



CENTRAL BANK OF SEYCHELLES

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PRESS COMMUNIQUÉ

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Monetary Policy Rate remains unchanged at 1.75% for Q4 2026

The Board of the Central Bank of Seychelles (CBS) has decided to maintain the Monetary Policy Rate (MPR) at 1.75% for the fourth quarter of 2026. Accordingly, the interest rates on the Standing Deposit Facility (SDF) and Standing Credit Facility (SCF) will remain at 0.25% and 3.25%, respectively, while the Minimum Reserve Requirement (MRR) on applicable rupee-denominated deposits will be maintained at 10%. A review of recent domestic developments showed that the tourism sector remained the main driver of economic activity. Following flight disruptions through the Middle East aviation hubs between March and mid-June 2026, air connectivity improved with the resumption of flights by several airlines. This contributed to a recovery in tourist arrivals as of end-June 2026. Nevertheless, year-to-date visitor arrivals remain below the level recorded during the same period in 2025. Although the supply of foreign exchange has remained steady as at September thus far, demand has increased marginally compared with the same period last year. Consequently, the Seychelles rupee has, on average, depreciated against the major traded currencies. Domestic inflation has risen slightly and is expected to increase over the near to medium term, reflecting the impact of higher international oil prices, freight charges, and shipping costs since March 2026, associated with an escalation in the Middle East conflict. Externally, some of the major central banks have tightened their monetary policy stance amidst rising inflation and uncertainty surrounding the extent to which the effects of the Middle East conflict are anticipated to pass through to their domestic economies.

Global commodity prices have remained elevated in recent months, primarily driven by the spillover effects of the conflict in the Middle East. The pause in peace talks between the United States (US) and Iran, and the resulting renewed tensions in the Middle East have led to a reduction in the flow of oil shipments through the Strait of Hormuz, one of the world's most critical waterways, accounting for more than 20 per cent of global oil shipments. Subsequently, Brent crude oil prices averaged US\$91 per barrel in August 2026, an increase from US\$85 per barrel in July 2026. With regards to the outlook, oil shipments through the Strait of Hormuz are anticipated to remain constrained, particularly given the resurgence of tensions in that region as of early September 2026. As such, oil prices are anticipated to remain elevated until global oil flows return to pre-conflict levels. International food prices have risen on account of lower production of certain commodities, mainly attributed to adverse weather conditions, in addition to trade tensions and

shipping disruptions. Furthermore, higher fertiliser prices, driven by elevated energy costs, are anticipated to gradually filter through to global food prices as farming costs increase.

Inflation in the Eurozone remained above the European Central Bank's (ECB) target of 2.0%. In September 2026, the ECB increased its key interest rates for the second time this year, given the elevated inflation outlook. Looking ahead, price pressures are expected to remain heightened as a result of higher energy costs. In the US, at its September 2026 meeting, the Federal Reserve raised the federal funds rate by 25 basis points, which also marked its first rate increase since 2023. This decision was aimed at slowing down inflation and followed concerns that inflation was moving further away from the Federal Reserve's 2.0% inflation target. Should inflationary pressures persist, an additional hike in interest rates could be implemented before the end of the year.

On the domestic front, despite the challenges arising from disruptions in air connectivity to the destination, particularly between March and mid-June 2026, tourist arrivals rebounded in July and August 2026 in year-on-year terms, following the resumption of flights by several airlines. Nevertheless, total visitor arrivals stood at 252,524 as at September 20, 2026, a decline of 7.8 per cent when compared to the corresponding period in 2025. Despite the decline, tourism earnings from January to August 2026 was estimated at US\$801 million, an increase of 5.1 per cent relative to the same period in 2025. This outcome mainly reflected a rise in average room rates as well as the change in the composition of tourists. Nonetheless, safety concerns associated with renewed tensions in the Middle East, may continue to influence global travel decisions and potentially deter tourists from travelling through the region.

In the foreign exchange market, as at September 25, 2026, the supply of foreign exchange was relatively unchanged, whereas demand for foreign currency was higher when compared to the corresponding period in 2025. Over the same period, the domestic currency weakened against the major traded currencies. Looking ahead, supply will remain contingent on the revenue generated by the tourism sector, whilst demand for foreign exchange is anticipated to increase in view of the seasonal uptick associated with the festive season. If demand for foreign exchange exceeds supply, this could lead to a further depreciation of the Seychelles rupee.

In terms of domestic price developments, there were moderate increases in the average prices of goods and services during the third quarter of 2026. In line with this, the year-on-year and 12-month average inflation rate stood at 0.9% and 0.3%, respectively in August 2026. The Middle East conflict has exerted upward pressure on international fuel and food prices, alongside higher shipping costs. Looking ahead, elevated commodity prices coupled with a potentially weaker domestic currency are expected to contribute to inflationary pressures through the import channel. Consequently, the outlook suggests a gradual rise in the average domestic price level over the near to medium term.

Taking into consideration the inflation outlook as well as uncertainties surrounding current geopolitical tensions, at its meeting held on September 24, 2026, the CBS Board decided to maintain an accommodative monetary policy stance for the fourth quarter of the year. 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 deposits will be maintained at 10%. As part of its mandate to ensure macroeconomic and financial stability, CBS will continue to monitor domestic and external developments and assess their impact on the Seychelles economy.