Mid-Year Economic and Fiscal Outlook

Financial Year 2021 and 2022 Outlook

Ministry of Finance, Economic Planning and Trade, September 2021

MYEFO looks at the state of the economy for the current year (2021) based on developments and data from the first half of the year. MYEFO comments on economic and fiscal performance for the first half of the year; updates forecasted economic conditions for the second half of the year; and provides an initial forecast of anticipated 2021 economic activity and tax revenues. Combined, this allows for the determination of a recommended Government expenditure "envelope" for 2021. MYEFO is compiled by the Ministry of Finance, with inputs from the Macro-Economic Framework Working Group (MFWG).

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Acronyms and Abbreviations

BT	Business Tax
CBS	Central Bank Seychelles
CIF	Cost, Insurance and Freight
CSR	Corporate Social Responsibility Tax
EIB	European Investment Bank
ET	Excise Tax
FA4JR	Financial Assistance For Job Retention
FPCD	Financial Planning and Control Division
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GST	Goods and Services Tax
IMF	International Monetary Fund
LMG	Locally Manufactured Goods
LMO	Liability Management Operation
LPG	Liquid Petroleum Gas
PIM	Public Investment Management
PIT	Progressive Income Tax
PEMC	Public Enterprise Monitoring Commission
PFM	Public Finance Management
PPBB	Performance Program Based Budgeting
PSIP	Public Sector Investment Program
NBS	National Bureau of Statistics
NTB	National Tender Board
NDEA	National Drug Enforcement Agency
MoFEPT	Ministry of Finance, Economic Planning and Trade
MFAB	Macroeconomic Forecasting and Analysis Branch
MDAs	Ministries, Departments, and Agencies
ODC	Other Depository Corporations
OT	Other Tax
SEAS	Seychelles East-Africa Submarine cable
SIDS	Small Island Development States
SSF	Social Security Fund
SRC	Seychelles Revenue Commission
TMT	Tourism Marketing Tax
TT	Trade Tax
VAT	Value Added Tax
WEO	World Economic Outlook

About the Document

Introduction

The purpose of the MYEFO report is to provide updated information to allow the assessment of the Government's fiscal performance against the fiscal strategy set out in the current Budget Papers.

The MYEFO updates key information contained in the most recent Budget Economic and Fiscal outlook report and contains a detailed statement of tax expenditures, presenting disaggregated information on tax expenditures.

The information in the report is to take into account, to the fullest extent possible, all Government decisions and all other circumstances that may have a material effect on the fiscal and economic outlook.

This document provides a snapshot of the economy as after the first half of 2021 giving a brief outlook for the rest of 2021 and 2022. Secondly, the source and amount of taxes that will be collected by Government in the remainder of 2021 and in 2022 is outlined. The taxes are the main component determining the overall level of Government's spending that will be possible in 2021.

The document then discusses the ability of the ministries, departments and Budget-dependent agencies to spend their allocated annual Budget based on performance after the first half of 2021.

Lastly, the document lists out the levels of debt contracted by the Ministry responsible for Finance (on behalf of Government).

Economic Outlook

Overview

International Developments

The global economic outlook remains cautiously optimistic for the rest of 2021 and for 2022 (Table 1), with latest global GDP growth estimates from major institutions averaging 6.0 per cent for 2021 and 4.4 per cent for 2022.

However, global growth remains unevenly distributed, and is largely driven by strong recovery in advanced economies due to increased vaccination and continued fiscal support. The situation in emerging and developing economies is less encouraging, given high COVID-19 cases as a result of low vaccination coverage. Furthermore, many of these economies are partially withdrawing macroeconomic support due to financial constraints, which will further depress prospects.

Even in advanced economies however, risk remains on the downside due to the possibility of further virus mutations. Moreover, nascent inflationary pressures are being felt in some advanced economies due to transitory demand-supply mismatches. If central banks respond by tightening monetary policy, this will also have a large negative impact on emerging and developing countries, given increased debt levels.

Table 1: World Output forecasts from various financial organizations and bodies

	World GDP Growth (%)	
	2021	2022
IMF	6.0	4.9
Fitch Ratings	6.3	4.3
GPMN	6.1	4.0
Standard & Poor's	5.9	4.3
WB	5.6	4.3
Average:	**6.0**	**4.4**
Seychelles:	**6.7**	**6.9**

Source: IMF/Fitch Ratings/GPMN/S&P/WB[1]

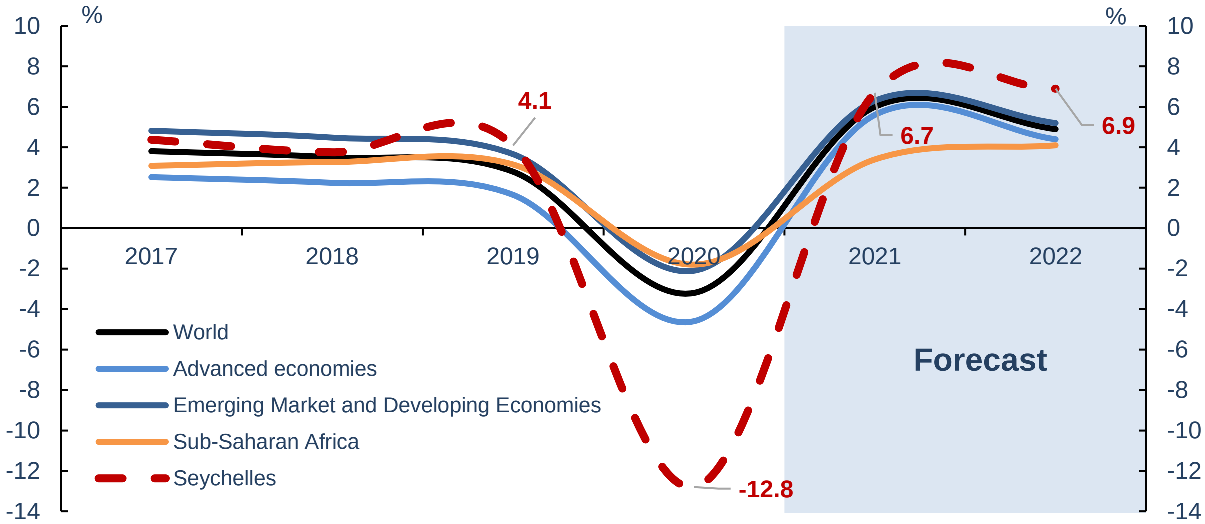
Domestic Developments

Given recent domestic developments in tourism, GDP growth has been preliminary revised upwards to 6.72 per cent compared to the 2.08 per cent initially estimated for Budget 2021. Early indicators suggest that the growth in tourist arrivals could be as high as 32.5 per cent compared to 2020, spurred by progressive vaccination campaigns in target markets.

This higher outlook for tourism is expected to translate positively across other economic activities, especially tourism related sectors such as 'Accommodation and food services' and 'Administrative and support services', which are forecasted to grow at 32 per cent growth and 26 per cent, respectively. Other activities supporting growth remains 'Information communication' and 'Manufacture of food' sectors, which accounts for almost one fifth of total GDP.

[1] IMF World Economic Outlook Update July 2021, Fitch Ratings Global Economic Outlook June 2021, GPMN Global Projections July 2021, Standard & Poors Global Economics Forecast June 2021, World Bank Global Outlook June 2021, and Macroeconomic Forecasting & Analysis Branch MYEFO forecast June 2021 (MoFTIEP Seychelles).

Figure 1: Real GDP Growth estimates (2017-2022)



Source: IMF World Economic Outlook Update July 2021

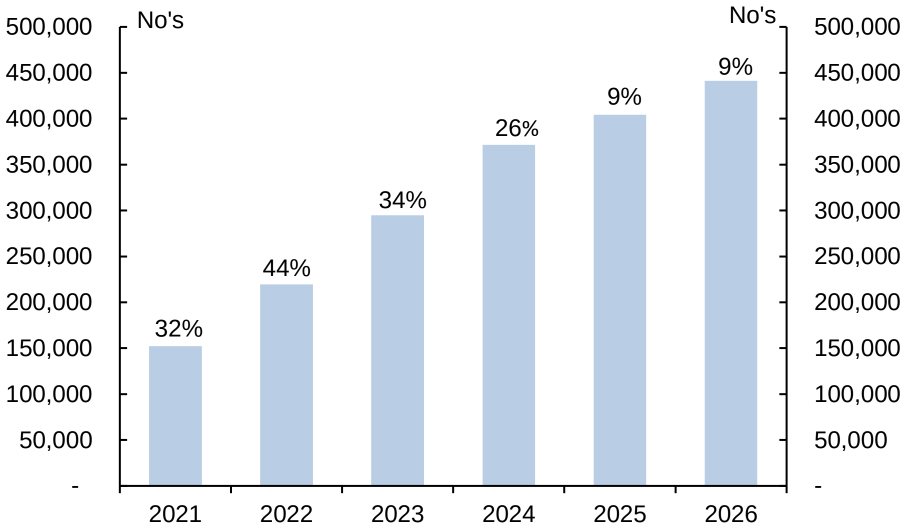
The medium term economic outlook remains strong, with real GDP growth over the period 2022 to 2024 projected to average about 6.5 per cent. This is driven by projected tourist arrivals returning to pre COVID-19 levels, in addition to other positive contributions from other sectors, such as 'Agriculture', where output is expected to increase significantly given ambitious Government led initiatives on the outer islands.

Tourism

Given that an average of about 23.4 per cent of GDP relates to tourism activities, the decline in global travel had an adverse effect on the Seychelles' economy. The year 2020 saw the most sizeable reduction ever recorded in tourist arrival for Seychelles (-70 per cent). Given the strong blow, there was a need for a tourist arrival outlook for the coming years to estimate the return to pre COVID-19 times which is expected in 2024. A gradual pickup in arrivals for 2021 and over the medium term is expected with the continued easing of travel restrictions as well as better containment of the virus worldwide.

Since the re-opening to the global market in March 2021, Seychelles has observed a remarkable pickup in tourist arrivals. The year on year growth for 2021 is estimated to be about 32.5 per cent. Whereas arrival in the medium term is estimated to grow at an average of 25 per cent for the period 2022-2026.The graph below depicts the arrival growth path over the medium term.

Figure 2: Medium term tourist arrivals estimates



Source: Macroeconomic Forecasting & Analysis Branch estimates
Note - Percentages indicate growth rates

The year to date tourism earnings as at June 2021 stands at USD 86.9m, this represents a decline of 43 per cent when compared to that same period last year. In terms of VAT revenue collection from tourism (also discussed in the Fiscal outlook section of this document), SR 186m has been collected for the first half of the year. In comparison to the same period in 2020 this shows a decline of 28 per cent. More revenue in terms of both tourism earnings, and VAT collections are expected towards the second half of the year as arrivals increase further.

Agriculture and Fisheries

Agriculture growth is forecasted at 3.5 per cent for 2021, driven by policies to increase food security, such as developing agriculture on the outer islands, encouraging young people to join the sector, and re-allocating agricultural land on the main islands to more productive farmers. Furthermore, with higher tourist arrivals anticipated, demand for fresh produce from tourism establishments is expected to strengthen, leading to increased production.

Despite lower than expected first quarter performance (19.2 per cent below the first quarter of 2020), the fisheries sector is forecasted to grow by 2.5 per cent in 2021 due to increased tourist arrivals, which will lead to higher demand for fish and seafood products by tourism establishments. While growth for the third quarter will be dampened by the Southeast Trade Winds, per seasonal trend, the fourth quarter is expected to perform better. Furthermore, fisheries benefit from the same food security and diversification policy support as agriculture, with the Seychelles Fishing Authority aiding fishers through various schemes.

For 2022, outlook for both agriculture and fisheries is predicted to improve as projects and programmes take off and achieve results. Growth for agriculture is expected to be 5 per cent, while fisheries growth is forecasted at 3.5 per cent.

Construction

A conservative growth of 2 per cent is expected for the construction sector for this mid-year 2021 revision. While major construction projects gradually resume, low production of concrete and rock products indicate slow recovery of the industry as many companies continue to face COVID-19 related challenges. Promising growth of 5 per cent is projected for 2022 as large-scale construction projects continue to progress.

Manufacturing

For the manufacturing industries, slow growth is projected for 2021 as average real GDP growth for the sector sits at 0.5 per cent only.

'Manufacturing of food', which consists of mostly canned tuna production, has been revised downwards by 5 percentage points. While the latest production statistics indicate a solid performance in the first quarter of 2021, staffing and other COVID-19 related challenges faced by IOT over recent months suggest that production levels have been lower than initially targeted and little significant growth is projected for 2021.

Despite a less severe contraction of the manufacturing of beverage and tobacco sector than was expected during 2020, quarter 1 production statistics continue to show poor growth. Quarter 1 production of beverages sits 17 per cent below the average of the same period from recent years. Considering this, the 2021 growth projection for this sector has been revised downwards to 1 per cent.

No significant growth is projected for the manufacturing of concrete and rock product sector. First quarter production statistics indicate concrete and rock product manufacturing is about 30 per cent slower than recent historical averages, despite the gradual resumption of major construction projects.

For 2022, the food and beverage manufacturing industries are expected to make promising recoveries, resulting in a projected growth of 4 per cent in the aggregated manufacturing sector.

Information and Communication Technology

Demand for ICT services is expected to remain robust in 2021. Data traffic statistics for the first quarter show a strong increase of 32 per cent over 2020. Furthermore, given large ICT growth in the past (most notably 19.9 per cent in 2014, 17.3 per cent in 2017, and 8.5 per cent in 2019), which were driven by new technologies and services in the sector, the likelihood that 2021 would also experience a similar spike is high, given the current work from home arrangements in a significant number of workplaces.

Furthermore, as tourist arrivals picks up in the latter half of the year, demand for ICT services will be further bolstered. Growth for 2022 is forecasted to remain strong at 6 per cent due to continued work from home arrangements and increased tourist arrivals.

Finance and Insurance Activities

Finance and insurance activities are estimated to expand by 5 per cent in 2021, about 4.4 percentage points lower than in 2020. Despite a slowdown in economic activities during the first quarter of the year, this sector showed resilience. For the first quarter of 2021, the Quarterly National Accounts reported a year-on-year negative real GDP growth of about 24.6 per cent. Notwithstanding this, Financial and insurance activities recorded a slight growth of 0.3 per cent, with the majority of businesses undertaking these activities performing better than expected, recording positive growth in profit and turnover. This is expected to continue for the remainder of the year.

When compared to the same period last year, credit to private sector showed a significant increase of about 13.8 per cent whilst M2[2] recorded an increase of about 12.7 per cent. These outturns coupled with the projected growth of key businesses supports the estimated growth rate of this sector.

On average, Finance and Insurance activities is expected to keep growing at 5 per cent in 2022, in line with the projected growth of majority of businesses in this sector.

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[2] A measure of money supply

Monetary Sector

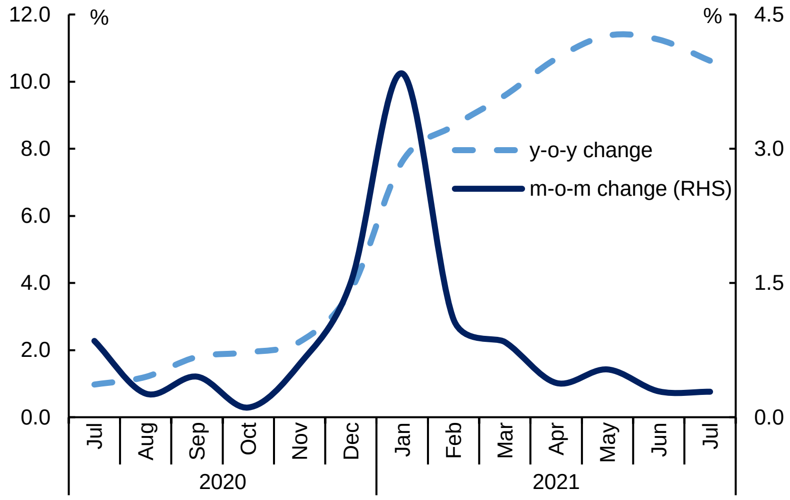
Inflation

The National Bureau of Statistics (NBS) revised the Consumer Price Index (CPI) basket to reflect the latest Household Budget Survey (HBS) conducted in 2018/2019. This updated series, which was published in January 2021, included revisions to the CPI weights and reflected improved coverage of prices. Following the upward trend observed since June 2020, a further uptick was recorded as of January 2021. As such, year-on-year inflation stood at 11 per cent in July 2021 compared to 3.8 per cent in December 2020. A notable increase of 16 per cent in the index for the 'Other Food' category was attributed to a 25 per cent rise in the price of meat (fresh, chilled, frozen). Additionally, average prices in the 'Non-Food Items' expanded by 9.8 per cent driven by an 18 per cent increase in the health sub-category. Given the aforementioned developments, the 12-month average inflation rate stood at 6.7 per cent.

For the rest of the year, average prices are expected to normalise as the economy begins to recover from the impact of the COVID-19 pandemic, although this remains conditional on movements in the domestic currency. On the external front, commodity prices are expected to increase due to higher demand in view of rising global economic activity. Despite OPEC+ members' decision to boost oil supply as of August 2021, demand for oil is anticipated to outweigh supply, as global economic recovery is expected to persist in the upcoming months. Food prices are also forecasted to rise due to higher demand coupled with supply constraints attributed to production and transportation challenges. On the domestic front, the easing of travel restrictions as of March 2021 provided a welcome respite to the tourism sector, although visitor arrivals and tourism earnings remained below pre-pandemic levels. Nonetheless, economic activity is anticipated to further improve in the latter half of the year.

The positive recovery in tourism activity as of the second quarter of the year led to an increase in the supply of foreign exchange which exceeded demand resulting in an appreciation of the domestic currency in April and May. Despite an increase in demand for foreign exchange observed in June and July, the partial pick-up in tourism arrivals and earnings as compared to the previous year, has helped to stabilise the exchange rate. The anticipated uptick in tourism arrivals in the second half of the year may lead to increased inflow of foreign exchange and result in some form of stability in the domestic currency. Monetary policy remained accommodative for the first three quarters of 2021 in order to support domestic economic activity in light of the challenges posed by the pandemic. The Central Bank remains vigilant to both domestic and international developments and will adjust its policy stance should the need arise.

Figure 3: Year-on-year and month-on-month change in the Consumer Price Index



Source: National Bureau of Statistics

Interest Rates

The monetary policy stance has remained accommodative since the second quarter of 2020 in view of the challenges and macroeconomic risks caused by the COVID-19 pandemic, whereby support to the economy was necessary in the form of a lower interest rate environment. This served to alleviate future stress on borrowers, improve short run liquidity conditions and thus, sustain economic activity. The Monetary Policy Rate (MPR) of 3.0 per cent that was set since the third quarter of 2020 was maintained up to the second quarter of 2021, given the need to continue providing support to the weakened economy in 2021. In line with the MPR, the interest rates on the Standing Deposit Facility (SDF) and Standing Credit Facility (SCF) were kept at 1.0 per cent and 6.0 per cent respectively, over this period.

At its June 2021 meeting, the Board of the Central Bank of Seychelles decided to maintain an accommodative stance for the third quarter of the year. This took into consideration the prolonged challenges that threaten the economic recovery and the fact that despite some improvement being observed in economic activity following a partial pick-up in the tourism sector, the economy still remains weak. Given the realities and macroeconomic effects of COVID-19, the Board also approved a structural shift in the interest rate corridor to ensure that market interest rates are aligned with prevailing macroeconomic fundamentals. As a result of this change, the MPR has been set at 2.0 per cent with the interest rates on the SDF and SCF standing at 0.5 per cent and 3.5 per cent, respectively, implying a simultaneous narrowing of the interest rate corridor. With this realignment, a general reduction in interest rates is expected in the medium term in the domestic market. As regards the Minimum Reserve Requirement (MRR), Board's approval was given on June 22, 2020 to lower the MRR from 13.0 per cent to 10.0 per cent on Rupee deposit liabilities should liquidity conditions warrant such an adjustment. This reduction in MRR was implemented as of July 14, 2021 to ensure sufficient liquidity in the financial system.

In line with the accommodative stance, market interest rates have continued to decline. As at June 2021, the effective savings rate stood at 2.13 per cent, from a rate of 2.31 per cent in December 2020. As for the average lending rate, it declined by 2.6 basis points over the same period to stand at 9.32 per cent at June-end.

With regards to the yield on Treasury bills, in July 2021, it stood at 3.38 per cent on the 91-day bills, 4.69 per cent on the 182-day bills and 4.89 per cent on the 365-day bills. In relation to the outcome for end-2020, this was an increase of 46 basis points and 17 basis points in yield on the 91-day bills and 182-day bills, correspondingly, whereas on the 365-day bills, the return declined by 67 basis points.

External Sector

The global vaccination drive and easing of travel restrictions abroad is expected to contribute positively towards a rebound in domestic economic activity. The relaxation of entry requirements for visitors as of March 2021 as well as Seychelles' own internal vaccination programme are expected to be the main factors that would contribute to an improvement in the country's balance of payment projections for 2021 compared to 2020.

Imports

The total value of imported goods is expected to increase in 2021 compared to 2020 mainly as a result of growth in demand as well as higher prices on the international market. In particular, oil prices are projected to be above the level of the preceding year.

Exports

The aggregate value of exported goods is projected to increase in comparison to the previous year. The main contributors are expected to be increases in the value of oil re-exports and overseas sales of canned tuna with the latter due to growth in demand for canned goods.

Services

The country's services account is projected to remain in surplus. Net export of services is expected to be higher primarily attributed to forecasted growth in tourism earnings. In addition, payments for import of services is projected to remain below 2019 levels.

Capital and Financial Accounts

The capital and financial accounts provides insight into how a country's current account transactions are financed.

The high-income status which has driven declines in the total value of grants received in the past has had less influence in the last two years. The impact of the COVID-19 pandemic on the economy has caused a reversal in the aforementioned trend. Capital transfers continue to be primarily bilateral and multilateral donations of capital equipment from partner countries, with India being the main contributor. It is estimated that capital transfers will maintain this positive trend, with the support of the international community.

As has been the case in recent years, foreign direct investment (FDI) and "other investments" remain the main financing sources of the current account. It is projected that the uncertainty holding back projects will to some extent improve for the rest of 2021 and therefore positively impact on FDI inflows. The approved Extended Fund Facility (EFF) by the International Monetary Fund (IMF) in July is expected to boost the country's ability to acquire the required additional external financing.

External Reserves

The country's gross international reserves are expected to end the year at USD 650m or 6.3 months of import cover. This is an increase of USD 91m in comparison to USD 559m or equivalent to 5.0 months of imports in the previous year. The rise in external reserves partly relates to inflows in the form of Budget support loans from bilateral and multilateral partners to the government. The immediate disbursement of USD 34m by the IMF under the EFF programme also contributes to the projected expansion of the external reserves in 2021.

Fiscal Outlook

Going into 2021, the Government recognises the exertion required to get back onto a sustainable debt path and primary balance amidst the COVID-19 crisis. When compared to the initial Budget, the primary balance estimate for the mid-year review has been adjusted upwards from -11.8 to -7.6 per cent of GDP amounting to a SR 1.8bn deficit in level terms (Table 2 below). Measures undertaken in 2020 to mitigate some economic fallouts from the pandemic and boost economic activity has resulted in a significant increase in Government and Government guaranteed debt with total stock expected to amount to SR 21,672m at the end of 2021, representing about 87.7 per cent of GDP. Recovery out of this fiscal impasse will be challenging and far from rapid.

With mounting social pressures on the Government to steer the Country out of this crisis, the administration is committed towards healthier fiscal policies and structural reforms with the support of the International Monetary Fund via an 'Extended Fund Facility' (EEF) arrangement.

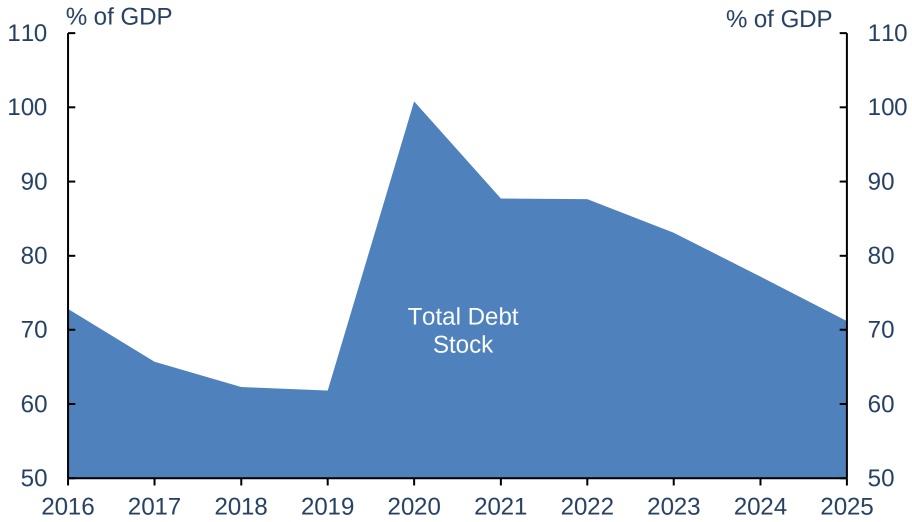
For this mid-year revision, given the more favourable macro assumptions, total Government revenue is now estimated at SR 8bn, SR 242m less than initial Budget. Given better than expected year to date performances under VAT and Income tax, total tax revenue estimate has been revised upwards by about 6.8 per cent to amount to SR 6.6bn. Non-tax revenue and Grants on the other hand, has been revised significantly downwards by about SR 660m in aggregate. Total primary expenditure has been revised downwards by about SR 1.2bn, attributing mainly from reductions in 'capital expenditure' and 'wages and salaries'.

Table 2: Revised Government Revenue and Expenditure (SR'000s)

DESCRIPTION	2020	2021 Budget	2021 MYEFO	2022
Revenue & Grants	7,542,791	8,260,650	8,018,380	9,463,924
Primary Expenditure	9,369,967	8,217,526	8,221,513	8,339,303
PRIMARY BALANCE:	**-3,256,628**	**-2,642,486**	**-1,774,075**	**-1,234,662**
% of GDP:	**-16.2**	**-11.8**	**-7.6**	**-4.8**

Source: Ministry of Finance estimates

Figure 4: Total Debt to GDP



Source: Ministry of Finance, Debt Office estimates

Revenue & Grants

Total Government revenue and grants has been revised downwards by 3 per cent or SR 242m for this mid-year Budget 2021 revision. This is mostly attributed to a reduction of SR 580m or 49 per cent in the estimated Grant income for the year 2021.

In regard to Grants, when compared to the Budget the cash component has been revised downwards by about SR 220m or 56 per cent. Whereas the capital component has been reduced by 45 percent or about SR 360m.

Tax revenue estimate on the other hand has been revised upwards by 6.8 per cent or about SR 418m.The more optimistic outlook in terms of tax revenue is attributed to better than anticipated performance in most tax lines, as well higher macro-economic assumptions used for this round of revision.

The table below shows the breakdown of the total Budget envelope for the current year with a preliminary 2022 estimate.

Table 3: Revised Government Revenue (SR'000s)

DESCRIPTION	2020	2021 Budget	2021 MYEFO	2022
Tax Revenue	6,369,459	6,172,747	6,590,421	7,432,971
Non-Tax Revenue	786,715	902,143	822,102	938,602
Grants	386,618	1,185,759	605,856	1,092,351
TOTAL: REVENUE & GRANTS	**7,542,791**	**8,260,650**	**8,018,380**	**9,463,924**
% of GDP:	**37.6**	**36.9**	**34.3**	**36.6**

Source: Ministry of Finance estimates

Tax Revenue

2021 tax revenue has been revised upwards by about SR 418m for the mid-year Budget revision. This is equivalent to a 6.8 per cent increase and represents a 0.6 percentage point increase in total tax to GDP.

Table 4: Breakdown of Medium Term Tax Revenue (SR'000s)

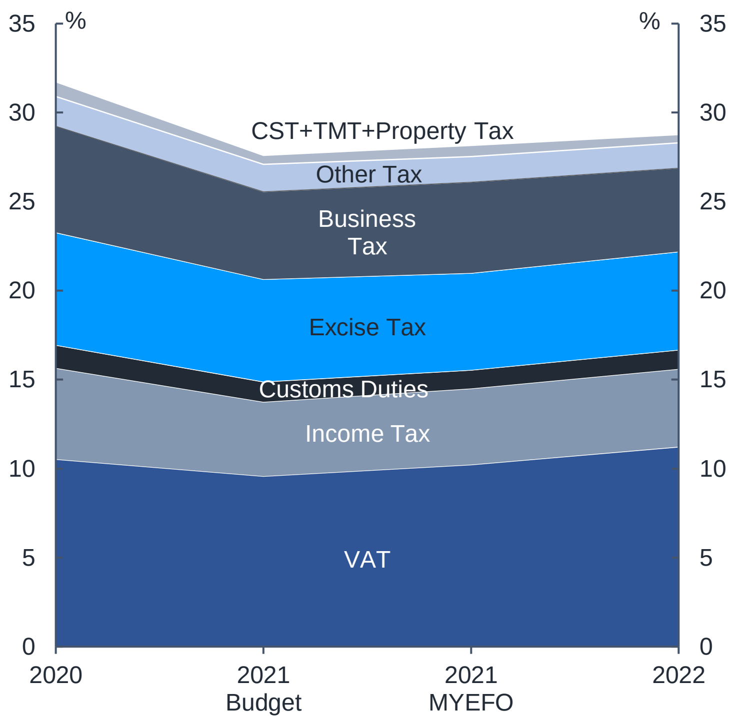
DESCRIPTION	2020	2021 Budget	2021 MYEFO	2022
Income Tax	1,023,230	929,046	998,759	1,125,155
Social Security Tax Arrears	-26	0	0	0
Custom Duties	259,549	254,764	244,776	278,635
Excise Tax	1,268,094	1,286,172	1,276,697	1,425,636
GST (Goods and Services)	1,738	0	988	0
Value Added Tax	2,115,347	2,141,392	2,391,361	2,899,815
Business Tax	1,203,899	1,102,968	1,196,718	1,214,352
Corporate Social Responsibility Tax	101,871	16,989	43,276	0
Tourism Marketing Tax	61,511	57,416	61,497	73,980
Other Tax	333,452	344,001	336,350	365,399
Property Tax	793	40,000	40,000	50,000
TOTAL: TAX REVENUE	**6,369,459**	**6,172,747**	**6,590,421**	**7,432,971**
% of GDP:	**31.7**	**27.6**	**28.2**	**28.8**

Source: Ministry of Finance and Macroeconomic Forecasting & Analysis Branch estimates.

This upward revision is attributed to a more positive outlook for most tax lines as a result of better than expected performance up to June 2021. The most notable upward revision has been in Domestic VAT which was increased by about SR 167m, mainly due to the more positive nominal growth assumptions related the strong pickup in tourism activities. Business tax projections were also increased by about SR 94m, mostly due to higher than anticipated collections from 'Companies' during the second quarter of 2021 as well as promising arrears collection outlook. On the other hand, downward revisions have been made to Custom duties and Excise tax to reflect a fall in import volumes, particularly in motor vehicles and alcohol. Despite the abolition of Corporate Social Responsibility Tax as of April 2021, this line was revised upwards by SR 26.3m in light of strong levels of arrears payments recorded even after the April deadline.

The early estimate for 2022 tax revenue is that of continued pick up in collections in line with economic growth, and a modest increase as a ratio to GDP.

Figure 5: Tax Revenue to GDP



Source: Ministry of Finance and Macroeconomic Forecasting & Analysis Division estimates.

Income Tax

Background

Income tax is a withholding-based tax on wage income for nationals and resident expatriates. Also levied on Non-Monetary employee benefits, this tax was introduced on the 1st of July 2010 and replaced the previous Social Security Contribution system. As of the 1st of June 2018, the current Income tax regime was replaced by a progressive system with different rates applicable at different income brackets.

2021 Context and 2022 Projections

As a result of positive year to date performances in the first half of the year, Income tax has been revised upwards for this mid-year Budget 2021 revision to about SR 999m, equivalent to 4.5 per cent of GDP. In comparison to the initial Budget estimate, this represents an increase by SR 69.7m or 7.5 per cent (Table 5). Income tax collections have so far over-performed by about SR 39m, with the lead contributor being the 'Private sectors' line by about SR 47m, followed by 'Central Government' by about SR 12m, and offset by an under-performance of about SR 20m by the 'Other Public sectors'. While the first two components of Income tax have consistently tracked and surpassed the Budget, the latter has been on a declining path since the beginning of the year[3].

Income tax has been more buoyant on account of wage and employment levels remaining fairly consistent in 2021 following 2020, as well as a much lower than estimated impact of the stoppage of FA4JR. Both of these factors have been supported by the faster pick-up in economic activity following the re-opening of borders at the end of March 2021. Tourism has rebound faster than initially anticipated, and this has had positive knock-on effects on economic activity across various productive sectors. As a result, the revisions made to this tax line have accounted for this better performance.

The initial outlook for 2022 is for continued growth in Income tax in line with the broader economic recovery projected for the country, and maintaining a flat ratio to GDP of about 4.4 per cent.

Table 5: Medium Term Income Tax (SR'000s)

DESCRIPTION	2020	2021 Budget	2021 MYEFO	2022
Central Government	242,261	239,341	254,497	280,967
Other Public Sector	111,721	112,532	80,805	104,667
Private Sector	669,249	577,173	663,456	739,521
TOTAL: INCOME TAX	**1,023,230**	**929,046**	**998,759**	**1,125,155**
% of GDP:	**5.1**	**4.2**	**4.3**	**4.4**

Source: Ministry of Finance and Macroeconomic Forecasting & Analysis Branch estimate

[3] MFAB is working with SRC to identify the main causes behind this lower performance.

Custom Duties

Background

Custom Duty is levied on specified goods that are imported to Seychelles based on their CIF (Cost, Insurance and Freight) value. However, approximately 90 per cent of the tariff lines are subject to a zero per cent rate. The applicable tax rate depends on the nature of the Custom duty component, whether it is specific or ad valorem. Tax collections on ad valorem rate items tend to grow in tandem with the nominal GDP whereas, tax collections on specific rate items grow in tandem with real GDP only. Following WTO policies and regulations, certain Custom Duty rates have been significantly reduced and others, such as petroleum, motor vehicles and levy, have been or are expected to be transferred out of Custom Duties.

2021 Context and 2022 Projections

Custom Duties has been revised downwards by about SR 10m or 4 per cent, compared to the initial Budget. The forecast was adjusted downwards by about SR 27m mainly because of weaker collections year-to-date. The main under-performances were observed in ‘Levy’ and ‘Alcohol’ by about SR 15m and SR 7m respectively. The downward revision was partially offset by about SR 17m attributing mainly from more favourable macroeconomic assumptions for the year, following pickup in economic activities coupled with positive base changes given that Custom duties performed better than expected by the end of 2020.

Tax revenue collection for Customs Duties in the first half of 2021 amounted to SR 95.3m, about SR 28m lower than initial 2021 Budget estimates or a 31 per cent decline when compared to that same period last year. Given the lessened economic activities in the first quarter of 2021, this impacted imports and revisions were made to the tax line to account for this lower performance to date. Better performance is expected during the second half of the year as tourism activities surges and exchange rates more or less stabilizes.

Table 6: Medium Term Customs Duties (SR’000s)

DESCRIPTION	2020	2021 Budget	2021 MYEFO	2022
Custom Duties Direct Imports	**260,960**	**259,764**	**246,776**	**283,635**
Alcohol	79,357	81,881	72,269	84,365
Textiles and textile articles	7,071	6,496	8,243	9,100
Tobacco	3,105	3,108	3,314	3,544
Prepared Food	13,662	11,182	14,266	15,750
Others	84,955	80,142	85,378	94,258
Levy	44,245	47,288	32,537	43,599
Documentary Charges	2,917	3,239	3,401	3,754
Livestock Trust Fund	25,646	26,428	27,368	29,264
Custom Duties Exemptions	-1,412	-5,000	-2,000	-5,000
TOTAL: CUSTOM DUTIES	**259,549**	**254,764**	**244,776**	**278,635**
% of GDP:	**1.2**	**1.1**	**0.9**	**1.1**

Source: Ministry of Finance and Macroeconomic Forecasting & Analysis Branch estimates

Custom Duties collections has been on declining trend since 2020 and is expected to pick up in 2022. The total tax collection under the tax line is forecasted at SR 279m or 1.1 per cent of GDP for the year 2022.

Excise Tax

Background

Excise tax is applied to specific imported and locally manufactured goods in order to control consumption due to health or environmental implications. The former reason applies to alcohol, tobacco and sugar while the latter applies to petroleum and motor vehicles. Excise tax on all goods, other than motor vehicles, is specific.

Imported petroleum products account for the highest contribution to the Excise tax as a whole. The demand for excisable goods generally show a minimal response to price fluctuations since the demand for most goods being taxed, in particular tobacco, are relatively price inelastic. Hence, this tax line proves to be a significant revenue earner for the Government.

2021 Context and 2022 Projections

Compared to the initial Budget, Excise tax has been revised downwards by a total of SR 9.5m or 1 per cent. This is mainly attributed to significantly weaker year-to-date collections in Excise on direct imports amounting to SR 75m, ¾ of which is as a result of lower 'Motor Vehicle' receipts[4]. The downward revision was almost fully offset in upward revisions made to other lines following the more favourable macroeconomic assumptions regarding both real and nominal GDP growth which boosted revenue estimates by about SR 50m.

Table 7: Medium Term Excise Tax (SR'000s)

DESCRIPTION	2020	2021 Budget	2021 MYEFO	2022
Excise-Imports	**853,879**	**869,020**	**837,393**	**950,825**
Alcohol	198,207	197,772	181,906	210,811
Petroleum	551,598	562,839	579,923	627,078
Motor Vehicles	97,608	101,600	68,664	105,557
Tobacco	6,467	6,809	6,901	7,379
Excise-Locally Manuf. Goods	**369,982**	**370,006**	**394,470**	**426,870**
Alcohol	174,000	175,637	178,927	196,393
Tobacco	195,982	194,369	215,543	230,477
Sugar Tax	**44,232**	**47,146**	**44,834**	**47,941**
Imported Beverages	21,390	23,454	20,459	21,877
LMG - Beverages	22,842	23,692	24,375	26,064
TOTAL: EXCISE TAX	**1,268,094**	**1,286,172**	**1,276,697**	**1,425,636**
% of GDP:	**6.3**	**5.8**	**4.9**	**5.5**

Source: Ministry of Finance and Macroeconomic Forecasting & Analysis Branch estimates.

The total tax collections for Excise tax in the first half of 2021 amount to SR 546m representing a

[4] The estimate for this tax line was more optimistic than in 2020 given the relaxation of the import ban. However the lower tax outturn indicates lower demand than anticipated.

decrease of about SR 93m or 15 per cent when compared to Excise tax collections in the first half of 2020. The weak collections thus far are attributed to the slowdown in economic activity in the first quarter of the year and as a result the decline in imports.

Excise tax Revenue for 2022 is estimated at SR 1.4bn or 5.5 per cent of GDP. This represents a 12 per cent increase in revenue collections under this tax line.

Value Added Tax

Background

VAT is charged on all taxable imports but not on exports, also known as the 'destination principle'. VAT is imposed on the value added of all taxable products that are produced and consumed domestically provided by VAT registered companies. Compulsory registrations are for businesses with an annual turnover exceeding SR 2m. Currently, a 15 per cent flat rate is applied on all taxable goods and services. VAT collections tends to grow in tandem with Nominal GDP and it accounts to approximately 35 per cent of the total tax revenue collections, making it the single largest tax line.

2021 Context and 2022 Projections

In comparison to the initial Budget, VAT has been revised upwards by about SR 250m or 12 per cent. This is mostly attributed to higher GDP growth assumptions for 2021 (accounting for 81 per cent of total increase in VAT) following the pickup in economic activity observed in the first half of the year. The upward revision also stems from a higher base in most VAT lines following a more positive 2020 outturn than expected and positive year to date performances recorded in most VAT lines.

Across the lines, the most significant increase was observed in VAT tourism by SR 102.9m, mostly attributed to a more positive forecast for tourism supported by faster pace in arrivals to date and in anticipation of a buoyant second half of the year. However, the year to date performance of this line shows an under-performance of about SR 16m, this may be due to a profiling issue, where the profile reflects past data when the tourism sector was performing better. Nonetheless the under-performance might also be attributed to a timing issue as a considerable pickup in arrivals were observed since the reopening in March 2021. Better performance is expected in the second half of the year with the anticipated increase in tourist arrival.

The other major increases in VAT domestic lines was observed in 'Real estate' and 'Wholesale retail' by SR 11.9m and SR 10m respectively. For VAT Imports, SR 72.7m was added to the forecast in line with the better economic outlook. The year to date performance in this line shows an under-performance of about SR 22m. In the past, performance in this line has proven to be quite volatile and unpredictable. Better performance is anticipated for the second half of the year with the anticipated pickup in economic activity.

Compared to the first half of 2020, the year to date total VAT collections reflects a reduction of SR 90m or 9 per cent, which is attributed to the three good months of tax collection at the beginning of 2020.

For the year 2022, the total tax revenue forecasted for VAT is around SR 2.9bn or 11.2 per cent of GDP. This 1 per cent of GDP increase is in line with the continued economic growth projected for 2022.

Table 8: Medium Term Value Added Tax (SR'000s)

DESCRIPTION	2020	2021 Budget	2021 MYEFO	2022
VAT- Domestic	**1,205,661**	**1,206,407**	**1,373,706**	**1,699,328**
LMG- Alcohol	78,881	83,264	89,676	109,296
LMG- Tobacco	35,759	35,980	43,863	51,705
Construction	79,221	85,988	92,347	108,857
Services - Tourism	504,119	478,649	581,502	754,452
Services - Financial and Insurance activities	68,950	73,299	80,374	94,744
Services - ICT and Telecommunication	113,463	116,052	124,221	153,882
Real Estate	44,287	42,567	54,503	64,247
Wholesale Retail - Others	139,134	149,219	159,261	187,734
Others	141,849	141,389	147,959	174,412
VAT- Imported	**909,736**	**949,985**	**1,022,655**	**1,205,487**
VAT-Exemptions	-50	-15,000	-5,000	-5,000
TOTAL: VALUE ADDED TAX	**2,115,347**	**2,141,392**	**2,391,361**	**2,899,815**
% of GDP:	**10.5**	**9.6**	**10.2**	**11.2**

Source: Ministry of Finance and Macroeconomic Forecasting & Analysis Branch estimates

Business Tax

Background

The Business tax revenue consists of provisional payments (called Pay As You Go – PAYG) paid by businesses in monthly instalments for the current year. Additionally, the businesses are assessed on their profit of the previous year, which they are required to lodge by March. Based on this assessment, the company either has an additional tax liability (PAYG paid is less than actual tax payable) or is due for a refund (PAYG paid exceeds actual tax payable). Although companies are required to lodge their returns by March, extensions of this lodgement date are provided under the SRC lodgement program.

2021 Context and 2022 Projections

Business tax was revised upwards by SR 94m or 8.5 per cent for the mid-year Budget 2021 revision. This positive adjustment is largely due to higher than expected collections recorded, particularly from 'Companies', during the second quarter of 2021. Furthermore, it is estimated that an additional SR 20m in arrears will be collected throughout the year as a result of SRC's recently announced tax amnesty scheme. Hence, the 'Companies' line was revised upwards by a total of SR 104m or 11 per cent.

Further upward revisions were made in the 'Sole Traders' and 'Partnerships' lines by SR 17m and SR 7m respectively, the majority of which were due to base adjustments following a more positive 2020 end of year outturn, and the more optimistic economic outlook. On the other hand, the implementation of lower Withholding tax rates as of April 2021 led to a net downward revision of SR 33m; notwithstanding improved growth assumptions and strong levels of 'Withholding tax' collections over the first half of the year. Persistent minor under-performances from 'Residential dwellings' have also induced a slight downward revision of SR 2m.

In light of the announced reduction in Business tax rates, 2022 projections have been revised downwards by about SR 64m or 6 per cent.

Table 9: Medium Term Business Tax (SR'000s)

DESCRIPTION	2020	2021 Budget	2021 MYEFO	2022
Companies	1,017,019	924,759	1,029,481	1,052,692
Sole Traders	43,603	37,759	55,053	59,683
Partnerships	18,692	15,175	22,305	24,180
Trusts	19	11	21	23
Withholding Tax	102,844	102,922	69,507	55,712
Others	86	9	93	100
Residential Dwelling	21,635	22,333	20,259	21,962
TOTAL: BUSINESS TAX	**1,203,899**	**1,102,968**	**1,196,718**	**1,214,352**
% of GDP:	**6.0**	**4.9**	**5.1**	**4.7**

Source: Ministry of Finance and Macroeconomic Forecasting & Analysis Branch estimates.

Corporate Social Responsibility Tax

Background

Corporate Social Responsibility tax (CSR) was introduced in January 2013, and has recently been abolished in April 2021. It was applicable to all businesses with a turnover of SR 1m and over, and was levied on monthly company turnover at a 0.5 per cent rate. Half of this tax could be offset against any donations or sponsorships a company chose to make. CSR was established to encourage compliance with ethical and regulatory standards, as well as promote accountability for businesses' actions.

2021 Context and 2022 Projections

CSR has been revised upwards by SR 26.3m or 155 per cent compared to the initial 2021 Budget. This large revision is due to continued collections in this line following the April 2021 abolition contrary to initial estimates. CSR collections, following the planned April 2021 abolition, have remained positive, with quarter 2 recording an inflow of SR 15.5m. Given that the Budget forecast was for zero collection during the period after abolition, this collection was entirely an over-performance due to arrears.

'Wholesale and retail trade' businesses are the main contributor to these arrears at 40 per cent, followed by 'Accommodation and Food' Services" businesses at 12 per cent.

The arrears are expected to continue in the ensuing months as SRC's overall efforts to collect debt persists. However, collection is expected to taper off and cease before the start of 2022.

Table 10: Medium Term breakdown of Corporate Social Responsibility Tax (SR'000s)

DESCRIPTION	2020	2021 Budget	2021 MYEFO	2022
Corporate Social Responsibility Tax (CSR)	100,976	16,989	43,276	-
TOTAL: CSR	**100,976**	**16,989**	**43,276**	**-**
% of GDP:	**0.5**	**0.1**	**0.2**	**-**

Source: Ministry of Finance and Macroeconomic Forecasting & Analysis Branch estimates.

Tourism Marketing Tax

Background

Tourism Marketing tax (TMT) was introduced in January 2013 and is applicable to all tourism operators, banks, insurance, and telecom companies with turnovers of SR 1m and above. It is a 0.5 per cent tax levied on company turnover with the aim of having greater private sector contribution to the Tourism Marketing Fund.

2021 Context and 2022 Projections

Tourism Marketing tax has been adjusted upwards by SR 4.1m or 7 per cent compared to Budget 2021 for the mid-year Budget 2021. Quarter 1 collections were above forecast by 35 per cent, reflecting better than expected performance by some companies paying TMT at the start of the year, specifically telecommunication companies. As from March 2021, the collections have tended to converge to Budget expectations, with Quarter 2 recording a relatively slight under-performance of SR 1.7m or 13 per cent.

On a year-to-date basis TMT has been more or less in line with the Budget forecast, recording a small over-performance of SR 1m, or 5 per cent. However, the SR 4m revision was deemed necessary given expectations for higher tourist arrivals in the second half of the year.

TMT collections are expected to reach SR 74m in 2022 and account up 1 per cent of GDP in line with expected continued recovery in tourism.

Table 11: Medium Term breakdown of Tourism Marketing Tax (SR'000s)

DESCRIPTION	2020	2021 Budget	2021 MYEFO	2022
Tourism Marketing Tax (TMT)	61,078	57,416	61,497	73,980
TOTAL: TMT	**61,078**	**57,416**	**61,497**	**73,980**
% of GDP:	**0.3**	**0.3**	**0.3**	**0.3**

Source: Ministry of Finance and Macroeconomic Forecasting & Analysis Branch estimates.

Other Tax

Background

Other Tax comprises of a set of licence fees and smaller tax lines that covers a variety of sectors in the economy. The main constituents are ‘Road Tax’, ‘Telecommunications Licences’, and ‘Stamp Duty’. These three components account for approximately 63 per cent of the Other Tax Revenue.

2021 Context and 2022 Projections

Other Tax has been revised downwards by SR 7.7m or 2 per cent, due to the under-performance of most sub-lines in the first six months of 2021. As of May 2021, Telecommunication Licences has under-performed by SR 8.5m or 37 per cent. This is due to volatility in the timing of payment of licences by related companies. Despite this timing issue, this line has been revised upwards slightly due to more favourable macroeconomic assumptions for the ICT sector in the second half of the year.

Road Tax recorded an under-performance of SR 4.7m or 10 per cent year to date. The worst performing months were January and May, which were also the months that saw the toughest health restrictions after significant spikes in COVID-19 cases. However, this line was also revised upwards due to similar positive growth expectations for the upcoming months. Stamp Duty has also under-performed by SR 13m or 26 per cent as of June 2021. This has been reflected in the now lower Budget estimate for this tax line. Stamp duty payments do not follow any specific trend and as such can be hard to profile reliably.

Other tax is expected to increase in 2022 to reach SR 365m, remaining at 1.4 per cent of GDP.

Table 12: Medium Term breakdown of Other Tax (SR’000s)

DESCRIPTION	2020	2021 Budget	2021 MYEFO	2022
OT- Ministry of Finance				
Trade/Ind Licences	9,441	9,637	10,074	10,773
Licences and Other Licence Registration	3,380	3,450	3,607	3,857
Road Tax and Other Licences	117,840	120,290	122,581	131,075
Telecommunications Licences	63,090	63,090	71,380	78,120
Hotel Licences	92	94	99	105
Liquor and Toddy Licences	300	306	320	342
Radio Broadcasting Licences	1,751	1,751	1,751	1,751
SUB TOTAL	**195,894**	**198,618**	**209,812**	**226,022**
OT- MoENRT				
Environment Trust Fund	5,206	5,703	7,124	7,865
OT- Department of Legal Affairs				
Stamp Duty	123,562	130,835	110,166	121,624
OT-Department of Transport				
Vehicle Testing	8,666	8,846	9,248	9,888
TOTAL: TAX REVENUE	**333,328**	**344,001**	**336,350**	**365,399**
% of GDP:	**1.7**	**1.5**	**1.4**	**1.4**

Source: Ministry of Finance and Macroeconomic Forecasting & Analysis Branch estimates.

Property Tax

Background

Property Tax came into effect in January 2020, and is applicable to non–Seychellois owners of immovable property for residential purpose. The tax rate is 0.25% of the market value of the property.

2021 Context and 2022 Projections

The Budget estimate for Property Tax remains at SR 40m for this mid-year Budget 2021. This is a new tax line and as such is treated with caution at this stage. About SR 16m has so far been collected, with spikes in March and April 2021. The latter is largely attributed to payments for the 2020 tax year, since the deadline for that year was extended to 30th March 2021. Under normal conditions, the deadline for payment is 31st December every year, however an extension was approved in 2020 because property owners could not travel to Seychelles to complete paperwork due to COVID-19 restrictions.

As of July 2021, 610 registrations to pay Property tax have been processed by SRC, 585 valuations have been completed by the Ministry of Land Use and Housing, and 417 payments have been made to SRC.

As more taxpayers register, Property tax is expected to increase to SR 50m in 2022.

Table 13: Medium Term breakdown of Property Tax (SR'000s)

DESCRIPTION	2020	2021 Budget	2021 MYEFO	2022
Property Tax	793	40,000	40,000	50,000
TOTAL: PROPERTY TAX	**793**	**40,000**	**40,000**	**50,000**
% of GDP:	**0.0**	**0.2**	**0.2**	**0.2**

Source: Ministry of Finance and Macroeconomic Forecasting & Analysis Branch estimates.

Non-Tax Revenue & Grants

2021 Context and 2022 Projections

The total non-tax revenue collected during the first half of the year summed up to SR 284m. This was against a budgeted amount of SR 302m. The same period last year recorded a total of SR 239m. Non-tax revenue has been revised downwards by SR 80m, equivalent to a 9 per cent change.

Table 14: Non-Tax revenue and grants (SR'000s)

DESCRIPTION	2020 Actual	2021 Budget	2021 MYEFO
Non-Tax Revenue	**786,715**	**902,143**	**822,102**
Fees and Charges	263,396	383,699	297,939
Dividends Income	412,427	375,275	375,275
Other Non-Tax	48,182	55,119	73,968
Proceeds from Sale of Assets	62,710	88,051	74,920
Grants	386,618	1,185,759	605,856
TOTAL: NON TAX REVENUE	**1,173,332**	**2,087,903**	**1,427,959**
% of GDP:	**5.8**	**9.3**	**6.0**

Source: Ministry of Finance- Financial Planning and Control Division estimates

Fees and Charges

For the first half of the year, the total revenue collected within Fees and Charges category summed up to SR 154m compared to a Budget of SR 191m. This represents an underperformance of fees and charges of SR 36m.

Table 15: Fees and Charges (SR'000s)

DESCRIPTION	2020	2021 Budget	2021 MYEFO
First half of the year	115,792	190,696	154,433
Second half of the year	147,604	193,002	143,506
TOTAL: FEES AND CHARGES	**263,396**	**383,699**	**297,939**
% of GDP:	**1.3**	**1.7**	**1.3**

Source: Ministry of Finance- Financial Planning and Control Division estimates

The main lines contributing to the underperformance was Passenger Service fees, disembarkation fees, and Travel advisory fees. There has been a delay in the transfer of the fees, it is expected in the second half of the year.

There were over-performance as well under lines such as Immigration Fees and COVID-19 PCR test. In relation to Immigration fees, more organisations are settling their dues owed in 2021 which saw the department surpass its targets. The Health Care Agency is also running more COVID tests in the first half more than what the agency had forecasted which has resulted in the increase in revenue.

Dividend Income

The first half of the year recorded an actual of SR 57m in Dividend Income. This was against a budget of SR 64.7m. The same period last year recorded actuals of SR 53m.

Table 16: Dividend Income for the first half of 2021 (SR'000s)

DESCRIPTION	Budget	Actual
Financial Services Authority	50,000	57,166
IOT	10,200	
Land Marine	4,500	
TOTAL: DIVIDEND INCOME	**64,700**	**57,166**

Source: Ministry of Finance- Financial Planning and Control Division estimates

The 2021 revised figures for dividend income remains the same as the original budget. A downward revision is expected from SEPEC after assessing its performance in the first half along with its forecast until the end of the year given the foreign exchange fluctuations. As for the Financial Services Authority, they have surpassed their first half target because of the high rate of foreign exchange during the beginning of the year.

Other Non-Tax

Other non-tax actuals summed up to SR 37m compared to a budget of SR 22m. It represents an over-performance of SR 14m or 63 per cent. This was because of the statutory transfer from CBS which was not budgeted but was transferred in the first half.

Proceeds from Sales of Assets

Total revenue from proceeds from sales of assets amounted to SR 36m in comparison to a budget of SR 43m. This represents an under-performance of SR 7m or 17 per cent. The main driver of the under-performance is long term Lease of land and buildings, which the schedule of payments are not being respected largely due to Covid-19.

Table 17: Other Non-Tax (SR'000s)

DESCRIPTION	2020	2021 Budget	2021 MYEFO
First half of the year	6,249	29,476	36,652
Second half of the year	41,933	25,643	37,317
TOTAL: OTHER NON-TAX	**48,182**	**55,119**	**73,968**
% of GDP:	**0.2**	**0.2**	**0.3**

Source: Ministry of Finance- Financial Planning and Control Division estimates

Grants

Table 18: Grants Receipts for 2021 (SR'000s)

DESCRIPTION	2020 Actuals	2021 Budget	2021 MYEFO
Cash Grant	**386,618**	**394,687**	**174,359**
Benefits in Kind		**791,072**	**431,497**
Capital		700,847	350,545
Recurrent		90,225	80,952
TOTAL: GRANT RECEIPTS	**386,618**	**1,185,759**	**605,856**
% of GDP:	**1.9**	**5.3**	**3.0**

Source: Ministry of Finance- Financial Planning and Control Division estimates

Cash Grant

For 2021, cash grant has been revised downward by 56 per cent. This is partly contributed by the difference in exchange rate used during the budget preparation and the revised forecast which is lower by 19 per cent. In addition, this is due to slower execution in projects by various MDAs particularly the following projects: the construction of La Digue Hospital, the Construction of the new Isolation centre, the Construction of the Marine Police Facilities, delay in the implementation of projects funded under the India small development grants.

Grants in kind

Grants in kind has also recorded a downward revision. The budgeted figure has been revised downward by 45 per cent. This is due to delay in implementation of the Drug Rehabilitation Centre, construction of the Police Head Quarter, the construction of the Attorney General Chamber. In addition there is a delay with the construction of the Seychelles Broadcasting Corporation House which completion has been deferred to 2022.

Expenditure

Scope

This section is dedicated towards reviewing expenditure incurred by Central Government and budget dependent entities. It does not include the cost of financing, net lending and Contingency fund.

Overview

The total primary expenditure has been revised downwards from SR 8,218m to SR 8,222m. This was a result of most broad expenditure categories being cut because of delays in implementation of planned programmes and activities largely due to the late approval of the budget and the pandemic.

Table 19: Primary Expenditure (SR'000s)

PRIMARY EXPENDITURE	2020	2021 Budget	2021 MYEFO
Wages and Salaries	2,844,617	2,964,513	2,929,531
Goods and Services	2,914,532	3,085,882	3,066,914
Social Programme of Government	1,512,054	485,868	485,868
Transfers to Public Enterprise	435,004	220,788	248,188
Benefits and Approved programmes of ASP	1,659,504	1,425,540	1,439,846
Other	31,256	34,936	51,165
TOTAL: PRIMARY EXPENDITURE	**9,396,967**	**8,217,526**	**8,221,513**
% of GDP:	**46.8**	**36.7**	**35.1**

Source: Ministry of Finance- Financial Planning and Control Division estimates

Current Expenditure

The first half of the year recorded a current expenditure of SR 2,545m against a budget of SR 3,060m. This has resulted in an overall surplus of SR 515m. The surplus is twice as much as the same period last year. This can be attributed to the late release of the budget as well as the pandemic. About 79 per cent of the surplus for the first half can be attributed to Goods and Services.

Table 20: Current Expenditure (SR'000s)

DESCRIPTION	2020	2021 Budget	2021 MYEFO
Wages and Salaries	2,844,617	2,964,513	2,929,531
Goods and Services	2,914,532	3,085,882	3,066,914
TOTAL: CURRENT EXPENDITURE	**5,759,149**	**6,050,394**	**5,996,445**
% of GDP:	**28.7**	**27.1**	**25.6**

Source: Ministry of Finance- Financial Planning and Control Division estimates

2021 Context

The 2021 budget is being revised downward from SR 6,050m to SR 5,996m. This is mainly because there are budget cuts in both the Wages & Salaries budget and Goods and Services as a result of slow budget execution.

Wages and Salaries

The actual expenditure recorded for the first six months summed to SR 1,372m as opposed to a budget of SR 1,480m. This has resulted in a positive variance of SR 107m or 7 per cent. The positive variance can mainly be attributed to the late release of the budget in April 2021 which has delayed the recruitment process. In addition, the pandemic has played a role in the recruitment delays as the country was closed early in the year and overseas recruitment has been difficult and slow because of closed borders.

In comparison to previous years, the additional fund amount is at a minimal. The big amounts relates to restructuring exercises taking place in some Ministries, but these amounts are offset by a budget cut. In general, under the Wages and Salaries group there is a budget cut of SR 76m in comparison to the year before where additional funding was sought at mid-year under the group.

The Wages and Salaries budget has been revised downwards by SR 35m from a budget of SR 2,965m to SR 2,930 m. During the mid-year process savings within the Wages and Salaries group has been re-distributed to other areas of priority shortfall.

Goods and Services

For the first half of the year a budget of SR 1,580m was allocated towards Goods and Services. The actual expenditure recorded for the same period amounted to SR 1,173m resulting in a positive variance of SR 407m or 26 per cent. The same period last year recorded a positive variance of SR 129m. The increase in savings in 2021 in comparison to 2020 is a result of the budget being released late because of the elections. In addition, services are yet to go back to the pre COVID-19 period.

The following MDAs were the main contributors towards the positive variance:

- President's Office

  For the first half of 2020, spending under the office of the President amounted to SR 12.5m in comparison to a Budget of SR 18.9m.This was mainly due to delays encountered in the opening of the Office of the former president.

- Internal Affairs

  A saving of SR 37m was recorded under the Ministry of Internal Affairs for the first half of the year. The late approval of the Budget in 2021 caused some delays in the implementation of projects in the ministry. Projects such as Biometric passport, acquisition of passports are now expected to materialise in the second Half of the year.

- Ministry of Education

  The ministry closed the first half of the year with a savings of SR 25m under its Goods and Services Budget. Due to the COVID-19 pandemic, all the educational institutions had to close at different times and operate at a lower capacity.

- Ministry of Employment & Social Affairs

  A total Budget of SR 14.9m was release under the department's Goods and service while an actual of SR 8.6m was spent. The savings was mainly under the SETS programme, which there was delays.

- Seychelles Tourism Board

  The first half saw a Budget of SR 71m released under the STB's goods and services. Total actual expenditure recorded was SR 21m. This savings was recorded because of planned activities being put on hold as a result of the pandemic. The foreign exchange fluctuation has also had an impact on the budget.

- Health Care Agency

  A budget of SR 313m was released for the first half of the year under the Health Care Agency's goods of services. Actual spending recorded was SR 256m, therefore resulting in a savings of SR 57m for the first six months of the year. This was mainly because of delays in the implementation of its planned activities.

- <u>Agency for National Human Resource Development</u>

  The agency closed the first half with a savings of SR 54m. Total Budget released was SR 120m against an actual of SR 66m. This is because of the foreign exchange rate fluctuations. Also because of the pandemic less students will be proceeding on their scholarships in comparison with what was initially budgeted.

Transfers to Social Programs of Central Government

For the first half of the year, total budget released under Social Programs of Government amounted to SR 338m in comparison to an actual of SR 332m.The surplus recorded amount to SR 5.8m or 2 per cent. The main contributor to the surplus was Wage Grant, which was discontinued in March 2021.

Transfers to Public Enterprises

The total budget allocated for the first half of the year was SR 118m, while actuals recorded under this vote was SR 115m.A surplus of SR 3.4m or 3 per cent was recorded for the first half under the group. The surplus was mainly on the repayment of the Air Seychelles loan with Nouvobanq loan due to appreciation of the local currency.

Benefits and Approved Programs of SSF

Total actual expenditure under benefits and approved programs of ASP amounted to SR 708m in contrast to a budget of SR 744m. As a result, a total surplus of SR 35m or 5per cent was recorded for the first half. The main contributor to the surplus was the Social Safety net line as a result of more strict measures being enforce in order to access the benefit.

Capital Expenditure

Table 21: Capital Expenditure (SR'000s)

DESCRIPTION	2020 Actual	2021 Budget	2021 MYEFO
Total Capital Expenditure	**885,660**	**1,992,849**	**1,161,175**
Government	497,825	490,583	447,685
Foreign Grant	122,971	1,185,759	605,856
Foreign Loan	264,864	316,507	107,633
Development Grants	**145,936**	**180,841**	**130,106**
Net Lending	**222,311**	**461,918**	**226,904**

Source: Ministry of Finance- Financial Planning and Control Division estimates

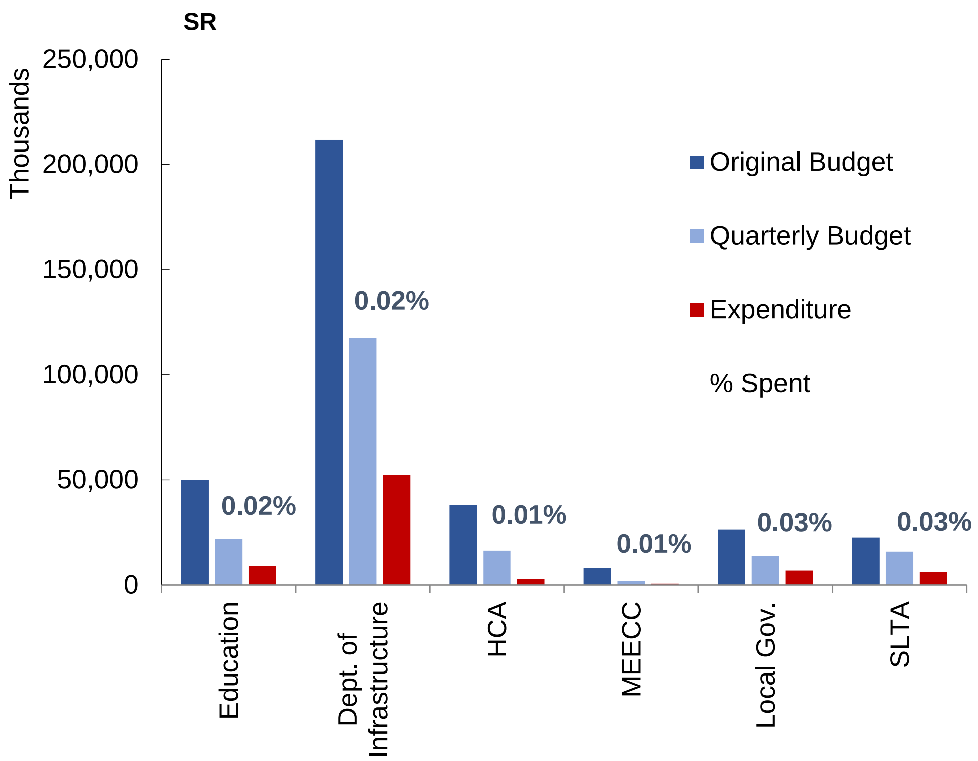
Domestic Financing

A total amount of SR 490.6m was made available in the year 2021 budget for PSIP projects under domestic financing. From this, a total of SR 99.75m has been spent as at June 2021 representing percentage spending of 20.3 per cent. This compares to spending of SR 240.5m out of a total Budget of SR 521.4m representing a percentage expenditure of 46.14 per cent for the same period in 2020.

Below are the execution rate for the year 2021 as at end of June 2021 for MDAs accounting for the highest shares of the Government's capital Budget:

- Health Care Agency – 7.64%
- Ministry of Education – 17.97%
- Department of Infrastructure – 24.75%
- Seychelles Land Transport Agency – 27.63%
- Ministry of Local Government and Community Affairs– 26.17%

Figure 6 : Capital Budget Execution as at end June 2021 (SR' 000s)



Source: Ministry of Finance- Financial Planning and Control Division estimates

Loan Financing

As at end June 2021 a total amount of SR 97m out of an initial loan financing allocation of SR 316.5m has been spent. This represents a Budget execution rate of 30.6 per cent only. This compares to a lower figure of 28 per cent for expenditure under loan financing for the same period in the previous year. The SR 97m spent comprises of spending from the Department of Blue Economy within the SWIOfish project.

Other projects being financed by loans includes the reconstruction of the La Rosiere primary school, the renovation to the Seychelles Institute of Agriculture and Horticulture (SIAH), general rehabilitation works to state schools, the setting up of the Health Information system. Reduced spending is expected under loan financing for the year 2021 as a number of loan financed projects are not expected to fully materialise including the reconstruction of La Rosiere primary school, the renovation works to SIAH and the acquisition of telecommunication equipment for the department of Defence under the Indian line of credit.

Due to the delays in the execution of the above projects, the loan-financing component of the capital Budget has been adjusted downwards to SR 107.6m.

Grant Financing

A total of SR 1,185.7m was allocated as grant funding for the year 2021 out of which a total amount of SR 82.28m has been spent as at end June 2021. This represents a percentage expenditure of 6.94 per cent compared to expenditure rate of 9 per cent for grant financing in the same period of the previous year. The main ongoing project being financed from grant financing as at mid-year 2021 is the construction of the SBC house. Several projects under the first tranche of the 'High Impact Community projects' list are nearing completion as at end of June 2021 whilst there has been delays in starting the new projects that were earmarked to be part of the list for the second tranche.

Certain projects earmarked for financing from foreign grant are not expected to materialise during the year including the construction of the admin block for the Department of Police, the construction of the drug rehabilitation village and the construction of the office for the office of the Attorney General.

Development Grants

The Budget of SR 180.8m for development grants for 2021 has been revised downwards to SR 130.1m. The decrease is under SPTC foreign component, this is linked with the delay in the acquisition of the SPTC Buses under the LOC with Exim Bank. Based on the tender process, only the advance payment will be process this year.

Table 22: Development Grants (SR'000s)

DESCRIPTION	2021 Budget	2021 MYEFO	Actual as at June 2021	Spending (%)
Seychelles Public Transport Corporation	78,038	27,304	714	0.9
o/w Government Budget	14,500	14,500	714	4.9
o/w Foreign Loan/ Grant	63,538	12,804	-	
Property Management Corporation	62,803	62,803	26,709	42.5
Public Utilities Corporation Local	40,000	40,000	10,200	25.5
TOTAL:	**180,841**	**130,106**	**37,623**	**20.8**

Source: Ministry of Finance- Financial Planning and Control Division estimates

Projects completed first half 2021

Main projects completed during first half of 2021 includes housing projects such as part completion of the 18 units Ex Onezime at Anse Aux Pins and the 24 units Ex Albert at Pointe Larue. Land bank projects such as the ex Zelia land bank and the ex Mellon land bank reached practical completion with only minor works left to be undertaken. There are also certain land infrastructure projects from the Seychelles Land Transport Agency including re-levelling access road at Caiman Estate Anse Boileau ,part project for the junction and drainage improvement at La Gogue. General renovation works were undertaken on certain state schools including Anse Etoile primary and La Digue Creche primary

Outlook Second half of the year

Overall capital spending has been significantly lower as compared to the total spending for the same period of the previous year including for spending of the capital intensive MDAs. The lowest performance has been recorded from projects financed from foreign grants and the local Budget. It is expected that the spending will see some slight improvement towards the ending of the year. It should be noted that past trends show that most expenses occur at the last period of the year. Project status from MDAs shows that a number of projects are currently ongoing whilst the majority of the remaining are at various stages of design and procurement. Major ongoing projects construction of the Anse Royale Creche for the sum of SR 15m, construction of new school block at the Belonie Secondary school at the cost of SR 24m, 24 housing units Union Vale for the sum of SR 26.1m and 46 units Kan Gard Development at Plaisance for the sum of SR 18.8m.

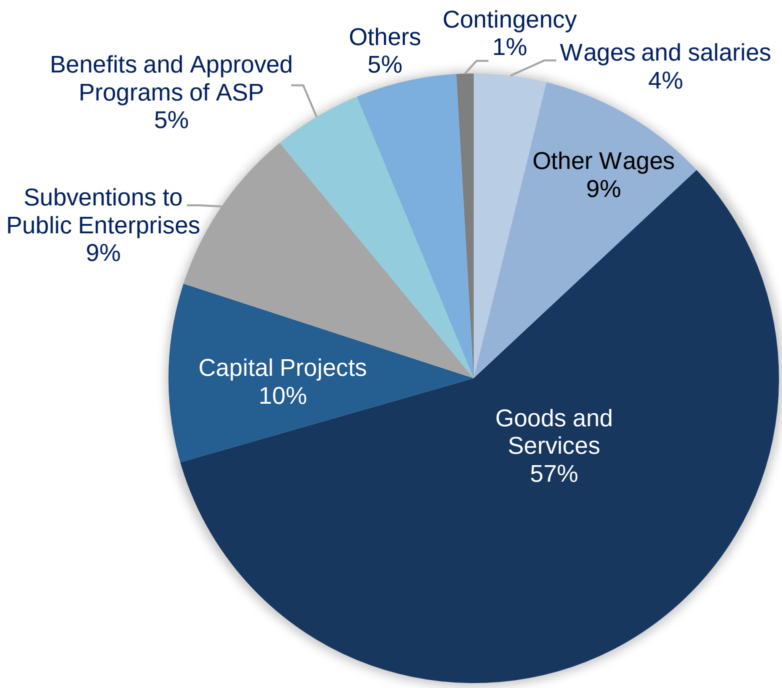
Net Lending

A provision of SR 461.9m was made under net lending in the 2021 Budget. The revised Budget has been revised downwards to SR 226.9m. The downward revision is mostly linked to PUC projects, which is partly linked with the appreciation of the local currency, and partly due to the delay in project implementations. The Budget 2021 made a provision for USD 21.7m worth of spending, due to delay in project implementation this has been revised downward to USD 12.1m. There is an increase of 84 per cent under Development Bank of Seychelles repayment in the revised Budget.

Mid-Year Expenditure Revision

The total proposed supplementary for this mid-year amounts to SR 304m. This will entirely be funded through a budget cut (re-allocation) of SR 1.4bn, which means that a net Budget cut of SR 1.1bn will be issued for the 2021 Budget.

Figure 7: Supplementary Budget Allocation



Source: Ministry of Finance- Financial Planning and Control Division estimates

Wages and Salaries

A total of SR 39.6m is required under Wages and Salaries. The bulk of the request is under Other Wages and Salaries to cater for the shortfall under gratuities to cater for the annual gratuities not budgeted for and delays in the end of contract payments. The additional funds will be funded through budget cuts of SR 76.3m under the various organisations that will be recording a savings at year end within their wages and salaries.

Goods and Services

A total of SR 174.7m is required as supplementary bugdet under Goods and Services. The main reason for the supplementary is because of the restructuring exercise. The supplementary will be funded through budget cut of SR 216.9m. The main organizations contributing to the supplementary Budgets are:

- Department of Culture SR 0.897m to cater for rental shortfall
- Department of Tourism SR 104.9m which funds from STB is being cut to be re-allocated under the department

- Department of Climate Change & Environment SR 7.6m to cater for the shortfall under the Rivers & Marshes code for current contracts
- Department of Entrepreneurship and Industry SR 1.2m is the transfer of NITSI to the department.
- Truth, Reconciliation and National Unity Commission SR 1.3m to cater for rent shortfall, housing and Legal consultant
- Seychelles Agricultural Agency SR 55m to cater for the subsidy to farmers and security shortfall
- Health Care Agency SR 1.5m to cater for security shortfall

Capital Expenditure

A total of SR 29m is being proposed as additional funding under this category while a cut of SR 836m is being issued. The supplementary requests will be mainly used for the Department of Defence for Radar Coastal system.

Subventions to Public Enterprises

A sum of SR 27m is being proposed as additional funds to cater for the shortfall in operational cost as per SPTC budget review 2021.

Benefits & Approved Programs of ASP

A sum of SR 14m is being proposed under Disability Benefits in order to meet obligations under Disability benefits until year-end. The initial Budget provided for 1500 beneficiaries under the benefit because of expected reforms. But the current number of beneficiaries stands at 1960 as at May and there has been delays in the implementation of the reforms.

Others

Subscription to International Organisations will require an additional of SR 16.2m in order to cater for the commitments until the end of the year. This is because of the high rate of foreign exchange at the beginning of the year as the approved Budget did not make any provisions of the increase. The 2021 Budget also had to cater for the African Union payment plan.

Contingency

A sum of SR 2.8m will be required under Contingency to cater payments for covid related expenses.

Debt Outlook

2021 Overall Context

As at the end of June 2021, the total Government debt stock amounted to SR 18.0bn, which represents about 81 per cent of GDP. The total debt stock comprises mainly of domestic debt, which accounts for about 61.0 per cent of the stock. As can be seen in Table 23 below, the total stock of Domestic debt amounts to SR 11.0bn whilst the external debt stock amounts to about SR 7.0bn, or equivalent to 49 per cent and 31 per cent of GDP respectively.

Table 23: Provisional Total Debt Stock as at June (Millions)

DESCRIPTION	Domestic	External		Total
	SR'm	SR'm	USD'm	SR'm
Total Debt Stock	**11,025**	**7,023**	**443**	**18,048**
Debt to GDP Ratio (%)	49.3	31.4		80.7

Source: Debt Management Office

2021 External Debt Stock

The external debt is defined as the outstanding amount of those actual current, and non-contingent, liabilities that require payment(s) of principal and/or interest by the debtor at some point(s) in the future and that are owed to non-residents by residents of the Seychelles economy.

External Debt by Creditor Category

At the end of June 2021, the total stock of external debt amounted to about SR 7.0bn, equivalent to 31.4 per cent of GDP. As shown in Table 24, debt owe to multilateral creditors accounts for the largest share of the total external debt stock at 50.8 per cent of the total external debt. Bilateral and Private debt accounts for 22.6 per cent and 22.4 per cent of the total external debt stock respectively. Debt owe to commercial banks accounts for the smallest share at only 4.1 per cent.

Table 24: Provisional External Debt by Creditor Category as at June 2021

DESCRIPTION	Debt Stock SR' m	Debt Stock USD' m
Multilateral	**3,569**	**225**
Bilateral of which;	**1,588**	**100**
Paris Club	*852*	*54*
Non Paris Club	*735*	*46*
Commercial Banks	**290**	**18**
Private	**1,577**	**99**
TOTAL: EXTERNAL DEBT	**7,023**	**443**

Source: Debt Management Office

The table below shows a comparison in the external Debt stock as at June 2021 compared to December 2020. As can be seen, there has been a significant decrease in the external debt stock, equivalent to around SR 3.0bn or 30 per cent. This primarily reflects the appreciation in the exchange rate over the quoted period. By the end of June 2021, the Seychelles Rupee had appreciated by almost 27 per cent vis-à-vis the US Dollar. In USD terms, the external debt stock shows a decrease of around USD 22.1m, equivalent to only 4.8 per cent. The main decrease was for multilateral loans, which reduced by about SR 1.4bn, or 29 per cent. The reduction of the stock reflects the continuous payments being made towards servicing the country's debt.

Table 25: Comparison in External Debt Stock (Jun 2021 vs Dec 2020) (SR' m)

DESCRIPTION	Dec-20	Jun-21	% Change
Multilateral	**5,027**	**3,569**	**-29.0**
Bilateral of which;	**2,292**	**1,588**	**-30.7**
Paris Club	*1,222*	*852*	*-30.3*
Non Paris Club	*1,070*	*735*	*-31.3*
Commercial Banks	**405**	**290**	**-28.5**
Private	**2,332**	**1,577**	**-32.4**
TOTAL: EXTERNAL DEBT	**10,057**	**7,023**	**-30.2**

Source: Debt Management Office

External Debt Repayments

The table below shows the repayment schedule on External Debt for the second half of 2021. The major portion of repayment remains in July and amounts to USD 13.3m. This is reflective of the repayment on the Euro Bond. Other monthly repayments average to about USD 2.3m.

Table 26: External Debt Forecast by Month - 2021 in USD' (000)

EXTERNAL DEBT	Jul	Aug	Sep	Oct	Nov	Dec	TOTAL
Total Interest	3,632	537	637	911	353	505	6,575
Total Principal	9,659	1,272	1,808	2,132	1,796	1,562	18,229
TOTAL: EXTERNAL DEBT	**13,291**	**1,809**	**2,445**	**3,043**	**2,149**	**2,067**	**24,804**

Source: Debt Management Office

2021 Domestic Debt Stock

The stock of domestic debt comprises of all debt liabilities owe to residents of Seychelles economy. As at June 2021, the total domestic debt amounted to SR 11bn. Government Securities is the main components of the domestic debt, accounting for almost 85 per cent of the stock. Loans accounts for about 11.4 per cent whilst Other Liabilities accounts for 2.4 per cent of the total domestic debt.

Table 27: Changes in Domestic Debt Stock (SR'm)

DOMESTIC DEBT	Debt Stock Dec-2020	Debt Stock Jun-2021	% Change
Government Securities	7,673	9,344	21.8
Other Securities	208	158	-24.1
Loans	1,470	1,259	-14.3
Other Debt Liabilities	121	264	117.6
TOTAL: DOMESTIC DEBT	**9,471**	**11,025**	16.4

Source: Debt Management Office

In comparison to December 2020, Domestic Debt increased by SR 1.5bn, or 16 per cent. This is attributed mainly to a SR 1.6bn, or 22 per cent increase in the issuance of Government securities. In order to finance the Budget deficit, at the beginning of year Government issued three T-Bonds equivalent to SR 1.5bn of which a total SR 1.2bn was subscribed. The Bonds were issued at a weighted average rate of about 8.5 per cent. The details of the issuance are provided in Table 28 below.

Furthermore, the increment in Government securities partly reflects the increase in the issuance of T-Bills over the first half of the year. There has also been a SR 142m, or 118 per cent increase in other debt liabilities. This relates to the Small and Large Private Relief Scheme guarantee facility that was set up with the CBS to help businesses facing financial difficulties during the COVID-19 pandemic. The decrease in 'Other Securities' and Loans reflects the repayments made over the period.

Table 28: 2021 Treasury bond Issuance Summary

TREASURY BOND	3- Year Bond	5- Year Bond	7- Year Bond
Issue Limit (SR 'm)	300	700	500
Total Subscribed (SR 'm)	300	441	500
Coupon Rate (%)	7.0	8.0	10.0

Source: Debt Management Office

Composition of Domestic Securities

Government Securities remains the principal component of the Debt stock. As at June 2021, the aforementioned amounted to SR 9.3bn. Treasury Bills and Treasury Bonds are the main components of the Domestic Securities accounting to 64.8 per cent and 34.7 per cent of the total domestic securities respectively. On the other hand, Treasury Deposits accounts for only 0.49 per cent of the Domestic Securities.

Table 29: Composition of Domestic Securities (SR'm)

	Debt Stock	
	(SR 'm)	(%)
Government Securities		
Treasury Bills	6,056	64.8
Treasury Bonds	3,241	34.7
Treasury Deposits	46	0.5
Other	-	-
TOTAL:	**9,344**	**100%**

Source: Debt Management Office

T-Bills is an immediate financing instrument available to the Government. However, it comes at a higher interest rate cost and refinancing risks. Box 1 overleaf explains further the Liability Management Operation that was undertaken recently to help mitigate the associated risks.

Box 1: Liability Management Operation

In July this year, the Government together with the Central Bank, implemented a Liability Management Operation (LMO) through a debt restructuring operation. The objective of the operation was to improve the country's debt sustainability by reducing interest rate and refinancing risk through an exchange of outstanding Source Treasury Bills (T-Bills) of 182-day and 365-day maturities for Destination Treasury Bonds (T-Bonds) with maturities 3 years, 5 years and 7 years.

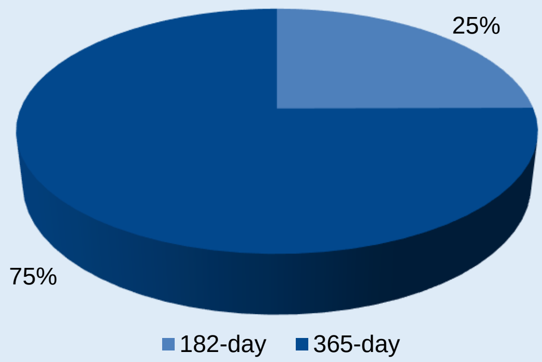
The bids for bonds were based on an auction mechanism that included both competitive and non-competitive bids, with competitive bidding available only to banks. Banks are the main holders of T-Bills, accounting for almost 78 per cent of the stock. The LMO, which was on a voluntary basis, was conducted on July 14 2021.

The LMO offered to exchange up to SR 1.5Bn of outstanding T-bills. The operation was a successful one. A total of SR 1.24Bn or 5.2 per cent of GDP, of source T-bills were exchanged in the auction. The table and chart below provides a breakdown of the outcome of the operation.

Table 30: Allocation of the Destination T-Bonds

	3-yr Bond	5-yr Bond	7-yr Bond
Allocation (SR' M)	**462.14**	**397.63**	**357.57**
Competitive	397.04	298.70	284.30
Non-competitive	65.10	98.93	73.27
Shares (%)	38.1	32.7	29.4
Weighted Average yield (%)	5.76	7.09	8.43
Coupon Rate (%)	5.25	7.00	8.25

Figure 8: Share of the Source T-Bills used in LMO



Source: Debt Management Office and CBS

The shares of the 3, 5 and 7-year bonds allocated in the auction amounted to 38 per cent, 33 per cent and 29 per cent, respectively. The majority of bills converted was from the 365-day, 75 per cent, and the remaining 25 per cent was in the 182-day bills.

The LMO has extended the average maturity of the participating debt portfolio by 4.8 years compared to the current maturity of less than 1 year. The weighted average yields on the LMO for the bonds are lower by 125-150 bps compared to the previously issued rates and contribute to mitigate rollover risks.

The LMO was the initial step as part of Government's debt management strategy and will be further supported by an issuance strategy that better balances T-bill and bonds issuance.

Interest Rates on Treasury Bills

From January to June 2021, the average interest rates for the 182 and 365 Days T-Bills were higher compared to the same period in 2020. As depicted in Table 31 below, the interest rates on both Bills increased by 99 basis points, or by 20.2 per cent and 18.6 per cent on the 182 and 365 Days Bills respectively. On the other hand, the interest rate on the 91 Days T-Bills decreased by 29 basis points, or 6.3 per cent in comparison to the same period last year.

Table 31: Interest Rates on Treasury Bills

Treasury Bills	Interest Rates (%) Jan-Jun 2020	Interest Rates (%) Jan-Jun 2021	% Change
91 Days	4.63	4.34	-6.3
182 Days	4.91	5.90	20.2
365 Days	5.32	6.31	18.6

Source: Debt Management Office and CBS

The variations across the rates are mainly attributed to the composition of T-Bills allocations. Whilst the issuance for the 91 Days have decreased, there has been an increase in the issuance of the 182 and 365 T-Bills. This is reflected in the table below. In order to lengthen the maturity profile of the Debt portfolio, more T-Bills have been issued in the 365 Days and 182 Days whilst issuance for the 91 Days decreased. As can be seen, overall T-Bills issuance for the first half of the year increased by SR 12.6m, or 10.2 per cent.

Table 32: Treasury Bills Issuance Comparison

Treasury Bills	Amount issued SR' m Jan-Jun 2020	Amount issued SR' m Jan-Jun 2021	% Change
91 Days	43.3	28.5	-34.2
182 Days	40.4	49.8	23.4
365 Days	39.1	57.0	45.9
TOTAL:	**122.8**	**135.3**	**10.2**

Source: Debt Management Office and CBS

Selected Economic Indicators

	2019	2020	2021	2022
National income and prices				
Nominal GDP (millions of Seychelles rupees)	22,356	20,074	23,400	25,834
Real GDP growth	1.9	-12.8	6.7	6.9
GDP deflator growth	1.3	2.9	9.2	3.3
CPI (annual average)	1.8	1.2	9.9	3.2
Government Budget (% GDP)				
Total revenue, including grants	36.4	37.6	34.3	36.6
Total revenue, excluding grants	36.0	35.6	31.7	32.4
Grants	0.4	1.9	2.6	4.2
Expenditure and net lending	36.1	57.0	44.9	44.1
Current expenditure	33.6	50.0	38.2	35.0
Of which: interest payments	2.4	3.2	3.0	2.7
Capital expenditure	2.3	4.4	5.0	7.1
Net Lending	0.6	1.1	1.0	1.1
Overall balance	0.2	-19.4	-10.6	-7.5
Primary balance (accrual basis), including grants	2.6	-16.2	-7.6	-4.8
Primary balance (accrual basis), excluding grants	2.2	-18.1	-10.2	-9.0
External sector (USD m, unless otherwise indicated)				
Current account balance including official transfers	-272	-330	-275	-282
Imports of goods	1,114	853	946	998
Imports of services	679	492	389	412
Exports of goods	483	420	450	487
Exports of services	1,126	670	632	703
Primary Income, net	-82	-61	-35	-46
Secondary Income, net	-6	-13	13	-16
Foreign Direct Investment	254	159	152	124
Gross official reserves (USD'm)	580	559	650	743
In months of imports, c.i.f.	3.8	5.0	6.3	4.4
Total external debt outstanding (% of GDP)				
Total debt outstanding (SR'm)	12,791	17,319	21,673	21,737
Total debt outstanding % of GDP	61.8	100.8	87.7	87.6
Domestic (% of GDP)	33.7	47.1	42.3	37.3
External (% of GDP)	28.1	53.7	45.4	50.2

Source: Seychelles Macroeconomic Framework Working Group