

Central Bank of Seychelles



Monetary Policy Report

January 2026



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1.0 Overview

Global economic activity continued to increase in 2025, at a similar growth rate when compared to the previous year. The World Economic Outlook (WEO) Update published by the International Monetary Fund (IMF) in January 2026 indicated that the world economy expanded by 3.3 per cent in both 2024 and 2025. Notwithstanding geopolitical conflicts and trade tensions, global economic growth remained resilient in 2025 on account of stronger investment, more accommodative monetary conditions, fiscal support and the capability of the private sector in navigating changing policies. Global headline inflation subsided to 4.1% in 2025, as compared to 5.8% in the previous year. The moderation in foreign inflation led to continued monetary policy easing globally, albeit by varying magnitudes and at different times during the year.

Locally, there was a change in administration at both the Presidential and Parliamentary level as of October 2025. As for domestic economic activity, this was mainly driven by the tourism, fisheries, and information and communication sectors. In 2025, visitor arrivals totalled 398,841, which was a rise of 13 per cent relative to the preceding year. There was an expansion in visitor arrivals from emerging markets such as Israel, India, China and United States (US), in addition to traditional source markets namely Italy, Russia, United Kingdom (UK) and United Arab Emirates (UAE). This outcome was mainly attributed to an increase in air connectivity associated with the resumption of seasonal flights, and the introduction of new airlines operating on the Seychelles route. In 2025, tourism earnings were estimated to have amounted to US\$1,196 million, a rise of 29 per cent in comparison to 2024. This outcome reflected an increase in the average yield per tourist, which was consistent with a change in the composition of tourists, increase in room rates and higher occupancy.

In terms of developments in the foreign exchange market, there was a year-on-year expansion in both the supply of and demand for foreign currency, an outcome which was consistent with the increase in economic activity. The supply of foreign exchange exceeded that of demand by US\$32 million in 2025, compared to a net inflow of US\$3.2 million in 2024. As for the value of the domestic currency, it depreciated against the major traded currencies in annual average terms. With regard to domestic price developments, there was a moderation in the average prices of goods and services, principally driven by lower international fuel prices and freight costs.

Looking ahead, the prevalence of geopolitical tensions, international trade disruptions and policy uncertainty may lead to a pronounced slowdown in global economic activity. Given these dynamics, the propensity to travel may fall especially if key tourism source markets are adversely affected. As regards the supply of foreign exchange, this will primarily remain dependent on the tourism sector performance, whilst that of demand will be consistent with domestic economic activity. Taking into consideration developments in the aforementioned factors, inflation is forecasted to gradually increase in the local economy in 2026. Hence, the performance of the Seychelles economy hinges on its ability to weather evolving external shocks that may alter the value of the local currency and subsequently, the domestic price outlook.



2.0 Recent external developments

2.1 Global growth

Global economic activity remained resilient in 2025 amid policy uncertainty and persistent geopolitical conflicts. This resilience was underpinned by a combination of factors, including accommodative financial conditions, stronger-than-anticipated fiscal stimulus, and the capacity of the private sector to adjust to shifting policies. Although trade tensions remained elevated, negotiations during the year helped partially mitigate the overall negative impact.

Amongst the advanced economies, growth momentum was relatively stronger in the US in 2025. This outcome was mainly due to robust consumer demand and increased technology-related investment, supported by the Artificial Intelligence boom. These factors partly offset disruptions from shifting trade policies and the federal government shutdown in the last quarter of 2025. In the Euro area, growth remained on a moderate path, with notable divergences across economies. This largely reflected persistently weak performance in the manufacturing sector and slow exports of goods. Nonetheless, domestic demand remained the key driver of growth, supported by continued monetary policy rate cuts during 2025. As for growth in the UK, this remained subdued, particularly in the second half of the year, as weaker manufacturing conditions and lower consumer confidence dampened economic activity.

According to the WEO Update published by the IMF in January 2026, the global economy is projected to have grown by 3.3 per cent in 2025, similar to that of 2024.

2.2 International commodity prices

Brent crude oil price generally followed a downward trajectory in 2025, which was largely driven by an increase in global oil inventories alongside subdued global demand. Notably, the former was attributed to higher oil supply from the Organisation of the Petroleum Exporting Countries plus other oil-producing partner countries (OPEC+), which continued to increase its output target until end-2025. Therefore, on an annual basis, international oil prices averaged US\$68 per barrel in 2025, as compared to US\$80 per barrel in the preceding year.

Conversely, there was an increase in international food prices in 2025 when compared to 2024. According to the Food and Agriculture Organisation (FAO) Food Price Index, global food prices rose on average by 4.3 per cent in 2025, which reflected stronger demand and tight supply conditions. This outcome was mainly driven by higher average prices of vegetable oils (by 17 per cent), dairy (by 13 per cent) and meat (by 5.1 per cent). In contrast, the indices of sugar and cereals declined by 17 per cent and 4.9 per cent, respectively, supported by improved supply conditions in key producing countries.



2.3 Foreign inflation and monetary policy conditions

Foreign inflationary pressures continued to abate in the second half of 2025, which prompted several central banks to ease monetary policy conditions over the same period. Global headline inflation was estimated to have declined from 5.8% in 2024 to 4.1% in 2025. Notably, the pace of disinflation was more pronounced in emerging market and developing economies as compared to that of most advanced countries.

In its meetings held in July, September, October and December 2025, the European Central Bank (ECB) maintained the interest rate on its deposit facility at 2.0%. These decisions were consistent with an inflation outlook that would stabilise around ECB's target over the medium-term. One of the key factors behind the pause in monetary policy easing was abating inflation, mainly attributed to a slowdown in wage growth within the region.

After having held its policy rates unchanged for most of 2025, the US Federal Reserve Bank (US Fed) cut its key interest rate by 25 basis points in its meeting held in September 2025. Additionally, the US Fed cut the key policy rate by a further 25 basis points each in both the October and December 2025 meetings. At the end of the year, the federal funds rate stood at a target range of 3.50% - 3.75%. These decisions reflected concerns regarding labour market conditions notably, a slowdown in job gains and a rise in the unemployment rate. In the UK, the Bank of England (BoE) reduced its policy rate by 25 basis points in its meeting held in August 2025. Furthermore, BoE cut the policy rate by a further 25 basis points in December 2025 to end the year at 3.75%, which was the sixth policy rate cut since August 2024. This decision was consistent with a faster-than-expected convergence in headline inflation towards BoE's target, on account of a slower increase in services inflation.

Within the region, the South African Reserve Bank (SARB) reduced its key policy rate by 25 basis points in July 2025, followed by a further cut of 25 basis points in the meeting held in November 2025. As at the end of the year, the key policy stood at 6.75%. These decisions reflected an improved inflation outlook, which provided scope for a more accommodative monetary policy stance. Nonetheless, inflation remained above the SARB's 3.0% target although it is expected to moderate over the medium term. Notably, as of November 2025, the SARB shifted from a target range of 3.0%-6.0% to a point target of 3.0% with a 1.0 percentage point tolerance band. As for the Bank of Mauritius, it maintained a wait-and-see approach and considered external risks attributed to elevated global economic uncertainty. Accordingly, the key policy rate was maintained at 4.50% at the November 2025 meeting, unchanged since the increase of 50 basis points in February 2025.



3.0 Recent domestic developments

3.1 Tourism performance

A total of 206,434 tourists visited Seychelles in the second half of 2025, which was a year-on-year increase of 17 per cent. As for the tourism earnings, this was estimated at US\$651 million, which was a growth of 39 per cent over the same period in 2024. The lion's share of tourists originated from Europe whereby, the leading source markets were Germany, France, Russia, Italy and UK. In terms of market growth, the number of visitors from this continent rose by 13 per cent (by 15,908 visitors) during the second half of the year, whereas those from Asia grew by a larger extent of 36 per cent (by 9,797 visitors). This was driven by an increase in the number of tourists from emerging source markets such as the UAE, Israel, India and China, which was partly attributed to the direct air connectivity to these countries as well as improved marketing efforts.

From an annual perspective, a total of 398,841 tourists disembarked in Seychelles during 2025, which was a year-on-year expansion of 13 per cent. Notably, this outcome surpassed that of the pre-pandemic levels whereby, the number of tourists in 2025 rose by 3.8 per cent as compared to the visitor arrivals in 2019. With regards to the earnings generated by the sector, this was estimated at US\$1,196 million, which was an increase of 29 per cent relative to US\$925 million in 2024.

3.2 Production indicators

Production indicators for the third quarter of 2025 showed mixed movements. Overall, there were increases in the output of certain categories, which were primarily driven by higher demand from both domestic and international markets. Conversely, declines in output were primarily associated with operational changes as well as factors that constrained the supply of production inputs.



Figure 1: Production Indicators (YoY, %)
2025 Q3/2024 Q3

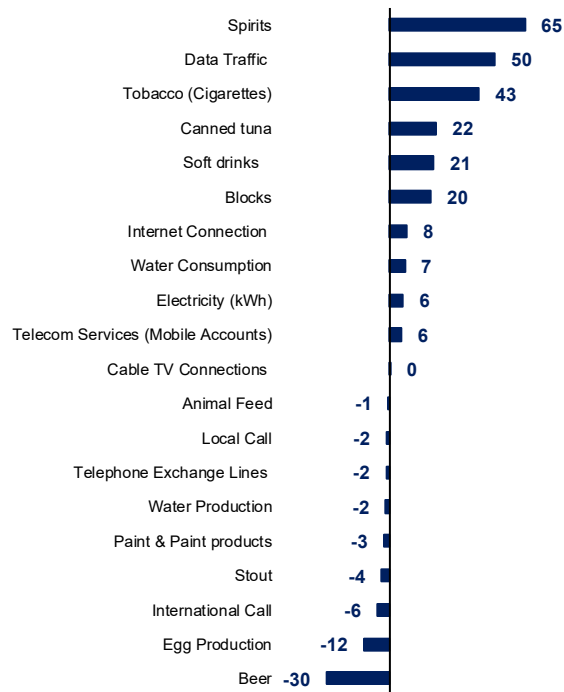
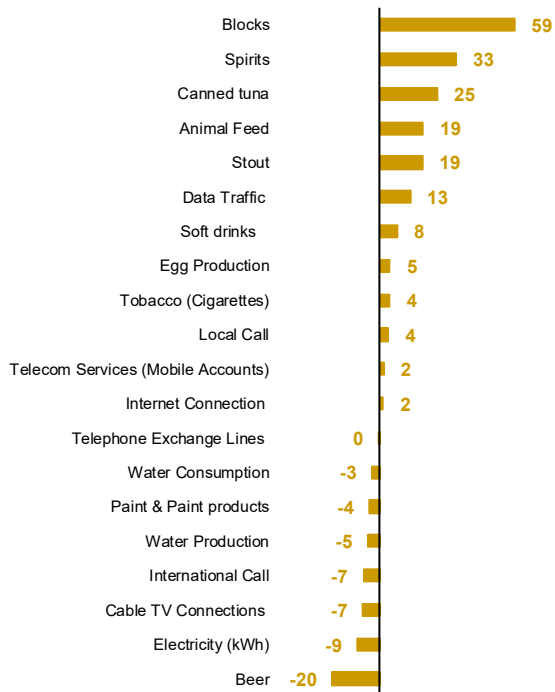


Figure 2: Production Indicators (QoQ, %)
2025 Q3/2025 Q2



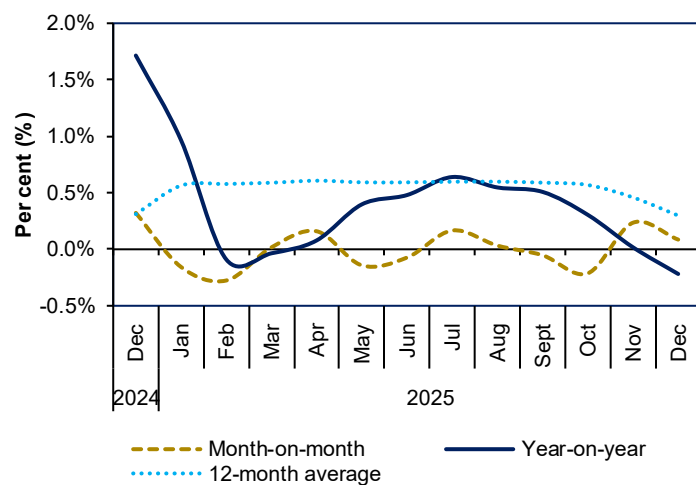
Source: National Bureau of Statistics

3.3 Inflation

In terms of domestic price developments, there was a moderation in the average prices of goods and services during 2025. This outcome was primarily driven by lower international fuel and freight costs, whereby the former led to a general reduction in domestic electricity tariffs.

In December 2025, the year-on-year inflation rate stood at *negative* 0.2%, whilst the 12-month average inflation rate was 0.3%.

Figure 3: CPI Inflation



Source: National Bureau of Statistics



3.4 Exchange rate

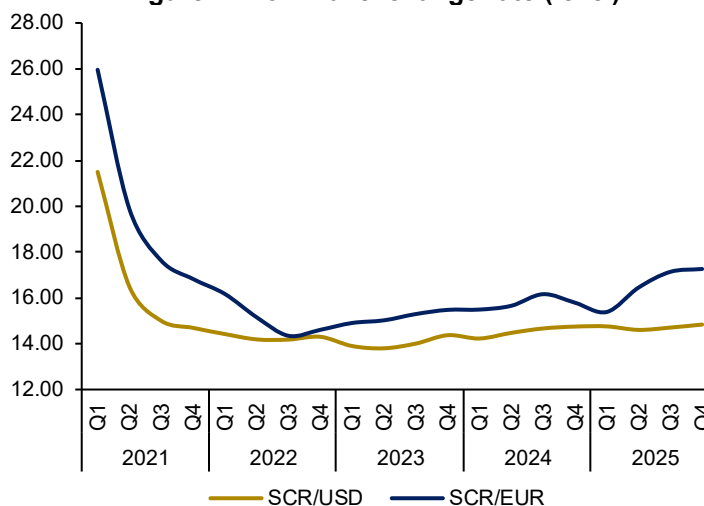
In the domestic foreign exchange market, a total of US\$585 million was purchased by authorised dealers from July to December 2025, which was an expansion of 21 per cent as compared to the same period in 2024. As for total sales, it was higher by 18 per cent and amounted to US\$589 million. As a result, there was a net outflow of US\$4.3 million in the latter half of the year.

In terms of exchange rate movements, the SCR weakened against the major traded currencies in the second half of

2025, relative to the same period in 2024. On average, the domestic currency depreciated by 6.0 cents against the US dollar (USD), by R1.00 vis-à-vis the Great British Pound (GBP), and by a larger extent of R1.22 relative to the Euro (EUR). This outcome was driven by stronger demand for foreign exchange in the second half of the year, largely on account of the increase in import activity ahead of the year-end festive season.

The local currency traded at an average of 14.8722 against the USD in December 2025. Relative to the EUR and GBP, the SCR averaged 17.4003 and 19.8055, correspondingly.

Figure 4: Nominal exchange rate (level)



Source: Central Bank of Seychelles

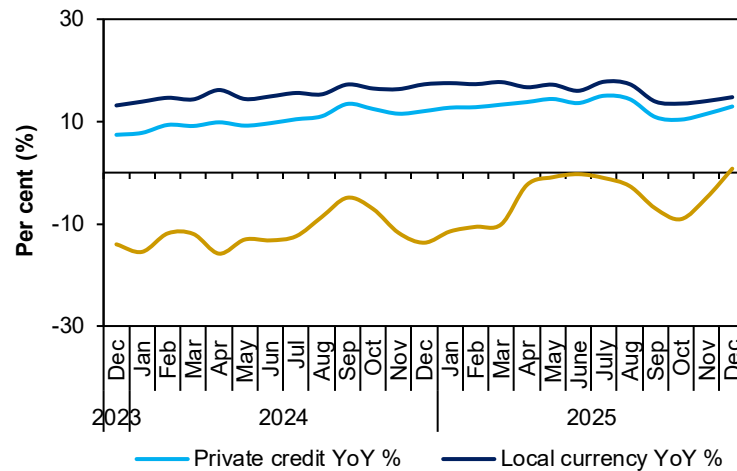


3.5 Private sector credit

In December 2025, the total stock of outstanding credit to the private sector expanded by 13 per cent relative to the same period in the previous year. This outcome was consistent with increases of 15 per cent and 0.8 per cent in local currency-denominated loans and foreign currency loans in rupee terms, respectively.

The year-on-year growth in credit disbursed to the private sector was mainly attributed to expansions in the categories of 'Housing Loans' (by R417 million or 18 per cent) and 'Individuals & Households' (by R415 million or 19 per cent). Furthermore, there were increases in the categories of 'Tourism' (by R186 million or 14 per cent), 'Real Estate' (by R78 million or 9.0 per cent) and 'Trade' (by R75 million or 6.4 per cent).

Figure 5: Growth in private sector credit



Source: Central Bank of Seychelles



As for the sectoral distribution of credit extended to the private sector in December 2025, 'Housing Loans' and 'Individuals & Households' accounted for 22 per cent and 21 per cent of total credit, respectively. This was followed by 'Tourism', 'Trade' and 'Building & Construction', which accounted for shares of 12 per cent, 10 per cent and 9.2 per cent, correspondingly.

Figure 6: Sectoral distribution of private sector credit for December 2025



Source: Central Bank of Seychelles

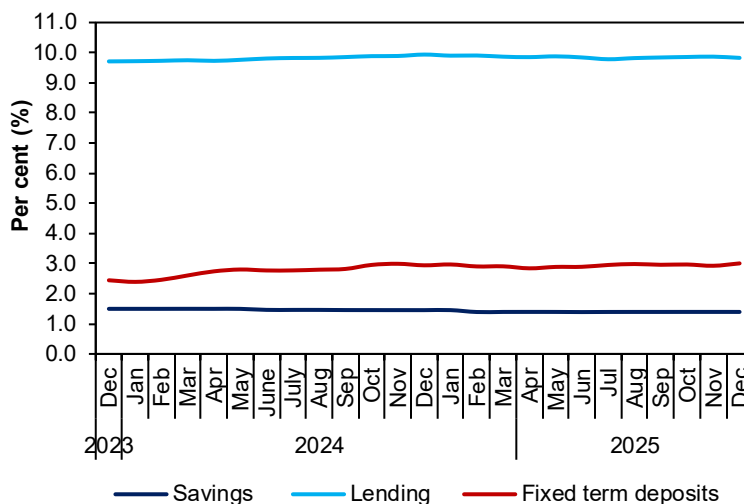


3.6 Interest rates

There were mixed movements in banking sector interest rates during 2025. The average savings rate on local currency deposits fell by 5.9 basis points from 1.45% in December 2024 to 1.39% in December 2025. As for the average yield on foreign currency savings deposits, this increased by 1.2 basis points to stand at 0.89%.

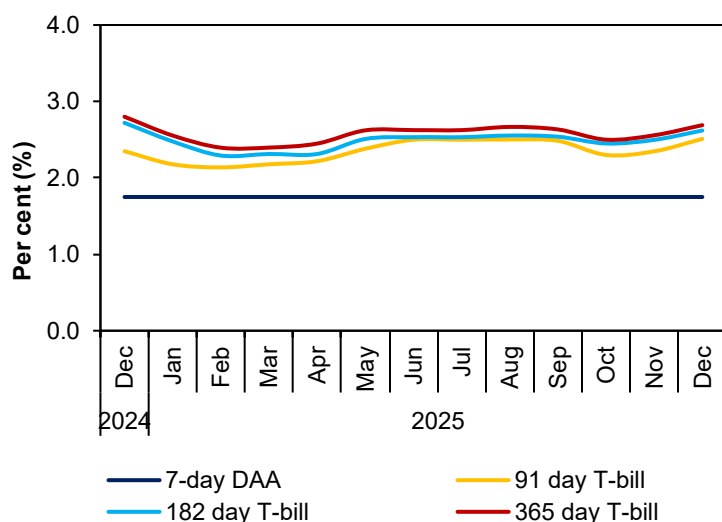
In December 2025, the average effective lending rate decreased by 11 basis points in year-on-year terms to reach 9.83%. Over the same period, the average interest rate charged on foreign currency loans fell by 45 basis points and stood at 7.92%. Notably, interest rates on foreign currency-denominated facilities were on a general downward trend in 2025. This outcome was consistent with the easing of global monetary policy conditions. As for the interest rate on rupee-denominated loans, this decreased by 8.3 basis points to stand at 10.12% in December 2025.

Figure 7: Interest rates



Source: Central Bank of Seychelles

Figure 8: Yield on government securities and CBS' 7-day DAA



Source: Central Bank of Seychelles

Consistent with the aforementioned developments, the interest rate spread between local currency-denominated loans and deposits stood at 8.73% in December 2025, which was a reduction of 2.4 basis points in year-on-year terms. With reference to the spread between foreign currency-denominated loans and deposits, this decreased to 7.03% in December 2025 relative to the same period in the preceding year.

As at December 2025, the average return on the 91-day, 182-day and 365-day Treasury bills (T-bills) was 2.51%,

2.62% and 2.69%, respectively. In comparison to the same period in 2024, this was an increase of 16 basis points on the 91-day T-bills, whilst the return on the 182-day and 365-day maturities fell by 9.6 basis points and 11 basis points, correspondingly.



Nevertheless, as compared to the third quarter of 2025, there was an uptick in the average yield on T-bills in the last quarter of the year, which was partly driven by the expansion in the volume of issuances. As for the return on the 7-day Deposit Auction Arrangement, it remained stable at 1.75% throughout the second half of the year, consistent with an unchanged monetary policy stance over the same period.

In line with government's debt management strategy of issuing longer-term maturities, Treasury bonds with a tenor of 7 years were issued twice during the latter half of 2025 – in September and November – at average yields to maturity of 4.56% and 4.69%, respectively.

3.7 Other developments

In September 2025, Fitch Ratings upgraded Seychelles' 'BB-' credit rating to 'BB' with a stable outlook. The upgrade reflected strengthened policy buffers, improved fiscal position and declining public debt. Furthermore, the report underscored higher international reserves, strong governance indicators, support from multilateral creditors and robust economic growth. Nevertheless, Fitch highlighted the importance of maintaining reform momentum and addressing vulnerabilities, particularly those related to the tourism sector and exposure to external shocks. In November 2025, IMF staff engaged with the Seychelles authorities to discuss economic developments, announcements of the new government as part of its 100-day action plan and certain elements of the 2026 National Budget.

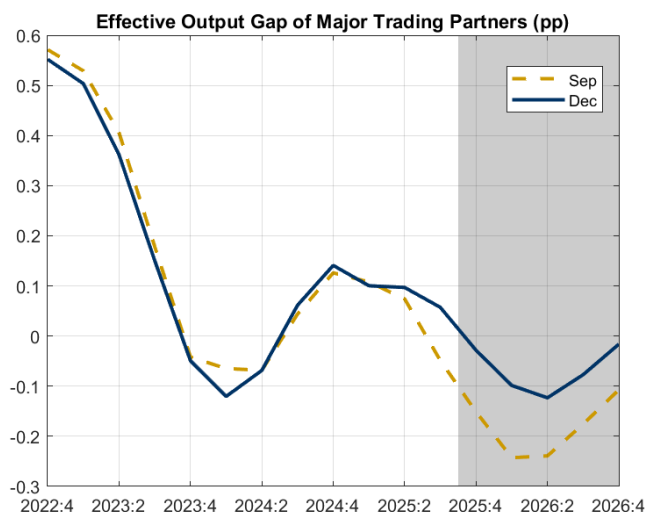


4.0 External outlook

4.1 Global growth projections

According to the IMF's WEO Update of January 2026, global growth is forecasted to remain steady at 3.3 per cent for 2026 and at 3.2 per cent in 2027. Compared to the October 2025 WEO publication, this signifies an upward revision of 0.2 percentage point for 2026, whilst the forecast for 2027 remains unchanged. Nevertheless, this outlook is subject to risks such as escalation in tariff and trade tensions between the US and its major trading partners. Furthermore, the level of uncertainty regarding US' domestic and foreign policies has heightened, which is expected to negatively affect global economic activity.

Figure 9: Effective output gap of major trading partners (percentage points)



Source: Global Projection Model Network – December 2025

Mindful of the challenges in the global environment, the world economy continues to be supported by growth in high-tech sectors among the largest economies, alongside more accommodative global financial conditions. Growth in advanced economies is expected to reach 1.8 per cent in 2026 and 1.7 per cent in 2027. In the US, economic activity is projected to expand by 2.4 per cent in 2026, an upward revision of 0.3 percentage point compared to the October 2025 WEO forecast. The upward adjustment considers a forecasted rebound in economic activity in the US in the first quarter of 2026, with this momentum expected to be maintained in subsequent quarters. Furthermore, the outlook reflects the expectation of more accommodative financial conditions in addition to the easing impact of trade tariff wars. In the Euro area, growth has been forecasted at 1.3 per cent in 2026, and 1.4 per cent in 2027, relatively unchanged from the October 2025 WEO projections. The lingering effects of the Russia-Ukraine war continues to impact economic activity within the Euro area, particularly manufacturing output, while the stronger EUR is expected to negatively affect export competitiveness of the region.

Regarding the outlook for emerging economies, China's growth is projected at 4.5 per cent in 2026, reflecting lower US tariff rates on Chinese goods following the year-long trade truce¹, as well as the impact of stimulus measures. Growth is expected to slow to 4.0 per cent in 2027.

¹ The US and China agreed to a one-year trade truce as of November 01, 2025. As part of the deal, the US reduced and suspended increases in tariffs on Chinese imports, whilst China lowered its retaliatory duties on US goods and suspended some export control measures. Both sides additionally paused other punitive trade and investment restrictions while negotiations continue.



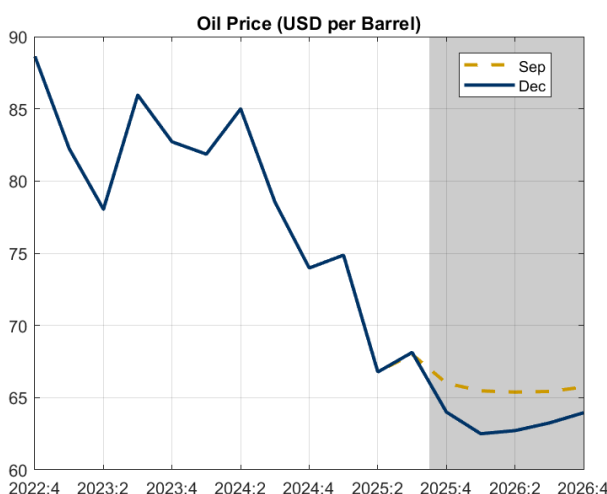
Meanwhile, the Indian economy is projected to expand by 6.4 per cent in both 2026 and 2027, as the economy gradually normalises, following the post-pandemic rebound.

Despite a relatively optimistic global outlook, the forecast remains subject to a high level of risk and uncertainty. These include an intensification in trade tensions, increasing policy uncertainty and escalation in geopolitical tensions. Hence, the global environment remains fragile with uncertainty expected to remain elevated throughout 2026.

4.2 Global commodity price and inflation outlook

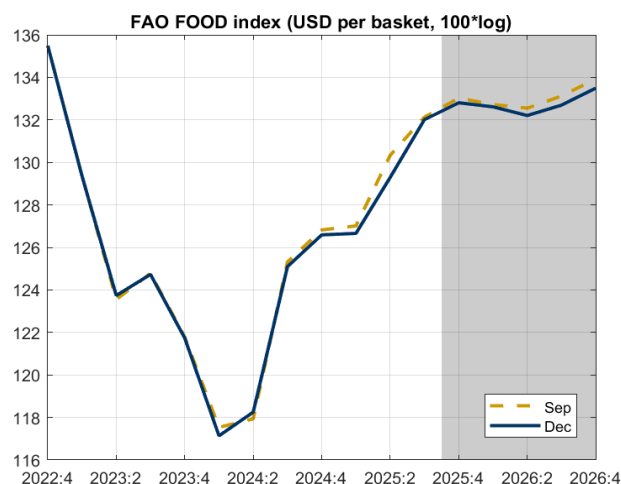
International commodity prices are anticipated to be influenced by several significant risks over the medium term. Notably, this outlook encompasses global trade tensions and policy uncertainty, which are expected to persist in 2026. In addition, supply chain challenges may intensify during 2026, as a result of the intensification of geopolitical conflicts as well as adverse weather events.

Figure 11: Oil Price



Source: Global Projection Model Network – December 2025

Figure 10: FAO Food Price Index



Source: Global Projection Model Network – December 2025

In annual average terms, global food prices are forecasted to increase marginally by 0.7 per cent in 2026, when compared to 2025. Although the output of certain commodities such as dairy and sugar is anticipated to rise during the year, international food prices are expected to be impacted by tight supply conditions and strong demand for key commodities namely, cereals and meat. This outlook remains subject to risks attributed to lower production of commodities associated with adverse weather conditions as well as international trade fragmentation associated with export restrictions and the imposition of tariffs.



In 2026, several global developments are expected to impact international fuel prices. Notably, in November 2025, OPEC+ countries decided to pause increases in oil production that was previously slated for the first quarter of 2026. With regard to the political developments in Venezuela as of early January 2026, its effects are anticipated to have a limited impact on global oil markets. Although Venezuela has the largest oil reserves globally, its production is significantly lower than that of other oil producing countries and accounts for approximately 1.0 per cent of international oil supply. Nevertheless, supply of oil is expected to exceed that of demand in 2026 and as such, oil prices are anticipated to decline by 7.8 per cent when compared to 2025. Consequently, the price of Brent Crude is projected to average US\$63 per barrel in 2026. This forecast remains subject to risks, mainly on account of several geopolitical tensions, OPEC+ production decisions and the resultant repercussions on global oil inventories.

The IMF WEO Update of January 2026 shows that foreign inflation is forecasted to fall to 3.8% in 2026, when compared to 4.1% in 2025. This outlook reflects an expected moderation in average prices in emerging markets and developing economies, from 5.2% in 2025 to 4.8% in 2026. Over the same period, inflation in advanced economies is projected to decline by a lower magnitude to 2.2% in 2026, as against 2.5% in the preceding year. Nevertheless, in line with the aforementioned factors, the outlook will be contingent on the developments in international commodity markets and global trade conditions.

4.3 Expected monetary policy stance

Consistent with the uneven pace of disinflation forecasted across economies, monetary policy decisions of central banks are anticipated to diverge in the year ahead. As inflation continues to stabilise within the Eurozone, the ECB is expected to maintain its key policy rates until mid-2026. Nevertheless, economic activity remains fragile with rising concerns of uneven growth among members. As such, the ECB is expected to shift its focus towards supporting an economic recovery, whilst ensuring inflation remains contained.

In the UK, although services inflation and wage pressures have shown signs of cooling, the BoE has indicated that it will gradually reduce its policy rate. This, however, will depend on the pace of disinflation, and the rate at which services inflation and wage pressures continue to subside. In the US, inflationary pressures are expected to persist as the effects of trade tensions filter through to prices, whilst concerns over a slowing labour market remain. This has generated some uncertainty on future monetary policy actions of the US Fed, given the delicate balancing act of maintaining price stability whilst keeping unemployment levels low. Overall, the expectation is that the US Fed's easing of monetary policy is expected to be more gradual than previously anticipated, with possibly one policy rate cut in 2026.



5.0 Domestic outlook

5.1 Exchange rate

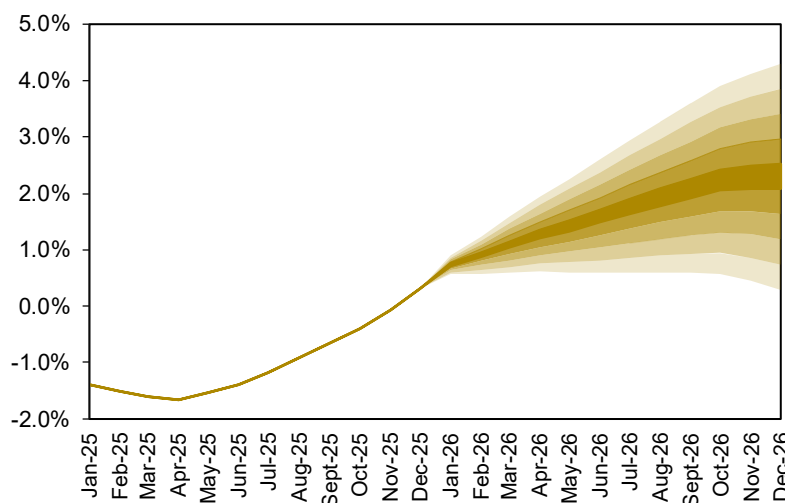
In line with expectations of stronger economic activity in 2026, both the supply and demand for foreign exchange are anticipated to increase during the year. Supply is expected to be higher and will remain largely contingent on the performance of the tourism sector. Foreign exchange demand is anticipated to rise whereby, the extent of this growth will partly depend on global developments, particularly movements in commodity prices, as well as other domestic needs. Demand locally will continue to be influenced by the level of investment and expenditure, as well as the pace of credit expansion. Considering the aforementioned factors, the sustained demand for foreign exchange may contribute towards a weakening of the domestic currency, if not matched by a corresponding increase in the supply of foreign exchange. Moreover, developments in the external environment, especially in view of persisting geopolitical tensions, is expected to alter the exchange rate outlook.

5.2 Inflation

Global inflation is forecasted to decline in 2026, albeit at different magnitudes across advanced economies and developing markets.

With regards to international commodity markets, fuel prices are forecasted to decline on account of continued increases in oil inventories, whilst food prices are expected to rise marginally due to supply constraints arising from export restrictions and adverse weather events. Nonetheless, the outlook remains subject to risks such as geopolitical tensions and trade fragmentation.

Figure 12: 12-month average inflation (%) forecast



Source: National Bureau of Statistics / Central Bank of Seychelles

The moderation in global inflation is anticipated to filter through to the domestic economy via the import channel. Notwithstanding the decline in international fuel prices, the combined effects of a weaker domestic currency and higher global food prices is expected to underpin the gradual increase in the average domestic prices of goods and services. Consistent with such, the 12-month average inflation rate is forecasted at 1.1% in December 2026. However, the domestic price outlook remains dependent on developments in global commodity markets as well as the external value of the rupee.



5.3 Monetary policy stance for Q1 2026

The Board decided to maintain an accommodative monetary policy stance for the first quarter of 2026, keeping the Monetary Policy Rate (MPR) unchanged at 1.75%. In line with this, the interest rate on the Standing Deposit Facility (SDF) and Standing Credit Facility (SCF) remained at 0.25% and 3.25%, respectively. Additionally, the Minimum Reserve Requirement (MRR) on applicable rupee-denominated deposit liabilities was maintained at 10%, whilst that on deposits denominated in foreign currencies remained unchanged at 13%. Notably, the MRR on applicable rupee-denominated deposit liabilities was reduced from 13% to 10% as of October 08, 2025, to support credit growth in the economy. The decision to maintain the existing policy stance considered the moderation in domestic inflation over the course of 2025, which was largely underpinned by developments in external commodity markets. As for the outlook on prices, a gradual increase in inflation is anticipated over the medium-term, mainly influenced by supply-demand dynamics in the domestic foreign exchange market as well as developments in global commodity prices.

5.4 Private sector credit

In 2026, credit to the private sector is projected to grow by 9.7 per cent, sustaining the positive momentum of 2025. This outlook reflects a continued increase in local currency loans supported by a positive growth in foreign currency lending as of mid-2026.

Internationally, the moderation in inflationary pressures has resulted in a gradual easing of interest rates by the major central banks, albeit at varying paces. Looking ahead, the normalisation of foreign interest rates is expected to continue, although at a more gradual pace than previously anticipated. Nonetheless, demand for foreign currency-denominated lending in the domestic market is expected to rise, as borrowing costs gradually decline. However, a potential weakening of the local currency could raise the rupee value of foreign currency-denominated credit, thereby expanding the overall stock of outstanding loans. Meanwhile, growth in local currency loans is expected to remain steady, sustained by demand from both households and businesses. Moreover, whilst the enhanced emphasis on economic diversification in recent years has coincided with a gradual increase in credit to non-traditional sectors, loans to this market segment remains lower-than-expected and is now projected to expand at a more measured pace than previously anticipated.



5.5 Interest rates

A gradual rise in inflation is being projected over the medium term. Nonetheless, the outlook for the first half of 2026 indicates that inflationary pressures will remain subdued, which suggests that the accommodative stance can be maintained. Inflationary pressures are anticipated to materialise further along into the year, thereby potentially necessitating a shift in the monetary policy stance.

The government's debt management strategy of reducing its short-term debt exposure, while maintaining the issuance of longer-term instruments, is expected to continue. With regard to the allotment of T-bills, a temporary increase is expected in terms of both the volume and yield on these securities, at the start of the year. Thereafter, issuances of T-bills are expected to normalise to past trends, which would accordingly influence the return on these instruments.

As for the return on short-term instruments, this is expected to remain within the interest rate corridor. Meanwhile, interest rates on foreign currency-denominated facilities will continue to be influenced by developments in global financial markets, mainly for portfolios with variable-rate structures.

5.6 Perception on the economic environment

Looking ahead, the global economic activity is expected to increase by 3.3 per cent in 2026, albeit below that of the pre-pandemic historical average of 3.7 per cent. This outlook predominantly reflects significant downside risks associated with the persisting effects of the imposition of tariffs by the US, retaliatory protectionist measures by other countries, international trade fragmentation, policy uncertainty, supply chain disruptions as well as increasingly complex geopolitical conflicts. Hence, the resilience of the world economy will depend on countries' abilities to withstand negative shocks amidst an ever-evolving global landscape.

Although global oil prices are forecasted to decline due to supply outweighing the demand for the commodity, international food prices are expected to increase marginally due to tighter supply conditions of certain categories. As for global inflation, this is forecasted to decline in 2026, albeit with varying outlook across countries and regions. Additionally, the moderation in foreign inflation may be lower-than-expected in certain economies, on account of the delayed pass-through of the inflationary effects associated with the tariffs. As such, monetary policy decisions of central banks are expected to diverge in the year ahead.

On the domestic front, the economy will continue to be supported by the tourism, fisheries, and information and communications sectors. As for the tourism sector performance, a moderation in the growth rate of visitor arrivals is being expected in 2026, following the double-digit growth in the previous year. This outcome will be contingent on the air connectivity to the destination as well as higher arrivals from both traditional and emerging tourism source markets. Nonetheless, this sector remains vulnerable to external shocks such as the impact on the propensity to travel due to lower disposable incomes as well as a decline in air connectivity attributed to geopolitical tensions.



Looking ahead, there is a need to increase the resilience of the Seychelles economy by encouraging higher domestic production, increasing import substitution and enhancing the value addition of the various sectors. In terms of the domestic price level, despite the expected reduction in global fuel prices, the combined effects of a weaker rupee and marginally higher international food prices are expected to contribute towards a gradual increase in the average prices of goods and services over the medium-term. Although the Bank remains committed to supporting the economy, it is mindful of the ever-changing external environment and high level of uncertainty. Consequently, the Bank stands ready to adjust its policies should the need arise.

5.7 Update on the TA recommendations

To address challenges in the transmission mechanism of interest rates and to develop Seychelles' secondary market, two Technical Assistance (TA) missions were undertaken by the IMF. The first, in May 2022, focused on monetary policy implementation and operations, while the second, in July 2022, addressed secondary market development. Following these missions, a reform plan was developed, outlining recommendations aimed at enhancing the monetary policy operating framework and instruments, as well as the interbank and foreign exchange markets.

With reference to the workplan on modernising the monetary policy framework and operations, the timelines for certain recommendations were revised following an assessment of the other deliverables undertaken by the Bank. Nevertheless, there was progress on the following recommendation during the second half of 2025, whilst work is ongoing for the remaining ones.

The recommendation on reviewing the Net Open Position (NOP) limit was completed and implemented by end-December 2025 through amendments to the Financial Institutions (Foreign Currency Exposure) Regulations. As for the prudential NOP threshold, this was maintained at 30%. Additionally, the regulation was enhanced by revising the calculation of the overall NOP whereby, the Capital Base will be used as the denominator in lieu of the Equity Capital. The limit will be applied to the overall NOP, rather than separately to the individual long and short positions. Furthermore, the amendments strengthened definitions and interpretations to improve clarity.

For more details on the list of recommendations following the Monetary policy implementation and operations TA, kindly refer to **Annex 1: CBS workplan on the modernisation of the Monetary Policy Framework and Operations**



6.0 Projections

Table 1: Economic and Financial Indicators				
	2023	2024	2025	2026
	Act.*	Act.*	Act.*	Proj.
(Annual per cent change, unless otherwise indicated)				
National income and prices				
Nominal GDP (millions of Seychelles rupees)	30,663	31,643	32,899	34,464
Real GDP	2.3	2.9	3.2	3.2
CPI (annual average)	-1.0	0.3	0.3	1.1
CPI (end-of-period)	-2.7	1.7	-0.2	2.0
Money and credit				
Broad money	5.7	7.4	10.9	7.2
Reserve money (end-of-period)	-3.5	-4.3	12.8	-9.4
Velocity (GDP/broad money)	1.2	1.2	1.1	1.1
Money multiplier (broad money/reserve money)	3.7	4.2	4.1	4.9
Credit to the private sector	7.4	12.0	12.9	9.7
Government budget				
	Per cent of GDP			
Total revenue, excluding grants	30.9	33.4	34.5	34.3
Expenditure and net lending	32.9	33.9	37.3	37.2
Current expenditure	29.2	30.2	31.6	31.8
Capital expenditure	4.2	3.5	5.2	5.0
Overall balance, including grants	0.2	0.9	-1.7	-1.3
Primary balance	1.7	3.2	1.2	1.8
Total debt outstanding	57.3	59.6	61.2	61.8

* Nominal and real GDP are estimates, whereas all other indicators are actual figures.

Source: Central Bank of Seychelles; Ministry responsible for finance; National Bureau of Statistics and IMF staff estimates and projections



Table 2: Monetary Survey						
	Nov-25	Dec-25	Mar-26	Jun-26	Sept-26	Dec-26
	Act.	Act.	Proj.	Proj.	Proj.	Proj.
	(in SCR million)					
Net foreign assets	24,729	25,443	26,160	26,469	26,623	27,383
Central bank	12,530	12,446	13,074	13,116	12,896	13,277
Other Deposit-taking banks	12,198	12,997	13,085	13,354	13,728	14,106
Net domestic assets + OIN	4,796	4,329	4,112	4,285	4,680	4,541
Domestic Assets	16,565	17,008	16,878	17,198	17,368	17,577
Net claims on the government	3,413	3,608	3,291	3,275	3,144	3,010
Credit to the parastatal	1,051	1,083	1,071	1,083	1,111	1,129
Credit to the Private Sector	12,100	12,318	12,516	12,840	13,112	13,438
Other items, net	(11,768)	(12,679)	(12,766)	(12,913)	(12,687)	(13,036)
Broad money	29,525	29,772	30,272	30,755	31,303	31,924
Currency with public	1,408	1,429	1,520	1,574	1,610	1,643
Foreign currency deposits	11,544	11,670	11,789	12,030	12,367	12,709
Local currency deposits	16,573	16,673	16,963	17,150	17,326	17,573

Source: Central Bank of Seychelles



Table 3: Balance of Payments					
	2022	2023	2024	2025	2026
	Act.	Act.	Act.	Prel.	Proj.
(in US\$ millions unless otherwise stated)					
Current account	-142	-155	-176	-102	-102
<i>In per cent of GDP</i>	-6.9%	-7.2%	-8.1%	-4.4%	-4.4%
Trade balance	-731	-859	-800	-840	-897
Exports of goods	563	568	595	526	536
<i>of which: oil re-exports</i>	193	192	210	216	219
<i>of which: tuna exports</i>	283	277	286	260	267
Imports of goods	1,294	1,427	1,394	1,366	1,434
<i>of which: oil imports</i>	299	279	266	285	289
<i>other</i>	853	969	959	916	939
Services, net	680	797	714	841	882
Exports of services	1,684	1,833	1,714	1,963	2,014
<i>of which: tourism earnings</i>	935	994	925	1,196	1,263
Imports of services	1,004	1,036	1,000	1,122	1,133
Capital and financial account	156	144	191	96	102
Capital account	17	12	19	20	18
Financial account, net	-139	-132	-172	-75	-83
Direct investment, net	-226	-279	-262	-266	-280
Portfolio investment, net	3.6	-10	19	22	18
Other investment, net	135	128	-26	90	159
Overall balance	-51	30	96	78	19

Source: Central Bank of Seychelles



Annex 1: CBS workplan on the modernisation of the Monetary Policy Framework and Operations

CBS workplan on the modernisation of the Monetary Policy Framework and Operations

	Recommendation	Implementation Timeline	Under consideration	Continuous process	In progress	Completed
Monetary Policy Framework	Review the composition of the Monetary Policy Technical Committee (MPTC)	Q3 2024				
	Analyse monetary policy decision-making process	Q3 2024				
	Reinforce the modelling team	Q4 2024				
	Enhance monetary policy communication	Continuous				
	Introduce a Monetary Policy Report	Q3 2022				
	Formalise monetary policy process manual	Continuous				
	Improve understanding of monetary policy shock transmission	Q2 2023				
	Conduct inflation expectations surveys	Q2 2025				
	Use Forecasting and Policy Analysis System (FPAS) tools in policymaking	Continuous				
Monetary Policy Implementation	Review the rollover mechanism of CBS' holding of Treasury bills	Q2 2027				
	Address excess liquidity in line with the monetary policy stance	Q4 2023				
	Assess the parameters of the Deposit Auction Arrangement	Q2 2025				
	Develop legal framework for repos repurchase and reverse repurchase agreements	Q2 2027				
	Re-introduce reverse repos	Q4 2024				
	Consider instruments for longer-term liquidity absorption	Q1 2026				
	Test all open market operations instruments with each bank on an annual basis	Q3 2026				
	Conduct fine-tuning operations when there are liquidity imbalances	Q2 2025				
	Introduce a collateralised intraday lending facility	2027				
	Review the structure of the CBS balance sheet	Q4 2025				
Interbank Market	Develop a money market benchmarks project for reference rate in the rupee interbank market	Q3 2027				
	Draft Seychelles annex of the Global Master Repurchase Agreement and develop appropriate legal background to repos for the interbank market	Q4 2028				
Foreign Exchange Market	Review the foreign exchange auction strategy	Continuous				
	Review the net open position limit	Q4 2025				
As at January 2026	Number of recommendations by each level of progress		4	6	4	9
	As a proportion of total recommendations		17%	26%	17%	39%