1/	2,130	1,942	1,829	2,081	2,273	...	2,465
Technical assistance	1,251	1,141	1,122	1,252	1,284	...	1,284
Total expenditure and net lending	8,393	8,868	8,393	10,030	10,439	...	11,155
Current expenditure	5,878	6,014	6,302	6,627	7,031	...	7,759
Wages and salaries	2,554	2,716	2,832	2,866	3,179	2,949	2,949
Purchases of goods and services	1,277	1,513	1,579	1,561	1,577	2,175	2,175
Transfers	313	335	453	639	806	1,137	1,137
VCMB subsidies	300	100	120	134	0	0	0
Interest payments	184	209	196	175	184	214	214
Technical assistance	1,251	1,141	1,122	1,252	1,284	...	1,284
Development expenditure and net lending	2,515	2,853	2,091	3,403	3,408	...	3,396
Development expenditure	3,453	2,674	2,666	3,054	2,819	...	3,396
Net lending	-938	180	-575	349	589	...	0
Overall balance	-306	-730	-319	-755	-426	...	-606
Financing	306	730	319	755	426	...	606
Foreign (net)	504	670	75	114	59	...	414
Borrowing	509	676	84	142	82	...	466
Repayments	-5	-6	-9	-28	-23	-53	-53
Domestic (net)	-198	60	244	641	367	...	192
Banking system	-297	64	186	295	367	...	190
Other 2/	99	-4	58	346	0	...	2
(In percent of GDP)							
Total revenue and grants	39.8	37.8	34.0	37.2	37.5	...	37.4
Revenue	23.1	23.5	21.5	23.8	24.2	24.1	24.1
Tax	17.5	17.9	16.2	20.0	18.5	19.6	19.6
Non-tax	5.6	5.6	5.4	3.8	5.7	4.5	4.5
Foreign grants	16.6	14.3	12.4	13.4	13.3	...	13.3
Total expenditure and net lending	41.3	41.2	35.3	40.2	39.1	...	39.6
Current expenditure	28.9	27.9	26.5	26.6	26.3	...	27.5
Development expenditure	17.0	12.4	11.2	12.2	10.6	...	12.0
Net lending	-4.6	0.8	-2.4	1.4	2.2	...	0.0
Overall balance	-1.5	-3.4	-1.3	-3.0	-1.6	...	-2.1
Overall balance excluding foreign grants	-18.1	-17.7	-13.8	-16.4	-14.9	...	-15.4
Foreign financing (net)	2.5	3.1	0.3	0.5	0.2	...	1.5
Domestic financing (net)	-1.0	0.3	1.0	2.6	1.4	...	0.7
(In millions of vatu)							
Memorandum items:							
Recurrent budget (authorities' definition) 3/							
Revenue	4,707	5,054	5,123	5,942	6,456	6,800	6,800
Expenditure	4,976	5,112	5,373	5,451	6,410	6,800	6,800
Balance	-269	-57	-250	491	45	0	0
Principal debt repayments	24	18	25	38	233	62	62
Bond redemption provisions	173	170	160	152	223	263	263
Transfers to the Development Fund	452	150	128	20	208	...	0
Gross domestic product	20,338	21,541	23,779	24,960	26,714	28,203	28,203

Sources: Data provided by the Vanuatu authorities; and staff estimates.

1/ Includes grants in cash and in kind.

2/ Change in non-bank holding of government bonds.

Table 12. Vanuatu: Central Government Revenue, 1991-96

	1991	1992	1993	1994	Est. 1995	Budget 1996
(In millions of vatu)						
Total revenue	4,707	5,054	5,123	5,942	6,456	6,800
Tax revenue	3,566	3,853	3,843	4,986	4,940	5,542
Taxes on goods and services	834	886	1,050	1,153	1,633	1,497
Taxes on tourist services 1/	177	170	226	191	204	205
Wholesale/retail turnover tax	-	-	-	-	303	312
Licenses 2/	443	500	586	613	773	702
Work permit fees	26	25	27	24	25	25
Registration fees	188	191	211	325	328	253
Companies	105	108	112	189	191	170
Shipping	47	44	50	79	80	42
Land	36	39	49	57	56	41
Taxes on international trade	2,468	2,630	2,396	3,386	2,874	3,531
Import duties	2,409	2,561	2,334	3,294	2,789	3,448
Beer, wine and spirits	294	295	253	325	273	290
Tobacco and tobacco products	198	195	197	251	222	238
Vehicles	428	136	99	103	105	133
Motor oil	339	382	348	423	592	914
Other	1,489	1,553	1,437	2,193	1,597	1,873
Export duties	59	69	63	92	85	83
Copra	22	28	23	32	33	28
Other	37	41	40	60	52	55
Other taxes	264	337	397	448	433	514
Airport tax	31	100	85	104	120	122
Wharfage tax	46	43	47	71	61	60
Other 3/	187	194	266	272	252	332
Nontax revenue	1,140	1,201	1,279	956	1,515	1,259
Public enterprises 4/	162	183	173	69	112	123
Dividend, interest and rent	256	252	265	90	124	82
Fines and fees 5/	173	166	137	254	187	177
Other 6/	549	600	703	543	1,093	876
(In percent of tax revenue)						
Taxes on goods and services	23.4	23.0	27.3	23.1	33.1	27.0
Taxes on international trade	69.2	68.3	62.3	67.9	58.2	63.7
Import duties	67.6	66.5	60.7	66.1	56.5	62.2
Export duties	1.7	1.8	1.6	1.8	1.7	1.5
Other taxes	7.4	8.7	10.3	9.0	8.8	9.3
(In percent of GDP)						
Total revenue	23.1	23.5	21.5	23.8	24.2	24.1
Tax revenue	17.5	17.9	16.2	20.0	18.5	19.6
Taxes on goods and services	4.1	4.1	4.4	4.6	6.1	5.3
Taxes on international trade	12.1	12.2	10.1	13.6	10.8	12.5
Import duties	11.8	11.9	9.8	13.2	10.4	12.2
Export duties	0.3	0.3	0.3	0.4	0.3	0.3
Other taxes	1.3	1.6	1.7	1.8	1.6	1.8
Nontax revenue	5.6	5.6	5.4	3.8	5.7	4.5
Memorandum items:						
Imports, c.i.f. (home consumption)	8,605	8,609	8,938	9,909	10,267	...
Effective import duties (in percent of imports)	28.0	29.7	26.1	33.2	27.2	...

Sources: Data provided by the Vanuatu authorities; and staff estimates

1/ Hotel/restaurant sales tax.

2/ Business licenses, vehicle licenses, fishing licenses and agreement fees, liquor licenses, arms and prospecting licenses, air traffic rights, and cocoa licenses.

3/ Gaming tax, video tax, rent tax, cheque levy, beer duty and betting commission.

4/ Gross income of water supplies and Post and Telecommunications.

5/ Police and immigration fees, primary education fees, hospital fees, fines and forfeits plus other miscellaneous fees and sales.

6/ Other port and marine revenue, other property income, miscellaneous customs revenue, miscellaneous civil aviation and revenue under Heading 185, excluding lottery and fishing agreement fees. Includes revenue from asset sales.

Table 13. Vanuatu: Central Government Current Expenditure, 1991-96

	1991	1992	1993	1994	Est. 1995	Budget 1996
(In millions of vatu)						
A. Economic Classification						
Wages and salaries	2,554	2,716	2,832	2,866	3,179	2,949
Purchases of goods and services	1,277	1,513	1,579	1,561	1,577	2,175
Interest payments 1/	184	209	196	175	184	214
Transfers	613	435	573	773	806	1,137
VCMB subsidies	300	100	120	134	0	0
Other 2/	313	335	453	639	806	1,137
Total current expenditure 3/	4,627	4,873	5,180	5,375	5,747	6,475
(In percent of current expenditure)						
Wages and salaries	55.2	55.7	54.7	53.3	55.3	45.5
Purchases of goods and services	27.6	31.1	30.5	29.0	27.4	33.6
Interest payments	4.0	4.3	3.8	3.3	3.2	3.3
Transfers 4/	6.8	6.9	8.7	11.9	14.0	17.6
(In millions of vatu)						
B. Functional Classification						
General public services	1,170	1,372	1,543	1,792	2,238	...
Public order and safety	395	396	477	617	589	...
Education	929	1,083	1,128	1,232	1,330	1,288
Health	487	517	612	490	596	655
Economic affairs and services	744	795	783	659	715	...
Agriculture, fisheries, and forestry	198	228	183	168	234	232
Mining, manufacturing, and construction	82	102	73	76	89	...
Transportation and communication	391	398	393	415	392	...
Other	73	67	134	0	0	...
Other expenditure 5/	902	710	637	585	279	...
Total current expenditure	4,627	4,873	5,180	5,375	5,747	6,475
(In percent of current expenditure)						
General public services	25.3	28.2	29.8	33.3	38.9	...
Public order and safety	8.5	8.1	9.2	11.5	10.2	...
Education	20.1	22.2	21.8	22.9	23.1	19.9
Health	10.5	10.6	11.8	9.1	10.4	10.1
Economic affairs and services	16.1	16.3	15.1	12.3	12.4	...
Other expenditure	19.5	14.6	3.5	3.1	4.1	3.6
(In millions of vatu)						
Memorandum item:						
Transfers to the Development Fund	452	150	128	20	208	0

Sources: Data provided by the Vanuatu authorities; and staff estimates.

1/ Including service charges on loans.

2/ Excluding transfers to the Development Fund.

3/ Excluding technical assistance.

4/ Excluding VCMB subsidies.

5/ Excluding principal repayments of loans and bond redemptions, and transfers to the Development Fund.

Table 14. Vanuatu Government Development Fund, 1991-95
(In millions of vatu)

	1991	1992	1993	1994	Est. 1995
Resources:					
Foreign grants (in cash)	589	448	369	277	512
Australia	66	50	32	35	60
Canada	36	10	22	10	2
China	—	—	8	0	0
European Development Fund	70	38	34	40	198
France	20	15	22	15	11
Japan	—	—	6	5	3
New Zealand	142	115	70	88	94
STABEX receipts	0	0	—	—	3
United Kingdom	165	117	105	45	63
United Nations	24	63	18	11	8
United Nations Development Program	3	—	—	—	19
World Health Organization	25	16	16	8	29
Other	38	24	36	19	22
Other resources	1,390	912	1,145	786	490
Transfers from recurrent budget	452	150	128	20	208
Transfers from STABEX fund	—	—	—	—	—
Local NGOs	64	46	—	123	—
AsDB/IDA/CFD/China loans 1/	509	676	84	142	82
Other transfers and loans 2/	364	40	933	499	200
Total resources	1,978	1,360	1,515	1,063	1,002
Expenditure:					
Agriculture, land, and natural resources	220	124	137	204	142
Transport and communications	625	351	620	720	528
Internal affairs	30	39	78	47	57
Health	49	61	45	118	88
Education, culture, and sports	646	204	108	103	79
Finance, commerce, and industry	524	431	210	81	51
General administration	117	70	128	111	113
Total Expenditure (in cash)	2,212	1,280	1,326	1,384	1,058
of which: VCMB subsidy	300	100	120	134	0
Development Fund balance	-234	80	189	-322	-56
Stock of assets in the Development Fund	276	356	545	223	167
Memorandum item:					
Grants in kind	1,541	1,494	1,460	1,804	1,761

Sources: Data provided by the Vanuatu authorities; and staff estimates.

1/ There are no China and CFD loans before 1992.

2/ Includes bond issues of VT 680 million in 1993 and VT 499 million in 1994.

Table 15. Vanuatu: Operations of the Vanuatu Commodities Marketing Board (VCMB), 1991-95 1/
(In millions of vatu)

	1991	1992	1993	1994	Est. 1995
Trading balance	-439.5	-12.1	-251.6	-39.7	48.3
Copra	-395.0	8.2	-239.6	14.5	55.9
Cocoa	-44.7	-20.3	-14.4	3.6	-28.7
Kava	0.2	0.0	2.4	3.6	21.1
Other, net 2/	8.4	-11.2	-51.9	-104.0	-70.1
Gross overall operational balance	-431.1	-23.3	-303.5	-143.6	-21.8
Transfers from Government	300.0	100.0	120.0	133.8	0.0
Net overall operational balance	-131.1	76.7	-183.5	-9.8	-21.8

Source: Data provided by the Vanuatu authorities.

1/ Year ending in September.

2/ Includes various receipts and administrative expenses.

Table 16. Vanuatu: Operations of the Vanuatu National Provident Fund (VNPF), 1991-95 1/

	1991	1992	1993	1994	1995
(In millions of vatu)					
Annual contributions	326	379	401	418	442
Withdrawals	25	47	57	60	35
Accumulated members' credit	1,189	1,563	1,971	2,398	2,901
Investment portfolio	1,233	1,627	1,979	2,303	2,944
Government bonds and loans	450	426	650	1,071	1,022
Real estate	50	191	137	125	394
National Housing Corporation	50	50	50	49	50
Deposits with commercial banks and cash on ha	605	874	1,016	690	573
Sundry debtors	26	46	64	59	18
Other (private sector investments) 2/	52	40	62	74	137
Housing Loan Scheme	-	-	-	235	750
(In persons)					
Number of employers	2,181	2,430	2,747	...	3,428
Employees covered by age group:	22,421	24,680	27,727	...	32,996
Under 24	7,104	7,403	8,165	...	...
25-39	11,083	12,424	13,770	...	...
40-55	3,685	4,148	4,908	...	...
Over 55	549	705	884	...	...
(In vatu)					
Average implied monthly salary 3/	20,194	21,329	20,087	...	18,605
Implied total wage bill					
(In millions of vatu) 3/	5,433	6,317	6,683	6,967	7,367
(Percentage change)	6.2	16.3	5.8	4.2	5.7

Sources: Vanuatu National Provident Fund, Annual Report, various issues; and data provided by the Vanuatu authorities.

1/ The VNPF was established in 1986 and its coverage of the Vanuatu labor market is now universal.

2/ Includes private sector investments and loans, but excludes investments in real estate assets.

3/ Assuming that the average contribution is equal to 6 percent of labor income.

Table 17. Vanuatu: Factors Affecting Reserve Money, 1991-95
(In millions of vatu; end of period)

	1991	1992	1993	1994	1995
Net foreign assets	4,371	4,977	5,499	4,859	5,486
Reserve Bank of Vanuatu	4,292	4,940	5,462	4,857	5,486
Assets	4,334	4,941	5,482	4,882	5,490
Liabilities	42	1	21	25	5
Treasury foreign assets	79	37	37	1	0
Net domestic assets	-2,363	-2,748	-2,493	-2,057	-1,832
Net claims on Government	-2,039	-2,501	-2,086	-1,794	-1,541
Claims on public enterprises	262	231	299	310	327
Claims on commercial banks	8	0	4	1	3
Other items (net)	-595	-478	-709	-574	-621
Reserve money	2,008	2,229	3,005	2,801	3,654
Currency outside banks	1,148	1,174	1,224	1,351	1,566
Currency held by banks	146	130	186	212	203
Commercial banks' deposits	694	890	1,588	1,200	1,835
Private sector deposits	20	35	7	39	51

Source: Reserve Bank of Vanuatu

Table 18. Vanuatu: Monetary Survey, 1991-95

	1991	1992	1993	1994	Est. 1995
(In millions of vatu)					
Net foreign assets	22,152	20,550	21,003	19,735	22,762
Monetary authorities	4,371	4,977	5,499	4,859	5,486
Commercial banks	17,781	15,572	15,504	14,876	17,276
Net domestic assets	1,764	2,992	3,447	5,569	5,430
Domestic credit	4,469	6,183	6,463	7,468	8,363
Claims on Government (net)	-2,108	-2,044	-1,859	-1,564	-1,196
Monetary authorities	-2,039	-2,501	-2,086	-1,794	-1,541
Commercial banks	-69	457	228	231	345
Claims on private sector	6,304	7,976	8,017	8,616	9,170
Claims on nonfinancial public enterprises	273	251	305	416	389
Other items, net	-2,706	-3,192	-3,016	-1,899	-2,933
Total broad money	23,916	23,541	24,450	25,304	28,192
Narrow money	3,419	3,863	3,966	3,947	4,261
Currency outside banks	1,148	1,174	1,224	1,351	1,566
Demand deposits (vatu)	2,271	2,689	2,742	2,596	2,695
Quasi-money	20,497	19,678	20,484	21,357	23,931
Time and savings deposits (vatu)	3,410	4,403	4,772	6,313	6,162
Time and savings deposits in foreign currency	15,431	13,838	13,996	13,229	15,775
Demand deposits in foreign currency	1,656	1,438	1,717	1,815	1,994
Memorandum items:					
Total foreign currency deposits	17,087	15,275	15,712	15,044	17,769
Total vatu deposits	5,681	7,092	7,514	8,909	8,857
Total vatu broad money	6,829	8,266	8,738	10,259	10,423
(Percentage change)					
Total broad money	-0.6	-1.6	3.9	3.5	11.4
Narrow money	26.9	13.0	2.7	-0.5	8.0
Quasi-money	-4.0	-4.0	4.1	4.3	12.1
Foreign currency deposits	-6.8	-10.6	2.9	-4.3	18.1
Vatu broad money	19.5	21.0	5.7	17.4	1.6
Domestic credit	4.0	38.4	4.5	15.5	12.0
Private sector credit	4.2	26.5	0.5	7.5	6.4
(In percent)					
Narrow money/GDP	16.8	17.9	16.7	15.8	15.9
Vatu broad money/GDP	33.6	38.4	36.7	41.1	38.9

Source: Data provided by the Vanuatu authorities.

Table 19. Vanuatu: Operations of Commercial Banks, 1991-95
(In millions of vatu; end of period)

	1991	1992	1993	1994	1995
Reserves	972	1,070	1,821	1,397	2,033
Cash on hand	146	130	186	212	203
Balances with Reserve Bank	826	940	1,634	1,185	1,830
Net foreign assets	17,781	15,572	15,504	14,876	17,276
Assets	20,278	17,960	19,066	17,790	20,921
Liabilities	2,497	2,388	3,561	2,914	3,645
Net credit to Government	-69	457	228	231	345
Claims	560	833	937	527	506
Vatu 1/	560	833	937	527	506
Foreign currency	0	0	0	0	0
Deposits	629	376	709	297	161
Vatu	391	280	572	207	157
Foreign currency	238	96	137	89	4
Claims on public enterprises	11	20	6	105	62
Vatu	11	20	6	105	62
Foreign currency	0	0	0	0	0
Claims on private sector	6,226	7,914	7,944	8,540	9,075
Vatu	5,547	6,550	6,388	7,051	7,957
Foreign currency	679	1,360	1,556	1,489	1,118
Monetary liabilities	22,768	22,367	23,227	23,953	26,627
Demand deposits	3,927	4,127	4,459	4,411	4,690
Vatu	2,271	2,689	2,742	2,596	2,695
Foreign currency	1,656	1,438	1,717	1,815	1,994
Time and savings deposits	18,841	18,240	18,768	19,542	21,937
Vatu	3,410	4,403	4,772	6,313	6,162
Foreign currency	15,431	13,838	13,996	13,229	15,775
Credit from the monetary authorities	1	0	3	1	3
Other items, net	2,152	2,666	2,274	1,196	2,162

Source: Reserve Bank of Vanuatu.

1/ Includes commercial banks' holdings of Vanuatu Government bonds.

**Table 20. Vanuatu: Distribution of Commercial Banks' Assets
and Liabilities in Foreign Currencies, 1991-95**
(In millions of vatu; end of period)

	1991	1992	1993	1994	1995
Assets	21,339	19,700	21,073	19,470	22,126
Residents	1,137	1,274	2,028	1,845	1,255
Loans	679	481	1,556	1,489	1,118
Other	458	793	472	356	137
Nonresidents	20,202	18,426	19,045	17,625	20,871
Home office	13,345	11,207	12,969	11,686	14,415
Banks	6,460	6,519	5,791	5,899	6,348
Other	397	700	285	40	109
Liabilities	21,272	19,431	20,944	19,078	21,944
Residents	17,227	15,243	17,648	16,565	18,580
Foreign exchange deposits	15,641	13,917	15,783	15,133	17,773
Private	14,294	12,199	13,732	14,820	17,638
Other	1,347	1,718	2,051	313	135
Other	1,586	1,326	1,865	1,432	807
Nonresidents	4,045	4,188	3,296	2,513	3,364
Deposits	1,798	2,078	2,543	2,308	2,550
Home office	544	76	580	110	697
Other	1,703	2,034	173	95	117
Net foreign exchange position	67	269	129	392	182

Sources: Reserve Bank of Vanuatu, Quarterly Economic Review, various issues.

Table 21. Vanuatu: Commercial Bank Credit to Residents by Sector, 1991-95 1/
(In percent of total credit)

	1991	1992	1993	1994	1995
Agriculture and fisheries	3	2.7	2.1	3.6	3.9
Vatu currency	3	2.7	2.1	3.6	3.9
Foreign currency	0	0	0	0	0
Mining and manufacturing	3.4	2.4	2.2	2.6	3.9
Vatu currency	3.4	2.4	1.6	1.8	3.1
Foreign currency	0	0	0.6	0.8	0.8
Construction	10	5.9	6.7	6.6	20.4
Vatu currency	9.9	5.9	6	6.3	17.8
Foreign currency	0.1	0	0.7	0.3	2.6
Transport	5.2	2.8	2.2	6.8	5.8
Vatu currency	4.8	2.8	2.2	6.8	5.8
Foreign currency	0.4	0	0	0	0
Public utilities	0	0	0	0.1	0.1
Vatu currency	0	0	0	0.1	0.1
Foreign currency	0	0	0	0	0
Wholesale and retail trade	18.8	14.3	12.2	10.5	13.7
Vatu currency	18.7	13.8	11.7	8.9	12.9
Foreign currency	0.1	0.5	0.5	1.6	0.8
Tourism	9.6	7.8	6	3.9	3.9
Vatu currency	6.3	5.1	3.2	1.6	1.6
Foreign currency	3.3	2.7	2.8	2.3	2.3
Entertainment and catering	1.2	2.4	1.7	1.3	3.9
Vatu currency	1.2	2.4	1.7	1.3	3.9
Foreign currency	0	0	0	0	0
Professional and other services	4.8	2.9	3.8	4	4
Vatu currency	4.5	2.6	2.4	2.8	2.2
Foreign currency	0.3	0.3	1.4	1.2	1.8
Personal 2/	32	35	37.8	45.1	29.6
Vatu currency	26.2	27.4	26.6	36.8	25.3
Foreign currency	5.8	7.6	11.2	8.3	4.3
Financial institutions 3/	0.8	0.9	2.1	0.5	0.3
Vatu currency	0.5	0.6	1.1	0.4	0.3
Foreign currency	0.3	0.3	1	0.1	0
Other	11.1	22.6	23.8	13.9	11.1
Vatu currency	10.5	16.9	22	11.7	9.9
Foreign currency	0.6	5.7	1.8	2.2	1.2
Total credit to the private sector	99.9	99.7	100	100	100
Vatu currency	89	82.6	80	83	87.7
Foreign currency	10.9	17.1	20	17	12.3
Public enterprises	0.3	0.3	0	0	0
Vatu currency	0.3	0.3	0	0	0
Foreign currency	0	0	0	0	0
Total credit	100	100	100	100	100
Vatu currency	89.1	82.9	80	83.1	87.7
Foreign currency	10.9	17.1	20	16.9	12.3

Source: Reserve Bank of Vanuatu, Quarterly Economic Review.

1/ Excluding commercial bank credit to the Government.

2/ Including housing and land purchases.

3/ Including public financial institutions.

Table 22. Vanuatu: Selected Interest Rates, 1991-95
(In percent per annum; end of period)

	1991	1992	1993	1994	1995
Vatu deposits					
Savings	2.0 - 6.8	2.0 - 6.8	2.0 - 6.5	2.0 - 6.5	2.0 - 6.5
One month	4.4 - 6.5	3.8 - 4.5	4.5 - 5.5	3.0 - 6.0	4.5 - 6.5
Two-six months	6.0 - 6.7	3.9 - 5.6	5.0 - 6.0	3.0 - 6.0	3.0 - 7.5
More than six months	5.8 - 6.5	4.3 - 5.8	5.5 - 6.0	3.0 - 6.5	3.0 - 8.0
Vatu advances					
Commercial	8.0 - 16.0	8.0 - 16.0	8.0 - 16.0	8.0 - 16.0	10.5 - 16.0
Personal	8.0 - 16.0	8.0 - 16.0	8.0 - 16.0	8.0 - 17.0	12.0 - 17.0
Housing	8.0 - 16.0	8.0 - 16.0	8.0 - 16.0	8.0 - 16.0	11.3 - 16.0
Foreign Exchange deposits (\$A) 1/	5.3 - 6.3	3.3 - 4.6	3.0 - 4.0	4.4 - 6.3	5.3 - 7.0
Weighted averages 2/					
Bank loans	14.2	13.3	14.5	13.8	12.7
Bank deposits	4.1	5.3	4.9	5	4.3
Fixed deposits	6.2	5.7	5.6	5.7	5.5
Memorandum items:					
Interest spread 3/	10.1	8	9.6	8.8	8.4

Source: Data provided by the Vanuatu authorities.

1/ Quoted in Vanuatu; one-month maturity.

2/ Weights used are the amounts of deposits and advances at various rates of interest shown in the banks' quarterly returns.

3/ Defined as the difference between the weighted average interest rates on bank loans and deposits.

Table 23. Vanuatu: Development Bank of Vanuatu
Loan Approvals, 1991-95
(In millions of vatu)

	1991	1992	1993	1994	1995
Agriculture 1/	10.4	15.1	17.9	100.6	37.9
Industry and tourism	3.8	35.7	36.9	41.5	124.9
Transportation	7.3	34.2	89.4	19.9	55.7
Housing	13.1	12.5	34.4	12.6	10.5
Small loans	11.5	3.8	0	9.4	6
Other 2/	7.2	17.4	50.3	45.1	42
Total	53.3	118.7	228.9	229.1	277
Memorandum items:					
Outstanding loan portfolio	594	622	793	910	1070
Operating profit (loss) for the year	-31	-31	-128	-80	-47
Arrears (in percent of outstanding loans)	19	25	43 3/	24	24

Source: Development Bank of Vanuatu.

1/ Includes stock breeding and fishing.

2/ Includes trade and professional services.

3/ The big increase was due to changes in accounting practices, whereby VT 48 million in penalty interest, previously carried off-system, was added to the outstanding balance of the portfolio at end-November 1993.

Table 24. Vanuatu: Balance of Payments, 1991-95
(In millions of U.S. dollars)

	1991	1992	1993	1994	Est. 1995
Trade balance	-50.7	-44.7	-43.1	-49.6	-51.7
Exports, f.o.b.	18.2	23.6	22.7	25.0	28.3
of which: copra	4.6	7.3	5.8	7.7	9.8
Imports, f.o.b.	-68.9	-68.3	-65.8	-74.6	-80.0
Services, net	12.6	12.3	11.1	7.6	9.9
Tourism	34.8	40.9	38.7	40.4	45.4
Factor income	-12.5	-18.9	-18.8	-26.2	-24.9
Other	-9.7	-9.7	-8.7	-6.6	-10.7
Official transfers, net	32.2	28.1	25.8	30.0	32.1
Current account 1/ (Percent of GDP)	-5.9 -3.2	-4.3 -2.3	-6.2 -3.1	-12.1 -5.6	-9.8 -4.1
Medium- and long-term capital, net	38.0	31.5	27.3	31.5	32.5
Public borrowing, net	12.9	5.5	1.1	2.2	2.2
Direct investment	24.7	25.7	26.0	29.1	30.0
Other	0.4	0.3	0.3	0.3	0.3
Other short-term capital, net	-29.9	-24.9	-17.5	-21.6	-17.9
Deposit money banks	10.5	29.6	2.5	-4.4	-19.2
Private transfers, net	-20.0	-24.7	-7.4	-7.8	-8.6
Errors and omissions 2/	-20.4	-29.8	-12.6	-9.4	9.9
Overall balance 3/	2.2	2.4	3.7	-2.2	4.9
Memorandum items:					
Exchange rate (vatu per U.S. dollar, period average)	111.7	113.4	121.6	116.4	112.1
Gross official reserves (in millions of U.S. dollars)	39.8	41.8	45.7	43.6	48.3
(In months of imports)	7.4	7.9	8.9	7.4	7.6
Terms of trade (change in percent)	-2.3	22.2	-15.1	36.5	12.7

Sources: Data provided by the Vanuatu authorities; and staff estimates.

1/ Excluding private transfers, which have been reclassified under "other short-term capital".

2/ Includes valuation changes.

3/ Changes in net foreign assets of the monetary authorities.

Table 25. Vanuatu: Composition of Exports, 1991-95
(In millions of vatu, unless otherwise indicated)

	1991	1992	1993	1994	1995
Domestic exports	1,516	2,027	2,140	2,402	2,551
Copra	516	829	706	894	1,100
Volume (metric tons)	30,878	24,173	28,140	26,441	28,520
Unit value (vatu/ton)	16,711	34,294	25,089	33,811	38,569
Cocoa	258	165	154	226	126
Volume (metric tons)	2,455	1,604	1,401	1,706	1,035
Unit value (vatu/ton)	105,092	102,868	109,921	132,474	121,739
Beef	341	336	457	452	427
Volume (metric tons)	1,217	1,228	1,619	1,612	1,502
Unit value (vatu/ton)	280,197	273,616	282,273	280,397	284,288
Timber	86	146	267	308	252
Volume (metric tons)	1,673	2,269	6,612	4,128	3,257
Unit value (vatu/ton)	51,405	64,346	40,381	74,612	77,372
Squash pumpkin 1/	0	0	129	108	148
Volume (metric tons)	0	0	1,456	2,088	2,605
Unit value (vatu/ton)	0	0	88,599	51,724	56,814
Other	315	551	427	414	498
Re-exports	519	650	618	509	622
Total	2,035	2,677	2,758	2,911	3,173

Source: Data provided by the Vanuatu authorities.

1/ Squash pumpkin was first exported in 1993.

Table 26. Vanuatu: Composition of Imports, 1991-95

	1991	1992	1993	1994	1995
(In millions of vatu)					
Imports, c.i.f.	9,216	9,276	9,581	10,404	10,745
For domestic consumption	8,605	8,609	8,938	9,909	10,267
Food and live animals	1,296	1,606	1,514	1,560	1,613
Beverages and tobacco	374	374	362	423	373
Crude materials, excluding fuels	136	74	87	69	109
Mineral fuels	938	835	829	672	864
Animal and vegetable oil and fats	34	44	38	36	39
Chemicals	593	566	587	674	704
Basic manufactures	1,621	1,378	1,560	1,976	2,089
Machinery and transportation equipment	2,285	2,521	2,600	3,061	3,027
Miscellaneous manufactured goods	1,100	978	1,137	1,186	1,233
Other	228	233	224	252	216
Re-exports	611	667	643	495	478
(In percent of total) 1/					
Food and live animals	15.1	18.7	16.9	15.7	15.7
Beverages and tobacco	4.3	4.3	4.1	4.3	3.6
Crude materials, excluding fuels	1.6	0.9	1.0	0.7	1.1
Mineral fuels	10.9	9.7	9.3	6.8	8.4
Animal and vegetable oil and fats	0.4	0.5	0.4	0.4	0.4
Chemicals	6.9	6.6	6.6	6.8	6.9
Basic manufactures	18.8	16.0	17.5	19.9	20.3
Machinery and transportation equipment	26.6	29.3	29.1	30.9	29.5
Miscellaneous manufactured goods	12.8	11.4	12.7	12.0	12.0
Other	2.6	2.7	2.5	2.5	2.1

Source: Data provided by the Vanuatu authorities.

1/ Excluding re-exports.

Table 27. Vanuatu: Direction of Trade, 1991-95
(In percent of total vatu value)

	1991	1992	1993	1994	1995
Exports, f.o.b.					
Australia	13	12	11	8	10
European Union	47	50	32	32	37
New Caledonia	5	6	7	6	6
Japan	21	19	29	24	24
Bangladesh			10	16	10
Other	14	14	12	14	13
Total	100	100	100	100	100
Imports, f.o.b.					
Australia	38	41	42	37	37
Japan	9	9	8	10	9
France	13	15	6	7	6
Fiji	9	6	6	4	6
New Zealand	12	11	14	13	12
Other	19	18	24	29	30
Total	100	100	100	100	100

Source: Data provided by the Vanuatu authorities.

Table 28. Vanuatu: Services Account, 1991-95
(In millions of vatu)

	1991	1992	1993	1994	1995
Service receipts	9,786	9,759	10,276	10,296	10,702
Ports and airports	806	868	1,065	1,175	1,242
Inward travel	3,888	4,642	4,700	4,705	5,093
Interest income of commercial banks	2,006	1,271	1,576	919	1,207
Finance Center foreign exchange earnings	406	438	342	294	313
Value added on re-exports	-6	75	86	66	81
Interest income of the Reserve Bank of Vanuatu	392	300	241	236	258
Expenditure of foreign embassies	284	68	85	467	270
Administrative expenses of international organizations	385	445	476	516	455
Posts and telecommunications	300	295	300	372	399
Other	1,325	1,357	1,405	1,546	1,384
Service payments	8,378	8,363	8,924	9,414	9,596
Freight and insurance:	1,521	1,531	1,581	1,717	1,773
On domestic imports	1,420	1,420	1,475	1,635	1,694
On imports for re-export	101	110	106	82	79
Airlines' net receipts	467	478	531	607	608
Outward travel	486	494	481	505	517
Investment income of foreign enterprises 1/	3,257	3,422	3,687	4,033	4,029
Interest payments on external debt	19	49	51	62	56
Interest payments by commercial banks	519	240	366	110	170
Interest on foreign loans of local companies	31	43	60	56	83
Value of expatriate services 2/	1,251	1,141	1,122	1,252	1,284
Government expenditure on overseas missions	16	25	56	58	64
Net earnings of insurance companies	235	220	251	262	260
Other	576	720	738	752	752
Net service receipts	1,408	1,396	1,352	882	1,106

Source: Data provided by the Vanuatu authorities.

1/ The reinvested earnings component of investment income also appears as a credit for direct investment under the capital account.

2/ Equals the inflow of technical assistance grants under official transfers.

Table 29. Vanuatu: Official Transfers, 1991-95
(In millions of vatu)

	1991	1992	1993	1994	1995
Total official transfers (1+2+3)	3,593	3,185	3,141	3,490	3,599
1. Total grant aid	3,380	3,083	3,032	3,384	3,470
Foreign aid	2,129	1,942	1,829	2,078	2,066
Recurrent	0	0	0	0	0
Capital in cash	588	448	369	274	305
Capital in kind	1,541	1,494	1,460	1,804	1,761
Technical assistance	1,251	1,141	1,122	1,252	1,284
STABEX	0	0	81	54	120
2. Current contributions to international organizations	-39	-43	-51	-64	-39
3. Other official transfers	252	145	160	170	168
Company registration fees	105	108	112	119	120
Shipping registry	153	44	50	52	52
Foreign fishing licenses	11	12	18	19	20
Other	-17	-19	-20	-20	-24

Source: Data provided by the Vanuatu authorities.

Table 30. Vanuatu: Long-Term Capital Account Transactions, 1991-95
(In millions of vatu)

	1991	1992	1993	1994	1995
Long-term capital (1+2+3+4)	4,228	3,605	3,319	3,666	3,664
1. External public debt	1,428	650	130	252	248
Foreign long-term loans	1,433	656	139	280	271
Principal repayment	-5	-6	-9	-28	-23
2. Subscription to international organizations	-43	-43	-52	-52	-64
3. Foreign direct investment in Vanuatu	2,760	2,916	3,158	3,383	3,380
Equity	0	0	0	0	0
Re-invested earnings	2,760	2,916	3,158	3,383	3,380
4. Other	83	82	83	83	100

Source: Data provided by the Vanuatu authorities.

Table 31. Vanuatu: External Public Debt and Debt Service, 1991-95
(In millions of vatu)

	1991	1992	1993	1994	1995
Total external debt outstanding (disbursed) 1/					
Beginning-of-period stock	2,800	3,793	4,286	4,590	4,431
Net flow	993	493	304	-159	558
Disbursements	1,433	656	139	280	271
Amortization	-5	-6	-9	-28	-23
Adjustment 2/	-435 3/	-157	174	-411 4/	310
End-of-period stock	3,793	4,286	4,590	4,431	4,989
Debt service	24	55	60	90	79
Principal	5	6	9	28	23
Interest	19	49	51	62	56
Memorandum items:					
External debt/GDP (in percent)	18.6	19.9	19.3	17.8	18.6
Debt service ratio 5/	0.3	0.5	0.5	0.7	0.6

Source: Data provided by the Vanuatu authorities.

1/ Medium- and long-term public debt only.

2/ Includes valuation changes and write-offs.

3/ In 1991 about 459 million vatu was written off by the Caisse Francaise de Development.

4/ Mainly owing to the substantial appreciation of vatu (41 percent) against the Chinese yuan renminbi in 1994.

5/ In percent of exports of goods and nonfactor services.