

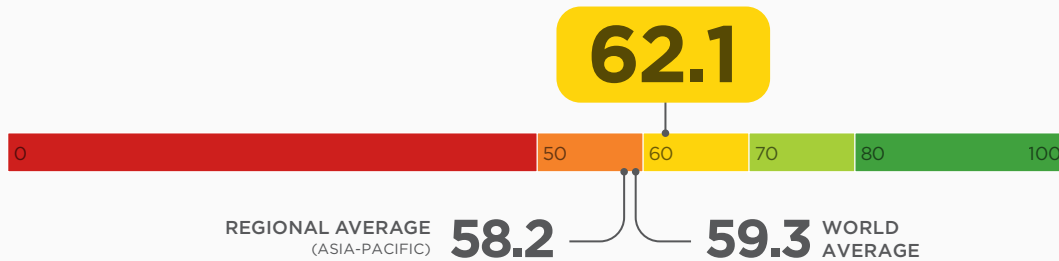
# VANUATU



**V**anuatu's economic freedom score is 62.1, making its economy the 70th freest in the 2023 *Index*. Its score has decreased by 0.8 point since last year. Vanuatu is ranked 12th out of 39 countries in the Asia-Pacific region, and its overall score is above the world and regional averages.

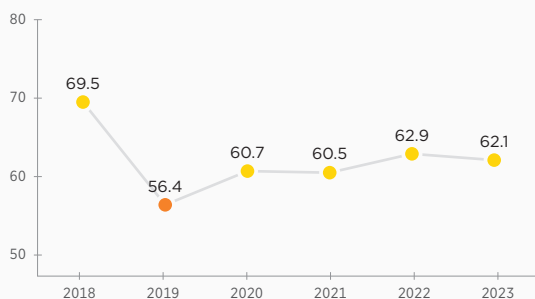
Despite some progress, improvements in the investment and business climate are needed to generate more broadly based economic expansion. Reluctance to undertake institutional reforms continues to slow the development of a dynamic private sector. Vanuatu has taken steps to integrate its economy more thoroughly into the global marketplace.

## ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 2009): +3.7

## RECENT FREEDOM TREND



## QUICK FACTS

**POPULATION:**  
0.3 million

**GDP (PPP):**  
\$0.8 billion  
0.5% growth in 2021  
5-year compound  
annual growth 1.5%  
\$2,716 per capita

**UNEMPLOYMENT:**  
7.9%

**INFLATION (CPI):**  
3.0%

**FDI INFLOW:**  
\$25.7 million

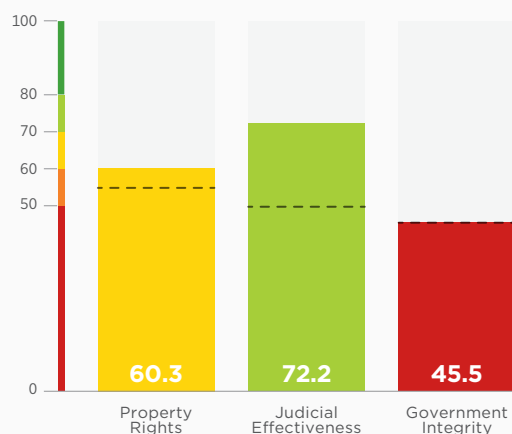
**PUBLIC DEBT:**  
48.2% of GDP

2021 data unless otherwise noted. Data compiled as of September 2022

**BACKGROUND:** The Republic of Vanuatu won independence from British-French administration in 1980 and today is a parliamentary democracy divided between its English-speaking and French-speaking citizens. Bob Loughman was elected to serve as prime minister in 2020, and Nikenike Vurobaravu of the leftist Vanua'aku Party was elected to serve as president after eight rounds of voting in 2022. Vanuatu is heavily dependent on agriculture, particularly subsistence farming, and tourism, which accounts for 40 percent of the economy. Vanuatu had barely recovered from 2015's Cyclone Pam, which had a devastating impact on tourism, when the Category Five Cyclone Harold struck in 2020.

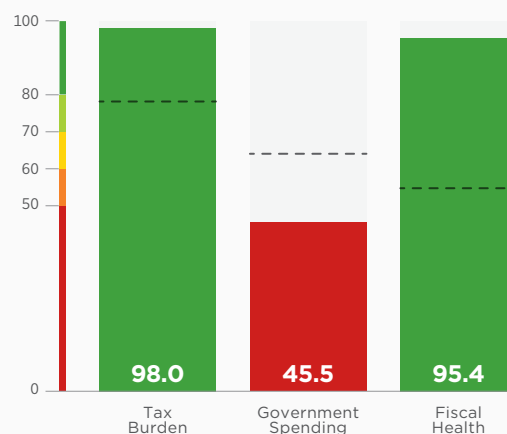
## 12 ECONOMIC FREEDOMS | VANUATU

### RULE OF LAW



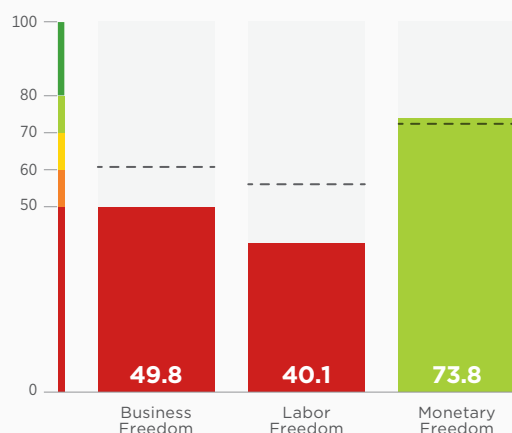
The overall rule of law is relatively well respected in Vanuatu. The country's property rights score is above the world average; its judicial effectiveness score is above the world average; and its government integrity score is above the world average.

### GOVERNMENT SIZE



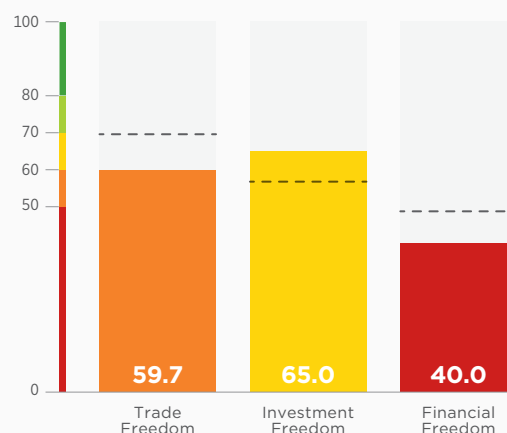
The top individual and corporate tax rates are 0 percent. The tax burden equals 14.2 percent of GDP. Three-year government spending and budget balance averages are, respectively, 42.6 percent and 1.1 percent of GDP. Public debt equals 48.2 percent of GDP.

### REGULATORY EFFICIENCY



Bureaucratic procedures are complex and nontransparent. Starting a business remains time-consuming, but there is no minimum capital requirement. Labor codes are rigid and outmoded, and the formal labor market is not fully developed. Monetary stability has been relatively well maintained despite inflationary pressures.

### OPEN MARKETS



The trade-weighted average tariff rate is 12.7 percent, and nontariff barriers distort trade flows. Inadequate infrastructure and heavy state involvement deter long-term investment. Access to financing remains poor with formal banking services available to a limited number of rural adults.