Mid-Year Economic and Fiscal Outlook

Financial Year 2025 and 2026 Outlook

Ministry of Finance, National Planning and Trade, August 2025

MYEFO looks at the state of the economy for the current year (2025) 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 2026 economic activity and tax revenues. Combined, this allows for the determination of a recommended Government expenditure "envelope" for 2025. MYEFO is compiled by the Ministry of Finance, with inputs from the Macro-Economic Framework Working Group (MFWG).

Contents

List of Tables

List of Figures

Acronyms and Abbreviations

ASP	Agency for Social Protection
ATT	Accommodation Turnover Tax
BT	Business Tax
CBS	Central Bank Seychelles
CD	Custom Duties
CIF	Cost, Insurance and Freight
CSRT	Corporate Social Responsibility Tax
EIB	European Investment Bank
ESL	Environmental Sustainability Levy
ET	Excise Tax
FPCD	Financial Planning and Control Division
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GPMN	Global Projection Model Network
IFMIS	Integrated Financial Management Information System
IMF	International Monetary Fund
IOT	Indian Ocean Tuna
IPT	Immovable Property Tax
LMG	Locally Manufactured Goods
PIM	Public Investment Management
PUC	Public Utilities Corporation
PIT	Personal Income Tax
PSIP	Public Sector Investment Program
NBS	National Bureau of Statistics
MoFNPT	Ministry of Finance, National Planning and Trade
MFAD	Macroeconomic Forecasting and Analysis Division
MDAs	Ministries, Departments, and Agencies
OECD	Organisation for Economic Co-operation and Development
OT	Other Tax
SCAA	Seychelles Civil Aviation Authority
SIMBC	Seychelles International mercantile Banking Corporation
SLA	Seychelles Licensing Authority
SRC	Seychelles Revenue Commission
TMT	Tourism Marketing Tax
VAT	Value Added Tax
WB	World Bank Group
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 2025 giving a brief outlook for the rest of 2025 and 2026. Secondly, the source and amount of taxes that will be collected by Government in the remainder of 2025 and in 2026 is outlined. The taxes are the main component determining the overall level of Government's spending that will be possible in 2025.

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 2025.

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

Global growth is projected to range between 2.3 and 3.0 per cent for 2025, according to recent published estimates from major international financial institutions, as shown in Table 1. Although these estimates depict a slowdown from 2024, the IMF has revised its 2025 growth forecast upwards compared to the start of the year.

Table 1 presents global GDP forecasts from major institutions, with Seychelles' growth projection of 3.9 per cent notably higher than the global average.

Table 1: World Output Estimates and Forecasts by Key institutions

	World GDP Growth (%)		
	2024	2025	2026
WB	2.8	2.3	2.4
OECD[1]	3.3	2.9	2.9
IMF	3.3	3.0	3.1
GPMN[2]	3.7	2.9	2.6
Average	**3.3**	**2.7**	**2.8**
Seychelles	**2.9**	**3.9**	**3.3**

Source: IMF/OECD/GPMN/WB[2]

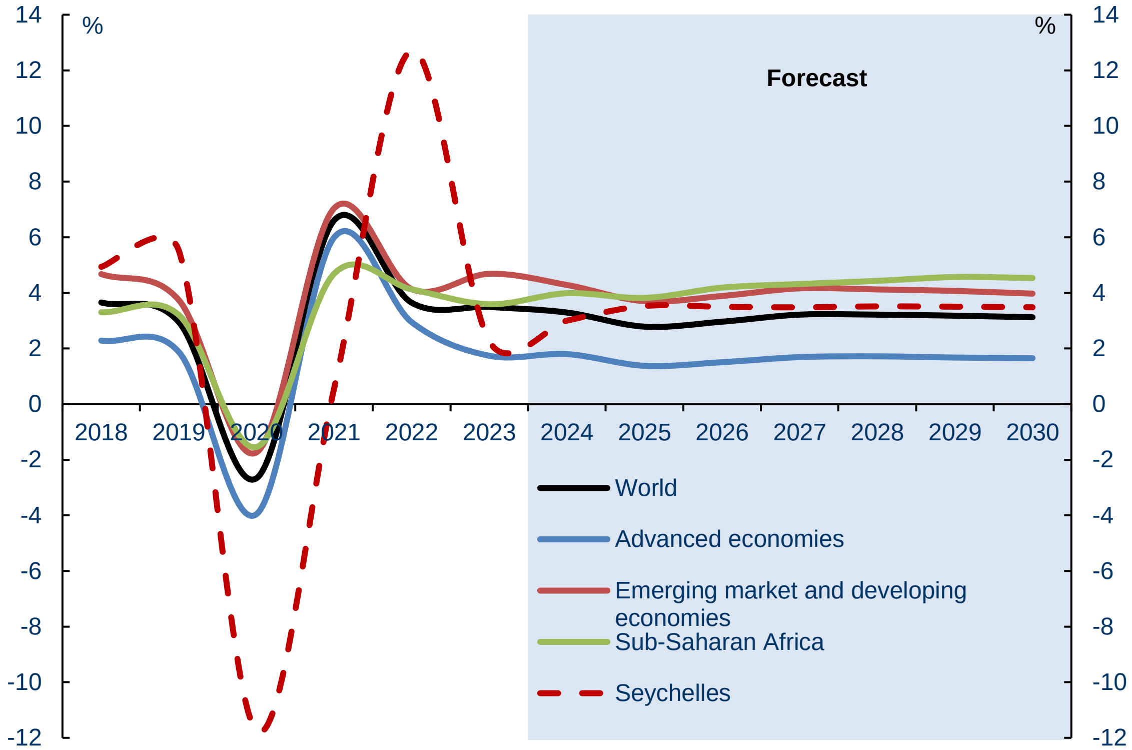
The IMF's upward revision was driven mostly by an acceleration in international goods trade in anticipation of higher tariffs (referred to as trade frontloading). In addition to this amplified trade flow, a falling effective tariff rate has contributed to an upward revision in global trade volume growth by 0.9 percentage points for 2025. However, this growth is expected to slow by 0.6 percentage points in 2026, with the front-loading effect expected to dissipate in the second half of 2025.

A weakening US dollar, along with fiscal expansions in some countries, also contributed to the revision in the global growth estimate. However, risks remain and despite the lower effective tariffs, the global outlook remains highly uncertain. As at the second quarter of 2025, the Global Uncertainty Index[3] remains elevated.

Figure 1 overleaf shows the IMF's current forecasts for Seychelles and some select group of countries[4].

[1] Note that GPMN's projections are an average across quarters
[2]IMF World Economic Outlook Update July 2025; Macroeconomic Forecasting and Analysis Division; OECD Economic Outlook, Volume 2025 Issue 1; World Bank Global Economic Prospects June 2025; GPM Network; see https://igpmn.org/#/.
[3] For more information on the index refer; Ahir, H., Bloom, N. and Furceri, D., (2022). The world uncertainty index (No. w29763). National bureau of economic research.
[4] The data is from the IMF's WEO database as at April 2025, the latest one available at the time of writing. Table 1 and the IMF's WEO July 2025 update document present the most up-to-date estimates for some groups of countries.

Figure 1: Real GDP Growth estimates and projections (2024-2030)



Source: IMF World Economic Outlook Database, April 2025

Domestic Developments

2025 and medium-term forecast

Seychelles' real GDP growth for 2025 has been revised to 3.9 per cent, down from the initial Budget estimate of 4.3 per cent, representing a downward revision of about 0.3 percentage points. The revision follows contractions expected in certain sectors such as the public sectors. The mid-year revision also takes into account an upward adjustment to the 2025 tourist arrivals forecast, with visitor arrivals now expected to grow by 7.5 per cent compared to the initial 3.5 per cent. This is primarily driven by a strong year-to-date performance in arrivals and improved connectivity.

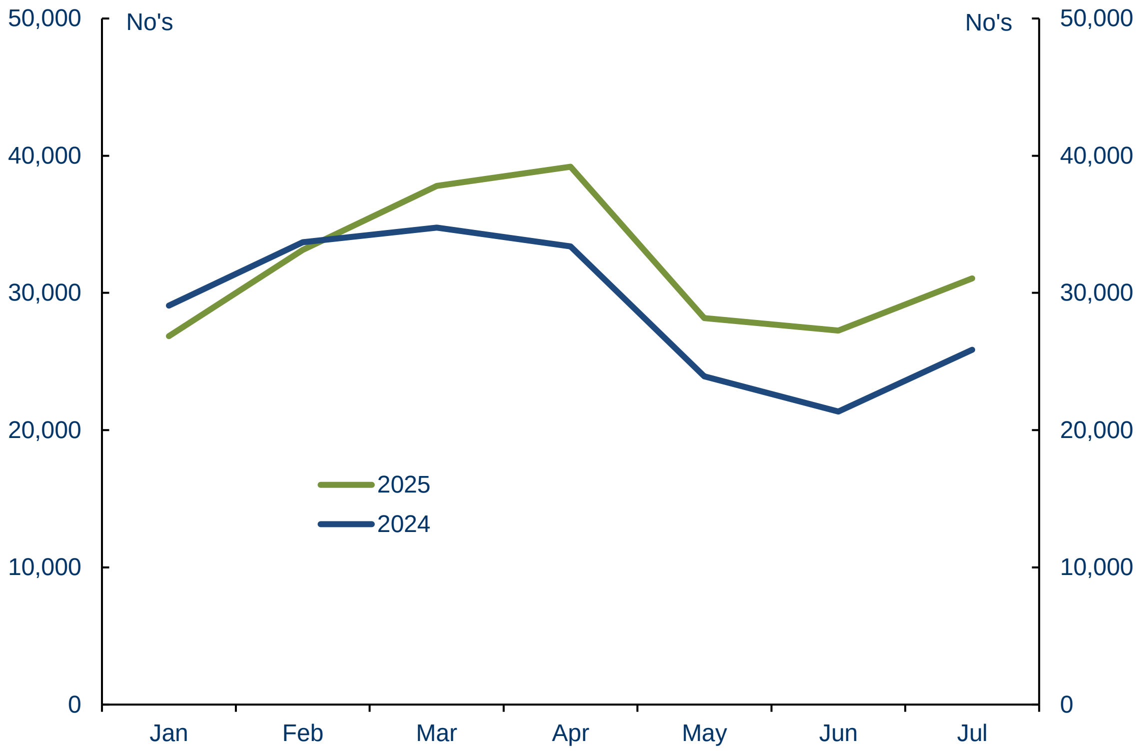
Over the medium term, real GDP growth is forecasted to average 3.3 per cent, with the 'Information and Communication' sector expected to remain the largest contributor to real GDP growth. Nonetheless, downside risks persist, particularly from higher transport costs, volatility in commodity prices and potential shifts in tourist spending patterns.

Nominal GDP growth for 2025 is forecasted at 4.3 per cent, a decrease from the initial estimate of 6.4 per cent.

Tourism

For the year 2024, total visitor arrivals reached 352,762, a modest growth of 0.5 per cent over 2023. As of July 2025, a total of 223,475 visitors have been recorded, representing about 10 per cent increase over the same period last year. The first quarter saw a slight increase of 0.3 per cent in arrivals compared to quarter 1 of 2024, while the second quarter recorded a substantial 20 per cent rise year-on-year, followed by Asia and Africa with shares of 19 per cent and 6 per cent respectively. At country level, Germany retains the largest share, followed by France, Russia, Italy, the UK, the UAE and Israel.

Figure 2: Tourism arrivals comparison Jan-July (2024-2025)



Source: National Bureau of Statistics

Performance from key European markets, namely Russia, Italy and UK are higher than the same period last year, however, France and Germany recorded a contraction. The main Asian markets also recorded strong growth, underpinned by improved air connectivity with the introduction of new direct flights by IndiGo and Sichuan significantly boosted arrivals from India and China, which surged by 82 and 91 per cent respectively compared to the same period in 2024. Despite seasonal limitations in direct connectivity to Europe, arrivals from the region are proving to be resilient.

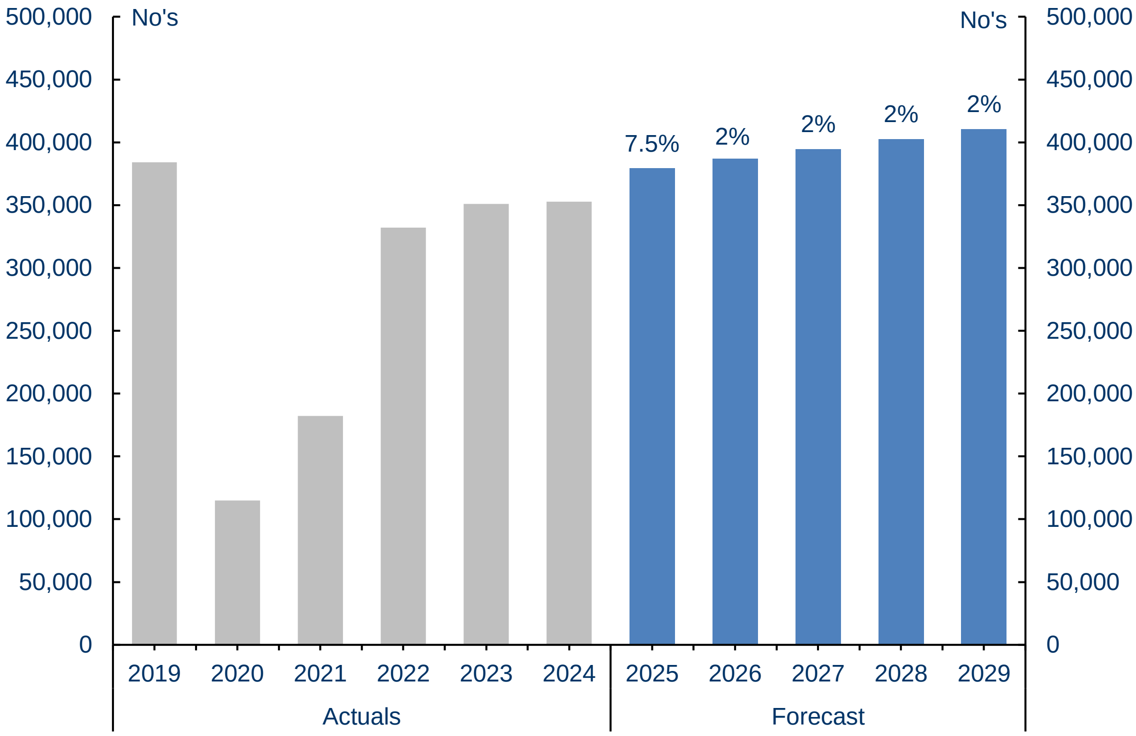
Table 2: Top contributing markets comparison Jan-July (2024-2025)

	Arrivals (No's)		%
Markets	**2024**	**2025**	**Growth**
Germany	34,546	27,629	-20.0
France	24,308	23,687	-2.6
Russia	21,361	22,380	4.8
Italy	10,214	12,935	26.6
UK	11,555	12,589	8.9
UAE	11,138	12,332	10.7
Israel	5,542	8,260	49.0
Poland	3,724	8,001	114.8
USA	6,339	7,982	25.9
Switzerland	7,869	7,872	0.0
India	4,322	7,862	81.9
Total	**140,918**	**151,529**	**7.5**

Source: National Bureau of Statistics

Considering the aforementioned developments, the total visitor arrivals for 2025 is now estimated at 379,166, which represents a growth of 7.5 per cent over 2024. This is an upward revision compared to the initial Budget of 3.5 per cent. The upward revision also reflects an increased demand for travel with forward bookings from July up until December 2025 being 6 per cent higher than last year. Also, there will be additional seats from Discover Airline which is set to commence operations in quarter 4 2025. However, geopolitical tensions continue to pose a downside risk to global travel. Looking ahead, visitor arrivals are expected to grow by 2 per cent in 2026 surpassing 2019 levels and maintain a 2 per cent growth over the medium term.

Figure 3: Medium term tourist arrivals estimates



Source: Ministry of Finance - Macroeconomic Forecasting & Analysis Division estimates

Note- Percentages indicate growth rates

Manufacturing

The manufacturing sectors are anticipated to expand by an average of 4.3 per cent in 2025, supported by a rebound of canned tuna production, rising domestic demand for beverages, and improved production capacity of concrete and rock materials.

Following slow output growth towards the end of 2024 due to various logistical challenges, canned tuna production is expected to rebound in 2025, with the 'manufacturing of fishery products' sector forecasted to grow by 5 per cent. This robust recovery is driven by the primary manufacturer's ambitious production targets for the year, following improvements in operations to address logistical issues faced in recent years. As this momentum is anticipated to continue into next year, the sector is forecast to grow by 3.5 per cent in 2026.

Despite a slow start to the year, the 'manufacturing of beverages and tobacco' sector is forecasted to grow by 3 per cent in 2025. While production statistics indicate flat output growth in the first quarter, major producers anticipate a rise in beverage consumption over the remaining months, supported by increased demand from a range of major public social events planned throughout the year. This growth trajectory is expected to be sustained, with the sector forecasted to expand by the same growth rate of 3 per cent in 2026.

The ‘manufacturing of others’ sector is expected to rebound with a growth of 5 per cent in 2025, following a stagnant performance last year. Key activities in this sector include the manufacturing of concrete and rock products, which have seen accelerated output due to increased production capacity by leading industry players in response to rising demand from the construction sector. This momentum is expected to persist through to 2026, sustained by ongoing major construction developments, to support a growth of 3.5 per cent.

Construction

The ‘construction’ sector remains active, with strong year-to-date growth in cement and block production. The industry is expected to experience some uplift following the sector’s involvement during the preparations for the FIFA Beach Soccer World Cup. Despite these developments, the initial 2025 estimate was lowered from 5.0 per cent to 4.5 per cent given a low quarter 1 performance. Growth of 4.0 per cent is projected for 2026, with potential avenues for additional activity from some planned capital projects including the major reclamation project.

Information and Communication Technology

The ‘ICT’ sector continues to be one of the fastest growing industries, recording double-digit growths in recent years. In the first quarter of 2025, production statistics indicate a strong performance overall, with data traffic which is the main proxy for this sector recording a growth of 32 per cent compared to the same quarter last year. This sector faces strong demand to adapt to new technology and digital solutions in the aftermath of the pandemic. In addition, the ongoing effort by the Government to digitalize most of their processes, is expected to drive and sustain growth in this sector. Overall, this sector is projected to growth by 10 per cent in 2025, and 8 per cent in 2026 and over the medium term.

Agriculture and Fisheries

The ‘agriculture’ sector is expected to grow by 3 per cent in 2025, unchanged from the initial Budget forecast. Since the pandemic, the sector has been a key focus of Government policy, reflecting broader strategies to diversify the economy and strengthen food security. Against this backdrop, the growth outlook for 2026 and the medium term remains positive, with projections holding steady at 3 per cent.

The ‘fisheries’ sector is estimated to grow by 2 per cent in 2025, down slightly from the initial Budget forecast of 3 per cent, reflecting a slowdown in the first quarter of the year, as reported in the Quarterly National Accounts. Nevertheless, growth is projected to hold steady at 2 per cent for the remainder of the year and into the medium term, supported by ongoing investments in fisheries-related infrastructure and initiatives to strengthen the sector’s workforce.

Finance and Insurance Activities

‘Finance and insurance activities’ sector is estimated to grow by 5 per cent in 2025. As at May 2025, total year-to-date private sector claims grew by about 7.5 per cent, driven by strong credit growth in the ‘Health’, ‘Manufacturing’, and ‘Real Estate’ sectors, which increased by about 31, 32, and 29 per cent, respectively. Moreover, preliminary discussions with industry participants indicate promising internal growth targets close to or above 5 per cent, supporting the sector’s positive outlook. The industry is expected to grow by 2 per cent in 2026 and over the medium term.

Monetary Sector

Inflation

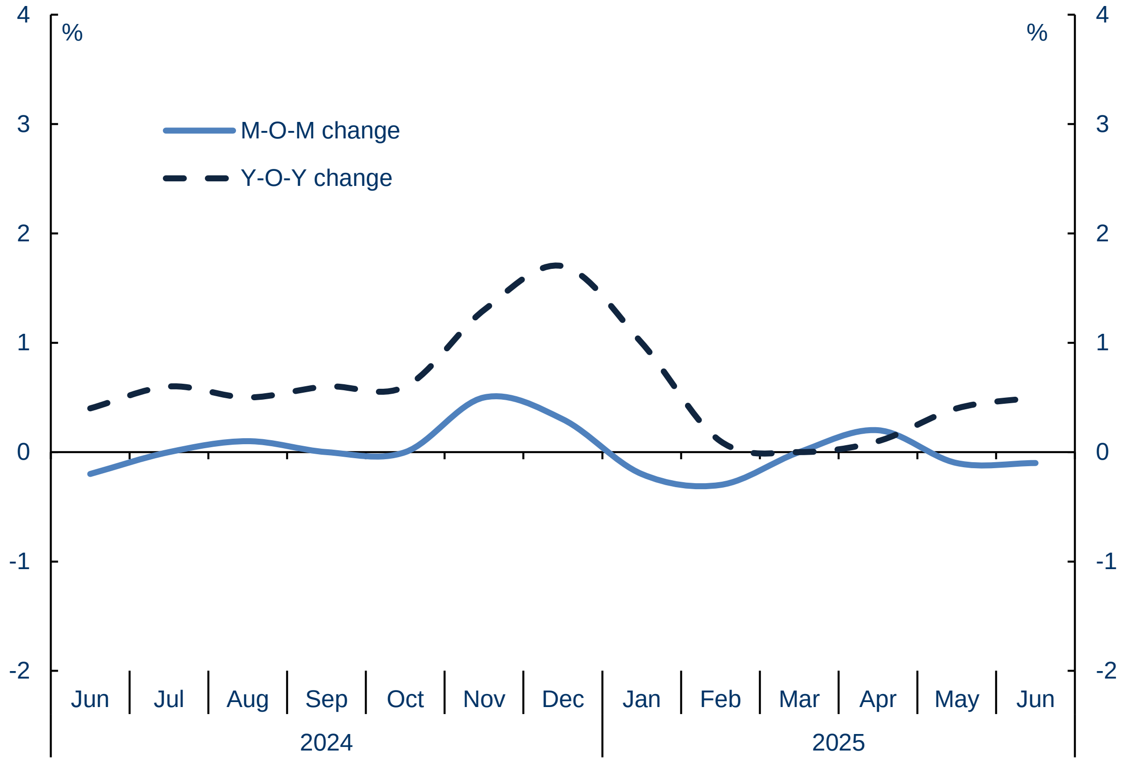
In the first half of 2025, the Consumer Price Index (CPI), as published by the National Bureau of Statistics (NBS), showed mixed movements in average domestic prices in month-on-month terms. Nonetheless, on a year-on-year basis, inflation increased to 0.5 per cent in June 2025, mainly due to higher prices in the sub-categories of ‘Fish (Frozen, smoked, salted)’, ‘Vegetables’, ‘Education’ and ‘Health’.

Globally, inflation trended downward during the first half of the year. This was largely underpinned by a moderation in energy prices, owing to increased global supply of oil relative to demand. Looking ahead, inflationary pressures are projected to gradually ease over the remainder of the year, although the pace of disinflation is expected to diverge across regions. In commodity markets, international oil prices are anticipated to be lower on average in 2025, relative to 2024. This reflects increased production by the Organisation of the Petroleum Exporting Countries plus other oil-producing partner countries (OPEC+), which is expected to result in an oversupply in the global market. Additionally, international food prices are expected to moderate during the second half of the year, supported by improved supply conditions and subdued demand. However, the inflation outlook remains subject to several risks including geopolitical conflicts and trade disputes, which could impact international trade flows. In light of the tensions in the Middle East, the risk of potential disruptions in oil markets is still high. Moreover, trade restrictions and unpredictable weather events may disrupt the supply of key agricultural commodities.

In the foreign exchange market, there has been an increase in both the demand and supply of foreign currency this year when compared to 2024. Overall, the Seychelles rupee (SCR) weakened against the major traded currencies during the first half of 2025 relative to the same period in 2024. Nevertheless, during the second quarter the rupee appreciated against the US dollar (USD) but weakened against the Euro (EUR) in quarter-on-quarter terms. This reflected developments in international currency markets, whereby the USD has generally weakened due to heightened political uncertainty and unpredictable US policies whilst in contrast, the EUR has strengthened in view of the moderation in inflation and more stable economic outlook. For the rest of the year, foreign exchange inflows are expected to remain strong, supported by the positive performance of the tourism industry. However, foreign exchange outflows are also anticipated to increase, in line with higher economic activity and a seasonal rise in demand leading up to the festive season. Consequently, the strong demand for foreign exchange may contribute towards a weakening of the domestic currency, if unmatched by an increase in the supply of foreign exchange. As such, the exchange rate outlook remains largely contingent on external factors, given their implications for the domestic economy.

In terms of monetary policy developments, the Monetary Policy Rate (MPR) has remained unchanged at 1.75 per cent since the second quarter of 2024 whereby the accommodative conditions have provided the space to stimulate domestic activity. In addition to supporting the economy, the monetary policy stance took into consideration the country’s vulnerability to external shocks and the various geopolitical risks. Therefore, in line with its objectives, the Central Bank remains vigilant to domestic and international developments and stands ready to adjust its policies if necessary.

Figure 4: Year-on-year and month-on-month change in the Consumer Price Index



Source: National Bureau of Statistics

Interest Rates

The accommodative monetary policy stance maintained thus far in 2025 aimed to provide the necessary impetus for domestic economic activity. As a result, the MPR remained unchanged at 1.75 per cent throughout the first half of 2025, with the interest rate on the Standing Deposit Facility (SDF) and Standing Credit Facility (SCF) kept at 0.25 per cent and 3.25 per cent, respectively. The Minimum Reserve Requirement (MRR) also remained unchanged, at 13 per cent of applicable deposit liabilities.

More recently, at its June 2025 meeting, the Board decided to continue maintaining an accommodative monetary policy stance during the third quarter of the year, given the economy remains highly susceptible to external shocks. Factors taken into consideration included the medium-term inflation outlook, which projects a gradual increase, as well as recent international developments, particularly the escalation of geopolitical conflicts and potential disruptions to international trade flows. Maintaining the stance also reflected a cautious approach amidst heightened global uncertainty. As such, the MPR remained unchanged, as were the interest rates on the SDF and SCF. The MRR was similarly maintained at 13 per cent of applicable deposit liabilities.

Regarding interest rate movements, in comparison to June 2024, the average effective lending rate increased by 3.5 basis points to reach 9.84 per cent in June 2025. Over the same period, the average interest rate charged on foreign currency loans fell from 8.07 per cent in June 2024 to stand at 7.96 per cent. Of note, interest rates on foreign currency-denominated facilities have trended downward since the start of the year, although remaining above 2024 levels. The latter reflected the elevated international interest rates, in spite of the gradual easing of monetary policy by the major central banks. Hence, this market segment remained highly sensitive to external monetary conditions and global financial market dynamics. As for the interest rate on rupee-denominated loans, it was relatively unchanged compared to June 2024, at 10.16 per cent.

As at June 2025, the average return on the 91-day, 182-day and 365-day Treasury bills (T-bills) stood at 2.50 per cent, 2.53 per cent and 2.62 per cent, respectively. In comparison to the same period in 2024, this was an increase of 40 basis points, 44 basis points and 22 basis points on the 91-day, 182-day and 365-day T-bills correspondingly. The uptick in the average return on these Government securities was in line with an expansion in the volume of issuances. As for the return on the 7-day Deposit Auction Arrangement (DAA), it remained stable, at 1.75 per cent throughout the first half of the year.

Consistent with Government's debt management strategy of issuing longer-term maturities, Treasury bonds with a tenor of 7 years were issued in March and June 2025, at average yields to maturity of 4.60 per cent and 4.41 per cent, respectively.

In the near term, consistent with the accommodative monetary policy stance, no significant upward reaction is anticipated in the banking sector interest rates on facilities denominated in local currency. However, as highlighted, developments in global financial markets will continue to impact on foreign currency-denominated loans with variable interest rates.

External Sector

The global economy depicted a mixed performance in the first half of 2025, as early signs of recovery were overshadowed by renewed trade tensions and geopolitical conflicts. The US announcement of 'Liberation Day' tariffs on April 02, 2025, with its implementation subsequently postponed to August 2025, created widespread uncertainty over global trade and inflation. This was further compounded by a sharp escalation in tensions in the Middle East in June 2025. Although the situation has moderated, risks remain elevated, weighing heavily on global confidence. Notwithstanding such, the lower-than-expected effective US tariff rates and surge in US imports ahead of the tariff implementation date, as well as easing global financial conditions, have all supported a more optimistic economic outlook. Hence, global growth is projected at 3.0 per cent in 2025 and 3.1 per cent in 2026. Whilst this is slightly above the International Monetary Fund's (IMF) April 2025 World Economic Outlook (WEO) forecast, it is nonetheless lower than the 2024 outcome of 3.3 per cent.

In 2025, the economies of the Eurozone and United Kingdom are projected to grow by 1.0 per cent and 1.2 per cent, respectively, while US growth is forecasted at 1.9 per cent. Among the emerging markets, China's economy is projected to expand by 4.8 per cent and India's by 6.4 per cent.

Foreign inflationary pressures eased in early 2025, largely driven by declining oil prices, although inflation remained above target in many advanced economies. Against this backdrop, several major central banks adjusted their policy stance. The European Central Bank lowered its deposit rate to 2.0 per cent in June 2025, after Eurozone inflation dropped below target. This also signified its eighth policy rate cut since June last year. The US Federal Reserve, facing persistently high inflation and tariff-related pressures, maintained its federal funds rate at 4.25per cent - 4.50per cent, while the Bank of England held steady at 4.25per cent in June 2025, after reducing rates earlier in the year.

Looking ahead, the outlook for global inflation and economic growth remains highly uncertain, shaped primarily by ongoing geopolitical conflicts, particularly in the Middle East, and the evolving dynamics of tariff implementation, retaliatory measures, and trade negotiations among major economies. These developments continue to pose upside risks to inflation by disrupting global supply chains and through increasing freight and insurance costs. While the disinflation trend has created space for a gradual easing of monetary policy, the timing and extent of further interest rate reductions will depend on how these external risks unfold.

In the services industry, the performance of the domestic tourism sector in the first six months of the year was largely influenced by external factors. Increased air connectivity and the expansion in emerging, high-yield source markets, have supported a robust growth of 9.2 per cent in visitor arrivals for January to June 2025, signaling a continued recovery in global travel demand. Furthermore, earnings from this sector rose by 17 per cent over this period, reflecting higher tourist spending. Despite this positive momentum, the outlook for the second half of the year remains cautious, amid escalating geopolitical tensions, specifically in the Middle East, which is a key transit hub for travel to Seychelles. Potential disruptions to air travel and rising operational costs could weigh on future tourist arrivals and on yield of the sector. Nonetheless, the anticipated resumption of direct flights from Europe during the fourth quarter and greater access to non-traditional source markets, may help cushion some of the potential external shocks.

Imports

The overall value of imported goods in 2025 is forecasted to be higher than in the previous year. The anticipated increase in the volume of imports is in line with stronger economic activity, while also reflecting price movements in global commodity markets. International food prices increased in the first half of the year owing to strong demand amidst tight supply conditions, but are expected to moderate going forward. Conversely, the observed decline in global fuel prices this year has resulted in a forecasted reduction in the total value of oil imports for

2025. In addition, imports related to Foreign Direct Investment (FDI) projects are also expected to be higher in 2025, associated with several ongoing projects.

Exports

The total value of exported goods is estimated to be higher than in 2024. This is mainly driven by a projected growth in the export of canned tuna, the country's main export commodity. As for oil re-exports, a reduction in revenue has been forecasted, consistent with the decline in international oil prices this year.

Services

The country's services account is anticipated to remain in surplus, and its value is expected to be above that of the previous year.

The export of services, largely related to tourism activity, is projected to surpass the outcome for 2024. This is in line with the improved performance of the tourism sector, whereby strong growth was observed, both in terms of visitor arrivals and earnings, during the first half of the year. Whilst the majority of tourists originated from Europe, significant growth has been recorded in the number of visitors from Asia. This was supported by a rise in tourists from Israel, the United Arab Emirates (UAE) and India, partly attributed to the direct air connectivity to these countries. As such, overall yield of the sector is forecasted to be higher than in 2024. Nonetheless, industry challenges include the seasonal reduction in direct connectivity to Europe from March to September, as well as increased competition from more affordable destinations in the region. The escalation of geopolitical conflicts also poses a risk to the performance of the tourism sector. As for imports of services, its level is projected to be above that for 2024, owing to higher transportation costs and other trade-related services.

Capital and Financial Accounts

The capital and financial accounts offer valuable insight into the financing of a country's current account transactions. Capital transfers continue to be dominated by bilateral and multilateral donations of capital goods from partner countries. The value of such is expected to be above that recorded in 2024.

As has traditionally been the case, FDI and transactions under "other investments" remain the primary sources of financing for the current account. FDI inflows are projected to increase in 2025, largely driven by the implementation of several ongoing tourism-related investment projects.

External Reserves

The level of gross international reserves at the end of 2025 has been projected at USD 946m, an improvement in relation to the outcome of USD 774m in 2024. In terms of reserves adequacy, the country's gross reserves are estimated at 4.6 months of imports cover, compared to 4.0 months in 2024. The forecasted growth in the stock of reserves is due to budget support received from multilateral partners during the year coupled with opportunistic purchases of foreign exchange from the market to accumulate reserves.

Fiscal Outlook

Although GDP growth has been revised downwards, Government remains committed to its fiscal targets. The 2025 mid-year primary balance is projected at 1.2 per cent of GDP, with a surplus of SR 381.5m, only SR 1.6m higher than the original Budget. For the year 2026, the primary balance is projected at 1.5 per cent of GDP, in line with agreed projections with the IMF.

This stability is supported by ongoing reforms with the continuous support of the International Monetary Fund (IMF) through the Extended Fund Facility (EFF) and Resilience and Sustainability Trust (RST) programmes, both of which provide financial and technical support to strengthen fiscal resilience.

For the mid-year 2025 revision, total revenue including grants is projected at SR 11.65bn, a downward adjustment of SR 515.6m. Tax revenue has been revised downwards by SR 120.1m, reflecting weaker macroeconomic assumptions and substantially higher-than-anticipated VAT refunds forecast for tourism-related projects. However, the bulk of the revision stems from non-tax revenue. Grants are now lower by SR 101.5m, and dividend income is now expected to be SR 306m compared to initial Budget.

On the expenditure side, primary spending is now projected at SR 11.27bn, about SR 517.2m lower than the initial Budget. This is primarily driven by downward adjustments to 'Capital Expenditure' and 'Net Lending' by SR365.3m and SR 179.9m respectively.

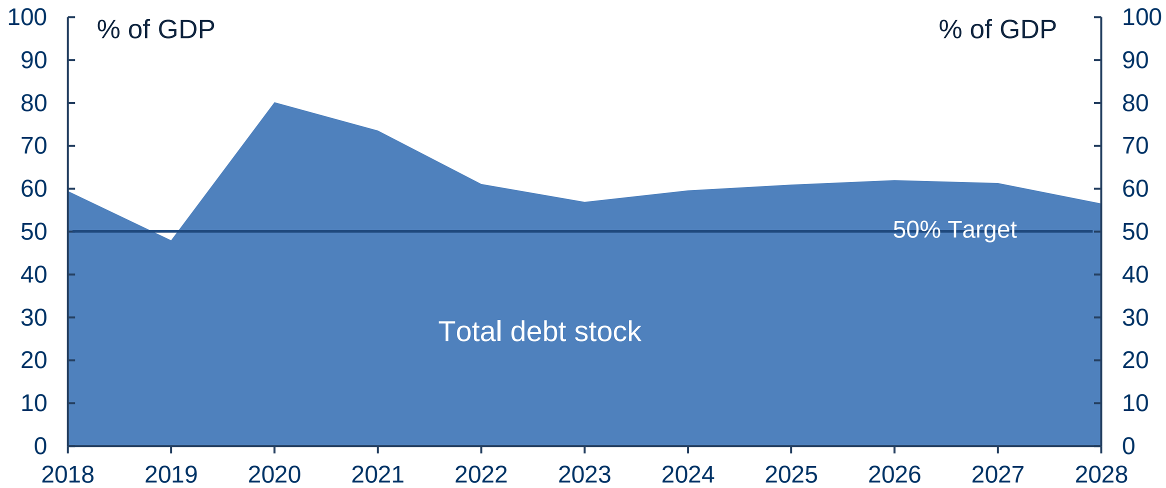
Table 3: Revised Government Revenue and Expenditure (SR'000s)

DESCRIPTION	2024	2025 Budget	2025 MYEFO	2026
Revenue and Grants	10,799,798	12,169,358	11,653,766	11,826,482
Primary Expenditure	9,743,348	11,789,490	11,272,305	11,326,249
Primary Balance	**1,056,450**	**379,867**	**381,461**	**500,233**
% of GDP:	**3.3**	**1.1**	**1.2**	**1.5**

Source: Ministry of Finance estimates

As at June 2025, public debt stood at 55 per cent of GDP and continues to decline, keeping the country on track to meet the 50 per cent of GDP target by 2030. By the end of 2025, the total debt is expected to be about 61 per cent of GDP, and slowly reduce by an average of 1.5 percentage point over the medium term.

Figure 5: Total Debt to GDP



Source: Ministry of Finance - Debt Management Division estimates

Revenue & Grants

Total revenue and grants for 2025 has been revised downwards by about SR 486m or 4 per cent compared to the initial Budget. This is mainly attributed to a downward revision in non-tax revenue by SR 294m or 17 per cent, mainly due to a reduction in dividend income. Tax revenue has also been revised downwards by SR 120.1m or 1 per cent vis-à-vis the initial Budget. This follows adjustments in key lines such as VAT, Excise tax and Other tax, following developments aforementioned. In addition, grants have been revised downwards by SR 101m or 22 per cent as a result of delays in the implementation of certain projects. Overall, the mid-year revised Budget for total revenue and grants stands at SR 11.65bn, representing about 35.3 per cent of GDP. For the year 2026, total revenue and grants is expected to amount to SR 11.8bn, equivalent to about 34.0 per cent of GDP.

Table 4: Revised Government Revenue (SR'000s)

DESCRIPTION	2024	2025 Budget	2025 MYEFO	2026
Tax Revenue	9,021,347	9,955,764	9,835,649	10,084,769
Non-Tax Revenue	1,585,746	1,760,610	1,466,669	1,400,816
Grants	192,705	452,983	351,448	340,897
TOTAL: REVENUE & GRANTS	**10,799,798**	**12,169,358**	**11,653,766**	**11,826,482**
% of GDP:	**34.1**	**36.8**	**35.3**	**34.0**

Source: Ministry of Finance estimates

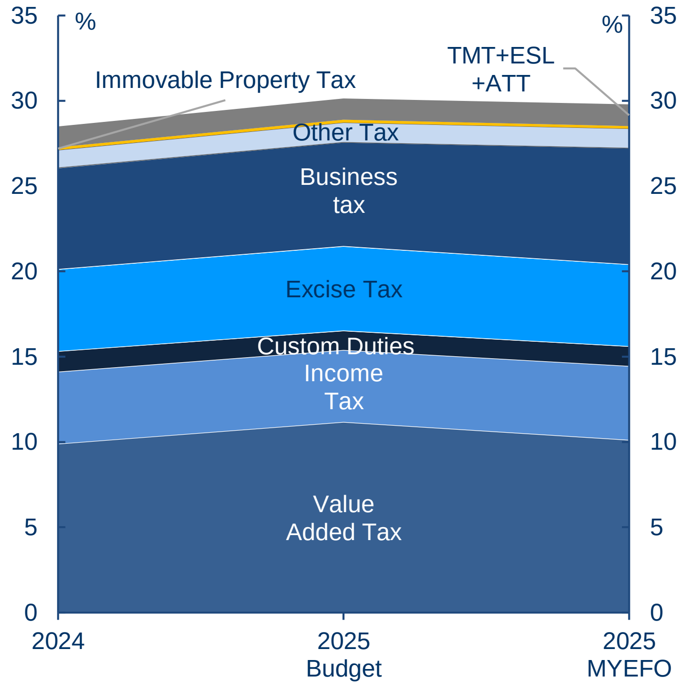
Tax Revenue

Tax revenue has been revised downwards by about SR 120.1m for this mid-year 2025 Budget revision. Tax collections are now estimated at SR 9.84bn, representing a 1.2 per cent reduction from the initial Budget estimate of SR 9.96bn.

This revision reflects the strong overall tax collections for the first half of the year, coupled with a strong 2024 base which contributed to an upward adjustment of about SR 348m in aggregate. However, these gains were fully offset by downward revisions to the macroeconomic assumptions and other technical adjustments totalling SR 468.2m.

The weaker real and nominal GDP growth as aforementioned, has a direct downward impact on total expected collections of about SR 37.7m. The most notable revision however, is seen in VAT by about SR 386.2m, mainly due to substantially higher refunds forecast for tourism-related activities for the year, as well as delays in the implementation of certain VAT reforms. Excise tax have also been revised downwards by SR 50.5m, mainly attributed to lower year-to-date performances.

Figure 6: Tax Revenue to GDP



Source: Ministry of Finance - Macroeconomic Forecasting & Analysis Division estimate

Table 5: Mid-year revised Tax revenue (SR'000s)

DESCRIPTION	2024	2025 Budget	2025 MYEFO	2026
Personal Income Tax (PIT)	1,331,263	1,385,606	1,426,479	1,491,684
Custom Duties (CD)	382,074	376,783	381,995	394,791
Excise Tax (ET)	1,521,946	1,634,853	1,588,888	1,651,435
Value Added Tax (VAT)	3,131,531	3,692,598	3,341,214	3,536,929
Business Tax (BT)	1,882,715	2,015,703	2,249,901	2,318,523
Corporate Social Responsibility Tax (CSR)	2,378	0	0	0
Tourism Marketing Tax (TMT)	96,890	107,739	105,162	109,467
Environmental Sustainability Levy (ESL)	168,307	178,067	183,490	187,159
Accommodation Turnover Tax (ATT)	122,395	124,416	130,357	136,930
Other Tax (OT)	331,805	382,221	377,899	380,751
Immovable Property Tax (IPT)	49,892	57,778	50,263	51,268
TOTAL: TAX REVENUE	**9,021,196**	**9,955,764**	**9,835,649**	**10,258,937**
% of GDP:	**28.5**	**30.1**	**29.8**	**29.9**

Source: Ministry of Finance - Macroeconomic Forecasting & Analysis Division estimates

Income Tax

Background

Personal Income Tax is a withholding-based tax on wage income for nationals and resident expatriates. It is also levied on non-monetary employee benefits. This tax was introduced on 1 July 2010, replacing the previous Social Security Contribution system. As of 1 June 2018, the income tax regime was replaced by a progressive system with different rates applicable to various income brackets.

2025 Context

The Personal Income Tax estimate has been revised upward to about SR 1.4bn in the 2025 mid-year Budget revision (see Table 6), representing an increase of about SR 40.9m, or about 3 per cent, over the initial Budget figure of SR 1.39bn. This revision stems from strong outturns in the 'Other Public Sector' and 'Private Sector' lines in 2024, of about 6.4 and 4.8 per cent, respectively, resulting in a positive base effect for the 2025 outlook.

Moreover, year-to-date performances have prompted revisions to the 'Other Public Sector' and 'Private Sector' lines. These revisions along with the aforementioned base effect and a lower nominal economic growth assumption led to an overall upward revision of SR 3.4m and SR 44.0m for the 'Other Public Sector' and 'Private Sector' lines, respectively.

For the 'Central Government' line, the estimate has been revised downwards following a relatively poor performance in 2024, compounded by the now lower nominal growth forecast. However, NBS's labour statistics for the public sector for the first quarter of 2025 indicate year-on-year increases of 1.6 per cent in employment and 2.7 per cent in earnings. In this regard, MFAD will conduct further analysis and continue to closely monitor this subline.

For 2026, Personal Income Tax collections have been adjusted to reflect changes in nominal growth assumptions. As a result, the personal income tax-to-GDP ratio is projected at 4.3 per cent.

Table 6: Medium Term Personal Income Tax (SR'000s)

DESCRIPTION	2024	2025 Budget	2025 MYEFO	2026
Central Government	289,759	331,107	324,598	345,164
Other Public Sector	168,413	168,381	171,807	178,767
Private Sector	873,091	886,118	930,074	967,752
TOTAL: PIT	**1,331,263**	**1,385,606**	**1,426,479**	**1,491,684**
% of GDP:	**4.2**	**4.2**	**4.3**	**4.3**

Source: Ministry of Finance - Macroeconomic Forecasting & Analysis Division estimates

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 Nominal GDP whereas, tax collections on specific rate items grow in tandem with Real GDP.

2025 Context

The 2025 Custom Duties estimate has been revised upwards to SR 382m, against the initial Budget of SR 376.8m, an increase of about SR 5.2m or 1.4 per cent. This upward adjustment is mainly driven by higher-than-anticipated 2024 revenue collections, which has led to a significantly higher base for the year 2025.

Within the sublines, 'Others' has been particularly impacted by the higher base, largely as a result of an acceleration of import volumes due to economic recovery, particularly within the tourism industry.

In contrast to 2024, year-to-date 2025 collections have been weaker across several sublines when compared to the Budget estimates. The largest under-performances were recorded under 'SLA Levy (Vehicles)' by about SR 8.2m or 31.8 per cent, 'Alcohol' by SR 4.2m or 12 per cent and 'Livestock Trust Fund' by about SR 3.2m or 24.5 per cent. These shortfalls combined with the higher base has resulted in a moderate net upward revision

In summary, the 2025 mid-year revision reflects a balance between a stronger 2024 base and weaker year-to-date performances, resulting in a slight upward revision overall. MFAD will continue to monitor and make relevant adjustments to forecasts to ensure accuracy of estimation.

For the year 2026, Custom Duties collections are expected to amount to SR 394.8m or 1.1 per cent of GDP. This is for the most part a result of a lower nominal GDP forecast for 2026 as well as lowered subline bases for various lines that are currently underperforming in 2025.

Table 7: Medium-Term Customs Duties (SR'000s)

DESCRIPTION	2024	2025 Budget	2025 MYEFO	2026
Custom Duties Direct imports	**389,135**	**381,783**	**386,995**	**399,791**
Alcohol (Beverages Spirits and Vinegar)	93,993	101,525	93,004	96,034
Textiles and textile articles	7,861	8,363	8,203	8,535
Tobacco (Tobacco and Manufactured Tobacco)	1,967	1,917	2,044	2,111
Prepared Food (Prepared Foodstuffs)	14,809	15,031	15,452	16,078
Others	163,733	147,338	171,276	176,856
SRC Levy (Additional Levies)	10,519	69,005	10,934	11,291
SLA Levy (Vehicles)	58,457	-	51,104	52,769
Documentary Charges	3,994	3,842	4,151	4,286
Livestock Trust Fund	33,801	34,762	30,827	31,831
Custom Duties Exemptions	**-7,060**	**-5,000**	**-5,000**	**-5,000**
TOTAL: CUSTOM DUTIES	**382,074**	**376,783**	**381,995**	**394,791**
% of GDP:	**1.2**	**1.1**	**1.1**	**1.1**

Source: Ministry of Finance - Macroeconomic Forecasting & Analysis Division estimates

Note: As part of the mid-year revisions, the 'Levy' previously reported as a single line, has been disaggregated into 'SRC Levy' (Additional Levies) and 'SLA' Levy' (Vehicles)

Excise Tax

Background

Excise Tax applies to specific imported and locally manufactured goods that generate negative externalities, with the primary aim of discouraging their consumption and production. Five categories of goods are currently subject to Excise tax, namely alcoholic beverages, petroleum products, tobacco, motor vehicles, and sugar-sweetened beverages. With the exception of motor vehicles, Excise tax on these goods is imposed on a specific basis; that is, per unit of volume or quantity. In contrast, Excise tax on motor vehicles is levied on an ad-valorem basis, meaning it is calculated as a proportion of the good's value.

The demand for excisable goods tends to be relatively unresponsive to price changes (i.e., price inelastic), particularly in the case of tobacco, alcohol, and fuel, which are often considered necessities or addictive goods. This characteristic limit the extent to which higher tax rates reduce consumption, thereby ensuring a stable revenue stream for the Government.

2025 Context

Compared to the initial 2025 Budget, the Excise tax estimate has been revised downwards by SR 46m (2.8 per cent) to SR 1.59bn, representing 4.8 per cent of GDP. This revision stems primarily from adjustments made to account for weaker-than-anticipated receipts from Excise tax on imported alcoholic beverages. Although the first half of 2025 saw an increase in the volume of alcoholic beverage imports, import mix shifted away from hard liquor towards soft alcoholic beverages (e.g., beer), which are generally subject to lower tax rates. This shift in import composition more than offset the positive impact of higher import volumes, contributing to the observed under-performance. To account for this shortfall, the Budget estimate has been revised downwards by about SR 51m.

The Budget estimate was further reduced to account for weak receipts from Excise tax on locally manufactured alcohol and tobacco. These under-performances are mainly attributed to a rise in alcoholic beverage and cigarette sales to duty-free outlets, which are exempt from Excise tax, coupled with a general decline in sales compared to the same period last year. An additional SR 12.8m downward revision stems from lower GDP assumptions. These downward revisions were partly offset by the impact of a higher base from an over-performance in 2024. Notably, collections from excise on locally manufactured alcohol surpassed expectations, driven by strong production and sales throughout 2024.

Looking ahead, Excise tax receipts for 2026 are projected to grow by 3.9 per cent, broadly in line with GDP, to reach SR 1.7bn. As a result, Excise tax is expected to maintain a stable share of GDP at 4.8 per cent. The projected growth in receipts is driven by a moderate increase in the demand for imported and locally manufactured goods, supported by rising domestic income.

Table 8: Medium-Term Excise Tax (SR'000s)

DESCRIPTION	2024	2025 Budget	2025 MYEFO	2026
Excise-Imports	**1,075,165**	**1,176,405**	**1,132,533**	**1,177,501**
Alcohol	276,304	270,238	244,477	252,442
Petroleum	644,416	712,760	698,014	727,337
Motor Vehicles	152,290	190,366	187,801	195,409
Tobacco	2,155	3,040	2,240	2,313
Excise-Locally Manuf. Goods	**389,104**	**377,138**	**389,594**	**402,287**
Alcohol	223,008	193,480	222,574	229,825
Tobacco	166,096	183,658	167,021	172,462
Sugar Tax	**57,676**	**81,310**	**66,761**	**71,647**
Imported Beverages	43,033	52,977	43,369	46,766
LMG - Beverages	14,643	28,334	23,392	24,881
TOTAL: EXCISE TAX	**1,521,946**	**1,634,853**	**1,588,888**	**1,651,435**
% of GDP:	**4.1**	**4.9**	**4.8**	**4.8**

Source: Ministry of Finance - Macroeconomic Forecasting & Analysis Division estimates

Value Added Tax

Background

Value Added Tax (VAT) is imposed on the value added of all taxable products that are produced and consumed domestically through VAT registered companies, with the current rate being a flat 15 per cent of taxable goods and services. VAT is charged on all taxable imports but not on exports, in adherence to the 'destination principle'. Businesses with taxable supplies exceeding SR 2m are required to be VAT registered, while businesses below this threshold can register voluntarily. VAT collections tends to grow in tandem with Nominal GDP and it accounts for approximately 35 per cent of total tax revenue, making it the single largest tax line.

2025 Context

The mid-year estimate for VAT stands at SR 3.3bn, which represents a downward revision SR 351.4m, or 9.5 per cent from the initial Budget. This revision is primarily due to a substantially higher refunds forecast for tourism-related activities than originally expected. The refunds forecast changed following additional information on ongoing hotel construction and renovation projects, as well as the carry-over of outstanding refunds from 2024, which alone amounted to SR 109m. Further downward revisions are due to weaker nominal GDP growth estimates, and delays in implementing certain planned VAT reforms.

These downward revisions were partially offset by stronger than expected year-to-date performance, which resulted in an upward adjustment of SR 90.8m. The largest contributors to this over-performance were the ‘Tourism’ and ‘Imported Goods’ sub-lines. The increase in ‘Tourism’ collection stems from possible rectification of misclassification from the ‘Others’ sub-line, as well as increased activity in the sector due to strong tourist arrivals. Similarly, ‘Imported Goods’ receipts were driven by a 10 per cent increase in imports as at May 2025, also underpinned by robust growth in tourist arrivals. Additionally, while the ‘Tourism’ sub-line has been adjusted downwards owing to the aforementioned refunds forecast, the ‘Construction’ sub-line has been revised upwards to reflect higher collection from construction companies working on these projects.

For 2026, VAT is expected to grow by about 5.9 per cent over 2025, reaching SR 3.5bn or 10.3 per cent of GDP. This growth is expected to outpace nominal GDP, on account of the gradual resolution of the VAT refunds issue as major hotel projects are finalised. Additionally, ongoing VAT reforms should increase the contribution of some sectors, such as Wholesale and Retail, and ICT.

Table 9: Medium-Term Value Added Tax (SR’000s)

DESCRIPTION	2024	2025 Budget	2025 MYEFO	2026
VAT- Domestic	**1,882,471**	**2,278,730**	**1,994,635**	**2,135,597**
LMG- Alcohol	90,753	100,285	92,092	95,823
LMG- Tobacco	31,427	34,497	31,978	33,273
Construction	281,728	372,042	304,986	275,685
Services - Tourism	205,702	703,381	512,922	584,761
Services - Financial & Insurance activities	83,362	90,740	93,192	96,968
Services - ICT & Telecommunication	135,806	161,243	144,259	156,705
Real Estate	50,299	93,997	66,208	68,890
Wholesale Retail - Others	300,834	302,316	284,710	318,554
Others	702,561	420,231	464,288	504,937
VAT- Imported	**1,249,163**	**1,418,868**	**1,351,580**	**1,406,332**
VAT-Exemptions	**-103**	**-5,000**	**-5,000**	**-5,000**
TOTAL: VALUE ADDED TAX	**3,131,531**	**3,692,598**	**3,341,214**	**3,536,929**
% of GDP:	**9.9**	**11.2**	**10.1**	**10.3**

Source: Ministry of Finance - Macroeconomic Forecasting & Analysis Division 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 31st 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 annual returns by the 31st March, extensions of this lodgement date are provided under the Seychelles Revenue Commission (SRC) lodgement program.

In 2026, Business Tax collections are projected at SR 2.32bn, equivalent to about 6.8 per cent of GDP. This indicates a year-on-year increase of SR 68.6m or 3.1 per cent, supported by the sustained growth of the Seychelles' economy.

2025 Context

The 2025 Business Tax mid-year Budget forecast stands at SR 2.25bn, representing about 6.6 per cent of GDP. The Business Tax estimate was revised upwards by SR 234.2m or 11.6 per cent in comparison to the initial 2025 Budget. This increase is primarily driven by rapid revenue growth from the financial securities sector coupled with broader windfall over-performances, reflecting a total increase of SR 169m in the 'companies' line. Stronger-than-expected collections in 2024 also contributed to the revision, prompting upward adjustments across all sub-lines for the 2025 mid-year budget forecast, particularly in the 'withholding tax' and 'others' lines. Windfall over-performances also contributed significantly to the upward revisions in the 'sole traders' and 'withholding tax', by SR 9.9m and SR 26.6m, respectively. However, persistent classification issues continue to hamper efforts to clearly attribute the variation in tax collections during the first half of the year.

Table 10: Medium-Term Business Tax (SR'000s)

DESCRIPTION	2024	2025 Budget	2025 MYEFO	2026
Companies	1,621,169	1,773,933	1,943,437	2,002,073
Sole Traders	82,328	84,650	94,900	97,993
Partnerships	29,899	29,109	30,854	31,859
Trusts	8	18	9	9
Withholding Tax	100,118	84,068	129,936	134,170
Others	25,246	17,509	26,052	26,901
Residential Dwelling	23,948	26,415	24,713	25,519
TOTAL: BUSINESS TAX	**1,882,715**	**2,015,703**	**2,249,901**	**2,318,523**
% of GDP:	**5.7**	**6.1**	**6.5**	**6.7**

Source: Ministry of Finance - Macroeconomic Forecasting & Analysis Division estimates

Corporate Social Responsibility Tax

Background

Corporate Social Responsibility Tax (CSRT) 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. CSRT was established to encourage compliance with ethical and regulatory standards, as well as promote accountability for businesses' actions.

2025 Context

Since the abolition of the CSRT in 2021, this tax is no longer being forecasted. 2025 Year to date revenue collections stand at 0.7m. They are entirely arrears payments and are becoming progressively minimal and unsubstantial.

Table 11: Medium-Term Corporate Social Responsibility Tax (SR'000s)

DESCRIPTION	2024 Actual	2025 Budget	2025 MYEFO	2026
Corporate Social Responsibility Tax	2,634	0	0	0
TOTAL: CSRT	**2,634**	**0**	**0**	**0**
% of GDP:	**0.0**	**0.0**	**0.0**	**0.0**

Source: Ministry of Finance - Macroeconomic Forecasting & Analysis Division 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.

2025 Context

The mid-year 2025 Budget estimate for TMT stands at about SR 105.2m, representing a decrease of about SR 2.6m or 2 per cent compared to the initial Budget estimate of SR 107.8m. This downward revision is mainly attributed to a lower base, following lower-than-expected collections in 2024, coupled with downward revisions to GDP growth assumptions.

Despite the downward revision, year-to-date TMT collections as at May 2025, amounted to SR 45m which is about 10 per cent higher compared to the Budget. This is mainly in line with the strong year-to-date tourism performance, which in turn increased the performance of the tourism-related businesses which TMT is levied against.

Looking ahead, the 2026 TMT estimate has been revised downwards by about SR 4.8m, with total receipts expected to amount to SR 109.5m. This reflects the ongoing impact of the lower base and weaker nominal GDP assumptions for the year.

Table 12: Medium-Term breakdown of Tourism Marketing Tax (SR'000s)

DESCRIPTION	2024	2025 Budget	2025 MYEFO	2026
Tourism Marketing Tax	96,890	107,739	105,162	109,467
TOTAL: TMT	**96,890**	**107,739**	**105,162**	**109,467**
% of GDP:	**0.3**	**0.3**	**0.3**	**0.3**

Source: Ministry of Finance - Macroeconomic Forecasting & Analysis Division estimates

Environmental Sustainability Levy

Background

Environmental Sustainability Levy (ESL) was introduced in August 2023, to be collected per tourist per night and is applicable to all tourism establishments such as self-caterings, hotels and guesthouses. The establishments are classified under three categories and each have their respective rates. The small establishments (up to 24 rooms) have a rate of SR 25, a rate of SR 75 for medium sized (25-50 rooms) and for large establishments SR 100 (more than 50 rooms).

2025 Context

The 2025 mid-year estimate for ESL amounts to SR 183.5m, representing an upward revision of SR 5m or 3 per cent compared to the initial Budget. This is mainly attributed to the higher tourism assumptions following the upward revision in the tourism forecast from 3.5 to 7.5 per cent which increased the estimate by SR 6.6m. Additional upward adjustments were made to reflect year-to-date over-performance, consistent with the 10 per cent increase in arrivals compared to the same period in 2024.

For the year 2026, a total of SR 187.2m is expected to be collected in ESL. This outlook is on account of further improvement in compliance from hotel establishments and continued resilience in the tourism performance.

Table 13: Medium-Term breakdown of Environmental Sustainability Levy (SR'000s)

DESCRIPTION	2024	2025 Budget	2025 MYEFO	2026
Environmental Sustainability Levy	168,307	178,067	183,490	187,159
TOTAL: ESL	**168,307**	**178,067**	**183,490**	**187,159**
% of GDP:	**0.5**	**0.5**	**0.6**	**0.5**

Source: Ministry of Finance - Macroeconomic Forecasting & Analysis Division estimates

Accommodation Turnover Tax

Background

First introduced in 2023, the Accommodation Turnover Tax (ATT) applies to tourism accommodation operators with an annual turnover of at least SR 100m. Once an operator surpasses the threshold in a given year, they become liable to pay a 2 per cent tax on their monthly turnover in the following year.

2025 Context

Compared to the initial 2025 Budget, the ATT estimate has been revised upwards by SR 5.9m (4.8 per cent) to SR 130.4m, with the new forecast representing a 6.5 per cent increase over 2024 collections. About SR 5.5m of this revision stems from a higher base, following an over-performance in 2024. Due to an increase in the number of accommodation operators qualifying for the tax, collections in 2024 surpassed expectations. This base effect more than offset the negative impact of lower GDP assumptions, resulting in a net upward revision.

The Budget estimate was further increased by SR 2.6m to account for stronger-than-anticipated collections year-to-date. As at May 2025, collections had surpassed the Budget estimate by SR 11.3m, primarily due to high activity in the tourism industry, as indicated by trends in key economic indicators. From a year-to-date perspective, tourist arrivals and tourism earnings are higher than 2024 levels by 10 per cent and 16.8 per cent, respectively.

For 2026, receipts are forecasted to grow by 5 per cent to reach SR 136.9m, while maintaining a stable share of GDP at 0.4 per cent. This growth is supported by a moderate improvement in both tourist arrivals and visitor spending.

Table 14: Medium-Term breakdown of Accommodation Turnover Tax (SR'000s)

DESCRIPTION	2024	2025 Budget	2025 MYEFO	2026
Accommodation Turnover Tax	122,395	124,416	130,357	136,930
TOTAL: ATT	**122,395**	**124,416**	**130,357**	**136,930**
% of GDP:	**0.4**	**0.4**	**0.4**	**0.4**

Source: Ministry of Finance - Macroeconomic Forecasting & Analysis Division estimates

Other Tax

Background

Other Tax comprises of a set of license fees and smaller tax lines that covers a variety of sectors in the economy. The main constituents are ‘Road Tax’, ‘Telecommunications Licenses’, and ‘Stamp Duty’. These three components account for approximately 91 per cent of the Other Tax Revenue as at 2024.

2025 Context

The 2025 mid-year estimate for Other Tax stands at SR 377.9m, representing a downward revision of SR 4.3m or 1 per cent vis-à-vis the initial Budget. This is mainly attributed to a lower base following lower-than-expected 2024 collections across several sub-lines, coupled with downward adjustments from lower revised GDP growth assumptions. The main downward revision was made under ‘Telecommunication licences’ by SR 23m, mainly due to lower 2024 base. However, this was partly offset by adjustments in other sub-lines, to cater for stronger year-to-date collections, namely under ‘Radio Broadcasting Licences’ and ‘Environment Trust Fund’.

For 2026, a total of SR 380.8m is expected to be collected, maintaining a stable share of about 1 per cent of GDP.

Table 15: Medium-Term breakdown of Other Tax (SR’000s)

DESCRIPTION	2024	2025 Budget	2025 MYEFO	2026
OT- Ministry of Finance				
Trade/Ind Licences	8,183	8,510	8,506	8,783
Licences and Other Licence Registration	5,717	4,773	5,943	6,136
Road Tax and Other Licences	139,871	146,160	143,738	148,421
Telecommunications Licences	64,728	90,647	67,613	73,582
Hotel Licences	324	370	336	347
Liquor and Toddy Licences	356	304	370	382
Radio Broadcasting Licences	451	800	5,995	451
SUB TOTAL	**219,629**	**251,564**	**232,500**	**238,103**
OT- MoENRT				
Environment Trust Fund	6,345	2,403	15,044	7,085
OT- Department of Legal Affairs				
Stamp Duty	96,912	118,770	121,084	125,989
OT-Department of Transport				
Vehicle Testing	8,920	9,485	9,272	9,574
TOTAL: OTHER TAX	**331,805**	**382,221**	**377,899**	**380,751**
% of GDP:	**1.0**	**1.2**	**1.1**	**1.1**

Source: Ministry of Finance - Macroeconomic Forecasting & Analysis Division estimates

Immovable Property Tax

Background

Immovable 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 0.50 per cent of the market value of the property (up from 0.25 since January 2024).

2025 Context

The 2025 mid-year Budget estimate for IPT stands at SR 50.3m following a downward revision of SR 7.5m or 13 per cent against the initial Budget estimate of SR 57.8m. This revision is mainly due to base change, as a result of weaker-than-expected 2024 collections. Despite the increase in the tax rate at the start of 2024, collections have remained below expectations. While no single determining factor has been identified, ongoing Double Taxation Agreement legal disputes have been confirmed as a contributing factor to this shortfall.

The 2026 IPT forecast stands at about SR 51.3m or 0.1 per cent of GDP. This is a result of the carry-over effect of the weak 2024 base, and the continued under- performance observed during the first half of 2025.

Table 16: Medium-Term breakdown of Immovable Property Tax (SR'000s)

DESCRIPTION	2024	2025 Budget	2025 MYEFO	2026
Immovable Property Tax	49,892	57,778	50,263	51,268
TOTAL: IMMOVABLE PROPERTY TAX	**49,892**	**57,778**	**50,263**	**51,268**
% of GDP:	**0.2**	**0.2**	**0.2**	**0.1**

Source: Ministry of Finance - Macroeconomic Forecasting & Analysis Division estimates

Non-Tax Revenue & Grants

2025 Context

The total non-tax revenue collected during the first half of the year summed up to SR 319.3m, against a budgeted amount of SR 661.9m. This represents a significant under-performance of SR 342.6m or 52 per cent. For the mid-year 2025 Budget revision, non-tax revenue has been revised downwards by 17 per cent from SR 1.76bn to SR 1.47bn.

For 2026, total non-tax revenue and grants are projected to be about 4 per cent lower than the revised 2025 Budget. The decline is largely explained by reduced dividend income, reflecting lower expected payouts from SEYPEC in view of its planned investments. This shortfall, however, is expected to be partly offset by higher receipts from the sale of assets, compared to the revised 2025 figures. The increase is mainly linked to updated cashflow projections from the Ile Aurore reclamation project.

Table 17: Non-Tax Revenue and Grants (SR'000s)

DESCRIPTION	2024 Actual	2025 Budget	2025 MYEFO	2026
Non-Tax Revenue	**1,585,746**	**1,760,610**	**1,466,669**	**1,400,816**
Fees and Charges	494,254	456,653	534,030	475,662
Dividends Income	704,232	907,867	601,445	506,955
Proceeds from sale of assets	257,171	350,547	285,651	373,914
Other Non-Tax	130,089	45,543	45,543	44,286
Grants	**192,705**	**452,983**	**351,448**	**340,897**
TOTAL: NON-TAX REVENUE & GRANTS	**1,778,451**	**2,213,594**	**1,818,117**	**1,741,713**
% of GDP:	**5.6**	**6.7**	**5.3**	**5.3**

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

Fees and Charges

For the first half of the year, the total revenue collected under 'Fees and Charges' amounted to SR 199.7m compared to a budget of SR 219.7m for the same period. This represents an under-performance of SR 20m vis-a-vis the Budget, and a slight reduction of about SR 17.2m compared to the same period in 2024. Notable contribution to the under-performance is seen to be from collection of passenger service fees and disembarkation fees (SR 2.4m and SR 19.8m respectively) as a result of delays in transfer of funds in view of the delays in restructuring of the Seychelles Civil Aviation Authority.

Table 18: Fees and Charges (SR'000s)

DESCRIPTION	2024 Actual	2025 Budget	2025 MYEFO
First half of the year	216,876	219,717	199,667
Second half of the year	277,377	236,936	334,363
TOTAL: FEES AND CHARGES	**494,254**	**456,653**	**534,030**
% of GDP:	**1.6**	**1.4**	**1.6**

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

Dividend Income

Actual dividend income for first half of the year amounted to about SR 45.0m compared to an initial Budget of SR 907.9m. Table 19 shows the dividend income performance for the first six months of 2025 vis-à-vis the Budget.

For the mid-year 2025 Budget revision, dividend income has been revised downwards by SR 306.4m or 34 per cent. This is primarily linked to revision in the dividend forecast from the Island Development Company as a result of a change in the financing approach for the Assumption Island development project. Initially, a total of USD 20m was forecasted as revenue from the IDC through dividend against a corresponding provision of USD 20m as Government contribution through net lending for the development of the project. Under the revised arrangement, the project is now expected to be financed through available funds of the Island Development Company solely. As a result, the forecasted dividend will no longer accrue to Government, and the corresponding net lending provision will also not be disbursed.

Table 19: Dividend Income for the first half of 2025 (SR'000s)

DIVIDEND INCOME	Budget	Actual
SIMBC	150,000	0
Seychelles Petroleum Company	250,000	0
Land Marine Ltd	6,300	0
IOT	23,302	0
SCAA	50,000	0
Island Development Company	321,422	0
Seychelles Commercial Bank	4,000	0
Financial Services Authority	50,000	24,000
Societe Seychelloise D'investissement	0	0
Seychelles Fishing Authority	35,000	0
Ile Du Port Handling Services	17,844	20,974
TOTAL: DIVIDEND INCOME	**907,867**	**44,974**

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

Other Non-Tax

Other non-tax collections summed up to SR 23.6m, compared to a Budget forecast of SR 23.9m for the first half of the year. This represents a slight underperformance of 1 per cent. As a result, the mid-year projection for other non-tax for the year 2025 has remained unchanged.

Table 20: Other Non-Tax (SR'000s)

DESCRIPTION	2024 Actual	2025 Budget	2025 MYEFO
First half of the year	95,334	23,857	23,633
Second half of the year	34,755	21,686	21,910
TOTAL: OTHER NON-TAX	**130,089**	**45,543**	**45,543**
% of GDP:	**0.4**	**0.1**	**0.1**

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

Proceeds from Sales of Assets

Total revenue from proceeds from sales of assets amounted to SR 51.0m in comparison to a Budget of SR 99.8m for the first half of the year. This represents an under-performance of SR 48.7m or 49 per cent. The under-performance stems mainly from delay in implementation of a reclamation project for the Ile Aurore development.

Grants

Total grant receipts as at June 2025 stands at SR 28.6m against a Budget of SR 33m, representing an under-performance of 13 per cent. To note, 'Benefit in Kind' accounts for the bulk of grants expected for the year 2025.

Table 21: Grants Receipts for 2025 (SR'000s)

GRANT RECEIPTS	2024 Actual	2025 Budget	2025 MYEFO
Cash Grant	**71,398**	**90,615**	**95,629**
Benefit in Kind	**121,307**	**362,369**	**255,819**
Capital	119,821	306,851	139,878
Recurrent	1,486	55,517	115,941
TOTAL: GRANT RECEIPTS	**192,705**	**452,983**	**351,448**
% of GDP:	**0.6**	**1.4**	**1.1**

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

Cash Grant

For the 2025 mid-year review, 'Cash Grant' has been revised upwards from SR 90.6m to SR 95.6m. This is largely to account for the project 'Institutional Support Project for Statistics and Public Expenditure' which was previously not captured in the Budget figures but has started implementation during the year.

Grants in Kind

Contrary to 'Cash Grants', 'Grants in Kind' have seen a downward revision as a result of delays in implementation of several projects including two housing projects for the combined sum of SR 209.7m:

- Construction of 72 units at Cap Bonm Zan – SR 104.8m (foreign grant funded by Government of China)
- Construction of 69 units at Beoliere, Port Glaud – SR 104.8m (foreign grant funded by Government of China)

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

Over the first half of 2025, primary 'Expenditure and Net lending' totalled SR 5.0bn. The main spending components within the total expenditure relates to 'Wages and Salaries' (35 per cent); 'Goods and Services' (34 per cent); and 'Benefits and Approved Programmes of the Agency for Social Protection' (ASP) (12 per cent). The total expenditure has been revised downwards by SR 447.5m reflecting revised expected spending for the second half of the year.

Table 22: Expenditure and Net lending (SR'000s)

EXPENDITURE & NET LENDING	2024 Actual	2025 Budget	2025 MYEFO
Wages and Salaries	3,257,329	3,733,455	3,664,099
Goods and Services	3,762,701	4,049,367	4,170,645
Transfers to Public Enterprises	59,009	59,127	60,727
Benefits and Approved programs of ASP	1,222,259	1,406,745	1,366,745
Social programs of government	230,416	293,822	281,404
Other	28,545	15,990	15,990
Interest due	984,970	891,689	961,418
Capital Expenditure	974,544	1,858,534	1,493,257
Development Grant	101,118	125,346	152,245
Net Lending	21,310	197,105	17,194
Contingency	86,117	50,000	50,000
TOTAL: EXPENDITURE & NET LENDING	**10,728,318**	**12,681,180**	**12,233,723**
% of GDP:	**33.9**	**38.4**	**35.6**

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

Primary Expenditure

Total primary expenditure as at mid-year 2025 amounts to SR 4.5m against a Budget of SR 5.4m. 'Goods and Services' remains the largest component of primary expenditure, followed by 'Wages and Salaries', 'Capital Expenditure' and 'Benefits and Approved Programs of ASP', collectively accounting for 94.9 per cent of total primary expenditure. As part of the mid-year Budget review exercise, total primary expenditure has been revised downwards from SR 3.7m to SR 3.6m, largely driven by revised Budgets for Capital Expenditure and Net Lending.

Current Expenditure

The first half of the year recorded a current expenditure of SR 3.41bn against a Budget of SR 3.69bn, representing an under-performance of SR 282m. Nonetheless, the mid-year Budget forecast for current expenditure now stands at SR 7.83bn, reflecting an expected increase in 'Goods and Services'.

Table 23: Current Expenditure (SR'000s)

DESCRIPTION	2024 Actual	2025 Budget	2025 MYEFO
Wages and Salaries	3,257,329	3,733,455	3,664,099
Goods and Services	3,762,701	4,049,367	4,170,645
TOTAL: CURRENT EXPENDITURE	**7,020,030**	**7,782,822**	**7,834,745**
% of GDP:	**22.2**	**23.6**	**22.8**

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

Wages and Salaries

The actual expenditure recorded for the first six months of 2025 summed up to SR 1.73bn. This is opposed to a Budget of SR 1.82bn, resulting in an underspending of SR 97.6m, or 5 per cent. The positive variance is largely a result of the delays in recruitment resulting from several factors, notably the lengthy and slow recruitment process but mainly due to the lack of supply in the labour market.

Ministries, Departments, and Agencies (MDAs) with the largest saving under wages and salaries for the first six months are mainly:

- Ministry of Education at SR 7.9m
- Ministry of Finance, National Planning and Trade at SR 4.2m
- Ministry of Internal Affairs at SR 3.3m
- Ministry of Transport at SR 3m

During the mid-year process, savings within the 'Wages and Salaries' Budget have been re-allocated to areas of priority. The 'Wages and Salaries' Budget has been revised downwards by SR 69.4m, from SR 3.73bn to SR 3.66bn.

Goods and Services

A Budget of SR 1.87bn was allocated towards 'Goods and Services' for the first half of the year. However, the actual expenditure for the same period was lower by 10 per cent (SR 184m) standing at SR 1.68bn.

The following MDAs were the main contributors to the savings under 'Goods and Services':

- The National Sports Council (SR 43m) largely attributed to delayed expenses related to the CJSOI. Most of the invoices related to the game is expected to be settled during the second half of the year despite a significant proportion of the budget being made available for the first half.

- The Seychelles Revenue Commission (SR 32m) as a result of delays in completing the formalities to procure foreign consultancy services required for the implementation of Asycuda Upgrade Version 4 Project.

- The Ministry of Finance, National Planning and Trade (SR 29.2m) - As a result of administrative delays in implementation of the Integrated Financial Management Information System (IFMIS).

- The Ministry of Health (SR 9.3m) largely attributed to delays in completing the necessary administrative and procuring formalities for related budget expenditure lines and lateness in receipt of invoices for payments of medical supplies.

The 'Goods and Services' Budget has however been revised upwards by SR 117m to reflect revision in expenditure forecasts across MDAs whilst also accounting for certain grant-related expenditures that were not originally captured in the initial Budget.

Transfers to Social Programs of Central Government

For the first half of 2025, a Budget of SR 137m was allocated towards the social programs of central Government. The actual spending was SR 94.8m, resulting in a savings of SR 42.6m or 31 per cent. Most of the line items under this group reported savings, a large portion of which was under the pension vote, which recorded a saving of SR 8m as well as Housing Finance Scheme, SME seed capital and Education loan scheme.

Transfers to Public Enterprises

A total of SR 28.2m in expenditure has been recorded under 'Transfers to Public Enterprises' as compared to the Budget of SR 28.8m. This indicates a slight under-spending of SR 588k or 2 per cent. However, the forecast for this Budget line has been increased by SR 4m to cater for the additional budgetary assistance to the 'Seychelles Public Transport Corporation' and 'The Guy Morel Institute'.

Benefits and Approved Programs of ASP

The actual expenditure recorded under the 'Benefits and Approved Programmes' of ASP amounted to SR 623m in comparison to the Budget of SR 703m, resulting in an under-execution of SR 80.9m (11 per cent). The majority of the savings were accounted for from the 'Retirement Benefit' and 'Social Safety Net' votes.

Capital Expenditure

A total of SR 378.3m was recorded during the first half of the year as actual expenditure against a Budget of SR 578.9m. This represents an under-execution of 35 per cent (SR 200.6m). Despite increased spending as a result of preparations for the FIFA Beach Soccer World Cup competition, challenges persist in the execution of capital budget particularly with respect to foreign funded projects.

Table 24: Capital Expenditure (SR'000s)

DESCRIPTION	2024	2025 Budget	2025 MYEFO
Capital Expenditure	**1,075,661**	**1,983,880**	**1,645,501**
Capital Projects	974,544	1,858,534	1,493,257
o.w. Grant funded	135,377	452,983	351,448
Development Grant	101,118	125,346	152,245
% of GDP:	**3.4**	**6%**	**5%**

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

Domestic Financing

A total amount of SR 1.27bn was made available for 'Public Sector Investment Program' (PSIP) projects under the local Budget for the year 2025. From this, a total of SR 369.3m has been spent, representing an execution rate of 29.1 per cent. This is an increase compared to 2024 which had an execution rate of 21.3 per cent.

The execution rate for the year 2025 as at end of June, for MDAs accounting for the highest shares of the Government's capital Budget are as follows:

- Ministry of Local Government 39.3%
- Health Care Agency 25.7%
- Ministry of Education 21.5%
- Department of Housing 15.7%
- SLTA 15.2%
- Industrial Estate Authority 10.9%

Several projects originally budgeted for implementation in 2025 have been deferred to 2026. These deferrals are primarily due to factors such as design revisions, funding reallocations, procurement delays, or strategic reprioritization to align with broader governmental objectives.

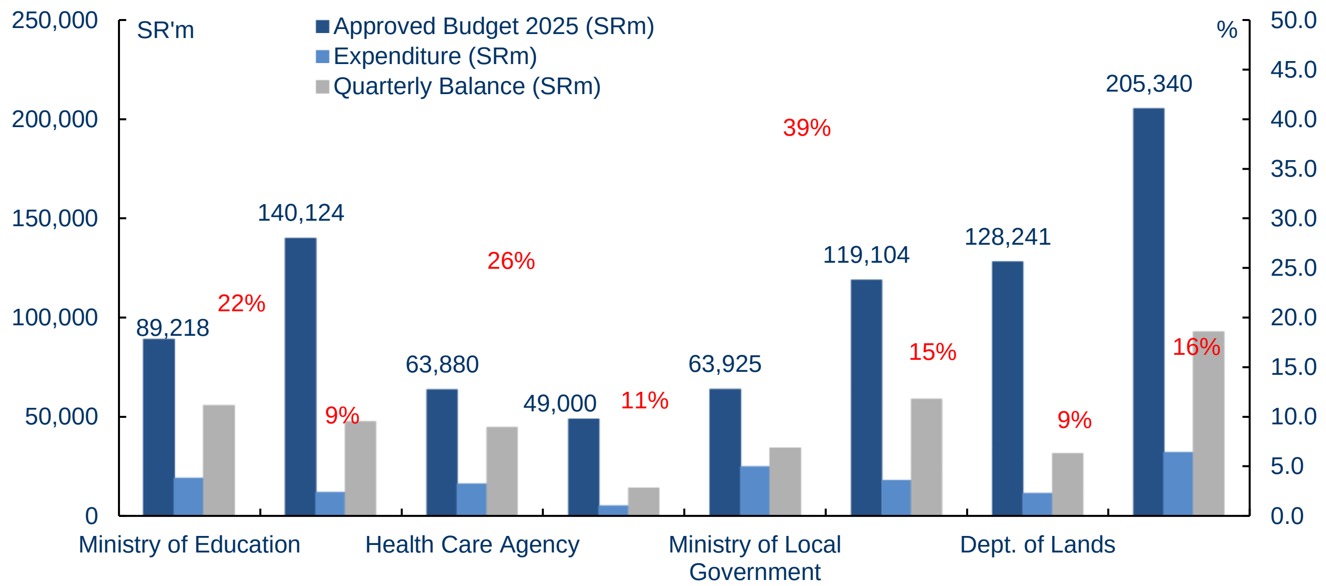
The deferred projects, along with their respective responsible agencies and allocated Budgets are summarized in Table 25 below:

Table 25: Deferred projects (SR'm)

Project Name	Ministries, Departments, Agencies (MDAs)	Budget Allocation (SR' m)
Construction of National Archives	Seychelles National Institute for Culture, Heritage and Arts	10.3
Construction of Perimeter Fencing	Prison Services	1
New Hospital Infrastructure	Health Care Agency	16.9
New Central Medical Store - Providence	Health Care Agency	87
Anse Boileau Crèche - Demolition Work	Ministry of Education	1.1
Affordable Housing Units Ile Aurore Phase 1 (80 Units)	Department of Housing	53.9
Government Building	Seychelles Infrastructure Agency	27
Ile Aurore Infrastructure	Seychelles Infrastructure Agency	35
Grading Works on Ile Aurore	Seychelles Infrastructure Agency	10

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

Figure 7: Capital Budget Execution as at end June 2025 (SR' 000s)



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

Loan Financing

As of June 2025, no spending was recorded from the approved foreign loan of SR 219.4m. A number of projects earmarked to be financed through loan financing are expected to incur expenditure during the second half of the year. This includes the reconstruction of the New La Digue School, the social housing projects being financed by the Government of Saudi Arabia, and the Seychelles Solid Waste Management Project from the Landscape and Waste Management Agency.

Grant Financing

A total of SR 368.3m was allocated as grant financing for the year 2025 out of which a total amount of SR 9.0m or 2.4 per cent has been spent as at end June 2025. Projects that were earmarked to be financed from grant financing in 2025 include a number of road infrastructure projects, housing infrastructure projects, education and sports infrastructure projects.

Certain projects earmarked for financing from foreign grants are not expected to materialize during the year, including the Construction of 69 housing units at Cap Bonm Zan, Anse Royale (SR 104.8m) and the Construction of 72 housing units at Beoliere, Port Glaud (SR 104.8m).

Development Grants

Total recorded Development Grants expenditure as at June 2025 stands at SR 38.15m against a Budget of SR 60.67m representing an under-expenditure of 37 per cent. The largest component of expenditure as at mid-year is payment made to Property Management Corporation (PMC) as part of the agreement for the repayment of the Government bond through the entity for financing of the housing infrastructure project '24 in 24 in 24'. The total Budget for Development Grants has been revised upwards for the mid-year Budget review by SR 26.9m to cater for proposed additional funds for the PMC and L'Union Estate to be used for different infrastructure projects by the two entities.

Table 26: Development Grants (SR'000s)

DESCRIPTION	2025 Budget	2025 MYEFO	Actual as at June 2025	Spending (%)
Seychelles Public Transport Corporation	26,924	26,924	733	2.7
o/w Government Budget	10,000	10,000	733	7.3
o/w Foreign Loan/ Grant	16,924	16,924		0.0
Property Management Corporation	53,423	75,321	26,401	49.4
Public Utilities Corporation Local	45,000	45,000	11,019	24.5
L'Union Estate		5,000		
TOTAL:	**125,346**	**152,245**	**38,154**	**30.4**

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

Projects completed during the first half 2025

Main projects completed during the first half of the year include:

Housing infrastructure projects
- Construction of 24 housing units at Ex-PSSW, Cascade (Phase II) (SR 12.5m)

Several prison infrastructures projects
- Remand Centre Ile Perseverance (Phase 1) (SR 1m)
- Maximum security prison SR 5.5m

Health infrastructure projects
- Baie Lazare Health Centre (SR 450k)

Sports infrastructure projects
- Renovation works at Palais des Sports (SR 1.8m)

Land infrastructure projects
- Other Land Bank (minor works on going)
- Infrastructure works for Fond Azor (SR 2.5m)

Outlook for second half of the year

Overall, the capital spending for the first half of 2025 has slightly improved compared to 2024. It is expected that spending will continue to improve particularly towards the last quarter of the year. Project statuses from MDAs show that several projects are currently ongoing, whilst a considerable number of projects are at various stages of design and procurement.

Some of the larger ongoing projects expected to see completion during the year include:

- Construction of Jetty (SR 26.4m)
- Construction of admin block at Au Cap (SR 4m)
- Medium to low-risk accommodation (SR 305k)
- Bel Ombre Primary - Renovation works (SR 2m)
- Glacis Primary - Renovation works (SR 2.5m)
- La Rosiere at Belonie Secondary School - Renovation works (SR 2m)
- Ex Deltel Dan Banbou, Anse Royale (SR 600k)
- Cap Ste Marie land bank (SR 1.5m)
- 24 Housing Units at Ex-Zelia Anse Boileau (SR 13.6m)
- 24 Housing Units H10051 at La Gogue (SR 1.2m)
- 6 Housing Units at Mt. Plaisir GAP (16 units at Amitie Praslin) (SR 875k)
- 16 Housing Units at Anse Francois Pte. Larue (SR 1.1m)
- 16 Housing Units at Waterloo St. Louis (SR 725k)
- 16 Housing Units at Anse Poules Bleus Phase II - Ex hunt extension (SR 800k)
- Construction of Les Mamelles Day Care Centre (SR 7m)
- Improvement on Child Day Care Infrastructure - Construction of Mont Fleuri Day Care (SR 2m)
- Renovation of ex NIHSS (SR 750k)
- Renovation of office building (SR 2.5m)
- Vehicle Testing Station Praslin (SR 1.8m)

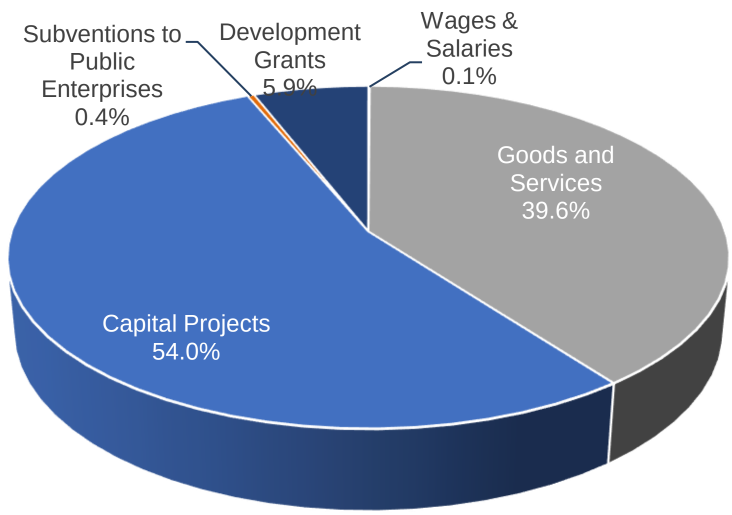
Net Lending

Total net cash inflow from Net lending totalled SR 27.2m for the first half of 2025 against a budgeted net expenditure of SR 166.3m. Total payment of SR 55m was made towards the Public Utilities Corporation (PUC) whilst total cash inflow recorded from both PUC and Development Bank of Seychelles stood at SR 82.2m.

Mid-Year Expenditure Revision

A total supplementary Budget request of SR 513.4m worth of additional funds has been requested by MDAs and other Government entities as supplementary Budget, of which SR 165.9m have already been issued. Out of the remaining SR 347.6m requested additional funds yet to be issued, a total of SR 286.4m is being recommended by the Ministry. In addition to this, a total Budget cut of SR 969.4m is being recommended from identified savings across various Budget lines of MDAs. The result therefore is a total recommended additional fund of SR 452.2m against a recommended Budget cut of SR 969.4m giving a net Budget cut of SR 517.2m (SR 517,185,216.08 in full).

Figure 8: Supplementary Budget Allocation



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

Wages and Salaries

As a part of the mid-year review process, savings within the ‘Wages and Salaries’ Budget have been re-allocated to priority areas for which additional funds were required. Total additional funds of SR 342k is expected to be offset against total identified Budget cuts of SR 69.7m under the various MDAs that will be recording a savings at year end within their wages and salaries Budget. A net total Budget cut of SR 69.5m is being proposed under this category. Out of the total Budget cut allocation, a total of SR 22m is accounted for from the Budget line ‘Pension Scheme Contribution’ as a result of savings due to delays in recruitment for vacant posts within the first six months.

Goods and Services

A net total of SR 143.7m is required as supplementary Budget to cater for expenses for the year 2025 within Ministries, Departments and Agencies. The main organizations contributing to this are:

Department of Information and Communication Technology (SR 6.1m);

- A total of SR 2.7m to cater for Microsoft Subscription invoice which was received late during 2024 and therefore had to be catered for within the 2025 Budget.
- A total of SR 4.8m to cater for acquisition cost of server for the Human Resource Management system being implemented by the Public Service Bureau.

Ministry of Finance, National Planning and Trade (SR 6.6m);

- Additional funds of SR 6.58m to account for the foreign grant funded project 'Institutional Support Project for Statistics and Public Expenditure' which was previously not captured in the Budget figures.

Judiciary (SR 2.1m);

- Additional funds of SR 1.6m to cater for maintenance of low voltage panel board which is currently posing a health hazard risk.
- Additional funds of SR 543k to cater for shortfall under Budget lines acquisition of vehicles and office building rent.

Institute of Early Childhood development (SR 3.1m);

- Additional funds to cater for financial assistance for childminders as a result of increase in minimum wage for child minders financial assistance and increased number of child quota resulting in increase in financial assistance provided to parents.

Anti-Corruption Commission (SR 13.6m);

- Additional funds to cater for ongoing Black Iron and Velocity projects which have encountered delays leading to increased expenditure under the following expenditure lines; foreign consultancy fees (SR 10m) and legal fees (SR 3m).

Seychelles Land Transport Agency (SR 5.8m);

- Additional funds required to cater for shortfall in budget votes for 'acquisition of streetlights' and 'road maintenance'

Landscape and Waste Management Agency (SR 5.8m);

- Additional funds to cater for unforeseen landscaping works (SR 1.3m).
- Additional funds to cater for increase in minimum wage for different contracts including security and enforcement and road cleaning services.

Health Care Agency (SR 10m);

- Additional funds to cater for shortfall for haemodialysis services in comparison to actual expenditures incurred to date against available Budget.

Seychelles Home Care Agency (SR 4.8m);

- Additional funds to cater for difference in 13th month actual payment against approved Budget provision.

Capital Expenditure

A net Budget cut of SR 365.3m is being proposed for capital expenditure for the year 2025. This is a result of total Budget cut of SR 609.5m against a total additional fund of SR 244.3m. Below are the main additional fund provisions:

- Office of the President – A total of SR 5.1m to cater for shortfall in projects, mainly major renovation of Grand Kaz building as well as construction of covered parking.

- Ministry of Internal Affairs – A total SR 4.3m to cater for shortfall for the project 'Landslide Mitigation Prevention Measures'.

- National Sports Council – A total of SR 185.3m to cater for shortfalls for the FIFA Beach Soccer World Cup and Commission de la Jeuneusse et des Sports de L'Ocean Indien (CJSOI).

Below is a list of main Budget cuts made:

- Ministry of Finance, National Planning and Trade – Budget cut of SR 30m as a result of delays in implementation of the IFMIS project.

- Ministry of Education – Budget cut of SR 7.7m as a result of delay in implementation of 'Reconstruction of La Digue School' project.

- Ministry of Land Use and Housing – A total cut of SR 359.5m as a result of delays in implementation of various housing projects including:
    - Construction of 72 units at Cap Bonm Zan – SR 104.8m (foreign grant funded from the Government of China)
    - Construction of 69 units at Beoliere, Port Glaud – SR 104.8m (foreign grant funded from the Government of China)
    - Ile Aurore Phase 1 – SR 50.4m
    - Social Housing project – SR 56.6m (foreign loan funded project from Saudi Fund)

- Utilities Regulation Commission – A total cut of SR 10m against the project 'Government Building rooftop PV'.

- Seychelles Infrastructure Agency – A total cut of SR 84m against various projects as shown below;
    - Government House Building – SR 27m
    - Ile Aurore Infrastructure works – SR 35m
    - Ile Aurore Grading works – SR 10m
    - Ile Du Port Development – SR 12m

Social Programs of Government

A total Budget cut of SR 12.4 m is forecasted for Social Programs of Government based on assessment of actual trends as per below breakdown;

- Housing Finance Scheme – SR 7.4m
- Home Improvement / Re-roofing scheme for pensioners – SR 2m
- Education loan scheme – SR 3m

Subvention to Public Enterprises

A total additional fund of SR 1.6m is proposed for the Guy Morel Institute to assist with operational costs.

Benefits and Approved Programs of ASP

A total Budget cut is forecasted under the Budget line 'Retirement Benefits' based on assessment of actual trends for the year 2025.

Development Grants

A total of SR 26.9m is forecasted as additional funds for Development Grants to Public Enterprises as follows:

- L'Union Estate – SR 5m to cater for development projects at the Estate.

- PMC – SR 21.9m to cater for repayment of PMC treasury bonds for which arrangement was made through Government in order to finance the '24 in 24 in 24' housing project, as well as funds to assist with the maintenance of existing housing estates.

Net Lending

A total budget cut of SR 179.9m is forecasted as budget cut under Net lending as follows:

- SR 29.2m from PUC's infrastructure development (utilities), as part of infrastructure development projects undertaken by the Industrial Estates Authority.

- SR 150.7m from allocation made to the Island Development Company that was earmarked to finance an infrastructure development on the outer island 'Assumption'.

Debt Outlook

2025 Overall Context

As illustrated in Table 27, as at the end of June 2025, the total Government Debt Stock amounted to SR 18.2bn, representing approximately 55.0 per cent of the Gross Domestic Product (GDP). The total stock of domestic debt stood at around SR 8.5bn, while the external debt stock was approximately SR 9.7bn, accounting for 25.6 per cent and 29.4 per cent of GDP, respectively. External debt remains the primary component of the total debt stock, comprising 53 per cent of the overall figure.

Table 27: Provisional Total Debt Stock as at June (Millions)

DESCRIPTION	Domestic SR' m	External SR' m	External USD	Total SR' m
Total Debt Stock	**8,478**	**9,675**	**1,235**	**18,154**
Debt to GDP Ratio	25.6%	29.4%		55.0%

Source: Ministry of Finance - Debt Management Division

2025 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

As of the end of June 2025, Seychelles' total external debt reached SCR 9.7bn, accounting for 53.3 per cent of the country's total debt portfolio. This represents a 1 per cent increase from SCR 9.6bn recorded as at the end of December 2024.The rise in external debt is primarily attributed to ongoing disbursements from multilateral and bilateral creditors as well as a new loan from IBRD. These are highlighted in Table 28 below.

Table 28: External borrowings and disbursements as at June 2025

DESCRIPTION	Loan Amount (USD' m)	Amount Disbursed (USD' m)
IBRD-*'Solid Waste Management'*	5.0	0.5
IBRD-*'Strengthening Quality of the Social Protection System'*	30.0	2.5
IBRD-*'Seychelles First Sustainable and Inclusive Growth Development Policy'*	15.0	15.0
'Exim India-Line of Credit USD 10.00m (SPTC)'	10.0	0.98
IMF- *'Extended Fund Facility 2 (2023)'*	42.0	8.0
IMF- *'Resilience and Sustainability Facility (RSF)'*	34.0	5.0
TOTAL:	**136.0**	**31.98**

Source: Ministry of Finance - Debt Management Division

Disbursements received from Bilateral creditors were under the existing 'Exim India Line of Credit' for the SPTC. Despite of the additional funds, the bilateral category decreased by SCR 46m owing to the steady debt repayments. Between the end of 2024 to the first half of 2025, reductions were also recorded in other creditor categories. Specifically, commercial and Private creditor debt decreased by SCR 19m and SCR 131m, respectively. Private creditors debt repayments relate primarily to the Euro and Blue Bonds.

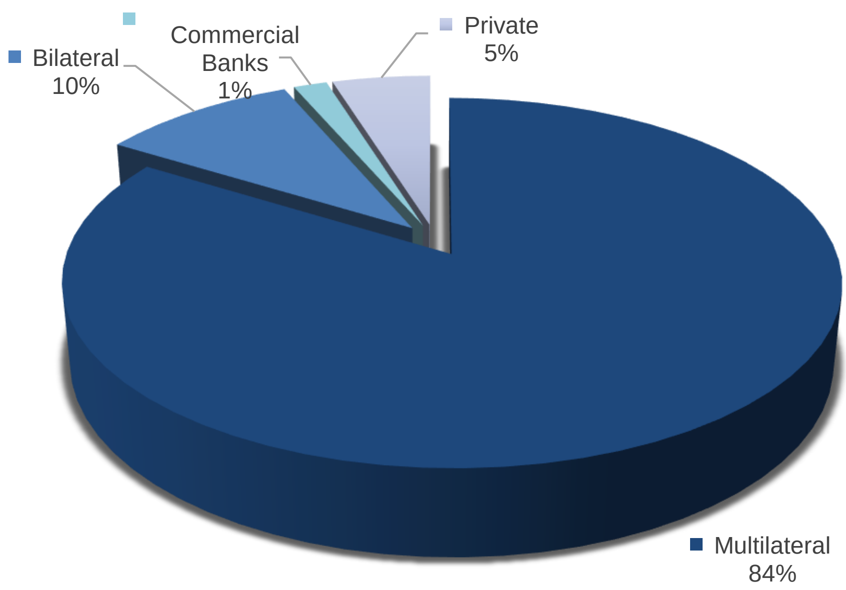
Table 29: External Debt by Creditor Category Dec 2024 vs June 2025

DESCRIPTION	Dec-24 (SCR' m)	Jun-25 (SCR' m)	% Change
Multilateral	**7,829**	**8,104**	**3.5**
Bilateral of which;	**990**	**944**	**-4.7**
Paris Club	443	425	**-4.1**
Non-Paris Club	547	519	**-5.1**
Commercial Banks	**179**	**160**	**-10.6**
Private	**598**	**467**	**-21.9**
TOTAL: EXTERNAL DEBT	**9,596**	**9,675**	**0.8**

Source: Ministry of Finance - Debt Management Division

The composition of external debt as of June 2025 is illustrated in Figure 9, showing that multilateral creditors hold the largest share at 84 per cent, followed by bilateral creditors at 10 per cent, while private creditors and commercial banks make up the remaining 5 per cent and 1 per cent, respectively.

Figure 9: External Debt by percentage composition as at June 2025



Source: Ministry of Finance - Debt Management Division

External Debt Repayments

Table 30 presents the repayment schedule for External Debt during the second half of 2025. The most substantial payments are projected for July at USD 13.2m and November at USD 7.1m. These peak periods are primarily attributed to the Eurobond repayment in July and scheduled repayments on AfDB and IMF loans in November.

Table 30: External Debt Forecast by Month - 2025 in USD' (000)

EXTERNAL DEBT (USD)	Jul	Aug	Sep	Oct	Nov	Dec	TOTAL
Total Principal	9,738	2,100	1,396	2,535	1,821	5,900	23,490
Total Interest	3,532	3,462	1,603	1,024	5,312	380	15,313
TOTAL: DEBT FORECAST	**13,270**	**5,562**	**2,998**	**3,559**	**7,134**	**6,280**	**38,803**

Source: Ministry of Finance - Debt Management Division

2025 Domestic Debt Stock

The domestic debt stock represents all debt liabilities owed to residents within the Seychelles economy. As at June 2025, domestic debt stood at SCR 8.5bn, marking a reduction of SCR 803m from SCR 9.3bn recorded in December 2024. This decline is primarily attributed to a decrease in Government securities. The downward trend reflects the Government's continued commitment to sustainable debt management, aligning with the approved strategies outlined in the Annual Borrowing Plan and Medium-Term Debt Strategy.

Table 31: Changes in Domestic Debt Stock (SR'm)

DOMESTIC DEBT	Debt Stock		% Change
	Dec-24	Jun-25	
Government Securities	8,043	7,287	-9.4
Other Securities	370	343	-7.3
Loans	833	818	-1.8
Other Debt Liabilities	35	31	-11.4
TOTAL:	**9,281**	**8,478**	**-8.7**

Source: Ministry of Finance - Debt Management Division

Composition of Domestic Securities

Table 32 presents a comparative breakdown of the Government's domestic securities by category for the period spanning December 2024 to June 2025, with total values of SCR 8.4bn and SCR 7.6bn, respectively. As at June 2025, the gross value of these securities saw a decrease of SCR 782m, or 9.3 per cent. This reduction is primarily due to the continuous and timely repayment of maturing T-bills and T-bonds, which significantly outpaced new issuances during the same period. A key driver of this decline within the T-bond category was the maturity of the 5-Year Solidarity Bond in the second quarter of 2025. Notably, there were no changes recorded in the Treasury Deposits figures.

Table 32: Composition of Domestic Securities (SR'm)

DOMESTIC DEBT	Debt Stock (SR' m) Dec-24	Debt Stock (SR' m) Jun-25	(%) Change
Government Securities			
T-Bills	2,304	1,904	-17.4
T-Bonds	5,739	5,383	-6.2
Treasury Deposits	45	45	0.0
Other	325	298	-8.3
TOTAL:	**8,412**	**7,630**	**-9.3**

Source: Ministry of Finance - Debt Management Division

This year, the Government issued two 7-year T-bonds, one in each quarter. Each issuance was initially valued at SCR 100m and both were oversubscribed, reflecting strong investor appetite in the domestic market by competitive and non-competitive bidders. The first bond was issued at a coupon rate of 5.6 per cent, while the second was issued at 4.6 per cent. Both outcomes are considered highly favourable given the low yield for future repayments. The gross allotment of T-bonds for the two quarters amounts to SCR 233m.

Table 33: 2025 Treasury bond Issuance Summary

Quarter	T-Bonds	Issue Limit (SCR M)	Total Subscribed (SCR M)	Coupon Rate (%)
Q1	7-Year T-Bond	100.0	115.6	5.6
Q2	7-Year T-Bond	100.0	117.2	4.6
Total		**200.0**	**232.8**	

Source: Ministry of Finance - Debt Management Division

Interest Rates on Treasury Bills

Table 34 below provides a comparison of interest rate between the end of the second quarter of 2025 and the same period last year. As illustrated, the interest rates increased across all 3 tenors grew by an average of 30 basis points, reflecting the growing competitiveness within the T-bills market.

Table 34: Interest Rates on Treasury Bills

	Interest Rates (per cent)		
T-Bills	Jan-Jun 2024	Jan-Jun 2025	% Change
91 Days	2.06	2.42	**17.5**
182 Days	2.22	2.53	**14.0**
365 Days	2.40	2.62	**9.2**

Source: Ministry of Finance - Debt Management Division and CBS

As shown in Table 35, a total amount of SCR 309.7m in T-bills was issued during the first half of the year 2025 compared to SCR 748m in the same period of the previous year, indicating a decline of SCR 438.3m. Among the three tenors, 182 days recorded the largest decrease amounting to SCR 224.4m, followed by 365 days and 91 days at SCR 121.7m and SCR 92.1m, respectively. The decrease reflects Government's lower financing needs for this year as per Budget estimates.

Table 35: Treasury Bills Issuance Comparison

	Amount issued SR' m		
Treasury Bills	**Jan-Jun 2024**	**Jan-Jun 2025**	**% Change**
91 Days	151.2	59.0	-61.0
182 Days	338.4	114.0	-66.3
365 Days	258.4	136.7	-47.1
TOTAL:	**748.0**	**309.7**	**-58.6**

Source: Ministry of Finance - Debt Management Division and CBS

Selected Economic Indicators

	2024	2025 MYEFO	2026
National income and prices			
Nominal GDP (millions of Seychelles rupees)	31,643	33,017	34,355
Real GDP growth (%)	2.9	3.9	3.3
GDP deflator growth (%)	0.2	0.4	0.8
CPI (annual average) (%)	0.3	0.5	1.0
Government Budget (% GDP)			
Total revenue, including grants	34.1	36.9	34.5
Total revenue, excluding grants	33.5	35.5	34.1
Grants	0.6	1.4	0.4
Expenditure and net lending	33.9	38.4	35.3
Current expenditure	30.2	31.7	29.7
Of which: interest payments	3.1	5.6	4.8
Capital expenditure	3.1	5.6	4.8
Net Lending	0.1	0.6	0.2
Primary balance (accrual basis), including grants	3.3	1.1	1.5
Primary balance (accrual basis), excluding grants	2.7	-0.2	1.1
Overall balance (accrual basis), excluding grants	0.2	-1.5	-0.7
Overall balance (cash basis), including grants	1.1	-1.6	-0.7
Domestic bank financing (net)	-4.1	-2.7	-0.3
External sector (USD m, unless otherwise indicated)			
Current account balance (% of GDP)	-8.1	-6.2	-6.9
Current account balance	-176	-138	-156
Imports of goods	1,394	1,425	1,478
Imports of services	1,000	1,040	1,071
Exports of goods	595	609	623
Exports of services	1,714	1,811	1,868
Primary Income, net	-69	-71	-74
Secondary Income, net	-21	-23	-24
Foreign Direct Investment, net	262	269	270
Gross official reserves	774	946	961
In months of imports, c.i.f.	4.0	4.6	4.5
Total external debt outstanding (% of GDP)	**59.6**	**61.0**	**62.0**
Total debt outstanding (SR'm)	18,878	20,134	21,299
Total debt outstanding % of GDP	59.6	61.0	62.0
Domestic (% of GDP)	29.3	25.7	25.9
External (% of GDP)	30.3	35.3	36.1

Source: Seychelles Macroeconomic Framework Working Group