



IMF Staff and Seychelles Reach Staff-Level Agreement on the First Review Under the Extended Fund Facility (EFF)

FOR IMMEDIATE RELEASE

End-of-Mission press releases include statements of IMF staff teams that convey preliminary findings after a visit to a country. The views expressed in this statement are those of the IMF staff and do not necessarily represent the views of the IMF's Executive Board. Based on the preliminary findings of this mission, staff will prepare a report that, subject to management approval, will be presented to the IMF's Executive Board for discussion and decision.

Washington, DC – November 8, 2021: An International Monetary Fund (IMF) mission led by Boriانا Yontcheva carried out a mission from October 23–November 8, 2021 to assess performance at end-September for the first program review under the Extended Fund Facility (EFF) Arrangement with Seychelles. Discussions were hybrid, conducted partly virtually, partly in Victoria.

At the end of the mission, Ms. Yontcheva issued the following statement:

“The government has made impressive progress in implementing the IMF-supported program and restoring macroeconomic balances. All end-August 2021 quantitative targets under the program were met—some, including the fiscal primary balance target, by a wide margin. The broader structural reform agenda is also moving ahead”.

“The post pandemic economic recovery is expected to be V-shaped and driven by tourism. Since July 2021, tourist arrivals have continued apace and real GDP growth is expected to be around 6 percent in 2021, in line with the expectations at the time of EFF approval. Market sentiment has improved, fiscal deficits have narrowed, and debt ratios have been put on a decisively downward trajectory”.

“The external position has begun to strengthen. Gross international reserves (GIR), which fell in early 2021, began to grow again with the re-opening of borders in March 2021. The local currency has recovered to its pre-COVID level as foreign exchange supply exceeded demand. Second-round effects of the exchange rate depreciation in 2020, combined with pandemic related cost-push factors, have contributed to inflationary pressure in recent months. Annual average inflation is expected to reach 10 percent in 2021, up from 1.2 percent in 2020. Against this backdrop, the Central Bank of Seychelles (CBS) intends to expand the survey of inflation expectations and will be ready to act if inflationary pressures persist.

“The authorities addressed the heightened refinancing risks associated with a heavy reliance on short-term domestic financing during the COVID period. They substantially reduced rollover risks through a liability management operation (LMO), extending the average maturity of existing treasury-bill debt. The authorities also began unwinding COVID-related spending measures.”

“The government is pursuing its commitment to bolstering governance. Seychelles has achieved compliance to be removed from the EU list of non-cooperative jurisdictions for tax purposes in September 2021. As of end October 2021, seventy percent of the international financial institutions submitted information to the beneficial ownership database launched in July 2021 and the authorities are working closely with the remaining entities to ensure their compliance by December 2021.”

“The 2021 budget set the stage for a decisive decline of the path for public debt, after the surge caused by the economic impact of the pandemic. The 2021 primary deficit is expected to decrease to 6.6 percent to GDP. The 2022 budget proposal is similarly being aligned with the authorities’ ambitious multi-year plan to reduce debt-related vulnerabilities.”

““The Central Bank of Seychelles (CBS) plans to capitalize on the improving outlook by setting out its strategy to strengthen Seychelles monetary policy framework. The CBS’s continued close attention to financial sector soundness will reinforce banks’ ability to support the recovery.”

“However, challenges remain. Seychelles’ open economy remains highly vulnerable to external shocks, and climate change. Ensuring a buildup of buffers against shocks remains critical in the current global environment, and requires the continuation of prudent macroeconomic policies and the safeguarding of international reserves.

“The team would like to thank the Seychellois authorities for their close collaboration and the openness that prevailed during the discussions.”

The IMF team met Minister for Finance, Economic Planning and Trade Hassan, Governor of the Central Bank of Seychelles Abel, other senior government officials, as well as representatives of the private sector.]