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PRESS COMMUNIQUÉ

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Monetary Policy Rate remains unchanged at 1.75% for Q1 2026

The Board of the Central Bank of Seychelles (CBS) has decided to maintain the Monetary Policy Rate (MPR) at 1.75% for the first quarter of 2026. Consequently, the interest rate on the Standing Deposit Facility (SDF) and Standing Credit Facility (SCF) will be kept at 0.25% and 3.25%, respectively. In addition, the Minimum Reserve Requirement (MRR) on applicable rupee-denominated deposit liabilities will be maintained at 10%. A review of the domestic economy showed that activity continued to be supported by the strong performance of the tourism sector. Thus far in 2025, tourist arrivals have outperformed last year's levels, contributing to sustained foreign exchange inflows. Nonetheless, as demand for foreign exchange outpaced supply in the second half of the year, the Seychelles rupee weakened against major traded currencies. Domestic inflation has remained relatively low, mainly due to a moderation in international oil prices. Looking ahead, a gradual increase in the average domestic prices of goods and services is forecasted in the medium term. On the external front, the major central banks generally adopted a more accommodative monetary policy stance as inflationary pressures eased, although the pace of adjustment differed across economies. International food prices have been higher this year than in 2024, and a slight increase is anticipated in the medium term. Nevertheless, this is dependent on global developments, particularly geopolitical tensions and evolving foreign policies that continue to pose risks to the global economic outlook.

Foreign inflation continued to ease during the year, primarily driven by lower energy prices and subdued global demand. According to the International Monetary Fund (IMF)'s World Economic Outlook Update of October 2025, global headline inflation is projected to decline from 3.7 per cent in 2024 to 2.9 per cent in 2025. However, inflation in advanced economies is expected to remain above the target of respective central banks. Following cuts in the first half of the year, the European Central Bank has maintained its monetary policy position since July 2025. Similarly, the Bank of England has kept its accommodative stance unchanged since lowering its policy rate in August 2025. As for the Federal Reserve, the key policy rate was reduced by 25 basis points in December 2025. Looking ahead, monetary policy easing across major economies is expected to continue, albeit at a gradual and uneven pace, consistent with varying disinflation paths.

On the international commodity market, Brent crude oil prices have generally trended downwards since the beginning of the year to average US$64 per barrel in November 2025. This outcome reflects weak global demand and increased oil production. Looking ahead, fuel prices are expected to decrease further, supported by continued strong supply relative to demand. In contrast, international food prices have increased thus far in 2025 compared to the same period last year. Going forward, a moderate uptick in food prices is anticipated, driven by stronger demand for certain commodities. Nonetheless, the outlook on commodity prices remains contingent on developments in the global environment, including persistent price pressures from ongoing geopolitical tensions and trade policy uncertainties.

As at November 30, 2025, total visitor arrivals stood at 361,422, an increase of 12 per cent compared to the same period in 2024. This growth was mainly supported by enhanced air connectivity during the year, including the resumption of seasonal flights and the introduction of new airlines. From January to November 2025, tourism earnings were estimated to have increased by 19 per cent compared to the same period in 2024. The tourism sector outlook remains positive, with strong growth in visitor arrivals and yield per tourist. Nonetheless, the industry's performance remains dependent on external conditions, particularly geopolitical tensions and their potential impact on the travel industry.

Regarding the foreign exchange market, the total supply and demand for foreign currency as at December 11, 2025, were higher relative to 2024, in line with increased domestic economic activity. Notwithstanding the rise in foreign exchange supply, relatively stronger demand contributed to a depreciation of the Seychelles rupee against major traded currencies. Looking ahead, foreign exchange demand is expected to continue rising, and the extent of this growth will depend on global developments, as well as increases in domestic aggregate demand. If the increase in demand for foreign exchange surpasses the growth in supply, the Seychelles rupee is expected to depreciate further.

In terms of domestic price developments, there has been a moderation in the average prices of goods and services during the year, driven by lower international fuel prices and freight costs. Consequently, the year-on-year inflation rate stood at 0.02% in November 2025, whilst the 12-month average inflation rate was 0.5%. As for the domestic price outlook, a gradual increase in inflation is anticipated over the medium term. A weaker Seychelles rupee, combined with higher international food prices, could place upward pressure on domestic inflation.

Given the aforementioned developments and the inflation outlook, at its meeting held on December 15, 2025, the CBS Board decided to maintain an accommodative monetary policy stance for the first quarter of 2026. Hence, the MPR will be kept at 1.75% and the interest rates on the SDF and SCF will remain unchanged at 0.25% and 3.25%, respectively. In addition, the MRR on applicable rupee-denominated deposit liabilities will be kept at 10%.

In line with its objectives, the Central Bank remains vigilant and stands ready to adjust its policies if necessary.