

Central Bank of Seychelles



Monetary Policy Report

July 2026



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1.0 Overview

The global economy increased at a modest pace during the first half of 2026, albeit unevenly across countries, and lower than that of 2025. The World Economic Outlook (WEO) Update published by the International Monetary Fund (IMF) in July 2026 showed that the world economy is expected to grow by 3.0 per cent in 2026, as compared to 3.5 per cent in the preceding year. The moderation in global economic activity has been largely driven by the intensification of tensions in the Middle East as of February 28, 2026. The repercussions from the conflict led to significant increases in international oil prices, trade and shipping challenges associated with the disruptions in the Strait of Hormuz, as well as higher food prices due to negative supply shocks. Nevertheless, the slowdown in global economic activity was partially mitigated by productivity gains from the increased adoption of Artificial Intelligence (AI) in selected economies. With regards to global headline inflation, it is forecasted to rise from 4.1% in 2025 to 4.7% in 2026. In response, most central banks have paused the easing of monetary policy as the pass-through from higher international commodity prices to their respective inflation outlook is weighed against a slowdown in economic activity.

On the domestic front, the economy continued to be driven by the tourism, fisheries, and information and communication sectors. A total of 166,355 tourists visited Seychelles in the first half of 2026, a reduction of 14 per cent when compared to the corresponding period in 2025. This outcome was attributed to a decline in the frequency of flights servicing Seychelles as of March 2026, following the disruptions in the Middle East aviation hubs. As for the top five markets, visitors originated from Russia, Germany, France, Italy and the United Kingdom (UK). In terms of the yield generated by the tourism industry during the first half of 2026, this was estimated at US\$580 million, an expansion of 6.4 per cent relative to the same period in 2025. This outcome was mainly due to an increase in the estimated yield per tourist, primarily driven by higher average room rates.

In the foreign exchange market, there was a general increase in both the supply of and demand for foreign currency during the first six months of 2026. Over the same period, the supply of foreign exchange was above that of demand by US\$21 million, relative to a net inflow of US\$36 million in 2025. With regards to the value of the Seychelles rupee (SCR) in the first half of 2026, it depreciated against the major traded currencies in year-on-year terms. As for price developments, there was an uptick in the average prices of goods and services of May 2026, principally driven by increases in fuel prices.

Looking ahead, geopolitical tensions in the Middle East will be contingent on the level of adherence to the Memorandum of Understanding (MOU) that was signed between the United States (US) and Iran on June 17, 2026. Although there has been some moderation in international commodity prices – partially owing to the active drawdown of existing oil inventories as well as increased diplomatic efforts that helped contain adverse market reactions – significant risks to the outlook remain. Subsequently, renewed geopolitical tensions and the resultant trade disruptions and policy uncertainty may contribute to a more pronounced slowdown in global economic activity.



The domestic economy may be impacted if the propensity to travel remains subdued in the second half of the year, especially if transiting through the Middle East aviation hubs continues to pose safety concerns for travellers. With reference to the supply of foreign exchange, this will be primarily contingent on the tourism sector performance, whilst that of demand will be in line with international commodity prices and domestic economic activity. Taking into consideration the aforementioned factors, inflation is forecasted to gradually increase in the local economy in 2026. As such, the performance of the Seychelles economy remains highly dependent on its ability to withstand evolving external shocks that may affect the value of the local currency and subsequently, the domestic price outlook.



2.0 Recent external developments

2.1 Global growth

The slowdown in global economic activity during the first half of 2026 was primarily driven by the intensification of the conflict in the Middle East. Notwithstanding such, continued investment in AI, relatively robust labour markets and strong consumer demand helped offset a further contraction in global economic activity. The conflict in the Middle East led to divergences in the growth rate of economies whereby, its effects were contingent on whether the countries were energy exporters or importers, as well as the level of AI adoption.

As for the advanced economies, growth momentum in the US remained strong and was mainly driven by extensive AI investment, accommodative financial conditions, resilient consumer spending as well as favourable fiscal policies. In the Euro area, growth was constrained by higher energy prices, elevated services inflation, tighter financing conditions, weak consumer confidence and subdued investment by firms. As regards to the growth in the UK, political uncertainty related to the resignation of the Prime Minister on June 22, 2026, higher borrowing costs and uptick in energy prices led to lower business and consumer confidence.

2.2 International commodity prices

The first half of 2026 was marked by higher international commodity prices, driven largely by shipping disruptions through the Strait of Hormuz amidst heightened geopolitical tensions in the Middle East. Consequently, Brent crude oil prices reached a peak of US\$117 per barrel in April 2026. However, as tensions eased following the signing of the MOU between US and Iran, oil prices declined to US\$85 per barrel in June 2026. Despite this moderation, international oil prices remained elevated in the first six months of 2026 relative to the same period in 2025.

Global food prices followed a general upward trend since the beginning of the year, mainly driven by increases in the prices of vegetable oils and fertiliser input. On a year-on-year basis, the Food and Agriculture Organisation (FAO) Price Index expanded by 1.7% in June 2026, on account of higher average prices for oils (23 per cent), meat (4.0 per cent) and cereals (2.7 per cent). As for the indices for dairy and sugar, these declined by 24 per cent and 13 per cent, respectively.

2.3 Foreign inflation and monetary policy conditions

Foreign inflationary pressures intensified during the first half of the year. This development was a reversal of the disinflationary trend observed since early 2024 and was mainly driven by the energy price shock, uptick in fertiliser costs and shipping disruptions associated with the conflict in the Middle East. The increase in global inflation differed across countries given the varied levels of energy dependence as well as exchange rate pass-through to the respective economies.



At its meeting in June 2026, the US Federal Reserve Bank (US Fed) continued to maintain the federal funds rate at a target range of 3.50% - 3.75%. This decision reflected persistent inflation above the US Fed's 2.0% target on account of higher energy prices as well as increases in the indices of some commodities attributed to supply shocks. In the UK, while the direct pass-through of elevated energy prices remained relatively limited, the Bank of England (BoE) opted to keep its key policy rate unchanged at 3.75% at its meeting held in June 2026.

After adopting a wait-and-see approach for most of the year, the European Central Bank (ECB) raised all three key interest rates by 25 basis points in June 2026. This was largely attributed to concerns over persistent price pressures, particularly in the services sector and continued uncertainty surrounding the economic impact of the conflict.

As for central banks within the region, in May 2026, the South African Reserve Bank (SARB) increased its key policy rate by 25 basis points to stand at 7.00%. This decision was driven by higher inflation as well as concerns over second-round effects on wages and price dynamics. In the same month, the Bank of Mauritius raised its key policy rate by 25 basis points from 4.50% to 4.75%.



3.0 Recent domestic developments

3.1 Tourism performance

A total of 166,355 tourists disembarked in Seychelles as at end-June 2026, which was a decrease of 14 per cent when compared to the corresponding period in 2025. This outcome reflected a notable slowdown in visitor arrivals from March 2026 onwards, largely attributed to the decline in the frequency of flights to Seychelles following the disruptions in the Middle East aviation hubs. Over the same period, tourism earnings were estimated at US\$580 million, a year-on-year expansion of 6.4 per cent. This outcome was due to an increase in the estimated yield per tourist, primarily attributed to higher average room rates.

The majority of tourists originated from Europe whereby, the main source markets were Russia, Germany, France, Italy and the UK. However, visitors from the European region declined by 13 per cent (by 17,797 visitors) compared to the first half of 2025. With regards to the tourist arrivals from Asia, it fell by 24 per cent (by 8,424 visitors) over the same period.

A review of the quarterly data indicated that the contraction in the number of tourists was more pronounced during the second quarter of the year. In Q1 2026, visitor arrivals amounted to 90,589, which was a decline of 7.4 per cent compared to Q1 2025. Notwithstanding the reduction in arrivals, tourism earnings amounted to US\$328 million, which was a year-on-year expansion of 23 per cent (or US\$62 million). This outcome was mainly attributed to an increase in the average room rates. As for Q2 2026, tourist arrivals stood at 75,766, a decrease of 20 per cent relative to the same quarter in the preceding year. The total income generated by the tourism sector in Q2 2026 totalled US\$252 million, a year-on-year reduction of 9.7 per cent (or US\$27 million).

3.2 Production indicators

Production indicators for the first quarter of 2026 were marked by mixed movements. There were increases in the output of some categories that were mainly due to an expansion of operations by certain businesses, as well as higher demand from the domestic market. Conversely, in addition to operational changes in some firms, contractions observed in certain categories were attributed to seasonal production patterns whereby, some firms scaled up output during the fourth quarter of 2025, followed by a decline in production during the first quarter of 2026.



Figure 1: Production Indicators (YoY, %)
2026 Q1/2025 Q1

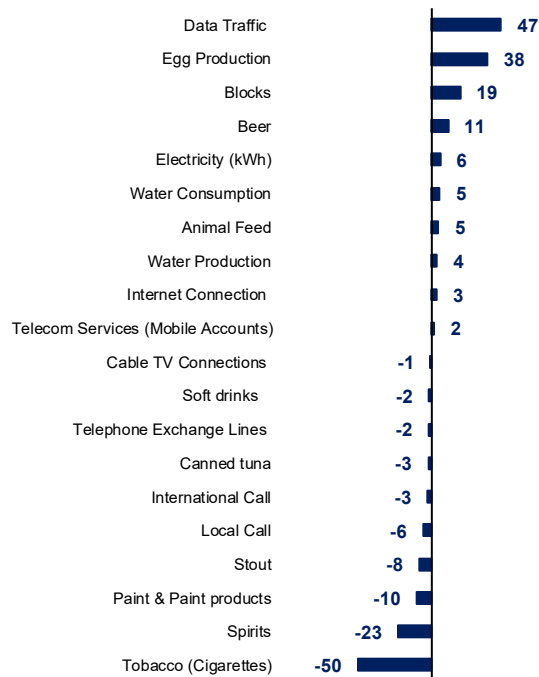
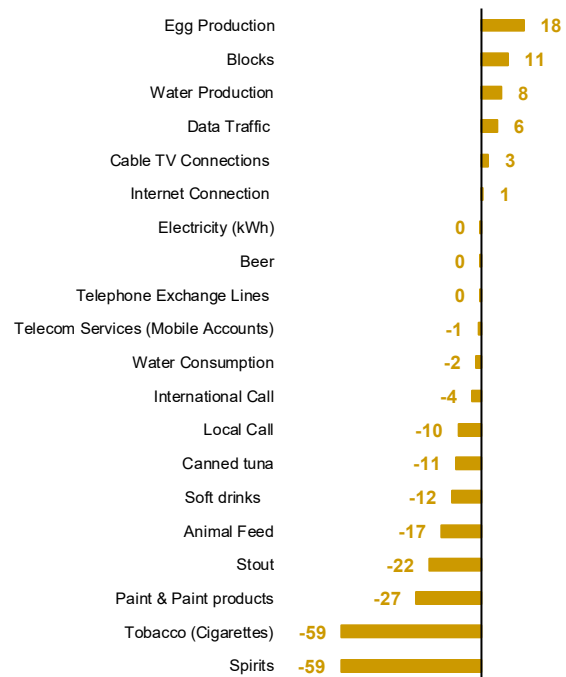


Figure 2: Production Indicators (QoQ, %)
2026 Q1/2025 Q4



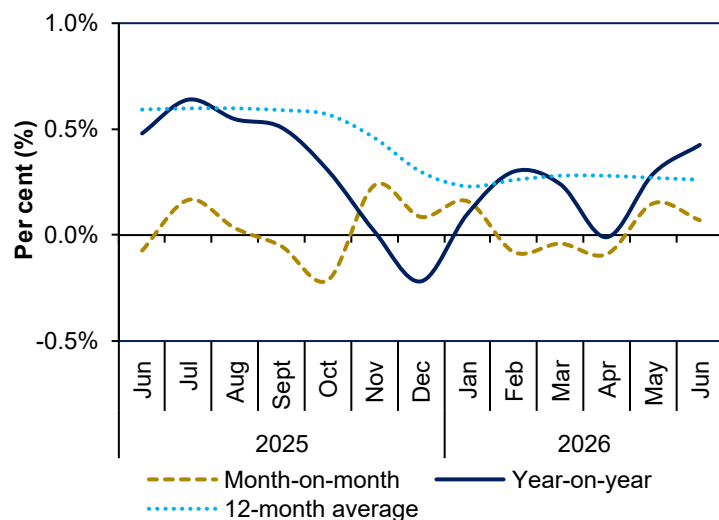
Source: National Bureau of Statistics

3.3 Inflation

There were mixed movements in the average prices of goods and services during the first half of the year. As from May 2026, there was a marked uptick in domestic prices, which primarily reflected the pass-through from higher international fuel prices to the domestic market.

In June 2026, the year-on-year inflation rate stood at 0.4%, whilst the 12-month average inflation rate was 0.3%.

Figure 3: CPI Inflation

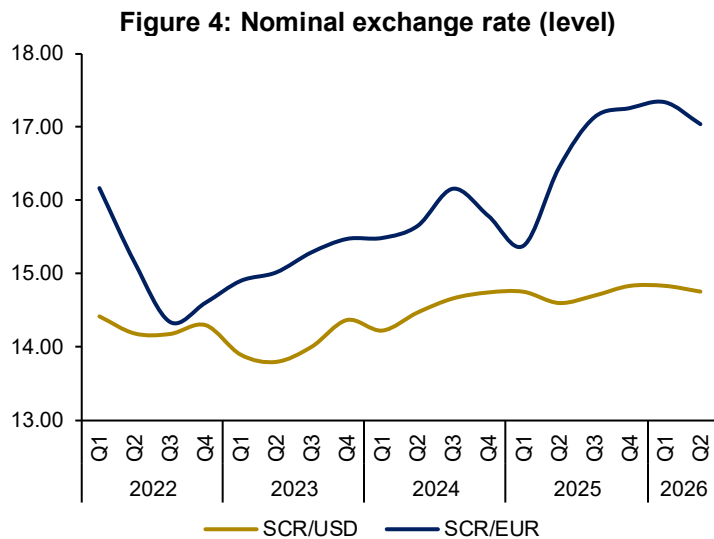


Source: National Bureau of Statistics



3.4 Exchange rate

In the domestic foreign exchange market, a total of US\$552 million was purchased by authorised dealers from January to June 2026, which was a rise of 1.7 per cent relative to the same period in 2025. Over the same period, total sales of foreign exchange were higher by 4.8 per cent and amounted to US\$531 million. Hence, a net inflow of US\$21 million was recorded for the first half of the year.



Source: Central Bank of Seychelles

As for the exchange rate movements, the SCR depreciated against the major traded currencies in the first half of 2026 relative to the same period in 2025. On average, the domestic currency weakened by 12 cents against the US dollar (USD), by 98 cents vis-à-vis the Great British Pound (GBP), and by a larger extent of R1.29 relative to the Euro (EUR). This outcome was mainly driven by increased demand for foreign exchange, coupled with a moderation in foreign exchange inflows on account of the lower tourism sector performance during the first six months of 2026.

In June 2026, the local currency traded at an average of 14.6823 against the USD. Relative to the EUR and GBP, the SCR averaged 16.8333 and 19.6385, respectively.

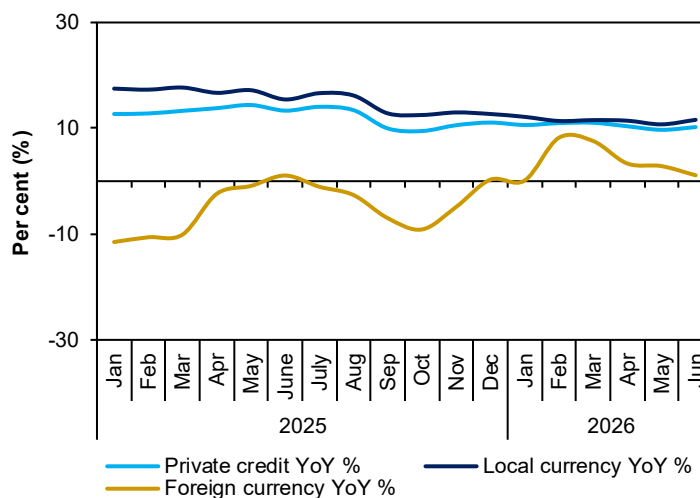


3.5 Private sector credit

In June 2026, the total stock of outstanding credit to the private sector rose by 10 per cent when compared to the same period in the previous year. This outcome was consistent with increases of 12 per cent and 1.1 per cent in local currency-denominated loans and foreign currency loans in rupee terms, respectively.

The year-on-year expansion in credit disbursed to the private sector was mainly driven by expansions in the categories of 'Housing Loans' (by R389 million or 16 per cent) and 'Individuals & Households' (by R380 million or 16 per cent). In addition, there were increases in the categories of 'Real Estate' (by R309 million or 34 per cent), 'Tourism' (by R165 million or 11 per cent), and 'Transportation' (by R76 million or 19 per cent).

Figure 5: Growth in private sector credit



Source: Central Bank of Seychelles



With regards to the sectoral distribution of credit extended to the private sector in June 2026, the categories 'Housing Loans' and 'Individuals & Households' accounted for 23 per cent and 22 per cent of the total, respectively. This was followed by 'Tourism', 'Real Estate' and 'Trade', which accounted for shares of 13 per cent, 10 per cent and 8.9 per cent, correspondingly.

Figure 6: Sectoral distribution of private sector credit for June 2026



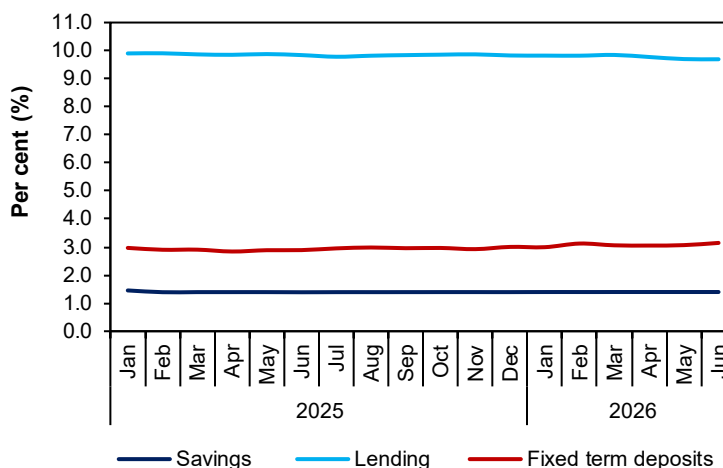
Source: Central Bank of Seychelles



3.6 Interest rates

There were mixed movements in banking sector interest rates during the first half of 2026. The average savings rate on local currency deposits rose marginally from 1.39% in June 2025 to 1.40% in June 2026. As for the average yield on foreign currency savings deposits, this stood at 0.91% in June 2026, a year-on-year increase of 2.3 basis points.

Figure 7: Interest rates

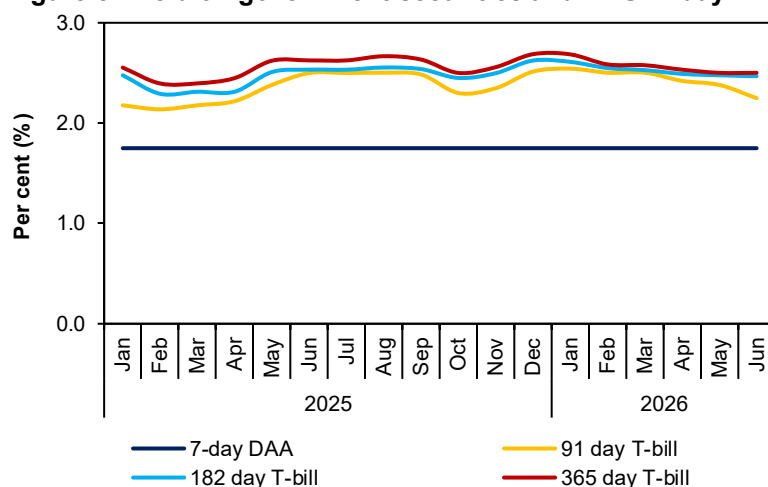


Source: Central Bank of Seychelles

When compared to the same period last year, the average effective lending rate

decreased by 15 basis points to reach 9.69%. Over the corresponding period, the average interest rate charged on foreign currency loans fell by 16 basis points and stood at 7.80%. Of note, interest rates on foreign currency-denominated facilities were relatively stable during the first half of 2026 as compared to the general reduction observed during 2025. This outcome was mainly due to the pause in global monetary policy easing or in some instances, a reversal in stance, as central banks assessed the fallout from the uncertainties surrounding the conflict in the Middle East. As for the interest rate on rupee-denominated loans, this decreased by 13 basis points to stand at 10.04% in June 2026.

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



Source: Central Bank of Seychelles

In line with the aforementioned developments, the interest rate spread between local currency-denominated loans and deposits was 8.64% in June 2026, a year-on-year contraction of 13 basis points. As for the spread between foreign currency-denominated loans and deposits, this decreased to 6.89% in June 2026, when compared to 7.07% in June 2025.



As at June 2026, the average return on the 91-day, 182-day and 365-day Treasury bills was 2.25%, 2.47% and 2.50%, correspondingly. Relative to the same period in 2025, the return on the 91-day, 182-day and 365-day maturities fell by 25 basis points, 6.5 basis points and 12 basis points, respectively. As for the return on the 7-day Deposit Auction Arrangement, it remained stable at 1.75% during the first half of the year, consistent with an unchanged monetary policy stance over the same period.

The government continued to offer Treasury bonds during the first half of 2026, in line with its debt management strategy of issuing longer-term maturities. During this period, two Treasury bonds with a 7-year and a 5-year tenor were auctioned in March and June, at average yields to maturity of 4.66% and 3.71%, respectively.

3.7 Other developments

In May 2026, the IMF Executive Board completed the Article IV Consultation and concluded the fifth and sixth reviews under the Extended Fund Facility (EFF) and Resilience and Sustainability Facility (RSF) arrangements. Subsequently, US\$41 million was disbursed. Notably, with the exception of one quantitative target, all other targets were met under the fifth and sixth reviews. The IMF acknowledged Seychelles' strong economic performance, which included a reduction in public debt, increasing foreign exchange reserves, strengthening the monetary policy framework and improvements in the fiscal position. Nevertheless, the importance of continued prudent policies, structural reforms, economic diversification, and maintaining adequate buffers to address emerging external risks were underscored.

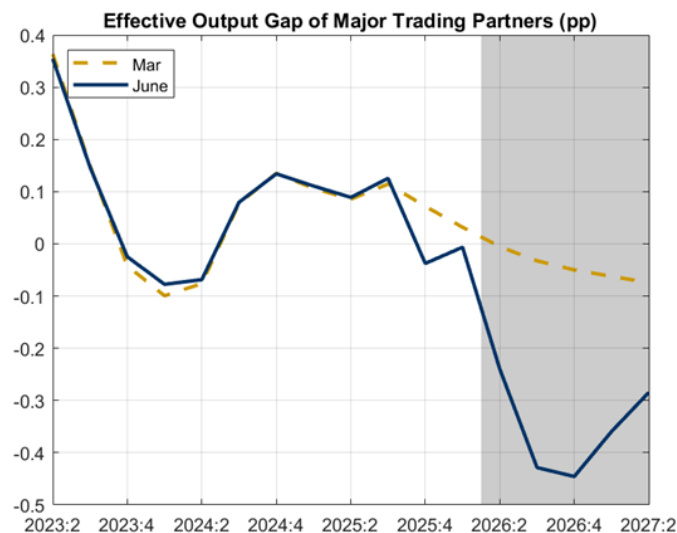


4.0 External outlook

4.1 Global growth projections

The July 2026 IMF WEO Update shows that the global growth forecast for 2026 was marginally revised downwards to 3.0 per cent as compared to 3.1 per cent from the April 2026 WEO. This outlook primarily reflects the impact from the Middle East conflict, although it was partially offset by high demand for AI adoption in select economies. For 2027, global growth was revised upwards from 3.2 per cent to 3.4 per cent. The revised forecast assumes a reopening of the Strait of Hormuz by mid-July 2026 and broadly returning to pre-conflict conditions by March 2027. Furthermore, the uncertainty surrounding global policies and the geopolitical landscape is expected to remain heightened throughout 2027.

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



Source: Global Projection Model Network – June 2026

Growth in the advanced economies is forecasted at 1.7 per cent in 2026 and 1.8 per cent in 2027. Projections for the US remains broadly unchanged from April 2026, standing at 2.3 per cent and 2.2 per cent for 2026 and 2027, respectively. This outlook assumes sustained AI infrastructure investment, favourable fiscal policy and accommodative financial conditions.

In the Euro area, economic activity has been forecasted to increase by 0.9 per cent and 1.2 per cent in 2026 and 2027, correspondingly. The growth rate for 2026 was revised downwards by 0.2 percentage points, impacted by the drag from higher energy prices and weak consumer confidence. For emerging economies, China's growth rates for 2026 and 2027 are forecasted at 4.6 per cent and 4.1 per cent, respectively, with an upward revision for 2026 given its role as a net exporter of AI-related hardware. India is projected to expand by 6.4 per cent and 6.7 per cent in 2026 and 2027, correspondingly, with growth in 2026 expected to be impacted by higher energy costs.

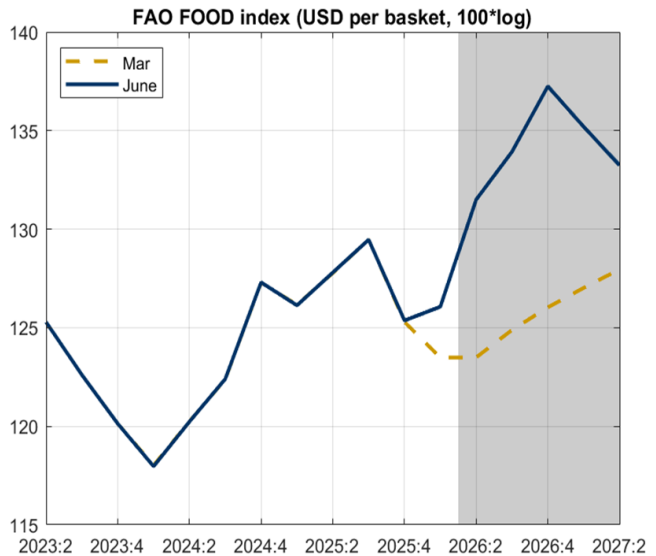
Despite tail risk fears gradually declining, geopolitical risks remain high and subject to high uncertainty. Moreover, while energy inventory drawdowns and enhancements in supply chain management are expected to actively cushion the brunt of the energy price shock, uncertainty persists in the global economy and is likely to dampen growth prospects and elevate price levels beyond 2026.



4.2 Global commodity price and inflation outlook

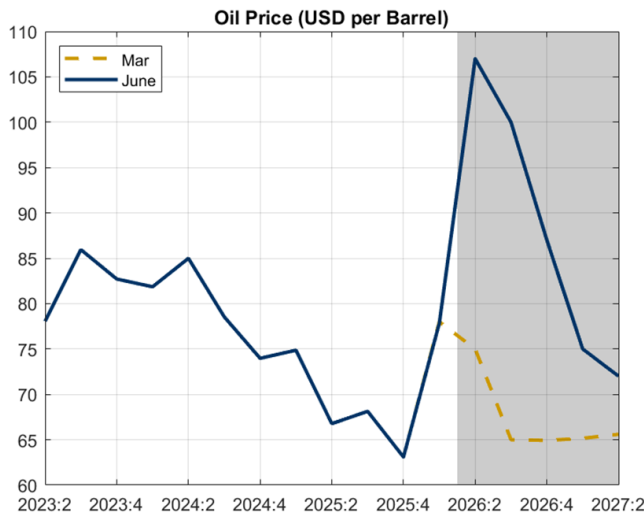
International commodity prices are expected to remain subject to significant risks over the near to medium term, particularly following the escalation of tensions in the Middle East as of February 28, 2026. Nevertheless, the signing of a MOU between the US and Iran on June 18, 2026, aimed at ending the conflict and reopening of the Strait of Hormuz, has improved global commodity market sentiments. While this development has eased immediate concerns over supply disruptions and alleviated some pressure on commodity prices, the outlook nonetheless remains subject to much uncertainty.

Figure 10: FAO Food Price Index



Source: Global Projection Model Network – June 2026

Figure 11: Oil Price



Source: Global Projection Model Network – June 2026

International oil prices remain highly sensitive to changes in supply conditions and geopolitical developments. Global oil supply is expected to increase in the coming months, although this remains contingent on the resumption of normal shipping traffic through the Strait of Hormuz. This recovery in shipping activity is expected to improve supply conditions and exert downward pressure on international oil prices. Accordingly, oil prices are projected to trade within a range of US\$70-80 per barrel during the second half of 2026. Nevertheless, considerable uncertainty remains. The oil price outlook continues to

depend largely on developments in the Middle East, with potential escalations in geopolitical tensions posing risks to global oil supply and shipping, which could result in renewed price volatility.



International food prices are expected to remain elevated. Looking ahead, the outlook points to moderate price pressures, reflecting the continued effects of supply chain challenges associated with the disruptions in the Strait of Hormuz. Furthermore, weather-related risks associated with the El Niño phenomenon, including drought, floods, and extreme heat could affect wheat, rice, sugar, and vegetable oil production in key exporting countries. In addition, whilst the MOU between the US and Iran has reduced some uncertainty, the risk of renewed geopolitical tensions persists. Any escalation could further disrupt energy and fertiliser markets, thereby increasing agricultural production costs, and place further upward pressure on global food prices.

The July 2026 IMF WEO Update shows that global inflation is expected to increase from an average of 4.1% in 2025 to 4.7% in 2026. This outlook reflects the impact of higher energy and food prices following the conflict in the Middle East. Inflation in emerging markets and developing economies is forecasted to rise from 5.2% in 2025 to 5.8% in 2026, whilst that in advanced economies is anticipated to increase from 2.5% to 3.0% over the same period. The outlook for 2027 assumes that oil prices moderate from recent highs, supported by the gradual reopening of the Strait of Hormuz and the normalisation of shipping conditions. Under these assumptions, global inflation is expected to resume its downward trajectory, easing to 3.9% in 2027. Nevertheless, the outlook remains subject to high uncertainty and will continue to depend on developments in international commodity markets and global trade conditions, particularly those arising from geopolitical developments in the Middle East.

4.3 Expected monetary policy stance

The escalation of the tensions in the Middle East and the resultant increase in oil prices as well as trade disruptions, have altered the outlook for foreign inflation and global economic activity. In response, major central banks have been adopting a more cautious approach, by shifting away from the gradual monetary policy easing cycle that had prevailed across major advanced economies since mid-2024. This prudent approach to monetary policy is expected to continue in the near-term, with future policy decisions likely to be guided by the inflation trajectory, energy prices and the broader economic outlook.

Going forward, the ECB has signalled that it will not pre-commit to any particular interest rate path. Instead, future monetary policy decisions will be guided by economic and financial data, coupled with its assessment of the inflation outlook and the associated risks. In the UK, the BoE is anticipated to be prudent in its approach to monetary policy, given concerns over the potential second-round effects of the elevated energy costs on prices and wages. As such, policy decisions will remain dependent on the inflation path and possible increases in wages.



As for the US Fed, it is expected to maintain a cautious monetary policy stance as it weighs the effects of inflation remaining above its target, as against a slowdown in the job market. Looking ahead, future monetary policy decisions are anticipated to be guided by the implications from the geopolitical developments in the Middle East on the US economy as well as the inflation trajectory. Given these uncertainties, the US Fed has explicitly indicated that it will refrain from providing forward guidance on the future path of interest rates. Nonetheless, the latest projections points towards a potential interest rate hike before the end of 2026, owing to the persistent divergence of inflation from its target.

Overall, major central banks are expected to maintain a cautious monetary policy stance over the near-term, as they continue to balance the need to contain inflation against the potential impact of tighter financial conditions on economic activity.



5.0 Domestic outlook

5.1 Exchange rate

In line with expectations of a pickup in economic activity during the second half of 2026, both supply and demand for foreign exchange are forecasted to increase. The supply of foreign exchange is expected to improve, although it will remain largely contingent on the performance of the tourism sector. Regarding the demand for foreign exchange, it continues to depend on global developments, particularly movements in international commodity prices, shipping and freight costs, as well as domestic needs. Given expectations that international oil prices will stay elevated for the remainder of the year, domestic demand for foreign exchange associated with fuel imports is anticipated to be strong. 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. Nonetheless, the external environment remains highly dynamic, and a renewed escalation of geopolitical tensions could potentially alter the exchange rate outlook.

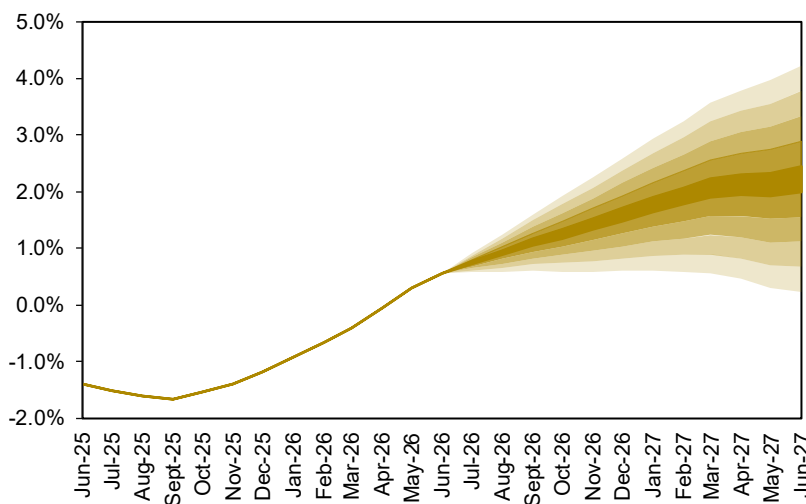
5.2 Inflation

The outlook for global inflation will remain contingent on the effects of the conflict – particularly the disruptions in the Strait of Hormuz – on international commodity prices and freight costs.

Fuel prices are anticipated to moderate in the second half of 2026 in view of the expected improvement in oil flows through the Strait of Hormuz. Nevertheless, fuel prices are forecasted to average US\$82 per

barrel in 2026, which is an increase of 21 per cent when compared to 2025. As for food prices, they are expected to increase in annual terms on account of the higher fertiliser costs as well as supply constraints associated with trade disruptions and adverse weather events. Nonetheless, this outlook remains highly sensitive to the outcome of the MOU between US and Iran, particularly any potential breaches as well as the subsequent impact on geopolitical tensions and trade disruptions.

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



Source: National Bureau of Statistics / Central Bank of Seychelles



In view of the aforementioned factors, and the country's dependence on imports, the increase in foreign inflation is expected to filter through to the domestic economy vis-à-vis the import channel. The combined effects of a weaker domestic currency as well as elevated global food and fuel prices are expected to underpin the gradual rise in the average domestic prices of goods and services. Consequently, the 12-month average inflation rate is forecasted at 0.8% in December 2026. However, the domestic price outlook remains highly dependent on developments in global commodity markets as well as the external value of the rupee.

5.3 Monetary policy stance for Q3 2026

The Board decided to maintain an accommodative monetary policy stance for the third quarter of 2026, keeping the Monetary Policy Rate (MPR) unchanged at 1.75%. Consistently, the interest rate on the Standing Deposit Facility (SDF) and Standing Credit Facility (SCF) remained at 0.25% and 3.25%, respectively. In addition, the Minimum Reserve Requirement (MRR) on applicable rupee-denominated deposits was maintained at 10%, whilst that on deposits denominated in foreign currencies remained unchanged at 13%¹. The decision to maintain the existing policy stance considered the fact that despite a slight uptick in inflation observed since the start of the year, overall inflation is forecasted to remain broadly contained. This increase has been driven primarily by higher international oil prices, as well as rising freight and shipping costs associated with the conflict in the Middle East. Going forward, the outlook on prices takes into consideration the effects of this conflict, with domestic prices expected to rise over the near-to-medium term. Following deliberations, the Board considered it appropriate to maintain the current policy stance while continuing to closely monitor domestic and external developments and assess their potential impact on the economy.

5.4 Private sector credit

Credit to the private sector is forecasted to grow by 7.8 per cent in 2026, reflective of the continued rise in local currency loans, coupled with a positive increase in credit extended in foreign currency when expressed in rupee terms.

On the external front, there has been a shift away from the gradual easing of monetary policy towards a more cautious approach, with major central banks such as the BoE and the US Fed maintaining their policy rates, whilst the ECB raised interest rates in June 2026. These developments could contribute towards higher cost of borrowing in foreign currency in the domestic market. Against this backdrop and given the challenges being faced by local businesses as a result of the Middle East conflict, demand for foreign currency-denominated loans is expected to moderate. Nonetheless, a potential depreciation of the Seychelles rupee would result in a higher value of outstanding foreign currency-denominated credit when expressed in rupee terms.

¹ The MRR on applicable rupee-denominated deposits was reduced from 13% to 10% as of October 08, 2025, to support credit growth in the economy.



As for local currency loans, this is forecasted to rise in value terms, although the rate of increase is anticipated to be slower than the first half of 2026. The continued emphasis on economic diversification is expected to support further growth in lending to non-traditional sectors. Credit to these sectors is projected to expand at a measured pace, reflecting the gradual development of emerging industries.

5.5 Interest rates

Inflationary pressures are expected to increase over the medium-term, primarily driven by the pass-through of higher international oil prices to the domestic economy, coupled with the rise in freight and shipping costs. Nonetheless, there is considerable uncertainty over the full impact from the Middle East conflict on the Seychelles economy. As such, the Bank has decided to adopt a more cautious approach to monetary policy as it continues to monitor the situation and its impact on domestic economic activity.

As part of its debt management strategy, government is expected to continue to reduce its short-term debt exposure, while maintaining the issuance of longer-term instruments, as was the case during the first half of 2026. Looking ahead, the volume of government securities is expected to remain lower than in 2025. Returns on short-term instruments are anticipated to remain within the interest rate corridor. Meanwhile, interest rates on foreign currency-denominated facilities, particularly those with variable-rate structures, are expected to continue to be influenced by developments in international financial markets. Accordingly, the outlook for foreign interest remains uncertain and will continue to depend on global financial conditions and the monetary policy decisions of major central banks.

5.6 Perception on the economic environment

On the outlook for the year, the July 2026 IMF WEO Update indicates that the forecasts for global growth and inflation have been revised to 3.0 per cent and 4.7%, respectively. The global growth rate is expected to decline modestly from the April 2026 WEO projection of 3.1 per cent whereas, an uptick is being anticipated in the rate of inflation when compared to the previous forecast of 4.4%. The revisions were impacted by the conflict in the Middle East, albeit being partly offset by accelerated demand-driven momentum for advances in AI and its adoption in several economies.

Whilst other forecasts suggest a similar global outlook, the conflict in the Middle East has had varying impacts across economies. Broadly, energy exporters outside the conflict zone are expected to benefit from higher prices, whilst the impact on energy importers is anticipated to vary based on supply chain adjustments and implementation of domestic policies. The latter includes a mix of approaches, including drawdown on strategic energy reserves, energy conservation measures and varying levels of price adjustments on energy and select goods and services.

Given the uncertainty and potential spillovers, this has accentuated medium-term public debt risks and sustainability of policy mixes across economies. Additionally, higher food and energy prices require tighter



conditions for monetary policy in an environment of heightened risks of social unrest and domestic political instability.

Looking ahead on the domestic front, economic activity will remain concentrated in tourism and related services, fisheries, and information and communications sectors. However, in view of the air connectivity challenges, visitor arrivals are forecasted to decline in 2026. The contraction is anticipated to be partially offset by domestic policies, including promoting non-traditional markets and the use of chartered and seasonal flights. Externally, although operations resumed in the Middle East aviation hubs during the second quarter of 2026, both demand for travel through the region as well as resumption of flights remain below pre-conflict levels given the uncertainty and elevated energy costs. As regards to the fisheries sector, exports and related services are broadly unchanged but remains vulnerable to the effects of El Niño in the short-term and evolving consumer preferences externally. On import dynamics, freight and shipping costs are expected to remain elevated on account of the disruptions in the Strait of Hormuz, thereby adding additional price pressures and supply chain challenges. As for the inflation dynamics, it remains uncertain how government policies – key of which relating to energy pricing and State-Owned Enterprise (SOE) policies – would be unwound or sustained given evolving external conditions and commitment towards medium-term debt targets. Moreover, should geopolitical risks increase, careful calibration of policies will be crucial in managing expectations in light of evolving economic conditions, including the role of the exchange rate as an automatic stabiliser.

The Bank remains committed to supporting the economy, mindful of the ever-changing external environment and high level of uncertainty, and 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. Upon completion of 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.

As regards to the workplan on modernising the monetary policy framework and operations, the timeline for certain recommendations was revised following an assessment of the other deliverables undertaken by the Bank. 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)	30,441	32,381	34,134	35,373
Real GDP	5.2	3.4	5.1	1.5
CPI (annual average)	-1.0	0.3	0.3	0.8
CPI (end-of-period)	-2.7	1.7	-0.2	2.5
Money and credit				
Broad money	5.7	7.4	10.9	2.6
Reserve money (end-of-period)	-3.5	-4.3	12.8	-6.1
Velocity (GDP/broad money)	1.2	1.2	1.1	1.2
Money multiplier (broad money/reserve money)	3.7	4.2	4.1	4.5
Credit to the private sector	7.4	12.0	12.9	7.8
Government budget				
	Per cent of GDP			
Total revenue, excluding grants	31.1	32.6	32.2	32.8
Expenditure and net lending	33.2	33.1	32.9	35.4
Current expenditure	29.4	29.5	29.4	30.9
Capital expenditure	3.8	3.3	3.5	4.5
Overall balance, including grants	0.2	0.9	0.1	-1.3
Primary balance	1.7	3.1	2.5	0.9
Total debt outstanding	57.2	58.1	53.6	57.1

* 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					
	Jun-26	Sept-26	Dec-26	Mar-27	Jun-27
	Act.	Proj.	Proj.	Proj.	Proj.
	(in SCR million)				
Net foreign assets	26,326	26,121	26,375	26,702	26,890
Central bank	12,942	12,833	12,652	12,816	12,912
Other Deposit-taking banks	13,384	13,287	13,723	13,886	13,977
Net domestic assets + OIN	3,570	3,848	4,167	4,137	4,129
Domestic Assets	17,126	16,863	17,228	17,299	17,445
Net claims on the government	2,722	2,286	2,456	2,272	2,105
Credit to the parastatal	1,703	1,720	1,713	1,715	1,718
Credit to the Private Sector	12,702	12,857	13,060	13,312	13,621
Other items, net	(13,556)	(13,015)	(13,061)	(13,161)	(13,316)
Broad money	29,896	29,968	30,542	30,840	31,019
Currency with public	1,409	1,411	1,443	1,446	1,474
Foreign currency deposits	12,053	11,970	12,363	12,510	12,592
Local currency deposits	16,434	16,587	16,736	16,884	16,952

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	-156	-166	-135	-274
<i>In per cent of GDP</i>	<i>-7.0%</i>	<i>-7.1%</i>	<i>-7.5%</i>	<i>-5.8%</i>	<i>-12%</i>
Trade balance	-731	-885	-790	-921	-974
Exports of goods	563	542	595	519	523
<i>of which: oil re-exports</i>	193	192	210	201	227
<i>of which: tuna exports</i>	283	277	286	245	240
Imports of goods	1,294	1,427	1,385	1,440	1,497
<i>of which: oil imports</i>	299	279	266	276	332
other	853	969	1,119	1,164	1,165
Services, net	680	823	714	859	768
Exports of services	1,684	1,833	1,714	2,008	1,919
<i>of which: tourism earnings</i>	935	994	925	1,283	1,149
Imports of services	1004	1,010	925	1,148	1,151
Capital and financial account	156	143	191	112	274
Capital account	17	12	19	20	23
Financial account, net	-139	-131	-269	-170	-268
Direct investment, net	-226	-279	-262	-284	-249
Portfolio investment, net	3.6	-10	19	13	13
Other investment, net	135	129	-26	101	-32
Overall balance	-51	30	96	78	26

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 2027				
	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 July 2026	Number of recommendations by each level of progress		4	6	4	9
	As a proportion of total recommendations		17%	26%	17%	39%