



IMF Staff Reaches Staff-Level Agreement on the Third Review Under the Extended Fund Facility (EFF) with Seychelles

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.

- The strong recovery of the Seychellois economy has continued in 2022. However, there are downside risks to the outlook due to the uncertainty around the global environment.
- The government made significant progress in implementing policies under the EFF and restoring macroeconomic balance, meeting all quantitative performance and indicative targets for the 3rd review under the program and making significant progress on structural issues.
- As a small island state vulnerable to external shocks and climate change, it remains critical for the Seychelles to maintain the buildup of buffers against shocks while protecting the most vulnerable people.

Washington, DC – October 5, 2022: An International Monetary Fund (IMF) mission led by Calixte Ahokposi, Mission Chief for Seychelles, visited Victoria during September 22- October 5, 2022, to conduct discussions for the third review of Seychelles' economic and financial program supported by the Extended Fund Facility (EFF) Arrangement.

At the end of the mission, Mr. Ahokposi issued the following statement:

“The Seychellois economy has continued its strong recovery in 2022, as tourism activity accelerated its rebound notwithstanding a challenging global environment. Real GDP growth is projected at 10.6 percent, based largely on the tourism rebound, before moderating to 5.4 percent in 2023. This outlook is subject to downside risks given the challenging international environment.

“Inflation moderated to 2.8 percent (year-on-year) at end-August and is projected to average 3.0 percent in 2022, against 9.8 percent in 2021. The lagged effect of appreciation of the rupee in 2021 helped absorb the pressures that emanated from higher international prices in 2022. Inflation is projected to average 4.5 percent in 2023.

“The primary fiscal deficit is expected to be contained at 1.1 percent of GDP at end-2022, declining from 3 percent in 2021 and 14.7 percent in 2020. The targeted deficit in 2022 overperforms the initial program projection of 1.4 percent of GDP, due to lower current and capital spending. The primary fiscal balance is projected to reach a surplus of 1.1 percent of GDP in 2023.

“A welcome set of temporary support measures is being implemented that, along with other social protection programs, should help cushion the effects of commodity price surges on the most vulnerable.

“Debt vulnerabilities have been substantially reduced, helped by the strong rebound in tourism, successful implementation of the Liability Management Operation in 2021, rupee appreciation, and the ambitious fiscal consolidation. The debt-to-GDP ratio is expected to decline to around 68 percent of GDP in 2022 from 76 percent of GDP in 2021 and 89 percent of GDP in 2020. Contingent liabilities from Air Seychelles have been reduced significantly since the company went under administration and its debt was restructured with a significant haircut.

“The government has made significant progress in implementing the IMF-supported program and restoring macroeconomic balances. All end-June 2022 quantitative performance and indicative targets under the program were met. The broader structural reform agenda is proceeding at a good pace.

“The government is committed to bolstering governance and fighting corruption. In this regard, the authorities are making efforts to improve the transparency of the beneficial ownership database and to ensure the accuracy of the collected information.

““The Central Bank of Seychelles (CBS) has maintained an appropriately accommodative monetary policy. The CBS stands ready to act if inflationary pressures materialize. The CBS will continue its efforts to strengthen Seychelles’ monetary policy framework and closely monitor financial sector soundness to reinforce banks’ ability to support the recovery.

“As a small island state, Seychelles’ open economy remains highly vulnerable to external shocks and climate change. Maintaining the buildup of buffers against shocks, while protecting the most vulnerable portion of the population remains critical in the

current global environment. Such a strategy requires the continuation of prudent macroeconomic policies and the safeguarding of international reserves.

“The team would like to thank the Seychellois authorities for the open dialogue and their close collaboration.”

The IMF team met with President Ramkalawan, Minister for Finance, National Planning and Trade Hassan, Governor of the Central Bank of Seychelles Abel, the leader of the opposition Pillay, and other senior government officials as well as representatives of the private sector.

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