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## **Seychelles: Recent Economic Developments**

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# INTERNATIONAL MONETARY FUND

## SEYCHELLES

### Recent Economic Developments

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**Seychelles: Social and Demographic Indicators**

GDP (1999)		Population	
Total (in million of U.S. dollars)	612.1	Total (mid-1999)	80,410.0
Per capita (in U.S. dollars)	7,611.0	Growth (percent a year, average 1995-99)	1.3
Area (sq. km)	455.3	Density (1999; per sq. km)	
<i>Of which</i> : agricultural		Total	773.0
(in percent)	22.2	<i>Of which</i> : agricultural	760.8
Population characteristics (1999; in percent, unless otherwise indicated)		Health (1999)	
Life expectancy at birth (years)	72.4	Population per physician	773.0
Male	67.4	Population per hospital bed	181.0
Female	78.2	Infant mortality rate (1999; per thousand births)	10.3
Infant mortality (aged under 1)	1.0	Access to safe water (1997 census; in percent)	
Child death rate (aged 1-4)	2.0	Urban population	90.0
Population under age 15	26.8	Rural population	80.0
Median age (years)	26.0		
Education (1993; in percent)		Nutrition (1980-86)	
Primary school enrollment, population aged 6-13		Per capita daily calorie supply	2,317.0
(2000; in percent)	88.0	Per capita daily protein supply (in grams)	49.0
Pupil-to-teacher ratio (2000)	14.6		

Sources: Management and Information Systems Division (MISD); and World Bank.

## I. REAL SECTOR DEVELOPMENTS IN 1998 AND 1999<sup>1</sup>

### A. Output Developments

1. Real GDP growth slowed in 1998 and 1999, while inflation rose sharply, ending above 10 percent, at end-1999, for the first time since the early 1980s.

2. Declining tourist arrivals and tourism earnings (and the negative multiplier effects through the rest of the economy), the heightened shortage of foreign exchange, and global weather phenomena were the main factors accounting for a slowdown in overall output during the 1998-99 period. This slowdown occurred despite the strong growth in manufacturing output—owing to the expansion of the Indian Ocean Tuna (IOT) Company—and the continuing expansion of the construction sector, owing largely to public sector housing and infrastructure projects.

3. The slide in **tourism** arrivals, which began in 1997, continued in 1998-99. However, because of an increase in the average length of stay in 1998, the total number of visitor nights increased in 1998 before declining in 1999 (Statistical Appendix Table 9). In addition, tourism expenditure fell by 3 percent between 1997 and 1999.<sup>2</sup> Even before this decline, however, the tourism sector had been underperforming, especially relative to East Africa. In the ten years ended 1997, visitor arrivals to Seychelles grew by an average annual rate of 6 percent, better than the worldwide growth rate of 5 percent but markedly lower than the 10 percent growth rate of East Africa, where Seychelles placed 10<sup>th</sup> out of 16 countries. In this regard, it is important to note that, while visitor arrivals for the first half of 2000 were up 7 percent from the same period in 1999, such arrivals have increased some 14 percent in Mauritius.

4. One possible cause of the relative underperformance could be poor price competitiveness. Although Seychelles's tourism development strategy calls for a focus on the luxury "five-star" segment of the market, where price competitiveness may arguably be less important, the majority of hotel capacity exists in the "three-star" and "four-star" categories, where price competitiveness remains an important issue. However, in a comparison with Mauritius, Seychelles appears significantly more price competitive in the luxury segment than in the less sophisticated segments of the market. Available data indicate that the cost of a Seychelles holiday package in peak season to a four-and-a-half- or five-star hotel (including

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<sup>1</sup> This section was prepared by Mr. T. Alleyne and Mr. M. Haacker.

<sup>2</sup> Official data on tourism expenditures are based upon foreign currency sales by the registered tourism enterprises to the commercial banks and thus exclude, for example, the revenue of unregistered guest houses and revenue that is diverted to the parallel foreign exchange market. As it is widely accepted that most of the supply of foreign currency to the burgeoning parallel market originates in the tourism sector, it is likely that the official numbers on tourism expenditure substantially understate actual figures.

airfare) is insignificantly different from that of a comparable package to Mauritius. However, for the three- and four-star categories, Seychelles appears to be from 20 percent to 40 percent more costly.

5. To address the disappointing performance of the tourism sector, the authorities have launched a number of initiatives in the past two years, the most notable of which are the following:

- **The restructuring of tourism administration.** Actions have been taken in three areas: (1) the Ministry of Tourism and Civil Aviation was reorganized in 1998 with the removal of land transportation from the ministry's portfolio; (2) the Seychelles Tourism Advisory Board was established in 1998 and consists of 12 individuals from the public and private sectors, including industry, who will advise on tourism policy and its integration with the rest of the economy; and (3) the Seychelles Tourism Marketing Authority was also launched in 1998 and was given the responsibility for overseeing the operation of Seychelles's overseas tourism offices and also for marketing, including developing and implementing a specific marketing strategy and image for Seychelles.
- **The reorganization of Air Seychelles.** A comprehensive management overhaul of Air Seychelles in 1998 resulted in a sharp reduction in losses that year and the generation of a profit in 1999. An important factor in the financial improvement was the establishment of strategic alliances with other international carriers that helped cushion competition on those routes, thus helping to solve the problem of low loads and low yields.<sup>3</sup>
- **The granting of incentives.** In July 2000, the government announced the introduction of several measures to boost the tourism sector. These included tax incentives, increased allocation of foreign exchange, reduction in social security payments, permission to hold foreign exchange accounts, authorization to import commodities for which the Seychelles Marketing Board (SMB) had exclusive importation rights, and the loosening of administrative procedures for foreign employment.<sup>4</sup>

6. The strong performance of the **manufacturing** sector during 1998-99 was almost exclusively the result of the expansion of the IOT. The rest of the sector was hampered by the foreign exchange shortage. Following the completion of its "Diamond" expansion project in 1999, the IOT had raised its tuna processing capacity from 165 tons per day at end-1997 to 350 tons making it the third-largest tuna cannery in the world and the second-most-important

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<sup>3</sup> Alliances were formed with British Airways and Alitalia in 1998 and Air Austral in 1999.

<sup>4</sup> Most of these incentives were granted exclusively to the so-called five-star hotels.



foreign exchange earner for Seychelles. Production increased by 19 percent in 1998 and by a further 39 percent in 1999 and would have been even higher, had it not been for the effect of adverse weather conditions during 1998-99.

7. The weather phenomena El Niño and La Niña negatively affected the fisheries sector but also hurt economic activity in other sectors during 1998. The El Niño effect, which had begun a year earlier, caused the migration of tuna away from the Seychelles Exclusive Zone, and, as the fishing fleets went in pursuit, the port activity at Victoria suffered through reduced transshipment activity, port fees, fishing license fees, oil reexports, and other auxiliary income associated with the port's activity. The main effect of La Niña, which began in the second half of 1998 and continued into 1999, was a drought. Agriculture was hard hit, as was manufacturing, where, because of the water shortage, both the IOT and Seychelles Breweries were forced to suspend operations for a number of weeks.

8. The diversion of foreign exchange to the parallel market increased during 1998 and 1999, as evidenced by the 21 percent drop in foreign exchange inflow to the commercial banks between 1997 and 1999. The shortage of foreign exchange in the official market negatively affected sectors such as construction, manufacturing, and trading, which rely heavily on imported raw materials and finished goods.

#### **B. Price Developments**

9. After averaging less than 2 percent a year over the previous ten years, inflation, as measured by the retail price index (RPI), began to rise in the last quarter of 1998 and reached 10.5 percent in December 1999, the highest level since 1981. It since declined slightly to 8.4 percent in August 2000.<sup>5</sup>

10. Inflation has risen within the context of an economy subject to substantial regulation of prices. For the most part, prices in Seychelles are either subject to controls on absolute levels, as in the case of beer and other alcoholic beverages, electricity, and other utilities, or limits on markups, as in the case of most imported goods, such as food (excluding fish), clothing, and household items. For those goods subject to controls on absolute prices, a series of discrete price changes took place between the third quarter of 1998 and the fourth quarter of 1999: a 17 percent increase in the price of beer (September 1998); a 30 percent increase in fuel and electricity (January 1999); and a 11 percent increase in housing costs (November 1999).

11. Although they were one-off occurrences, those price adjustments reflected growing underlying inflationary pressures caused by high rates of growth of broad money and the

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<sup>5</sup> The statistics assessment mission of March 1999 found Seychelles price statistics to be deficient. More recently, in June 2000, the IMF's Monetary and Exchange Affairs Department mission concluded that the RPI most likely underestimated inflation by a significant amount.

large depreciation of the parallel market exchange rate (upon which the local prices of a growing proportion of imports are based).

12. These pressures have been more obvious in the prices of imported goods, such as clothing, household items, and personal items, which have steadily trended upward since the second half of 1998. Those price increases reflect to some degree the depreciation of the parallel market exchange rate and an increased tendency on the part of importers, wholesalers, and retailers to violate the markup limits in an environment of scarce goods. The exception to the steady upward trend in the prices of imported goods has been food price inflation, which has remained relatively muted. This is because the RPI food basket is dominated by goods for which the SMB has exclusive importation rights, and for which it receives a foreign exchange allocation based on the official fixed exchange rate.<sup>6</sup>

## II. FISCAL SECTOR<sup>7</sup>

13. Developments in government finances during 1998-99 were characterized by a significant weakening of the fiscal position, with the budget deficit (after grants) increasing from about 9 percent of GDP during 1996-97 to an average of about 18 percent of GDP (Table 13). Indeed, in the election year of 1998, Seychelles's fiscal deficit reached a record high of about 24 percent of GDP. Many factors contributed to this sharp deterioration in government finances. On the one hand, domestic revenues, boosted by a significant strengthening of tax administration, rebounded from about 43 percent of GDP during 1996-97 to about 45 percent of GDP in 1998 and 47 percent of GDP in 1999. On the other hand, total expenditures and net lending, led primarily by a surge in capital spending, mushroomed from about 52½ percent of GDP during 1996-97 to about 70 percent of GDP in 1998, before receding to 61 percent of GDP in 1999.

### A. Expenditures

14. The largest increases occurred in capital expenditures and net lending, which grew from about 9 percent and 3 percent of GDP in 1997 to about 13½ percent and 4½ percent of GDP in 1998, respectively. However, current expenditures also grew significantly in 1998, in particular wages and salaries, as well as interest payments.<sup>8</sup> The steep rise in capital outlays

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<sup>6</sup> There is some evidence that the SMB is also contravening the markup limits. According to a study by the Seychelles Chamber of Commerce, the SMB is able to exploit its monopoly power and mark up some imports by as much as 350 percent.

<sup>7</sup> This section was prepared by Mr. G. El-Masry.

<sup>8</sup> Expenditure on interest included only actual interest payments on foreign loans, as compared to the higher scheduled payments. In 1998, as a result of foreign exchange shortages, arrears on foreign interest payments amounting to about SR 4 million, or about 0.1 percent of GDP, were accumulated.

has been driven by a number of large capital projects, including roads, power generation, sewerage, water desalination, and water distribution, in addition to the construction of private dwellings by the Ministry of Land Use and Habitat and the Seychelles House Development Corporation.

15. Budgetary savings in 1999 were realized both in current and capital expenditures. While wages and salaries remained largely unchanged as a percent of GDP, major cuts were made in purchases of goods and services, which fell from about 10 percent of GDP in 1998 to about 7 percent in 1999 (Statistical Appendix, Table 15). Significant cuts were also made in domestic interest payments by administratively reducing the interest rates paid by the government on its securities in the fourth quarter of 1998. Thus, for example, interest rates on three-month treasury bills were cut from 10 percent to 4.5 percent, necessitating a downward revision of the whole interest rate structure (see the section on monetary policy). Finally in 1999, current transfers in the form of benefits to private households from the Social Security Fund (SSF) were significantly streamlined and subjected to rigorous administrative controls and means testing (Statistic Appendix, Table 16). Nevertheless, the combined transfers from the SSF and the government to private households and parastatal bodies actually grew slightly in 1999 as a percent of GDP.

16. The authorities implemented strong measures to restructure loss-making state-owned enterprises, notably the Seychelles Petroleum Corporation (SEPEC) and Air Seychelles, by bringing in new management teams, subjecting them to hard budget constraints, and generally demanding that they operate on commercially viable terms. These measures resulted in a sharp reduction in net lending to parastatal bodies, from 4½ percent of GDP in 1998 to 1 percent of GDP in 1999. As regards capital expenditures, the budgetary outcome in 1999 was somewhat mixed. On the one hand, efforts were undertaken to achieve savings on an annual basis by stretching out the execution of capital projects already approved under the budget.<sup>9</sup> On the other hand, a large new capital project, the East Coast Land Reclamation Project, Phase III (ECP), was initiated in February 1999. The ECP, as originally planned, was estimated to cost about US\$191 million (about SR 1,020 million, or some 30 percent of GDP) and be completed by 2006 (see Box 1). While the ECP remains a high priority for the government of Seychelles, revisions have been made to its original design, with a view to limiting its impact over the medium term on the government's capital expenditures and external borrowing requirement.

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<sup>9</sup> While the recurrent budget is constitutionally subject to parliamentary approval and scrutiny, the capital budget is presented to the National Assembly for information only. The latter thus often represents a list of projects desired by the various line ministries, and its pace and extent of execution is largely determined by the Office of the Vice President and Minister of Finance.

## B. Revenues

17. On the revenue side, both tax and nontax revenues have shown marked increases during 1998-99 on account of a number of factors (Statistical Appendix, Table 14). A strengthening of tax administration has yielded significant improvements in tax collections, particularly in the areas of taxes on income and profits, which increased from 4.4 percent of GDP in 1997 to 6.8 percent of GDP in 1999. In early 1999, the Taxation Division embarked on a major exercise to strengthen tax administration and enhance staff productivity, by streamlining internal procedures and providing targeted on-the-job training programs. A full, ongoing review of the written communications system was established to ensure that correspondence with taxpayers would be followed up in a prompt and courteous manner, while remaining mindful of legally binding deadlines. In the assessment unit, a checklist of basic tests was devised to guide staff in the preliminary assessment of incoming tax returns. Special procedures were introduced to deal with large taxpayers. In addition, the audit unit of the Taxation Division was expanded and the number of actual audits increased substantially, leading to significant additional revenue.

18. Trade taxes on domestic goods and services grew from about 7 percent of GDP in 1997 to about 8 percent of GDP in 1999. At the same time, however, trade taxes on imports, which averaged about 11 percent of GDP during 1997-98, fell to less than 10 percent of GDP in 1999, owing to shrinking volumes of taxable imports, which, in turn, resulted from ever-growing foreign exchange shortages and increasingly restrictive government-imposed import quotas and other trade regulations. Moreover, the widespread statutory and discretionary tax exemptions and concessions<sup>10</sup> have considerably complicated tax collection and compromised tax buoyancy, particularly in the area of trade taxes on imports. These include internationally standard and common concessions (including for samples, diplomatic missions, churches and religious bodies), but also concessions for government departments and parastatal bodies, and those provided under various incentive programs, in particular the Investment Promotion Act (IPA) and the International Trade Zone Act (ITZA). In addition, significant tax concessions and exemptions are of a discretionary nature and are provided by the ministry of finance for the importation primarily of investment goods and raw materials. It is estimated that about two-thirds of the country's imports in 1999 were exempted from import taxes and that the total cost of concessions in 1999 amounted to about SR 280 million, or roughly equal to the total revenue actually collected on import taxes.

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<sup>10</sup> The distinction between statutory and discretionary concessions is not always clear cut because the trade tax regulations give the minister of finance legal power to provide concessions "in the national interest."

### Box 1. Seychelles: East Coast Land Reclamation Project

In February 1999, the government of Seychelles started work on the East Coast Land Reclamation Project, Phase III (ECP), which has been described as the largest public sector project in the country's history.<sup>1</sup> The ECP envisages the reclamation of about 360 hectares of land off the northeastern coast of Mahé, the largest of Seychelles's islands, just north and south of Victoria, the capital city. An additional 36 hectares are also being reclaimed in the Bay of St. Anne, the southeast of Praslin, the second-largest island in the Seychelles archipelago.

The ECP was planned to comprise four distinct stages: (1) bunding (i.e., delimitation by rock boundaries) and shore protection; (2) dredging and land reclamation; (3) basic infrastructure and the provision of utilities (roads, electricity, water, and telephone systems); and (4) development of "downstream projects," such as port facilities for commercial activities, fishing, and cruise ships, a new airport terminal, and social housing complexes.

In 1999, capital expenditures of about SR 107 million were incurred in connection with the ECP, of which some SR 39 million (or about US\$7.3 million) was in foreign currency. By mid-2000, almost all the bunding work had been completed, and a foreign dredging company had begun on the dredging and landfill phase. Following a technical breakdown of the dredging machine in June 2000, work on stage 2 was briefly interrupted in the third quarter of 2000. Dredging and landfill operations were expected to resume in the fourth quarter of 2000, albeit with a smaller dredging machine, which was expected to complete work on stage 2 by the end of 2001.

#### Seychelles: East Land Reclamation Project, Phase III

Stages	Completion Period	Total Estimated Cost (In millions of U.S. dollars)
1. Bunding and shore protection	1999-2000	20.7
2. Dredging and landfill	1999-2001	49.2
3. Infrastructure, including utilities	2001-06	61.6
4. Downstream projects	2001-06	59.7
Total		191.2

Source: Ministry of Finance.

<sup>1</sup>Earlier land reclamation projects in or around the capital Victoria were completed in 1985 (Phase I) and in 1991 (Phase II).

19. The boost in nontax revenues in 1999 was led by buoyant receipts from administrative fees and charges, which increased from about 4 percent of GDP in 1998 to over 5 percent of GDP in 1999, mainly as a result of the newly introduced passenger service fees for departure from Mahé International Airport (SR 500 for residents and US\$40 for nonresidents). Also, enhanced property income (which doubled from about 2½ percent of GDP during 1996-97 to about 5 percent of GDP during 1998-99) contributed significantly to the pickup in nontax revenues, reflecting primarily improvements in the profitability of SEPEC

and the resulting resumption of dividend payments to the budget on the order of about SR 60-70 million annually.

### **III. MONETARY POLICY, AND BANKING SYSTEM ISSUES<sup>11</sup>**

#### **A. Monetary Policy**

20. Although no formal monetary policy objectives are specified, in practice monetary policy in Seychelles has been geared toward achieving two objectives: keeping the cost of financing the government's present and past budget deficits low, and promoting the development of priority sectors. Until now, external and price objectives have not been of immediate concern in the monetary policy decision-making process, as both the exchange rate and (a substantial part of) prices are administratively set. These objectives are also in line with the institutional setup, in which close links exist between the Central Bank of Seychelles (CBS) and the Ministry of Finance.

21. The CBS does not target any particular level of reserve money. Reserve money and, more specifically, bank reserves are—at least in the short term—determined by bank actions in the government securities' markets. In the medium term, bank reserves are predominantly determined by deposit growth, which, in turn, is largely a function of the government's fiscal performance. As a result, the CBS has very little control over its own balance sheet.

22. To achieve its objectives, the CBS uses only direct instruments. Interest rates on treasury bills and bonds are administratively set, and bills and bonds are made available through a tap facility run by the CBS at those administratively fixed rates. The CBS also sets binding minimum savings and maximum lending rates for the commercial banks. The current minimum savings rate is 3 percent, and the maximum lending rate is 10 percent. In addition to administered interest rates, CBS instruments include reserve requirements, a local assets ratio (LAR), and a number of standing facilities.

23. The latest substantial changes in the monetary policy framework date from September 15, 1998. They comprise an increase in the LAR from 50 percent to 70 percent, a concomitant decrease in the reserve requirement from 20 percent to 2.5 percent—along with an end to the practice of remunerating required reserves (previously done at a rate of 8.5 percent)—and a substantial cut in all interest rates. Interest rates on 91-day treasury bills were cut in half, from 10 percent to 4.5 percent, and the minimum deposit rate and maximum lending rate were cut from 7 percent to 3 percent and from 14 to 10 percent, respectively.

24. Reserve requirements apply uniformly on all demand, savings, and time deposits, with the exception of interbank and foreign currency deposits.

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<sup>11</sup> This section was prepared by Mr. W. Fonteyne.

25. The LAR requires commercial banks to hold 70 percent of their deposits (excluding interbank and foreign currency deposits) in government securities, that is, treasury bills, treasury bonds, and other claims payable by the government of Seychelles. Although prudential purposes are sometimes used to justify the LAR, its main goal is to create a captive market for the public debt. However, despite the high level at which the LAR is currently set, five of the six commercial banks have held a considerably larger than required part of their deposit base in the prescribed assets. These five banks have consistently exceeded the 70 percent level since it was imposed in June 1998, holding over 85 percent for most of the time, while some banks at times have exceeded even 95 percent. However, one bank has consistently fallen short of the LAR by a significant margin, and obtained the required waiver.

26. The CBS operates four standing facilities: the rediscount facility, an emergency lending facility, a short-term facility, and a repurchase facility. All facilities involve transactions in government securities at rates based on the rate at which the security was first issued. Presumably, this is done to ensure that banks do not arbitrage the CBS by borrowing at a rate less than the running yield on the security. There are no restrictions on the size of transactions and only some minor restrictions on the frequency of use. However, the CBS would question any bank that made an unusually large or irregular use of the facilities.

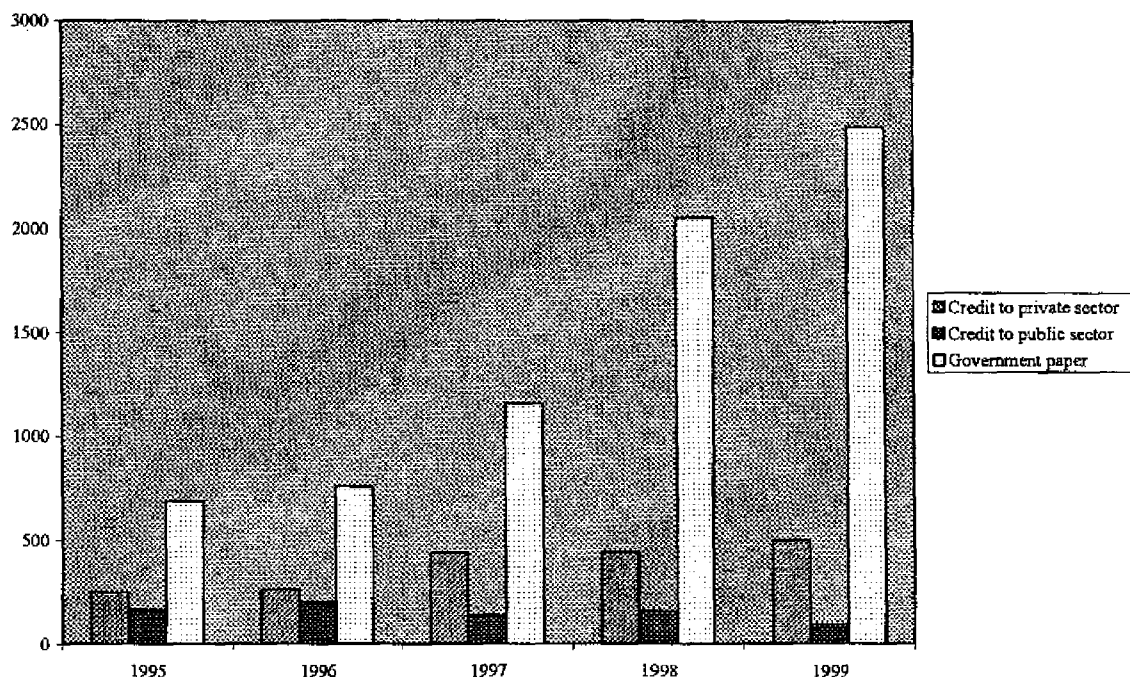
27. Efforts to promote the development of priority sectors continue. A refinancing scheme for the promotion of the export and other approved infant industries has been in place since 1990. The purpose is to provide working capital (not investment capital) to the selected industries. Under the scheme, an intermediating bank borrows from the CBS at 1 percent and then on-lends to the approved party at a margin of no greater than 2 percent. The commercial bank takes on all the credit risk of the transaction. Each loan made under the scheme is for a maximum of five years but has to be renewed every six months. The Ministry of Finance determines the eligibility of candidates, and, while the loan is encouraged by the CBS, any bank is free to approve or decline as it sees fit. The borrower, if an exporter, has to agree to export collections being made through the intermediating bank. The renewal of the loan not only depends on a favorable report by the intermediating bank, but is also influenced by the CBS's assessment of the loan's impact on domestic bank credit. This is less of a consideration now, as use of the refinancing scheme has fallen off significantly over the last three years. For 1998 and 1999, total credit advanced was SR 86.5 million and SR 37.6 million, respectively. As of March 31, 2000, only two loans were outstanding, for a total value of SR 3.8 million. These loans mature September 2000, as both would then have been in place for the maximum period of five years.

28. Recently, specific measures were announced to facilitate access to credit and foreign exchange for the export and tourism industries, and for small businesses. Under these schemes, the commercial banks are requested to provide concessional loans to qualifying borrowers. However, at least in the case of the first scheme, no incentives are provided for banks to participate.

29. In addition to providing credit to the economy, the CBS also provides direct credit to the treasury. However, in an attempt to limit money growth and tighten government budget constraints, the credit line of the treasury at the CBS was capped at the beginning of 2000 at SR 100 million. At the same time, the stock of outstanding advances from the CBS to the government was converted into a SR 625 million long-term, interest-free bond. Owing to the improving fiscal situation, as well as the large amounts of treasury bills and bonds that banks have been buying through the tap facility, the treasury has built up large deposits at the CBS throughout the year. In September 2000, those deposits amounted to SR 143 million.

30. These positive developments could signify an important break from the monetary experience of the last few years, during which successive large budget deficits have led to rapid money growth and a crowding out of private sector financing from the banking system. Thus, credit to the private sector as a percentage of total commercial bank credit outstanding dropped from 25 percent at the end of 1997 to 16 percent at the end of 1999 (see Figure 1). Over the same period, credit to the government increased by more than 130 percent in nominal terms.

Figure 1. Seychelles: Evolution of Commercial Bank Assets, 1995-99  
(In millions of Seychelles rupees)



31. The June mission by the IMF's Monetary and Exchange Affairs Department recommended a substantial overhaul of monetary policy, consisting of a gradual reduction of the LAR to a level required for prudential purposes, the gradual liberalization of interest rates, an increase in reserve requirements (which should be remunerated at near-market rates), and the eventual introduction of auctions for the primary issuance of treasury bills and bonds.



## **B. Banking System Issues**

32. The financial system in Seychelles is characterized by (1) very limited bank lending to the private sector, compared with the situation in other countries at a similar level of development; (2) the dominant role played by state-owned nonbank financial institutions; (3) excess liquidity in the banking system and limited demand for credit, in part caused by the shortage of foreign exchange; (4) management preoccupation with the foreign exchange problem, the numerous regulations, and the overall economic situation, rather than with the core banking business; (5) a lack of domestic private sector participation in the capital of financial institutions; (6) the absence of a level playing field for both public and private institutions; and, despite all of the above, (7) a very high level of bank profitability.

33. Except for the real estate sector, which has expanded buoyantly since an acceleration in credit growth in early 1998, there are no indications of any speculative or asset price booms. There has been virtually no growth in total credit to the private sector over the past two years.

34. With almost two-thirds of banks' assets in treasury bills, treasury bonds, and government stocks, and under the assumption that the Seychelles government will be able to service its debt in the future, potential asset quality problems are largely confined to the 15 percent of assets that make up banks' loan portfolios. The loan portfolios of the banks are restricted in their market and credit risk diversification owing to their limited size and the concentration of activity in a small number of sectors. Reported nonperforming loans are very low, on the order of 2–3 percent of total loans. However, the prudential framework lacks regulations on loan classification and provisioning, among other things, and banks follow their own rules. Because of the absence of regulations and the lack of consistency in enforcement, under-reporting, underprovisioning, and "evergreening" of nonperforming loans may become an issue in a more liberal market environment.

35. The financial sector in Seychelles is essentially sound and highly profitable. Nonperforming loans, below 5 percent of loans outstanding for all banks, and capital adequacy ratios are very high, owing to the dominance of government paper in the balance sheets of banks (about two-thirds of total assets, see Table 1). However, in terms of total assets and total deposits, capital adequacy is less comfortable, in particular at one state-owned bank.

Table 1. Seychelles: Indicators of Banking System Soundness, April 2000

(In percent)

Indicator	Average	Highest	Lowest
Capital adequacy ratio (Basel definition)	37.6	1693.9	7.6
Capital / deposits	6.8	12.4	3.4
Nonperforming loans / total loans	2.6	4.5	0.4
Net interest margin	3.5	2.6	4.9
Return on assets	2.6	4.2	1.7
Return on equity	28.5	62.0	12.3
Memorandum item:			
Number of banks	6		

Sources: Central Bank of Seychelles, and Fund staff estimates.

### C. Offshore Sector Issues

36. In April 1999, the Financial Stability Forum (FSF) asked a working group to consider the implications of offshore financial centers (OFCs) for global financial stability and to make recommendations for addressing any concerns identified. The Working Group on Offshore Financial Centers completed its work in March 2000, and its report was endorsed by the FSF on March 26, 2000 and published on April 5, 2000. The report noted that offshore financial activities are not inimical to global financial stability, provided they are well supervised and supervisory authorities cooperate with other jurisdictions. To encourage OFCs to take steps toward achieving supervision standards, the FSF on May 26 published a classification of OFCs in three categories reflecting their perceived quality of supervision and perceived degree of cooperation, with Group I containing the best and Group III the worst performers. Seychelles was classified as a "Group III" offshore jurisdiction.

37. The Seychelles authorities felt this classification was unjustified. In their view, it was based on incomplete information and was decided without sufficient consultation with the country itself. Therefore, the authorities started a dialogue with the FSF (in May-June 2000), with the aim of obtaining a revision of its classification. In addition to disputing the findings of the FSF, the Seychelles authorities pointed out that—although efforts had been made to promote its development—its offshore financial sector remained very small, consisting of just one insurance company as of June 2000. They also pointed out that they faced serious resource limitations, and requested technical assistance in order to improve their legislation and supervision standards.

38. The Seychelles authorities also started a dialogue with the Financial Action Task Force on Money Laundering (FATF). The FATF identified a number of weaknesses in Seychelles' anti-money laundering framework, which comprised of the Anti-Money Laundering Act (April 1996) and the Guidance Notes on Anti-Money Laundering Procedures (March 1998), both of which are applicable to all financial institutions doing business in Seychelles. However, in view of the ongoing dialogue with the authorities, the FATF did not include Seychelles in its list, published on June 22, 2000, of countries assessed as non-cooperative. Moreover, despite the identified weaknesses, the FATF nevertheless concluded that the legal and regulatory framework "will largely reinforce the prevention and detection of money laundering activities in the Seychelles."

39. The FATF's main grievance was with the Economic Development Act (EDA), which Seychelles enacted in 1995 but never put into force. The act, which had promised constitutionally guaranteed immunity from prosecution for investors who brought into Seychelles US\$10 million or more under the specifications of the law, had triggered an international outcry at the time of its approval. On August 2, 2000, Seychelles repealed the EDA. This action was endorsed by the FATF and resulted in its retracting a previous warning that financial institutions worldwide exercise caution in dealing with individuals and companies domiciled in Seychelles.

40. In further steps to address offshore issues, the authorities attended the IMF's outreach program in Paris in mid-2000, and officially requested technical assistance from the IMF in order to strengthen the legal framework and to set up proper supervision of offshore banking. The authorities stated that they looked forward to continued cooperation with the IMF and other international organizations in this area.

#### IV. EXTERNAL SECTOR DEVELOPMENTS<sup>12</sup>

41. Reflecting large fiscal deficits and deteriorating external competitiveness, Seychelles's balance of payments was under significant strain during the past two years. The official reserves dwindled while the country accumulated substantial external arrears, including on debt service. In an attempt to address the acute shortage of foreign exchange, the government has tightened trade and exchange restrictions, which have proved ineffective in stemming the foreign exchange crisis.

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<sup>12</sup> This section was prepared by Mr. B. Akitoby and Mr. W. Fonteyne.

## **A. The Balance of Payments**

### **Current account**

#### *Merchandise trade*

42. The country's main domestic exports are canned tuna and frozen prawns, which together accounted for more than 90 percent of the total exports in 1999. A rapid expansion of canned tuna exports began in 1995, when the U.S. conglomerate H.J. Heinz acquired a 60 percent stake in Indian Ocean Tuna (IOT).<sup>13</sup> From 1995 to 1997, export receipts from canned tuna tripled, rising from US\$18 million to US\$54 million. During 1998-1999, the IOT invested US\$35 million to expand production capacity. With the completion of this investment program in 1999, export receipts from canned tuna increased to US\$102 million in 1999.

43. The other important development in the merchandise export sector has been the marked growth of frozen prawns. As a result of the ongoing investment in plant expansion, production from a prawns farm run by the Seychelles Marketing Board (SMB) in the outer island of Coëtivy rose to 644 tons in 1998 (from 164 tons in 1994), contributing about US\$7 million to export earnings. In 1999, production collapsed to about 160 tons, owing to the unavailability of brood stocks. However, production is on track to double in 2000 from the 1999 level.

44. Despite the foreign exchange shortage and the imposition of import quotas, total imports continued their upward trend, largely because of the success of investment programs with high import content during 1998-99. These included big construction projects, such as the Victoria Modernization and Expansion project; the airport in Praslin; the highway leading to Mahé's airport; the IOT's tuna cannery plant; Orion Mall; investments in luxury hotels and associated recreational facilities; expansion of the Seychelles Public Utility Company's power generation plant; the SMB's acquisition of a new landing craft; and the Victoria Sewage Treatment project.

#### *Services*

45. The services account is dominated by the tourism sector, which is the biggest foreign exchange provider, accounting for 60 percent of the country's foreign exchange earnings. Tourism receipts through commercial banks stagnated over the past two years at about US\$110 million, owing mainly to leakages to the parallel foreign exchange market.

46. Foreign exchange inflows from ticket sales to nonresidents have been on an upward trend as a result of improvements in the operations of Air Seychelles. In addition to its code-sharing arrangements with Air Mauritius and Air France, Air Seychelles expanded in 1998 its

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<sup>13</sup> The government of Seychelles owns the remaining 40 percent.

network of alliances by entering into cooperative agreements with British Airways and Alitalia, Italy's national carrier.

### *Income*

47. Three main factors contributed to the sharp worsening of the income balance. First, interest payments by the government and Central Bank of Seychelles (CBS) rose markedly, reflecting increased external borrowing. Second, because of the large foreign direct investment inflows during 1993-94 (about US\$150 million), net outflow of direct investment income rose during 1998-99. Finally, outflows related to wage incomes have surged, owing to the rising employment of foreign workers in the tourism sector and the IOT factory.<sup>14</sup>

### **Capital and financial account**

48. Foreign direct investment increased substantially, owing to the development of the offshore sector and the granting of tax incentives and concessions to foreign investors under the Investment Promotion Act (IPA) of 1994. The surge in foreign direct investment during 1998-99 was caused mainly by the Heinz Company's investment in the IOT factory and foreign investments in the Lemuria Hotel on Praslin, as well as in other "five-star" hotels on the islands of Fregate and Alphonse. It should be noted that, while there appeared to be heightened interest among foreign investors in bringing capital into Seychelles's tourism sector, foreign inflows to the rest of the economy have been discouraged by macroeconomic problems, including foreign exchange shortages.

49. In response to the poor debt-service record, bilateral loans have dried up, and it has become increasingly difficult for the government to contract external commercial loans. During 1998-99, the government was able to secure only three bilateral loans. Commercial loans were contracted at relatively high spreads. In addition, despite the tougher terms of these loans, part of the foreign exchange earnings of the government, the CBS, and some parastatals had to be pledged and channeled into a blocked escrow account controlled by the creditor banks.

### **Financing of the balance of payments**

50. Seychelles' external reserves are for the most part held and managed by the central bank. During 1998-99, official reserves were very low, despite the increased accumulation of external arrears. On a net basis, official reserves increased from US\$10 million in 1997 to US\$14.7 million in 1999, equivalent to 1.7 weeks of imports. Meanwhile, external arrears increased by US\$13.4 million in 1998, and by US\$19.1 million in 1999. At end-1999, the external payment arrears stock was estimated at US\$ 52.4 million.

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<sup>14</sup> In 1999, foreign workers represented 45 percent of the IOT factory's labor force.

## **B. External Debt**

51. The large fiscal and external imbalances have led to a growing burden of external debt for the government and to problems in debt management. In 1999, Seychelles's external public debt outstanding (excluding arrears) was estimated at US\$188.5 million (31 percent of GDP), compared with US\$153 million in 1997 (26 percent of GDP). The arrears accumulated on public debt amounted to about US\$14.5 million at end-1999, of which US\$11 million represented arrears on principal. As to the composition of the public debt, 44.1 percent was mobilized from bilateral creditors, 23.7 percent from multilateral institutions, and the remainder from commercial sources.

52. In 1999, steps were taken to improve the management of public external debt statistics. The Ministry of Finance put in place new debt-management software that would provide up-to-date information on recording, contracting, and servicing of debt obligations. It has also compiled loan-by-loan data on external debt, which is being verified with foreign creditors. Although some data have been compiled on the debt stock of the parastatal sector (including government-guaranteed debt), further data collection work is needed to provide comprehensive information on the debt stock, debt-service payment due, and expected disbursements to parastatals.

## **C. Trade and Exchange Regime**

53. Mindful of the foreign exchange shortages, the government introduced in 1998 a series of trade restrictions aimed at limiting imports of goods and services. These included the following measures:

- **Introduction of import permits.** For each shipment of commodities, an importer must submit an application for an import permit, the approval of which is at the discretion of the Ministry of Finance. Personal imports above SR 2,500 and public sector imports also require import permits.
- **Continuation of import quotas.** Import quotas have remained in effect during 1998-2000. Applicable to most imports, the quota (in value) was set as a percentage of the previous year's imports. In 1999, the annual import quota was set at 75 percent of 1998 imports. Imports related to the tourism industry were granted higher percentages, and new importers were allocated SR 50,000.
- **Bans on imports of second-hand vehicles** and some nonessential commodities such as worked ivory, bone, and tortoise shell.
- **Reduction in the number of expatriate workers**, with a view to limiting foreign exchange outflow related to employees' compensation. This measure has proved difficult to implement, and the wage bill for foreign workers in the IOT's factory and the tourism sector remains high.

- **Reimposition of withholding taxes** on interests and dividends remitted abroad.

54. Furthermore, in an attempt to stem the growth of the parallel market in foreign currency, the government enacted in April 1999 two amendments to foreign exchange regulations:

- **An amendment to the Foreign Earnings Regulation Act, 1996** requires tourists to settle their bills in foreign exchange.
- **An amendment to the Exchange Control Act** makes it illegal for residents to possess foreign exchange not obtained through the banking system.

#### **D. The Exchange Rate and Competitiveness**

55. Seychelles has followed an exchange rate regime based on a peg to a currency basket. Until 1996, the peg was in terms of the SDR. Meanwhile, the authorities have changed the definition of the basket several times over the past decade. In July 1997, while maintaining the same currency basket, the authorities revised the weights in favor of the U.S. dollar at the expense of the pound sterling and the other European currencies. With the introduction of the euro, the weights for the French franc, the Italian lira, and the deutsche mark were combined. Every working morning, the CBS computes the rupee rates (buying, selling, and mid-rates) for all the major currencies, strictly adhering to a nominal effective peg to the official basket based on cross rates provided by the U.S. Federal Reserve Bank of New York. The CBS uses these rates for all official transactions and communicates them to the commercial banks. Banks are bound by the regulation to transact foreign exchange strictly within these rates. The margin between the buying and the selling rates is narrow and provides virtually no room for maneuver to banks that are forced to compete on the basis of criteria other than prices. In this environment, banks spend significant amounts of time gathering foreign exchange, complying with the surrender requirement, and allocating the remainder to their client base.

56. As far as the real effective exchange rate is concerned, a broad stability was recorded in 1995-98, but an appreciation took place in 1998-99 as a result of price increases higher than in partner countries<sup>15</sup> (see Figure 2). Between 1994 and 1999, the official exchange rate of the Seychelles rupee appreciated substantially in relation to the currencies of neighboring tourist destinations, such as Kenya (19 percent), Mauritius (33 percent), and South Africa (63 percent).

57. In the context of a rigid exchange rate, the chronic lack of foreign exchange in the market has led to an acute foreign exchange shortage in the banking sector, in the form of

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<sup>15</sup> Since underlying inflationary pressures are not reflected in the largely controlled price indices, the calculated REER based on the official retail price used is not very meaningful.

queues (or “pipeline”) at commercial banks. The size of these queues, as well as the average duration of a bank customer’s wait in a queue, has increased substantially. Estimates of the unsatisfied demand for foreign exchange currently in the queues range between US\$52 million (including official arrears) and US\$150 million.

58. To cope with the foreign exchange shortages without changing the exchange rate regime, the authorities have put in place an elaborate system of foreign exchange controls, surrender requirements, and priority rules. With the exception of those residents explicitly exempt, all resident foreign exchange earners are required to surrender 100 percent of their foreign exchange earnings to the commercial banks. Exemptions include the Seychelles Marketing Board (SMB) and companies benefiting from the Investment Promotion Act; moreover—since July 3, 2000—major foreign exchange earners can open a foreign exchange account and keep a part (15 percent) of their foreign exchange earnings for their own import needs.

59. Commercial banks themselves are also subject to surrender requirements. Surrender requirements for banks have varied over time, generally becoming more and more onerous. Currently, commercial banks surrender 27 percent of the foreign exchange accrued to them to the CBS for the import of essential goods.<sup>16</sup> Another 13 percent has to be kept in a special account maintained at the banks and later transferred to the CBS to meet the external debt-servicing obligations of the government. Five percent is transferred to the CBS for the external obligations of the nonresident airlines servicing Seychelles.<sup>17</sup> A further 2.5 percent of the total foreign exchange receipts remain at the banks but have to be sold to the Seychelles Tourist Board (STAB) for the promotion of Seychelles as a tourist destination. Furthermore, to the extent a bank has arrears outstanding in the so-called frozen pipeline, it is obliged to use an additional 10 percent of its foreign exchange receipts to eliminate the arrears. Finally, since July 2000, banks are required to reserve 2 percent of their foreign exchange earnings for the needs of small businesses.

60. To encourage earners of foreign exchange to route their foreign exchange transactions through the domestic banking sector, banks are allowed to “allocate back,” that is, resell to major earners of foreign exchange, part of the foreign exchange sold by those same companies. Initially, such companies were allowed to buy back 25 percent of their receipts, but later the rules became stricter. On January 16, 1997, this ratio was cut to 20 percent, and at present it is only 15 percent. The foreign exchange obtained on the basis of the 15 percent repurchase possibility may be used only for imports.

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<sup>16</sup> Since the right to import essential goods is held almost exclusively by the SMB, this 27 percent surrender requirement is, in fact, surrendered indirectly to the SMB.

<sup>17</sup> Increased from 2.5 percent in July 2000.



61. According to the regulations in force, the remaining 35–40 percent<sup>18</sup> de jure should be used for payments in accordance with a list of priorities. Payments within each of the categories are supposed to be made on a first-come, first-served basis. In practice, however, the central bank does not supervise adherence to this regulation. Consequently, this portion of the foreign exchange accruals is used at the discretion of the banks

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<sup>18</sup> Depending on whether the bank in question has already cleared the arrears, as well as, on the number of exporters at the bank qualifying for repurchase of foreign exchange.

### Seychelles: Summary of Tax System at End-June 2000

Tax	Nature of Tax	Exemptions and Deductions	Rates
<p>1. Taxes on the net income or profit of a business</p> <p>This tax is payable by</p> <p>(a) companies, corporations or enterprises;</p> <p>(b) partnerships;</p> <p>(c) trusts; and</p> <p>(d) sole traders.</p>	<p>A tax that is payable on the taxable income of a business derived from a source in Seychelles (and in the case where a nonresident carries on a business in Seychelles) during the immediate preceding year by the owner of a business.</p>	<p>Deductions include normal expenses incurred by a business in carrying on the business. Specific deductions allowable are expenses of borrowing loans, discharge of mortgage or lease documents, and certain expenditure on land for primary production, e.g., clearing, draining, fencing, and pest control.</p> <p>Income derived from property used exclusively as a dwelling is exempt.</p>	<p>The rates of tax payable on the taxable income by the owner of a business (companies, partnership, trust, or sole traders), being a resident or a nonresident of Seychelles, are as follows:</p> <p>0 percent on the first SR 24,000 of taxable income;</p> <p>25 percent on the next SR 24,000 of taxable income;</p> <p>30 percent on the next SR 48,000 of taxable income; and</p> <p>40 percent on the remainder.</p>
<p>Administered by the Business Tax Act, 1987 and Regulations, and the Investment Promotion Act, 1994.</p>	<p>Withholding tax is a final tax payable on certain payments of royalties and dividends to nonresidents, payments to musicians, and salaries paid by the government to nonresidents.</p>	<p>A loss in any year is deductible within a maximum of five subsequent years.</p> <p>Contributions made to certain public funds and charitable organizations are 100 percent deductible. There are deductions of up to 200 percent for expenditure qualifying as "special deductions".</p> <p>Normal depreciation is straight line of historic cost (they are broad banded into six main categories): building, plant and machinery, vehicles, computers, furniture and fittings.</p>	<p>For certain holders of certificates of approval under the Investment Promotion Act, the rates per year are as follows:</p> <p>0 percent on the first SR 24,000 of taxable income; and 15 percent on the remainder.</p> <p>Withholding tax rates applicable are as follows:</p> <p>15 percent on dividends paid to nonresidents;</p> <p>40 percent on interest paid on bearer security;</p> <p>15 percent on royalties paid to nonresidents;</p> <p>5 percent on salaries paid to nonresident government employees; and</p> <p>10 percent on amount paid to musicians.</p>

### Seychelles: Summary of Tax System at End-June 2000

Tax	Nature of Tax	Exemptions and Deductions	Rates
		Assets purchased on or after	
		January 1, 1995 qualify for accelerated depreciation. An election in writing must be made to have the accelerated rates applied.	
		Holders of Investment Promotion Act certificates may depreciate assets up to 150 percent of historic cost.	
<p>2. Trades taxes on goods manufactured in Seychelles, on services and on imported goods</p> <p>The law governing implementation is the Trade Tax Act (1992), which came into operation on January 1, 1992.</p> <p>Implementation details are contained in the Trades Tax Regulations (1997), which supplements the act.</p>	<p>The Trades Tax Act provides for the assessment and payment of trades tax on specified goods manufactured in Seychelles for sale and on a number of specified service providers.</p>		
<p>2.1 Trades tax on locally manufactured goods</p>	<p>Trades tax on locally manufactured or produced goods is calculated on the monthly gross sales.</p>	<p>Locally manufactured goods:</p>	
		Cigarettes	SR 104 per 200 cigarettes
		Beer	SR 20.35 per liter
		Guinness/Celebration beers	SR 17.55 per liter
		Soft drinks	SR 0.80 per liter
		Fortified fermented beverages	SR 20.25 per liter

### Seychelles: Summary of Tax System at End-June 2000

Tax	Nature of Tax	Exemptions and Deductions	Rates
			Undenatured ethyl alcohol SR 67.50 per liter
2.2 Trades tax on services	Trades tax on specified services is calculated on gross payments received on a monthly basis at rates specified in the regulations.		Services:  Accountant/bookkeeper 15 percent Architect/Draftsmen 15 percent Surveyor, excluding marine surveyor 15 percent Marine surveyor 5 percent Tax agent 15 percent Auctioneer 15 percent Insurer 12 percent Engineer 15 percent Medical practitioner 5 percent Dentist 5 percent Optician 5 percent Legal practitioner, excluding legal aid 15 percent Notary 15 percent Secretarial services 15 percent Cable & Wireless & Telecom (Sey) Ltd 10 percent Travel agent (own services) 6 percent Tour operator (own services) 6 percent Hotels (effective 12/1/00) 7 percent Guest house (effective 12/1/00) 7 percent Debt collector 5 percent Management consultant 15 percent Property management or estate agent 5 percent Public Utilities Corp. (water) 5 percent Public Utilities Corp. (electricity) Per tariffs
2.3 Trades tax on imported goods	The trades tax on imported goods is calculated on the c.i.f. value of goods imported into Seychelles.	As part of an exercise to upgrade tourist establishments, hotels and restaurants have been granted, on a case-by-case basis, a reduced or a 100 percent tax concession on	Imported goods:  Various duty rates ranging from 0 to 225 percent ad valorem.

### Seychelles: Summary of Tax System at End-June 2000

Tax	Nature of Tax	Exemptions and Deductions	Rates
		imported capital equipment. A 50 percent tax concession is also granted on all service items.	
3. Taxes on property, and property transfers			
3.1 Stamp Duties Ordinance, 1975, No. 4 of 1975 (Immovable Property Transfer Restriction Fee Regulations, 1974), S.I. 56 of 1974.  Immovable Property (Transfer Restriction) Act, Decree No. 13 of 1977.  Stamp Duty (Amendment) Regulations, S.I. 116 of 1980.  Amendment of the first schedule to Act 4 of 1975, last amended by S.I. 20 of 1982.	Levied on the value of immovable property transferred and on the consideration for the grant of an option.          Levied on movable property or rights.   Levied on shares of capital of a company.	Transfers to the government are exempt.	4 percent on the first SR 50,000 of value; 10 percent on the remainder.  The fee is to be paid by the transferor or the transferee if the latter retains the duty when making payment of the consideration (plus 1.5 percent license fee when property is acquired by a non-Seychellois, as explained in 3.25 below).     3 percent of the value of the property or rights.  2.5 percent of the value of the shares.
3.2 Taxes on use of goods and services or property, or permission to perform activities			
3.21 Business license fees. The License Ordinance (Cap. 113), License (miscellaneous services)	All businesses, including agents and brokers, auctioneers, owners of vessels engaged in coastal trade in Seychelles, and music or		Fees range from SR100 for blacksmiths, masons, carpenters, performing artists, etc., to SR 425 for retailers, SR 1,000 insurance agency, SR 2,050 for a chandler/wholesaler, SR 3,500 for professional

### Seychelles: Summary of Tax System at End-June 2000

Tax	Nature of Tax	Exemptions and Deductions	Rates
Regulations, 2000 License (Trade) (Amendment Regulations 1992).	gaming machines, are required to be licensed annually. Hotels and banks are licensed annually under separate legislation (hotels at SR 310 per room per year, guest house and self-catering establishments at SR 160 per room per year).		services, and SR 5,050 for labor contractors, as well as for general merchants, shipping and aircraft agents.
3.22 Motor vehicles taxes. The Road Transport Act (Cap. 206); the Road Regulations (S.I. No. 104 of 1986) License (Road Transport) (Amendment) Regulations, 1994.	Annual fees that increase with the cylinder capacity of motorcycles and passenger-carrying vehicles, and with the weight or load capacity or other vehicles, whichever is the greater. Additional fees are charged for an omnibus, taxi, or self-drive hire car. An annual driving license fee is also payable.		Motorcycles, SR 1 per cubic centimeter (cc) subject to a minimum fee of SR 200. Passenger vehicles, private and public, SR 1 per cc of engine displacement (effective January 1, 1994). Commercial vehicles SR 0.50 per kg. subject to a minimum fee of SR 1,000. Heavy duty vehicles SR 1 per kg. subject to a minimum fee of SR 5,000.  Additional fees - trade license: Taxi SR 700 per month Self drive SR 5 per hire vehicle for each day Driving license SR 250 for 1 year Driving license SR 550 for 5 years.
3.23 Hire craft license fees. Control of Hire Craft Act (Cap. 46). The Control of Hire Craft Regulations (S.I. No. 63 of 1978). Licenses (Trade) (Amendment) Regulations 1992.	All hire craft are required to be licensed annually on the basis of their overall length. (The regulations also impose minor fees for surveys of craft and certification of crews.)		Length in meter per year: 3 m but not exceeding 6 m SR 1,500 6 m but not exceeding 9 m SR 4,000 9 m but not exceeding 12 m SR 6,000 12 m but not exceeding 20 m SR 8,000 exceeding 20 m SR 10,000 Beach craft SR 100 Double fees payable by non-Seychellois operators.

### Seychelles: Summary of Tax System at End-June 2000

Tax	Nature of Tax	Exemptions and Deductions	Rates
3.24 Foreign fishing vessel license fees. License (Fisheries) Regulations, 1987	All foreign fishing vessels fishing within the exclusive economic zone or fishing for sedentary species on the continental shelf require a license.		When license fees are not specified in the fishing agreement the rates are as follows:  Tuna long lining: One month SR 60 per gross registered ton Four months SR 180 per gross registered ton Eight months or more SR 300 per gross registered ton  One year SR 1,000 per gross ton
3.25 Property transfer fees. The Immovable Property Transfer Restriction Ordinance (Cap. 96 and Regulations) (S.I. 96 or 1974)	A fee is imposed (additional to any stamp duty) on sanctions, for any non-Seychellois to acquire or lease immovable property, or to purchase shares in a company owning immovable property.		1 percent of value transferred or of annual rent. Options: SR 100. Purchase or share: SR500.
3.3 Stamp duties The Stamp Duty Ordinance 1975 (No. 4 of 1975).	Stamp duties are imposed on an extensive range of legal instruments at low ad valorem or fixed rates.		Fixed duties range from SR 0.10 on receipts and checks to SR 25 on performance bonds. Ad valorem duties include losses of between 2 percent and 10 percent of the annual rent; on transfers of shares, 2.5 percent; on movable property, 3 percent; and on mortgages, 0.125 percent of the sum secured.
4. Social security contributions			
Social Security Act, 1987. Investment Promotion Act, 1994	Contributions to Social Security Fund to be made by employee and employer.	Certain holders of certificates of approval under the Investment Promotion Act are exempt from the employers' contribution.	Employee: 5 percent of monthly gross emoluments.  Employer with respect to any employee: 10 percent of first SR 1,000 per month gross

### Seychelles: Summary of Tax System at End-June 2000

Tax	Nature of Tax	Exemptions and Deductions	Rates
		Certain holders of certificates of approval under the Investment Promotion Act qualify for a 50 percent reduction of the employers' contribution.	emoluments; 20 percent on next SR 1,000; 35 percent on next SR 8,000; and 40 percent on remainder.

Source: Ministry of Finance and Communications.



## **MONETARY POLICY IN SMALL FINANCIAL SYSTEMS**

1. One of the concerns often heard in so-called small countries is that economic policies that are optimal for big industrial countries might not be well suited for small-scale economies. This section looks at financial sector and monetary policy issues that are specific to small-scale economies and applies them to Seychelles.

### **A. Characteristics of Small Financial Systems**

2. Little research has been done into the specifics of (very) small financial systems, but, the studies that are available suggest that there are indeed some important differences between large and small economies that policymakers need to take into account.

3. Worrell (1997) observes that financial systems in small, open economies are often characterized by wide spreads between deposit and loan interest rates, stickiness of interest rates, and banks' holding of non-earning assets in excess of the requirements imposed by monetary authorities. These characteristics are due to the countries' inability to exploit economies of scale and the segmentation of financial markets; as a result, in small financial systems, financial products can be produced only at a relatively high unit cost, and dominant financial institutions are likely to be able to exercise market power.

4. Worrell notes that there is substantial empirical evidence of economies of scale in the provision of financial services. He also argues that there is a geographical segmentation of financial markets because they are largely defined by national boundaries, owing mainly to the importance of legal, tax, regulatory, and currency differences between nations. In addition, regardless of the presence of boundaries, there is empirical evidence that financial services have a local character. A constraining physical obstacle (the sea, in the case of island economies) can only reinforce this local character. As a result, competition from foreign financial institutions that have not established local operations is ineffective. Moreover, there is usually little incentive for foreign financial institutions to incur the costs needed to enter a small market, where they would have to compete with established and locally dominant institutions. In addition to geographical segmentation, there is also product segmentation, because the possibilities are limited for substitution among certain types of financial services.

5. Bossone, Honohan, and Long (2000) argue that small financial systems are less efficient than larger ones, because of their inability to exploit economies of scale in financial intermediation, financial markets, financial infrastructure, and regulation. In particular, small financial systems usually consist of fewer institutions and, hence, are less competitive, resulting in wider interest rate spreads. Small financial systems are also incomplete, as the market is too small to profitably offer certain financial services.

6. Nevertheless, Bossone et al argue that many of the disadvantages of smallness can be mitigated through several forms of openness. Options include foreign ownership of intermediaries, regional financial markets, shared regional infrastructure or imported

infrastructural services (including regulation), tailored regulations, and free capital movements. However, such openness carries substantial risks, among them volatility in capital flows, a reduction in investable resources, loss of autonomy for the national policy maker, and contagion. As a result, most small economies have not opened up as much as might be optimal from point of view of the financial sector.

## **B. Monetary and Exchange Rate Policy in Small Financial Systems**

7. Mussa et al (2000) argue that in highly open economies, where most goods and services produced are exported and where most consumption goods are imported, the microeconomic benefits of reducing transaction costs and exchange rate risks by pegging the exchange rate can be substantial. Since most small countries are highly open they have therefore tended to opt for fixed exchange rates.<sup>1</sup> Khatkhate and Short (1980) also remark that, as a result of this openness, the price level in a small economy is determined mainly by international prices and by the exchange rate. Therefore, internal and external stability are intimately linked, because domestic price stability requires exchange rate stability.<sup>2</sup>

8. Because financial markets and financial intermediation in small-country economies do not function as efficiently as in large industrial countries, the monetary transmission mechanism in the former countries is surrounded by uncertainty. Worrell (2000) mentions two particular problems. First, discontinuities in the reaction to interest rate changes, owing to the importance of information and transaction costs, prevent rapid and full portfolio adjustment. Furthermore, there is evidence that banks in small financial systems often vary the spread between deposit and lending rates in response changes in the monetary policy stance, rather than moving the level of their interest rate structures. If so, banks in these systems do not really adjust their balance sheets in response to monetary policy actions. Second, interest rate changes may affect the proportion of domestic money that is held in foreign currency by altering the domestic currency premium. As a result, capital flows and information asymmetries limit the interest responses of the financial markets and make it difficult to interpret market signals.

9. These uncertainties imply that the output cost of a tight monetary policy stance in small-country economies can be particularly severe. Worse, the very high real interest rates that might be required can be detrimental to investment, thus preventing the economy from reaching a sustainable expansion path. In the context of this specific monetary policy framework, Worrell (2000) argues that, in very small economies, central bank autonomy should not go as far as in big industrial economies. Because the market mechanism is missing

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<sup>1</sup> Mussa et al (2000) also argue that for small economies, the costs of the institutions and technical expertise required for a well-behaved independent monetary policy (i.e. under a flexible exchange rate regime) can be too high relative to the potential benefits of exchange rate flexibility.

<sup>2</sup> Francis (1986) gives an overview of empirical research that confirms the very close link between import prices and inflation in a number of small Caribbean countries.

in the monetary transmission process, a separation of responsibilities by itself will not guarantee the desired outcome. Instead, close ex ante coordination between monetary and fiscal policies is needed, so that their impact on the financial markets is mutually consistent. This coordination should allow the country to cope better with the "lumpiness" of fiscal and balance of payments transactions. Worrell says that, empirically, no relationship can be found between an index of central bank independence and inflation in a sample of small island economies.

10. Instead of full central bank independence, Worrell proposes a system in which the monetary and fiscal authorities try to attain a consensus on economic policy, based on the preference function of the general public. Both fiscal and monetary authorities should interact with each other to present information to the general public about economic conditions and prospects; solicit information about public preferences and acceptable trade-offs; jointly commit themselves to targets that reflect public preferences, and explain the policies to be implemented to support those targets; and maintain an ongoing dialogue among the central bank, the treasury, and the financial markets on economic performance, policy, and prospects. Although such arrangements are not free of tension, and have indeed proven to be dysfunctional in big countries, Worrell argues that they might be more workable in small countries, where institutional independence is less effective as a coordinating and balancing mechanism.

### C. Application to Seychelles

11. Seychelles certainly qualifies as a small economy, as defined by Khatkhate and Short. Its economy largely conforms to the stylized facts put forward by these authors: it is very open (exports and imports of goods and services each amount to 80 percent or more of GDP), tourism and offshore activities are two of the three main pillars of the economy, most of the goods sold locally are imported, and local production is mainly service oriented.

12. The Seychelles financial system also conforms to the stylized facts put forward by Worrell (1997) and Bossone, Honohan, and Long: spreads between deposit and lending rates are relatively wide, interest rates are sticky (actually, fixed by the Central Bank of Seychelles) (CBS), banks do hold excess reserves over and above the regulatory minima (although mainly in the form of government securities), and the financial sector is incomplete. For example, there are no organized markets for stocks or bonds, there are no mutual funds, and the banks tend to offer only a limited number of products (as of June 2000, for example, only two of the six banks offered mortgage loans to their customers).

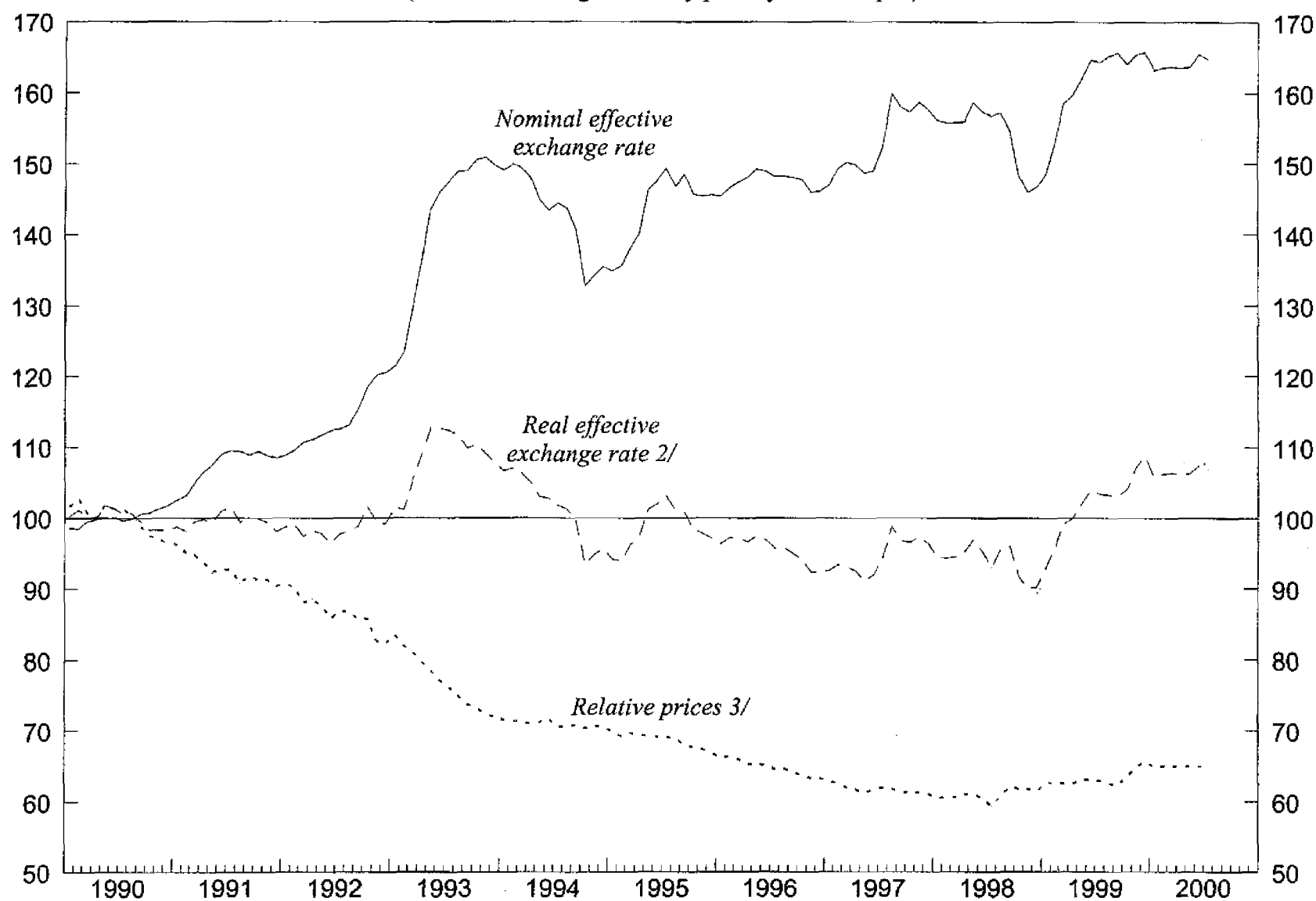
13. The Seychelles financial sector is open in the sense that four of the six banks are branches of foreign banks, while a fifth bank is linked to an international banking group. However, by other criteria, the Seychelles financial system is very closed. There is no shared financial or regulatory infrastructure with other countries, no participation in regional or international financial markets, and the capital account is de facto closed to private sector transactions as a result of the foreign currency problem. Hence, and especially given the very small size of Seychelles—even compared with other small economies—there seems to be

great scope for Seychelles to realize gains from the further international integration of its financial system. Monetary policy in Seychelles is not independent; it has been set to accommodate fiscal policy, especially in the recent past. While full autonomy of the CBS might not be desirable in light of this discussion, there is room for the CBS to become sufficiently more independent in order for it to be able to negotiate on an equal footing, and at arm's length, with the Ministry of Finance in formulating and executing macroeconomic policies.

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Figure 2. Seychelles: Exchange Rate Indices, January 1990 - July 2000 1/  
(1990=100; foreign currency per Seychelles rupee)



Source: IMF, Information Notice System.

1/ Information Notice System multilateral weights based on the geographical pattern of trade and tourism.

2/ Relative consumer prices; the ratio of the domestic price index to weighted partner price indices. Changes in the real effective exchange rate do not truly reflect the underlying loss of competitiveness because of the weakness in the retail price index as a measure of underlying inflation.

3/ Based on relative consumer prices.

Table 1. Seychelles: Gross Domestic Product by Industrial Origin at Constant  
1986 Market Prices, 1994-99  
(Annual percentage change)

	1994	1995	1996	1997	1998 Prov.	1999 Prel.
Agriculture, forestry, and fishing	7.6	-3.8	4.6	1.2	-1.7	0.2
Agriculture	22.5	-2.9	6.8	7.4	0.4	-3.4
Forestry	4.8	4.5	-8.7	61.9	0.0	-5.9
Fishing	-17.5	-6.9	0.6	-23.8	-10.4	17.9
Manufacturing, and handicrafts	-3.3	11.3	15.0	28.2	7.8	4.7
Manufacturing	-2.3	13.1	15.8	29.7	8.2	5.3
Handicrafts	-14.9	-12.3	1.5	0.0	-2.2	-11.2
Electricity and water	120.8	118.9	32.5	19.5	6.8	1.8
Electricity	89.3	98.5	20.2	18.0	6.8	1.8
Water	17.6	11.5	-82.5	-76.5	0.0	0.0
Building and construction	-2.7	12.1	14.3	11.7	29.0	17.8
Transport, distribution, and communications	-1.5	-1.1	14.9	21.1	5.8	-7.9
Distribution and road freight	-9.8	-2.9	13.4	17.0	0.0	-10.6
Water transport, etc.	9.0	-5.7	-0.5	62.3	23.4	-10.6
Air transport, etc.	47.0	-19.1	58.5	35.3	26.1	0.0
Passenger transport	-9.6	23.6	5.9	22.6	-0.4	-10.2
Tour operators	-8.4	14.8	17.8	5.2	-5.9	-6.3
Communications and storage	19.5	16.2	3.3	9.2	3.4	-3.1
Hotels and restaurants	-0.5	16.1	-12.1	-14.9	-0.3	-10.0
Finance and business services	12.8	11.7	4.1	3.0	-3.0	-4.9
Banks	13.0	21.9	6.5	-1.1	-7.0	-4.7
Insurance	67.1	14.8	-12.3	37.1	1.0	-4.5
Business services	32.7	2.7	5.3	-20.7	0.5	-4.8
Real estate	-1.7	8.8	-8.1	0.0	3.5	-5.1
Ownership of dwellings	1.3	-1.9	4.3	12.7	1.8	-5.4
Government services	-1.8	10.0	4.1	-7.4	8.5	-0.5
Other services	-0.7	12.0	-1.3	6.1	-6.1	-5.4
Private nonprofit institutions	-3.3	-6.9	7.4	-17.2	-8.3	-4.5
Domestic services	0.0	9.4	1.4	0.7	-3.5	-4.4
Recreation	0.0	2.9	19.4	14.0	2.0	-10.0
Other	-1.3	27.6	-15.5	19.5	-13.3	-4.7
Subtotal	1.5	8.4	10.6	12.9	6.4	-1.8
Adjustments						
Net interest payments by banks	-10.2	41.4	-9.1	-8.6	1.8	-4.8
Import duty	-16.2	-22.5	0.6	1.8	0.0	-10.6
Statistical discrepancies	...	...	-5.6	-10.3	-3.2	-3.5
GDP at 1986 market prices 1/	-0.8	-0.6	4.7	5.3	3.4	-3.0

Sources: Management and Information Systems Division (MISD); and staff estimates.

1/ Figures might deviate from arithmetical sum owing to rounding errors.

Table 2. Seychelles: Gross Domestic Product by Industrial Origin  
at Current Market Prices, 1994-99  
(In millions of Seychelles rupees, unless otherwise indicated)

	1994	1995	1996	1997	1998 Prov.	1999 Prel.
Agriculture, forestry, and fishing	101.6	101.0	97.4	93.2	90.4	99.8
Agriculture	55.8	54.7	55.2	56.0	56.7	58.1
Forestry	1.8	1.9	1.7	1.9	1.9	1.9
Fishing	44.0	44.4	40.5	35.3	31.8	39.8
Manufacturing and handicrafts	278.7	306.4	323.1	406.8	441.3	489.0
Manufacturing	261.4	287.6	301.4	383.9	418.7	467.7
Handicrafts	17.3	18.8	21.7	22.9	22.6	21.3
Electricity and water	20.4	51.3	72.3	86.7	90.9	96.6
Electricity	16.7	32.9	47.1	58.8	63.3	68.4
Water	3.7	18.4	25.2	27.9	27.6	28.2
Building and construction	180.7	190.9	198.4	212.7	276.5	345.6
Transport, distribution, and communications	709.5	717.5	782.4	926.1	1,024.6	994.7
Distribution and road freight	386.3	389.2	394.7	429.5	469.9	445.6
Water transport, etc.	64.0	56.5	64.6	90.8	113.0	107.2
Air transport, etc.	66.3	53.6	85.0	115.0	145.0	145.0
Passenger transport	38.0	48.2	58.7	66.5	66.8	63.7
Tour operators	24.6	28.0	32.8	34.2	31.8	29.4
Communications and storage	130.3	142.0	146.6	190.1	198.1	203.8
Hotels and restaurants	215.1	226.3	247.2	268.9	270.3	257.8
Finance and business services	247.6	254.6	287.5	320.8	312.9	315.7
Banks	134.0	141.9	165.4	179.2	168.0	169.8
Insurance	20.0	19.6	18.7	28.3	28.9	29.2
Business services	19.9	23.0	28.9	29.7	30.2	30.5
Real estate	5.6	5.8	5.5	5.5	5.7	5.8
Ownership of dwellings	68.1	64.3	69.0	78.1	80.1	80.4
Government services	344.6	338.8	351.0	376.0	411.0	434.0
Other services	52.0	62.7	62.3	77.7	73.1	72.9
Private nonprofit institutions	9.6	10.7	11.9	11.6	11.1	11.2
Domestic services	15.4	15.6	15.8	16.0	15.6	15.8
Recreation	7.1	7.9	9.5	17.3	17.5	16.7
Other	19.9	28.5	25.1	32.8	28.9	29.2
Subtotal	2,150.2	2,249.5	2,421.6	2,768.9	2,991.0	3,106.1
Adjustments						
Net interest payments by banks	-89.9	-131.4	-144.9	-136.6	-140.2	-141.7
Import duty	399.1	302.0	306.3	321.7	348.7	330.7
Statistical discrepancies	-19.0	-0.3	142.7	-0.6	-22.5	-20.1
GDP at current market prices	2,440.4	2,419.8	2,725.7	2,953.4	3,177.0	3,275.0

Sources: Management and Information Systems Division (MISD); and staff estimates.



Table 3. Seychelles: Expenditure on Gross Domestic Product, 1994-97  
(In millions of Seychelles rupees at current prices, unless otherwise indicated)

	1994	1995	1996	1997
Consumption	1,919.7	1,851.7	1,584.1	2,240.9
Public	722.2	710.0	734.6	752.8
Private 1/	1,197.5	1,141.7	849.5	1,488.1
Investment	638.4	734.1	1,285.1	974.0
Gross fixed capital formation	621.0	733.9	1,280.0	970.0
Public	183.6	163.6	220.2	261.8
Private	437.4	570.3	1,059.8	708.2
Increase in stocks and herds	17.4	0.2	5.1	4.0
Total expenditure	2,558.1	2,585.8	2,869.2	3,214.9
Exports minus imports 2/	-98.7	-165.7	-286.2	-260.9
Statistical discrepancies	-19.0	-0.3	142.7	-0.6
Gross domestic product at market prices	2,440.4	2,419.8	2,725.7	2,953.4
Memorandum items:				
Net factor income from abroad	-49.0	-81.7	-64.5	-48.9
Gross national product at market prices	2,391.4	2,338.1	2,661.2	2,904.5
Less net indirect taxes	559.3	384.6	599.6	599.6
Less depreciation	211.5	210.2	394.2	321.2
Net national product at factor cost (national income)	1,620.6	1,743.3	1,667.4	1,983.6
Gross domestic savings	520.7	568.1	1,141.6	712.5
Ratio of total expenditure to GDP (percent)	104.8	106.9	105.3	108.9

Sources: Management and Information Systems Division (MISD); and staff estimates.

1/ Calculated as the residual.

2/ Goods and nonfactor services; discrepancies with balance of payments figures are likely a result of parallel market transactions outside the banking system.

Table 4. Seychelles: Composition of Domestic Capital Formation, 1994-97  
(In millions of Seychelles rupees at current purchasers' values)

	1994	1995	1996	1997
Gross fixed capital formation	621.0	733.9	...	...
Building and construction	313.0	443.4	...	...
Land improvement	3.7	21.4	...	...
Transport equipment	149.0	93.0	...	...
Machinery and equipment	155.3	176.1	...	...
Change in stocks and herds	17.4	0.2	...	...
Gross domestic capital formation	638.4	734.1	...	...
Less depreciation	211.5	210.2	...	...
Net domestic capital formation	426.9	523.9	...	...

Source: Management and Information Systems Division (MISD).

Table 5. Seychelles: Production Indicators, 1994-99

	1994	1995	1996	1997	1998	1999 Prov.
(In metric tons)						
Agricultural crops						
Copra						
Exports 1/	112	353	0	0	0	0
Deliveries to warehouse	282	344	393	314	259	301
Cinnamon bark						
Exports 1/	414	487	318	220	403	471
Deliveries to warehouse	469	414	280	241	478	385
Tea, green leaf	246	226	223	270	250	236
Fish landed, artisanal sector	4,428	4,313	4,508	4,095	3,334	4,860
Canned tuna						
Production	5,075	7,495	12,708	20,132	23,989	33,234
Exports	7,362	6,291	12,813	20,611	21,626	34,605
(In thousands of metric tons)						
Fish transshipped 2/	70.0	68.0	57.0	0.0	0.0	0.0
(In thousands of liters)						
Beverage production						
Beer and stout	5,838	5,852	6,365	7,113	7,181	6,768
Soft drinks	8,038	8,463	7,852	8,286	10,251	10,561
(In millions of units)						
Cigarette production	49	56	62	70	61	60
(In millions of kilowatt-hours)						
Electricity production	126	128	133	148	159	170
(In units indicated)						
Slaughter (Le Rocher Abattoir)						
Cattle (in heads)	329	189	162	91	123	139
Pigs (in heads)	8,516	6,739	5,302	5,165	6,430	6,629
Chickens (in thousands)	530	733	720	806	684	695

Sources: Management and Information Systems Division (MISD); and Central Bank of Seychelles.

1/ Actual shipments by Union Lighterage Company.

2/ Estimates relate to fish caught by foreign fishing vessels in the western Indian Ocean and transshipped in Seychelles.

Table 6. Seychelles: Indicators of Prices, Wages, and Employment, 1994-99

	1994	1995	1996	1997	1998	1999
(Indices; period averages)						
Retail prices, all income groups (January 1993=100) 1/	101.6	101.3	100.2	100.8	103.5	109.2
Domestic goods (65.6) 2/	105.0	104.2	102.8	103.2	106.5	110.6
Fish (3.2)	106.4	113.6	105.3	117.9	130.6	113.0
Other food (11.9)	100.2	98.9	97.0	98.0	99.5	99.6
Nonfood (50.5)	106.0	104.9	104.0	103.5	106.6	112.9
Imported goods (34.4)	95.2	95.8	95.3	96.4	97.7	106.6
Food (11.5)	81.3	79.8	77.7	77.9	78.1	80.4
Nonfood (22.9)	102.2	103.8	104.1	105.6	107.5	119.8
External terms of trade (1986=100)	150.4	150.3	155.1	165.4	...	...
Export prices	82.5	105.3	102.3	110.2	...	...
Tourism prices	126.0	121.9	127.2	138.8	...	...
Import prices	82.7	80.7	81.4	83.3	...	...
Average wages (1980=100)	179.6	188.2	191.0	193.8	205.6	208.8
Formal employment (1980=100)	145.0	147.2	150.1	161.6	168.0	175.8
(Annual changes in percent)						
Retail prices, all income groups	1.8	-0.3	-1.1	0.6	2.7	5.5
Domestic goods	5.0	-0.8	-1.3	0.4	3.2	3.8
Imported goods	-4.2	0.6	-0.5	1.2	1.3	9.1
Import prices	0.1	-2.4	0.9	2.3	...	...
Average wages	0.7	4.8	1.5	1.5	6.1	1.6
Formal employment	0.6	1.5	2.0	7.7	3.9	4.7

Source: Management and Information Systems Division (MISD).

1/ Weights in percent shown in parentheses; new weights introduced in January 1993.

2/ Includes goods with high import content.

Table 7. Seychelles: Average Formal Employment by Principal Sectors, 1994-99

	1994	1995	1996	1997	1998	1999
(Number of people employed)						
Agriculture, forestry, and fishing	1,959	1,870	1,717	1,759	1,979	2,301
Manufacturing, electricity, and water	2,913	2,910	3,082	3,555	3,735	4,454
Building and construction	1,798	1,894	2,071	2,521	2,781	2,797
Wholesale and retail trade	1,912	2,011	2,125	2,360	2,562	2,755
Transport, storage, and communications	3,004	3,052	3,098	3,121	3,187	3,213
Tourism related	1,093	1,123	1,147	1,131	1,207	1,237
Other	1,911	1,929	1,951	1,990	1,980	1,976
Restaurants	488	552	538	539	613	627
Hotels	3,145	3,179	3,161	3,388	3,128	3,203
Services	10,158	10,295	10,484	11,054	11,423	11,436
Public administration	2,580	2,438	2,456	2,595	2,871	2,794
Finance and business	1,112	1,225	1,389	1,518	1,447	1,540
Social and community	5,799	5,913	5,795	5,944	5,973	5,898
Other	667	719	844	997	1,132	1,204
All sectors	25,377	25,763	26,276	28,297	29,408	30,786
Government	9,647	9,527	9,357	9,530	9,868	9,989
Parastatal	5,221	4,554	3,923	3,983	4,187	4,508
Private	10,507	11,683	12,995	14,785	15,353	16,289
(In percent of total)						
Agriculture, forestry, and fishing	7.7	7.3	6.5	6.2	6.7	7.5
Manufacturing, electricity, and water	11.5	11.3	11.7	12.6	12.7	14.5
Building and construction	7.1	7.4	7.9	8.9	9.5	9.1
Wholesale and retail trade	7.5	7.8	8.1	8.3	8.7	8.9
Transport, storage, and communications	11.8	11.8	11.8	11.0	10.8	10.4
Tourism related	4.3	4.4	4.4	4.0	4.1	4.0
Other	7.5	7.5	7.4	7.0	6.7	6.4
Restaurants	1.9	2.1	2.0	1.9	2.1	2.0
Hotels	12.4	12.3	12.0	12.0	10.6	10.4
Services	40.0	40.0	39.9	39.1	38.8	37.1
Public administration	10.2	9.5	9.3	9.2	9.8	9.1
Finance and business	4.4	4.8	5.3	5.4	4.9	5.0
Social and community	22.9	23.0	22.1	21.0	20.3	19.2
Other	2.6	2.8	3.2	3.5	3.8	3.9
All sectors	100.0	100.0	100.0	100.0	100.0	100.0
Government	38.0	37.0	35.6	33.7	33.6	32.4
Parastatal	20.6	17.7	14.9	14.1	14.2	14.6
Private	41.4	45.3	49.5	52.2	52.2	52.9

Source: Management and Information Systems Division (MISD).

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Table 8. Seychelles: Average Monthly Earnings in Formal Employment by Principal Sectors, 1994-99

	1994	1995	1996	1997	1998	1999 Prov.
(In millions of Seychelles rupees)						
Agriculture, forestry, and fishing	2,304	2,443	2,381	2,554	2,862	3,033
Manufacturing, electricity, and water	2,729	2,801	3,146	3,152	3,039	3,027
Building and construction	2,412	2,488	2,503	2,315	2,535	2,489
Wholesale and retail trade	2,214	2,305	2,291	2,368	2,519	2,536
Transport, storage, and communications						
Tourism related	3,738	3,990	4,111	4,243	4,394	4,398
Other	3,564	3,643	3,586	3,790	4,098	4,242
Restaurants	2,306	2,097	2,187	2,282	2,275	2,014
Hotels	2,345	2,529	2,474	2,502	2,745	2,854
Public administration	3,010	3,232	3,315	3,404	3,540	3,726
Finance and business	3,229	3,923	3,730	3,607	3,956	3,784
Social and community	2,906	2,914	3,082	3,203	3,351	3,327
Other	2,235	2,498	2,492	2,404	2,491	2,530
All sectors	2,738	2,869	2,911	2,954	3,134	3,183
Government	2,885	2,961	3,103	3,251	3,408	3,448
Parastatal	2,961	2,993	3,180	3,429	3,725	3,697
Private	2,513	2,772	2,719	2,651	2,828	2,856
(Annual change in percent)						
Agriculture, forestry, and fishing	0.6	6.0	-2.5	7.3	12.1	6.0
Manufacturing, electricity, and water	0.7	2.6	12.3	0.2	-3.6	-0.4
Building and construction	2.3	3.2	0.6	-7.5	9.5	-1.8
Wholesale and retail trade	1.6	4.1	-0.6	3.4	6.4	0.7
Transport, storage, and communications						
Tourism related	2.4	6.7	3.0	3.2	3.6	0.1
Other	7.3	2.2	-1.6	5.7	8.1	3.5
Restaurants	6.6	-9.1	4.3	4.3	-0.3	-11.5
Hotels	0.6	7.8	-2.2	1.1	9.7	4.0
Public administration	1.8	7.4	2.6	2.7	4.0	5.3
Finance and business	0.1	21.5	-4.9	-3.3	9.7	-4.3
Social and community	1.2	0.3	5.8	3.9	4.6	-0.7
Other	4.0	11.8	-0.2	-3.5	3.6	1.6
All sectors	0.7	4.8	1.5	1.5	6.1	1.6
Government	1.7	2.6	4.8	4.8	4.8	1.2
Parastatal	-0.2	1.1	6.2	7.8	8.6	-0.8
Private	2.6	10.3	-1.9	-2.5	6.7	1.0

Source: Management and Information Systems Division (MISD).

Table 9. Seychelles: Tourism Statistics, 1994-99

	1994	1995	1996	1997	1998	1999
Visitor arrivals						
Number (thousands)	109.9	120.7	131.0	130.1	128.2	124.8
Percent change	-5.4	9.8	8.5	-0.7	-1.4	-2.7
Purpose (thousands)						
Holiday	92.8	94.5	111.4	110.8	110.6	110.3
Business	9.0	10.2	6.3	6.4	6.7	6.6
Transit and other	8.1	16.1	13.2	12.8	10.9	7.9
Nights spent						
Number (thousands)	1,110.0	1,146.8	1,270.3	1,339.7	1,346.7	1,298.6
Percent change	-0.4	3.3	10.8	5.5	0.5	-3.6
Average number of nights spent	10.1	9.5	9.7	10.3	10.5	10.4
Value added in tourism (In millions of Seychelles rupees; current prices)	355.8	386.2	426.5	426.0	...	...
Tourism receipts 1/						
Total (in millions of Seychelles rupees)	510	467	531	612	584	596
Per arrival (in Seychelles rupees)	4,640	3,865	4,058	4,701	4,555	4,776
Per night (in Seychelles rupees)	459	407	418	456	434	459
Purpose (percent of arrivals)						
Holiday	84.4	78.3	85.1	85.2	86.3	88.4
Business	8.2	8.5	4.8	4.9	5.2	5.3
Transit and other	7.4	13.3	10.1	9.9	8.5	6.3
Residency (percent of arrivals)						
Europe	81.5	76.9	75.6	78.6	79.8	80.9
Africa	10.0	11.8	10.2	10.8	9.9	11.4
Other	8.5	11.3	14.2	10.6	10.3	7.7
Beds available (average number)	4,244	4,338	4,478	4,598	4,730	4,780
Bed occupancy rate (percent)	54.2	52.8	57.3	56.3	53.0	53.0
Cruise ship passengers (number) 2/	9,897	8,422	10,712	6,020	6,147	4,716
Air travelers (number)	108,179	115,181	125,955	125,426	124,220	121,370

Sources: Management and Information Systems Division (MISD); and Central Bank of Seychelles.

1/ Commercial bank purchases of foreign exchange from tourism sector. Unadjusted figures, which include purchases from residents and sales to visitors returning home.

2/ Not included as visitors.

Table 10. Seychelles: Visitor Arrivals by Country of Residence, 1994-99

	1994	1995	1996	1997	1998	1999
(in thousands of persons)						
Europe	89.6	92.9	99.0	102.3	102.3	101.0
United Kingdom and Ireland	19.3	17.6	15.4	16.0	16.3	15.6
Italy	12.1	11.5	16.2	18.8	20.8	19.5
France	22.3	24.9	25.5	25.1	25.2	24.3
Germany	20.6	19.3	20.6	21.5	19.0	18.8
Switzerland	3.9	5.1	5.9	5.6	5.3	5.3
Scandinavia	2.1	2.3	2.4	2.9	3.5	4.1
Spain and Portugal	4.0	5.2	5.1	3.0	2.6	3.1
Other Europe	5.3	7.0	7.9	9.4	9.6	10.3
Africa	11.0	14.3	13.4	14.0	12.7	14.2
Reunion, France	2.5	3.5	3.0	2.8	2.2	3.0
Mauritius	1.6	2.0	2.2	2.7	2.7	3.5
East Africa	1.1	0.9	1.0	1.2	1.5	1.5
South Africa	4.7	6.5	5.5	5.4	4.5	3.9
Other Africa	1.1	1.2	1.7	1.8	1.8	2.3
Asia and Middle East	5.3	6.4	11.3	6.4	5.7	5.0
Middle East	2.1	2.0	5.8	1.7	1.5	1.5
India and Pakistan	0.6	0.9	1.8	1.9	1.8	1.2
Hong Kong S.A.R.	0.1	0.2	0.2	0.1	0.1	0.1
Japan	1.2	1.4	1.1	0.7	0.5	0.4
Other Far East	1.3	1.9	2.3	2.0	1.8	1.8
Western Hemisphere	3.3	6.3	6.7	6.7	6.8	4.1
United States	2.7	5.2	5.7	5.3	5.1	2.6
Other Western Hemisphere	0.6	1.0	1.0	1.4	1.7	1.5
Other	0.7	0.9	0.7	0.7	0.7	0.5
Total	109.9	120.7	131.0	130.1	128.2	124.8
(in percent of total)						
Europe	81.5	76.9	75.6	78.6	79.8	80.9
United Kingdom and Ireland	17.6	14.6	11.8	12.3	12.7	12.5
Italy	11.0	9.5	12.4	14.5	16.2	15.6
France	20.3	20.6	19.5	19.3	19.7	19.5
Germany	18.7	16.0	15.7	16.5	14.8	15.1
Switzerland	3.5	4.2	4.5	4.3	4.1	4.2
Scandinavia	1.9	1.9	1.8	2.2	2.7	3.3
Spain and Portugal	3.6	4.3	3.9	2.3	2.0	2.5
Other Europe	4.8	5.8	6.0	7.2	7.5	8.3
Africa	10.0	11.8	10.2	10.8	9.9	11.4
Reunion, France	2.3	2.9	2.3	2.2	1.7	2.4
Mauritius	1.5	1.7	1.7	2.1	2.1	2.8
East Africa	1.0	0.8	0.8	1.0	1.2	1.2
South Africa	4.3	5.4	4.2	4.1	3.5	3.1
Other Africa	1.0	1.0	1.3	1.4	1.4	1.8
Asia and Middle East	4.8	5.3	8.6	4.9	4.4	4.0
Middle East	1.9	1.7	4.4	1.3	1.2	1.2
India and Pakistan	0.5	0.7	1.4	1.4	1.4	1.0
Hong Kong S.A.R.	0.1	0.2	0.2	0.1	0.1	0.1
Japan	1.1	1.2	0.9	0.5	0.4	0.3
Other Far East	1.2	1.6	1.8	1.5	1.4	1.4
Western Hemisphere	3.0	5.2	5.1	5.2	5.3	3.3
United States	2.5	4.3	4.3	4.1	4.0	2.1
Other Western Hemisphere	0.5	0.9	0.7	1.1	1.3	1.2
Other	0.6	0.7	0.5	0.5	0.5	0.4
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: Management and Information Systems Division (MISD).

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Table 11. Seychelles: Value Added in Tourism by Subsector, 1994-97  
(In thousands of Seychelles rupees)

	1994	1995	1996	1997
Hotels and restaurants	215.1	226.3	247.2	268.9
Handicrafts	17.3	18.8	21.7	22.9
Air transport, etc.	66.3	53.6	85.0	115.0
Tour operators	24.6	28.0	32.8	34.2
Passenger transport 1/	19.0	24.1	29.4	33.3
Communications 1/	26.1	28.4	29.3	38.0
Recreational services 1/	6.4	7.1	8.6	15.6
Total	374.8	386.3	453.9	527.8

Sources: Management and Information Systems Division (MISD); and staff estimates.

1/ Not all value added of these subsectors is attributed to tourism.

Table 12. Seychelles: Retail Prices for All Income Groups by Types of Goods, 1994-99  
(Indices, January 1993 = 100, unless otherwise indicated; period averages)

	Weights 1/	1994	1995	1996	1997	1998	1999
Fish (local)	3.2	106.4	113.6	105.3	117.9	130.6	113.0
Other food	23.3	90.9	89.5	87.5	88.1	89.0	90.2
Cereals, etc.	5.8	87.1	85.0	83.4	85.7	86.4	87.7
Meat and tinned fish	3.1	99.9	99.8	97.3	97.3	97.2	98.3
Dairy products, oil, and fats	4.9	84.7	84.7	83.7	83.7	83.9	85.6
Fruits and vegetables	3.6	90.1	84.7	76.3	76.4	79.7	79.1
Other food and nonalcoholic beverages	6.0	95.6	95.6	96.3	96.5	97.0	98.9
Nonfood items	73.4	104.8	104.5	104.1	104.1	106.9	115.1
Alcoholic beverages and tobacco	21.1	99.1	125.5	124.7	124.4	132.6	148.1
Clothing and footwear	8.6	97.6	98.5	100.6	102.5	103.6	106.4
Housing costs	15.1	100.8	97.3	99.6	99.8	101.0	101.2
Fuel, power, and water	7.4	77.8	81.3	72.7	72.7	72.7	93.9
Household items	4.7	99.7	99.1	100.1	101.2	101.0	106.6
Personal items	1.9	99.5	99.4	101.0	102.2	104.2	108.2
Transport and communications	8.0	102.7	98.9	97.2	85.4	84.7	88.6
Services and recreation	6.7	100.0	100.1	100.4	112.0	112.7	116.0
All items (index)	100.0	101.6	101.3	100.2	100.8	103.5	110.0
All items (percentage change)		1.8	-0.3	-1.1	0.6	2.7	6.3

Source: Management and Information Systems Division (MISD).

1/ Weights used since January 1993 are based on the results of the Household Income and Expenditure Survey, 1991-92.

Table 13. Seychelles: Consolidated Government Operations, 1994-99 1/

	1994	1995	1996	1997	1998	1999 Prel.
(In millions of Seychelles rupees)						
Total revenue and grants	1,328.5	1,167.5	1,174.9	1,296.9	1,453.8	1,581.8
Total revenue	1,309.9	1,154.7	1,161.9	1,281.6	1,438.8	1,541.3
Tax	1,025.6	936.0	857.3	978.8	1,073.5	1,144.6
Nontax	284.3	218.7	304.6	302.8	365.3	396.7
External grants	18.6	12.8	13.0	15.3	15.0	40.5
Expenditure and net lending	1,271.9	1,282.8	1,455.4	1,713.8	2,111.3	1,827.0
Current expenditure	1,135.6	1,081.2	1,200.9	1,366.1	1,545.3	1,391.1
Of which : wages and salaries	335.1	361.5	395.2	408.9	482.7	496.3
interest	205.3	234.7	251.6	276.2	324.1	234.7
Capital expenditure	183.6	163.6	220.2	261.8	425.1	402.3
Net lending	-47.3	38.0	34.3	85.9	140.9	33.5
Current balance (deficit -)	174.3	73.5	-39.0	-84.5	-106.5	150.1
Overall deficit, commitment basis	56.6	-115.3	-280.5	-416.9	-657.5	-245.2
Arrears (net; reduction -) 2/	0.6	0.6	1.2	0.6	4.1	0.0
Overall deficit, cash basis	57.2	-114.7	-279.3	-416.3	-653.4	-245.2
Less unidentified expenditures 3/	184.8	41.0	-27.9	-151.0	99.3	171.8
Overall deficit after adjustment	-127.6	-155.7	-251.4	-265.3	-752.6	-417.0
Financing	127.6	155.7	251.4	265.3	752.6	417.0
Foreign financing (net)	-35.0	-48.5	-30.1	25.1	-13.8	-42.3
Gross borrowing	51.0	29.0	32.6	68.5	52.7	35.1
Amortization 4/	-87.2	-83.6	-70.0	-49.4	-80.5	-77.5
Change in arrears	1.2	6.1	7.3	6.0	14.0	0.0
Domestic financing	162.6	204.2	281.5	240.2	766.4	459.3
Banking system	143.9	205.1	252.8	302.7	650.2	431.6
Other nonbank financing 4/	18.7	-0.9	28.7	-62.5	116.2	27.7
Sales of financial assets	0.0	0.0	0.0	0.0	0.0	0.0
(In percent of GDP, unless otherwise indicated)						
Total revenue and grants	54.4	48.2	43.1	43.9	45.8	48.3
Total revenue	53.7	47.7	42.6	43.4	45.3	47.1
External grants	0.8	0.5	0.5	0.5	0.5	1.2
Expenditure and net lending	59.7	54.7	52.4	52.9	69.6	61.0
Current expenditure	46.5	44.7	44.1	46.3	48.6	42.5
Of which : wages and salaries	13.7	14.9	14.5	13.8	15.2	15.2
interest	8.4	9.7	9.2	9.4	10.2	7.2
Capital expenditure	7.5	6.8	8.1	8.9	13.4	12.3
Net lending	-1.9	1.6	1.3	2.9	4.4	1.0
Unidentified expenditures 3/	7.6	1.7	-1.0	-5.1	3.1	5.2
Overall deficit, cash basis	-5.2	-6.4	-9.2	-9.0	-23.7	-12.7
Before grants	-6.0	-7.0	-9.7	-9.5	-24.2	-14.0
Financing	5.2	6.4	9.2	9.0	23.7	12.7
External, excluding grants (net)	-1.4	-2.0	-1.1	0.8	-0.4	-1.3
Domestic	6.7	8.4	10.3	8.1	24.1	14.0
Banks	5.9	8.5	9.3	10.2	20.5	13.2
Nonbanks 4/	0.8	0.0	1.1	-2.1	3.7	0.8
Sales of financial assets	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum item:						
Nominal GDP (in millions of Seychelles rupees)	2,440.4	2,419.8	2,725.7	2,953.4	3,177.0	3,275.0

Sources: Ministry of Finance; Social Security Fund; Central Bank of Seychelles; and staff estimates.

1/ Includes the central government and the social security system.

2/ Includes identified arrears on foreign interest payments.

3/ This represents the difference between identified budget revenues and expenditures, on the one hand, and the financing of the consolidated budget, on the other.

4/ Excludes government papers held by the Social Security Fund.

Table 14. Seychelles: Consolidated Government Revenue, 1994-99  
(In millions of Seychelles rupees)

	1994	1995	1996	1997	1998	1999 Prel.
Tax revenue	1,025.6	936.0	857.3	978.8	1,073.5	1,144.6
Taxes on income and profits	134.2	141.8	115.9	129.2	164.9	222.7
Social Security Fund (SSF)	246.3	250.4	184.7	217.5	228.8	238.8
Government employees' contribution	15.4	14.5	16.8	17.5	16.0	20.0
Other contribution to the SSF	215.2	226.6	164.6	192.0	204.9	211.0
Other revenue 1/	15.7	9.3	3.3	8.0	7.9	7.8
Taxes on goods, services, and trade	573.7	487.4	462.6	525.9	575.0	577.0
Trade taxes on imports	398.9	303.0	269.0	321.6	348.8	318.6
Trade taxes on domestic goods	114.6	113.6	127.2	126.5	144.8	170.3
Trade taxes on domestic services	60.2	70.8	66.4	77.8	81.4	88.1
Other indirect domestic taxes	63.6	46.4	84.1	93.8	92.2	93.8
Business and professional licenses	50.3	32.9	69.0	76.5	73.9	76.5
Fishing	38.1	18.1	51.7	41.7	32.2	32.8
Hotels	0.9	0.9	0.8	16.8	19.9	15.4
Others	11.3	13.9	16.5	18.0	21.8	28.3
Motor vehicles	13.3	13.5	14.6	16.0	16.8	15.9
Other indirect taxes 2/	0.0	0.0	0.5	1.3	1.5	1.4
Taxes on property	0.5	2.0	0.0	0.0	0.0	0.0
Other taxes	7.3	8.0	10.0	12.4	12.6	12.3
Nontax revenue	284.3	218.7	304.6	302.8	365.3	396.7
Administrative fees and charges	176.1	97.7	121.3	147.9	129.3	171.3
Property income	43.3	60.4	90.9	56.5	156.2	165.4
Of which : dividends from parastatals	41.8	23.6	62.0	44.6	133.1	150.7
Transfer of profits from central bank	27.1	37.0	49.0	62.7	38.6	36.9
Post office surplus	3.5	4.1	4.9	4.7	4.9	0.0
Capital revenue	21.0	15.0	24.8	17.6	35.3	21.1
Sale of land	21.0	15.0	18.9	16.7	15.7	12.3
Sales of other fixed assets	0.0	0.0	5.9	0.9	19.6	8.8
Other nontax	13.3	4.5	13.7	13.4	1.0	1.9
Total revenue	1,309.9	1,154.7	1,161.9	1,281.6	1,438.8	1,541.3

Sources: Ministry of Finance; Social Security Fund; Central Bank of Seychelles; and staff estimates.

1/ Excluding interest from government.

2/ Including motor vehicle testing.

Table 15. Seychelles: Economic Classification of Consolidated  
Government Expenditure and Net Lending, 1994-99 1/  
(In millions of Seychelles rupees)

	1994	1995	1996	1997	1998	1999 Prel.
Current expenditure	1,135.6	1,081.2	1,200.9	1,366.1	1,545.3	1,391.1
Wages and salaries 1/	335.1	361.5	395.2	408.9	482.7	496.3
Goods and services 1/	380.3	278.7	268.5	343.9	379.6	281.9
Scheduled interest 2/	205.3	234.7	251.6	276.2	324.1	234.7
Current transfers 3/	214.9	206.3	285.6	333.6	357.1	373.6
To households	143.0	151.4	182.8	258.0	260.0	301.8
To parastatals	71.9	54.9	102.8	75.6	97.1	71.8
Other current expenditures	0.0	0.0	0.0	3.5	1.8	4.6
Capital expenditure	183.6	163.6	220.2	261.8	425.1	402.3
Acquisition of fixed assets	157.3	132.4	202.1	252.1	402.9	385.6
Purchase of land	5.7	10.4	6.5	5.0	11.6	7.3
Capital transfers to nonfinancial public enterprises 4/	20.6	20.8	11.6	4.7	10.6	9.5
Total expenditure	1,319.2	1,244.8	1,421.1	1,627.9	1,970.4	1,793.5
Net lending	-47.3	38.0	34.3	85.9	140.9	33.5
To parastatals	23.5	123.3	34.3	85.9	146.8	33.5
Sale of equity in parastatals	-70.8	-85.3	0.0	0.0	-5.9	0.0
Total expenditure and net lending	1,271.9	1,282.8	1,455.4	1,713.8	2,111.3	1,827.0
Memorandum items:						
Transfers and net lending to parastatals	45.2	113.7	148.7	166.2	248.6	114.8
Expenditure of Ministry of Defense	60.0	55.2	52.4	51.1	55.2	60.8

Sources: Ministry of Finance; Social Security Fund; Central Bank of Seychelles; and staff estimates.

1/ Including the Social Security Fund (SSF).

2/ Excluding government interest to the SSF.

3/ Transfers and benefits from the government and the SSF.

4/ Excludes equity participation.

Table 16. Seychelles: Revenue and Expenditure of the Social Security System, 1994-99  
(In millions of Seychelles rupees)

	1994	1995	1996	1997	1998	1999 Prel.
Total revenue	352.5	320.8	270.6	306.4	334.3	344.7
Contributions	325.2	301.6	259.0	291.3	319.4	330.0
Government 1/	110.0	75.0	94.4	99.3	114.5	119.0
Employers	94.6	60.5	77.6	81.8	98.5	99.0
Employees	15.4	14.5	16.8	17.5	16.0	20.0
Other contributions	215.2	226.6	164.6	192.0	204.9	211.0
Other income	29.6	19.2	11.6	15.1	14.9	14.7
<i>Of which</i> : interest from government papers	13.9	9.9	8.3	7.1	7.0	6.9
Expenditure	146.7	158.5	195.5	227.5	252.2	244.9
Benefits 2/	124.2	122.9	152.3	169.1	183.1	156.4
Operating expenditure	9.0	9.0	10.1	10.3	10.6	9.5
Approved payments and grants to agencies	13.5	26.6	33.1	44.1	53.8	63.5
Transfer to Consolidated Fund	204.0	192.9	80.9	86.3	60.8	77.1
Gross surplus (including government)	1.8	-30.6	-5.8	-7.4	21.3	22.7
Less government contributions	110.0	75.0	94.4	99.3	114.5	119.0
Less interest from government	13.9	9.9	8.3	7.1	7.0	6.9
Plus payments to government	204.0	192.9	80.9	86.3	60.8	77.1
Net surplus (excluding government)	81.9	77.4	-27.6	-27.5	-39.4	-26.1

Sources: Social Security Fund; and Ministry of Finance.

1/ Excluding the armed forces and the National Youth Service.

2/ Including the Full Employment Scheme.

Table 17. Seychelles: Monetary Survey, 1994-99

	1994	1995	1996	1997	1998	1999
(In millions of Seychelles rupees; end of period)						
Foreign assets, net	109.2	107.3	93.3	101.8	-87.1	-68.9
Central bank	116.1	109.5	86.7	114.3	-58.0	-51.0
Assets	142.7	126.7	99.1	127.2	115.1	160.2
Liabilities	26.6	17.2	12.5	12.9	173.1	211.2
Commercial banks	-6.9	-2.2	6.6	-12.5	-29.1	-17.9
Domestic credit	1,408.3	1,620.7	1,872.6	2,295.9	3,002.1	3,448.6
Claims on government, net	1,079.4	1,282.2	1,533.3	1,836.0	2,486.2	2,917.8
Claims on public entities	118.9	92.4	68.7	71.8	55.9	43.6
Claims on private sector	209.0	245.1	269.6	387.6	460.0	503.5
Money and quasi money (M2)	1,293.1	1,513.2	1,706.0	2,205.8	2,567.7	3,056.9
Money (M1)	326.2	336.7	449.9	648.7	780.6	1,071.2
Quasi money	768.7	875.1	939.0	1,339.1	1,608.8	1,837.7
Pipeline deposits 1/	198.2	301.4	317.1	218.0	178.3	148.0
Other items, net	224.4	214.8	259.9	191.8	347.3	322.9
(Annual change in percent)						
Domestic credit	18.3	15.1	15.5	22.6	30.8	14.9
Claims on government, net	15.4	18.8	19.6	19.7	35.4	17.4
Claims on public entities	47.0	-22.3	-25.6	4.5	-22.1	-22.0
Claims on private sector	20.9	17.3	10.0	43.8	18.7	9.5
Money and quasi money (M2)	16.9	17.0	12.7	29.3	16.4	19.1
Contributions to broad money growth	(Annual change in percent of beginning-of-period broad money, unless otherwise indicated)					
Foreign assets, net	-3.8	-0.1	-0.9	0.5	-8.6	0.7
Domestic credit	19.7	16.4	16.6	24.8	32.0	17.4
Claims on government, net	13.0	15.7	16.6	17.7	29.5	16.8
Claims on public entities	3.4	-2.0	-1.6	0.2	-0.7	-0.5
Claims on private sector	3.3	2.8	1.6	6.9	3.3	1.7
Broad money			12.7	29.3	16.4	19.1
Other items, net	-1.0	-0.7	3.0	-4.0	7.0	-1.0
Memorandum items:						
Velocity (GDP/average broad money)	2.4	1.7	1.7	1.5	1.3	1.2

Sources: Central Bank of Seychelles.

1/ The pipeline scheme for foreign currency allocation was introduced in April 1994.

Table 18. Seychelles: Accounts of the Central Bank of Seychelles, 1994-99  
(In millions of Seychelles rupees, end of period)

	1994	1995	1996	1997	1998	1999
Foreign assets	142.7	126.7	99.1	127.2	115.1	160.2
Balances held abroad	131.7	112.7	68.2	92.8	92.8	118.2
Foreign securities	5.1	8.1	25.0	28.6	22.1	41.8
SDR holdings	0.1	0.1	0.2	0.2	0.2	0.2
IMF reserve position	5.8	5.8	5.8	5.6	0.0	0.0
Claims on government	529.3	663.3	790.5	926.8	575.1	640.2
Advances to government	248.6	452.4	503.6	923.2	469.0	623.9
Treasury bills	273.9	184.0	259.9	0.4	106.0	16.2
Treasury bonds	3.1	23.3	23.4	3.2	0.1	0.1
Government stocks	3.7	3.6	3.6	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0
Claims on commercial banks	7.0	1.8	0.0	0.0	10.0	0.0
Advances and rediscounts 1/	7.0	1.8	0.0	0.0	10.0	0.0
Export refinance	0.0	0.0	0.0	0.0	0.0	0.0
Other refinance	0.0	0.0	0.0	0.0	0.0	0.0
Other assets 2/	23.3	26.1	25.4	22.5	23.7	23.2
Assets = liabilities	702.3	818.0	915.0	1076.5	723.9	823.6
Reserve money	566.3	686.5	778.2	923.3	468.0	512.0
Currency in circulation	141.6	148.1	165.7	192.2	206.4	247.9
Currency with banks	7.3	6.1	8.5	10.8	12.8	16.3
Bankers' deposits	417.2	529.9	603.8	720.3	248.8	247.8
SSB demand deposits 3/ 4/	0.2	2.4	0.2	0.0	0.0	0.0
SSB time deposits 3/	0.0	0.0	0.0	0.0	0.0	0.0
Foreign liabilities	26.6	17.2	12.5	12.9	173.1	211.2
Government deposits	23.4	16.1	11.8	15.0	15.7	61.8
Treasury deposits 4/	22.1	15.6	10.8	14.4	14.5	60.3
Counterpart funds 4/	1.3	0.5	1.0	0.6	1.2	1.5
Capital accounts 5/	13.9	13.9	13.9	13.9	14.1	25.9
Other liabilities	72.1	84.2	98.6	111.5	53.0	12.7
Special funds	0.6	0.7	0.7	0.7	0.7	0.7
International agencies	0.2	0.1	0.1	0.1	0.2	0.2
Other deposits 4/	7.0	2.8	3.2	2.8	2.4	4.6
Unclassified liabilities	64.3	80.6	94.6	107.8	49.7	6.9
Memorandum item:						
Other liabilities (net)	48.8	58.1	73.3	89.0	29.3	-10.5

Source: Central Bank of Seychelles.

1/ Against government securities.

2/ Includes counterpart of gold and silver coin in circulation (SR 2.8 million throughout).

3/ SSB stands for Seychelles Savings Bank.

4/ Included in government deposits in publications of the Central Bank of Seychelles.

5/ Capital, statutory reserves, and counterpart of SDR allocations (SR 2.9 million throughout).



Table 19. Seychelles: Accounts of the Commercial Banks, 1994-99  
(In millions of Seychelles rupees, end of period)

	1994	1995	1996	1997	1998	1999
Reserves	424.5	536.0	612.3	731.1	261.6	264.1
Cash at hand	7.3	6.1	8.5	10.8	12.8	16.3
Balances with Central Bank of Seychelles (CBS) 1/ 2/	417.2	529.9	603.8	720.3	248.8	247.8
Foreign assets	25.0	48.2	96.3	158.7	160.1	234.7
Claims on government	692.3	747.8	843.1	1,086.8	2,106.7	2,526.6
Treasury bills	378.5	455.8	431.6	608.8	832.2	1,621.6
Treasury bonds	213.5	171.0	263.0	326.1	1,130.7	770.6
Government stocks	56.5	59.2	63.1	82.0	89.1	98.2
Restructured loans	0.0	0.0	0.0	0.0	0.0	0.0
Other	43.8	61.8	85.4	70.0	54.7	38.2
Claims on public entities	118.9	92.4	68.7	71.8	55.9	42.6
Claims on private sector	209.0	245.1	269.6	387.6	460.0	503.5
Claims on specialized banks 3/	1.0	1.0	1.0	1.0	1.0	1.0
Other assets	160.0	178.2	242.8	458.3	452.7	368.1
Assets = liabilities	1,630.7	1,848.7	2,133.8	2,895.3	3,498.0	3,940.6
Demand deposits 4/	184.4	186.2	284.0	456.5	574.2	823.3
Public entities	73.6	67.0	77.5	117.8	124.5	174.4
Private sector 5/	110.8	119.2	206.5	338.7	449.7	648.9
Time and savings deposits	768.7	875.1	939.0	1,339.1	1,608.8	1,837.7
Public entities' time	45.6	45.4	50.8	97.0	101.2	102.1
Private sector time 5/	419.7	492.2	596.0	819.7	1,004.9	1,127.0
Savings deposits 4/	299.3	325.4	282.2	412.5	484.9	584.1
Specialized banks' time 3/	4.1	12.1	10.0	9.9	17.8	24.5
Foreign liabilities 5/	31.9	50.4	89.7	171.2	189.2	252.6
Government deposits	118.8	112.8	88.5	163.2	180.9	203.5
Demand	20.3	36.8	24.0	44.1	39.2	47.1
Time	98.5	76.0	64.5	119.1	141.7	156.4
Credit from CBS	7.0	1.8	0.0	0.0	10.0	0.0
Capital accounts	76.0	76.0	80.8	96.5	103.9	110.8
Other liabilities	443.9	546.4	651.8	668.8	831.0	712.7
Memorandum items:						
Public entities' deposits 6/	119.2	112.4	128.3	214.8	225.7	276.5
Claims on public entities (net) 6/	-0.3	-20.0	-59.6	-143.0	-169.8	-233.9
Pipeline deposits 2/	198.2	301.4	317.1	218.0	178.3	148.0
Other liabilities (net)	85.7	66.8	91.9	-7.6	200.0	196.7

Source: Central Bank of Seychelles.

1/ Includes pipeline deposits.

2/ The pipeline scheme for foreign currency allocation was introduced in April 1994.

3/ Data shown pertain to Development Bank of Seychelles.

4/ Savings deposits include interest-bearing checking accounts appropriate to demand deposits.

5/ Private demand and time deposits include some deposits of nonresidents.

6/ Excludes specialized banks.

Table 20. Seychelles: Accounts of the Specialized Banks, 1994-99 1/  
(In millions of Seychelles rupees; end of period)

	1994	1995	1996	1997	1998	1999
Cash and balances	6.5	15.8	11.9	39.6	27.8	35.2
Cash in hand (SSB)	2.2	1.3	1.7	1.7	2.0	3.1
Deposits with central bank (SSB)	0.2	2.4	0.2	28.0	8.0	7.6
Deposits with commercial banks (DBS)	4.1	12.1	10.0	9.9	17.8	24.5
Claims on government (SSB)	94.6	93.2	115.8	113.0	165.5	184.9
Claims on public entities	78.1	55.1	49.1	34.5	28.0	20.7
SSB	25.0	7.2	7.2	0.0	0.0	0.0
DBS	53.1	47.9	41.9	34.5	28.0	20.7
Claims on private sector	124.9	152.4	186.6	273.0	306.3	335.7
SSB	18.7	30.0	45.0	109.4	130.1	151.0
DBS	106.2	122.4	141.6	163.6	176.2	184.7
Other assets	80.8	80.4	61.9	55.9	59.2	56.8
SSB	54.5	49.2	36.1	30.3	35.6	38.5
DBS	26.3	31.2	25.8	25.6	23.6	18.3
Assets = liabilities	384.9	396.9	425.3	516.0	586.8	633.3
Deposit liabilities	182.8	176.1	196.9	267.0	319.0	356.1
Time deposits (SSB)	89.3	72.5	85.0	140.7	185.0	204.4
Savings deposits (SSB)	93.5	103.6	111.9	126.3	134.0	151.7
Reserves	52.9	53.9	56.2	76.4	91.1	116.0
SSB	9.4	4.2	0.8	1.4	1.9	5.0
DBS	43.5	49.7	55.4	75.0	89.2	111.0
Assigned capital (DBS)	40.0	40.0	44.5	44.5	44.5	50.0
Other liabilities	109.2	126.8	127.7	128.4	132.5	111.2
SSB	3.0	2.9	3.8	9.5	16.0	14.0
DBS	106.2	123.9	123.9	118.9	132.5	111.2

Source: Central Bank of Seychelles.

1/ Seychelles Savings Bank (SSB) and Development Bank of Seychelles (DBS).

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Table 21. Seychelles: Distribution of Commercial Bank Loans and Advances to Public Entities and Private Sector, 1994-99  
(In millions of Seychelles rupees; end of period)

	1994	1995	1996	1997	1998	1999
Agriculture	4.0	3.8	3.5	3.7	3.6	4.7
Public entities	0.3	0.3	0.4	0.3	0.0	0.4
Private sector	3.7	3.5	3.1	3.3	3.6	4.3
Fishing	6.0	8.2	8.5	4.3	4.7	3.1
Public entities	5.0	0.9	0.3	0.0	0.0	0.0
Private sector	1.0	7.2	8.3	4.2	4.7	3.1
Manufacturing	38.5	23.9	1.9	2.0	4.8	3.4
Public entities	33.7	15.0	0.0	0.2	1.0	0.8
Private sector	4.7	8.9	1.9	1.8	3.8	2.6
Construction	12.8	12.7	13.1	15.8	22.9	20.6
Public entities	0.0	0.0	0.0	0.0	4.5	0.8
Private sector	12.8	12.7	13.1	15.8	18.4	19.8
Transportation	18.9	21.1	26.0	14.6	8.6	4.8
Public entities	16.6	19.4	17.8	11.3	4.3	1.6
Private sector	2.3	1.6	8.2	3.2	4.3	3.2
Hotels, restaurants, and other tourism	75.3	56.1	74.6	82.2	75.1	87.4
Public entities	34.0	10.1	13.0	5.8	2.2	3.1
Private sector	41.3	45.9	61.6	76.4	72.9	84.4
Wholesale and retail trade	76.0	82.9	63.9	64.0	58.6	51.3
Public entities	27.8	34.4	11.2	3.6	0.0	0.0
Private sector	48.3	48.5	52.7	60.5	58.6	51.3
Real estate	13.4	16.1	13.0	15.9	15.1	32.8
Public entities	0.0	0.0	0.0	0.0	0.0	0.0
Private sector	13.4	16.1	13.0	15.9	15.1	32.8
Other businesses	22.1	42.4	29.1	53.8	66.8	71.8
Public entities	1.5	12.2	8.2	35.5	28.8	20.9
Private sector	20.6	30.2	20.8	18.3	38.0	50.9
Households and nonprofit						
Private sector	60.6	70.5	38.9	77.8	127.6	133.1
Mortgage loans						
Private sector	...	...	29.3	87.5	80.5	114.2
Total sectors	327.6	337.5	301.8	421.6	468.2	527.2
Public entities	118.9	92.4	51.0	56.8	40.9	27.6
Private sector	208.7	245.1	250.8	364.8	427.3	499.6

Source: Central Bank of Seychelles.

Table 22. Seychelles: Indicators of Commercial Bank Liquidity, 1994-99  
(End of period)

	Bank Credit 1/		Bank Deposits		Credit Deposit Ratio (Percent)	Excess Reserves (In millions of SR) 2/	Credit from Central Bank (In millions of SR)		Treasury Bill Discount Rate (Percent)	
	Total (In millions of SR)	Change from year earlier (Percent)	Total (In millions of SR)	Change from year earlier (Percent)			Advances and rediscounts	Refinancing schemes	Tap issue 3/	Tender issue
1994										
March	1,086.3	19.6	1,128.7	27.7	96.2	5.2	8.0	0.0	13.9	12.7
June	1,021.5	4.3	1,094.7	15.6	93.3	5.4	0.0	0.0	13.9	12.5
September	1,051.5	5.1	1,083.0	4.0	97.1	6.7	39.0	0.0	...	12.4
December	1,020.2	-1.2	1,071.9	-0.5	95.2	7.8	0.0	0.0	...	12.0
1995										
March	1,005.0	-7.5	1,092.5	-3.2	92.0	9.6	10.0	0.0	...	12.4
June	1,045.6	2.4	1,115.1	1.9	93.8	18.9	24.8	0.0	...	12.3
September	1,045.7	-0.6	1,136.5	4.9	92.0	10.2	11.5	0.0	...	12.2
December	1,085.3	6.4	1,174.1	9.5	92.4	18.2	1.8	0.0	0.0	12.3
1996										
March	1,102.4	9.7	1,218.4	11.5	90.5	16.5	7.5	0.0	0.0	12.3
June	1,172.4	12.1	1,256.5	12.7	93.3	13.3	23.5	0.0	0.0	12.3
September	1,159.5	10.9	1,225.3	7.8	94.6	10.5	9.3	0.0	0.0	10.4
December	1,181.4	8.9	1,311.5	11.7	90.1	9.3	0.0	0.0	10.5	0.0
1997										
March	1,231.4	11.7	1,438.2	18.0	85.6	24.7	0.0	0.0	10.5	0.0
June	1,472.0	25.6	1,702.5	35.5	86.5	36.9	0.0	0.0	10.5	0.0
September	1,492.1	28.7	1,794.8	46.5	83.1	80.5	0.0	0.0	10.5	0.0
December	1,546.3	30.9	1,958.8	49.4	78.9	126.4	0.0	0.0	10.5	0.0
1998										
March	1594.8	29.5	2130.9	48.2	74.8	196.5	0.0	0.0	9.5	0.0
June	1666.6	13.2	2272.2	33.5	73.3	245.2	0.0	0.0	9.5	0.0
September	2422.1	62.3	2284.0	27.3	106.0	125.2	31.0	0.0	5.0	0.0
December	2622.6	69.6	2364.0	20.7	110.9	20.8	10.0	0.0	5.0	0.0
1999										
March	2683.1	68.2	2465.5	15.7	108.8	16.1	0.0	0.0	5.0	0.0
June	2868.5	72.1	2647.9	16.5	108.3	24.4	4.0	0.0	5.0	0.0
September	2934.7	21.2	2717.7	19.0	108.0	29.3	0.0	0.0	5.0	0.0
December	3072.7	17.2	2864.5	21.2	107.3	33.5	0.0	0.0	5.0	0.0

Source: Central Bank of Seychelles.

1/ Excludes investment in Development Bank of Seychelles (SR 1.0 million throughout).

2/ Actual reserves less required reserves; average for weeks ended during December or other month indicated.

3/ Tap issue was replaced by a tender issue in September 1992 and reintroduced in 1996.

Table 23. Seychelles: Structure of Interest Rates, 1994-99  
(Annual rates in percent, unless otherwise indicated; end of period)

	1994	1995	1996	1997	1998	1999
<b>Lending rates</b>						
Central bank to government						
Low	10.2	10.2	8.5	8.5	6.8	5.0
High	14.2	14.2	12.5	12.5	9.4	5.0
Central bank to banks						
Temporary advances 1/	12.8	12.8	11.0	11.0	8.6	5.5
Export refinance	1.0	1.0	1.0	1.0	1.0	1.0
Other refinance	0.0	0.0	0.0	0.0	0.0	0.0
Commercial banks to public, average 2/	15.7	15.8	16.2	14.9	14.4	12.0
Prime rate						
Low	13.0					
High	14.0					
Minimum	13.0					
Maximum	20.0					
Concessionary refinance	3.0	3.0	3.0	3.0	3.0	3.0
<b>Deposit rates (commercial banks) 3/</b>						
Savings, low	8.0	8.0	8.0	8.0	5.8	3.0
Time 4/						
3 months 2/	9.3	9.2	9.9	9.2	7.5	5.1
Low	8.0					
High	11.8					
6 months 2/	9.4	9.5	9.4	9.1	8.3	4.7
Low	9.0					
High	11.0					
12 months 2/	10.7	10.8	10.5	9.9	8.9	5.1
Low	9.0					
High	12.0					
Over 12 months 2/	10.5	11.0	11.3	8.5	6.7	5.1
Low	10.5					
High	11.0					
<b>Treasury bill discount rate</b>						
Average during period, 91 day bill tap issue 5/				10.5	8.0	4.5
Average during period, 91 day bill tender issue	12.0	12.3	11.3			
<b>Memorandum items:</b>						
Change in retail prices (in percent)						
Annual average	1.8	-0.3	-1.1	0.6	2.6	6.3
From 12 months earlier	2.6	-1.3	0.1	1.0	3.5	10.6

Source: Central Bank of Seychelles.

1/ Average annual rate reported on 14-day advances. Rediscount rates linked to treasury bill tender rates.

2/ As of end-1994, the Central Bank of Seychelles reports the weighted average of all commercial bank rates.

3/ Ranges reflect mainly differences among banks. In most cases, lower rates predominate.

4/ Base rates. Actual rates are generally negotiable when large amounts are involved.

5/ Tap issue discontinued after September 1993 but reintroduced in 1996.

Table 24. Seychelles: Balance of Payments, 1994-99  
(In millions of U.S. dollars, unless otherwise indicated)

	1994	1995	1996	1997	1998 Prov	1999 Est
Current account	-21.2	-44.3	-65.9	-63.3	-101.6	-104.8
Goods	-136.0	-160.4	-184.7	-188.5	-228.2	-233.9
Credit	52.0	53.3	78.0	115.0	123.4	145.2
<i>Of which</i> : merchandise exports, f.o.b.	27.3	26.9	46.0	73.3	90.6	111.0
Debit	-188.0	-213.7	-262.7	-303.5	-351.6	-379.1
<i>Of which</i> : merchandise imports, f.o.b.	-175.0	-197.4	-244.9	-288.2	-342.6	-368.1
Services, net	116.4	125.6	122.9	125.8	134.0	151.0
Credit	198.1	218.0	237.1	255.0	277.0	310.8
<i>Of which</i> : tourism income through commercial banks	100.9	97.9	105.5	122.4	110.9	111.6
Debit	-81.6	-92.4	-114.2	-129.2	-143.0	-159.8
Income, net	-9.7	-17.2	-14.1	-8.8	-17.0	-25.7
<i>Of which</i> : interest payments	-12.7	-22.7	-18.7	-15.7	-19.6	-25.0
Current transfers	8.1	7.6	10.0	8.2	9.6	3.8
General government, net	15.0	12.6	16.1	14.6	17.3	10.6
Other sectors, net	-7.0	-5.0	-6.1	-6.4	-7.7	-6.8
Capital and financial account	30.0	41.5	45.6	62.8	82.4	99.6
Capital account	0.0	0.0	5.6	6.8	21.7	16.5
Financial account	30.0	41.5	40.0	56.0	60.7	83.1
Direct investment, net	17.0	26.0	17.0	34.0	41.7	52.0
Other investment	13.0	15.5	23.0	22.0	19.0	31.1
Government borrowing, net	12.0	9.5	11.0	14.0	17.0	35.3
Disbursements	20.0	18.0	20.0	25.0	30.0	49.8
<i>Of which</i> : East Coast Land Reclamation Project	...	...	...	...	...	5.0
Amortization	-8.0	-8.5	-9.0	-11.0	-13.0	-14.5
Other sectors, net	1.0	6.0	12.0	8.0	2.0	-4.2
Disbursements	15.0	21.0	30.0	30.0	25.0	20.0
Amortization	-14.0	-15.0	-18.0	-22.0	-23.0	-24.2
Net errors and omissions	-15.8	-3.4	8.3	-6.1	3.6	-5.6
Overall balance	-7.0	-6.2	-12.0	-6.6	-15.6	-10.8
Financial and overall balance	7.0	6.2	12.0	6.6	15.6	10.8
Reserve assets	6.0	8.2	4.0	-5.5	2.2	-8.3
Arrears	1.0	-2.0	8.0	12.1	13.4	19.1
Financing gap	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:						
Official reserves	30.3	22.1	18.1	23.6	21.4	29.7
In weeks of prospective imports	6.4	3.8	2.6	2.9	2.4	3.5
Net official reserves 1/	25.1	18.9	15.6	11.1	11.0	14.7
In weeks of prospective imports	5.3	3.2	2.3	1.3	1.2	1.7
Outstanding stock of arrears	2.0	0.0	8.0	19.9	33.3	52.4
Nominal GDP	498.0	493.8	545.1	590.7	599.4	612.1
Current account balance (in percent of GDP)	-4.2	-9.0	-12.1	-10.7	-17.0	-17.1
External debt service	34.7	46.2	45.7	48.7	55.6	63.7
External debt service/ exports of GNFS (in percent) 2/	13.9	17.0	14.5	13.2	13.9	14.0
External debt service/ GDP (in percent)	7.0	9.4	8.4	8.2	9.3	10.4
Stock of external debt 3/	313.9	331.4	346.4	356.3	361.9	373.9
Stock of external debt/exports of GNFS (in percent) 3/	125.5	122.1	109.9	96.3	90.4	72.4
Stock of external debt/GDP (in percent) 3/	63.0	67.1	63.5	60.3	60.4	61.1

Sources: Central Bank of Seychelles, and Fund staff estimates.

1/ Defined as gross official reserves minus central bank's short-term external liabilities.

2/ GNFS = goods and nonfactor services.

3/ Including arrears.

Table 25. Seychelles: Domestic Exports, Reexports, and Bunker Sales, 1994-99  
(In millions of Seychelles rupees)

	1994	1995	1996	1997	1998	1999
Domestic exports, f.o.b.	114.3	113.9	204.4	349.2	473.8	568.8
Canned tuna	84.0	88.0	169.8	286.2	413.3	531.9
Fresh and frozen fish	9.2	10.1	11.2	20.4	13.2	15.0
Sharks' fins	1.9	2.9	2.4	0.7	0.3	0.3
Frozen prawns	1.9	6.9	10.9	22.7	34.1	7.2
Copra	0.2	0.3	0.0	0.0	0.0	0.0
Cinnamon bark	2.3	3.5	4.7	3.4	2.8	2.2
Other	14.9	2.2	6.1	15.8	10.2	12.1
Reexports and bunker sales	141.4	139.6	488.4	220.1	165.5	194.0
Reexports 1/	18.3	16.7	332.7	13.8	19.5	15.7
Durables to carriers 2/	1.1	2.6	1.7	2.2	3.1	1.8
Other reexports 3/	17.2	14.1	331.0	11.6	16.3	13.9
Bunker sales 1/	123.1	123.0	155.7	206.3	146.0	178.3
Petroleum products 2/	119.9	118.4	151.5	200.1	139.9	170.8
Food, beverages, tobacco, and chemicals 2/	3.2	4.5	4.2	6.1	6.2	7.5
Total, customs basis	255.7	253.5	692.8	569.2	639.3	762.8
Memorandum items:						
Exports and reexports, balance of payments	263.0	253.8	387.8	361.0	491.3	582.5
Adjustments 4/	7.3	0.3	-305.0	0.0	0.0	0.0
Net petroleum earnings	0.0	10.1	-16.3	0.0	-10.7	14.6
Bunker sales	119.9	118.4	151.5	200.1	139.9	170.8
Imports for bunkers	119.9	108.3	167.8	200.1	150.6	156.2

Sources: Management and Information Systems Division (MISD); Central Bank of Seychelles; and staff estimates.

1/ Breakdown between reexports and bunkers is as made for the balance of payments, where bunker sales are regarded as service earnings under transportation (port services). Customs data treat all such merchandise as reexports.

2/ Imported into bond and resold to international carriers.

3/ Imported goods cleared through customs but not materially transformed before reexportation.

4/ May reflect minor revisions of customs data not incorporated in balance of payments.

Table 26. Seychelles: Major Exports by Value, Volume, and Unit Value, 1994-99

(Value in thousands of Seychelles rupees; volume in tons;  
and unit value in Seychelles rupees per kilogram)

	1994	1995	1996	1997	1998	1999
Canned tuna						
Value	89,161	87,992	169,900	286,200	413,300	531,900
Volume	7,362	6,291	12,813	20,611	21,626	34,605
Unit value	12.1	14.0	13.3	13.9	19.1	15.4
Fresh and frozen fish						
Value	9,186	10,130	11,201	20,400	13,200	15,000
Volume	438	406	487	962	334	420
Unit value	21.0	25.0	23.0	21.2	39.5	35.7
Copra 1/						
Value	179	741	0	0	0	0
Volume	112	353	0	0	0	0
Unit value	1.6	2.1	0.0	0.0	0.0	0.0
Cinnamon bark						
Value	1,464	2,269	2,240	3,400	2,800	2,200
Volume	270	416	320	522	402	470
Unit value	5.4	5.5	7.0	6.5	7.0	4.7
Other exports (value)	14,303	12,757	21,066	39,200	44,500	19,700
Total domestic exports (value)	114,293	113,889	204,407	349,200	473,800	568,800

Source: Management and Information Systems Division (MISD).

1/ Copra exports dropped to zero during 1996-97.



Table 27. Seychelles: Imports and Import Prices by  
Standard International Trade Classification (SITC) Commodity Group, 1994-99

	1994	1995	1996	1997	1998	1999
Values	(In millions of Seychelles rupees)					
Food, live animals, beverages, and tobacco	210.0	222.1	313.0	402.7	448.6	500.4
Food and live animals	190.7	201.4	290.3	376.2	418.8	477.5
Beverages and tobacco	19.4	20.7	22.8	26.5	29.8	22.9
Minerals, fuels, etc.	162.3	143.6	211.3	251.8	189.5	198.4
Products for home consumption	42.4	35.3	43.5	51.7	38.9	42.3
Petroleum products for bunkers 1/	119.9	108.3	167.8	200.1	150.6	156.2
Machinery and transport equipment	241.4	320.0	827.1	376.1	590.4	553.2
Manufactures	326.6	308.2	383.7	500.9	622.5	583.3
Goods classified by material	205.1	186.8	241.6	329.8	456.0	427.2
Miscellaneous articles	121.5	121.4	142.1	171.1	166.5	156.0
Other groups	102.2	115.4	146.8	179.7	164.6	154.3
Crude materials	18.2	19.7	25.4	34.9	21.3	19.9
Oils and fats	11.5	19.7	28.4	34.4	32.9	30.8
Chemicals	71.4	74.2	84.4	108.0	108.9	102.1
Goods not classified	1.0	1.8	8.5	2.4	1.5	1.4
Total imports, c.i.f.	1,042.5	1,109.3	1,881.8	1,711.1	2,015.5	1,989.6
Total imports, f.o.b.	884.1	940.9	1,597.6	1,488.0	1,752.6	1,730.0
Less imports for cannery	54.2	56.8	109.7	184.9	267.0	343.6
Less imports for resale	118.2	116.7	408.2	183.9	138.3	162.1
Retained imports	711.7	767.4	1,079.7	1,119.2	1,347.4	1,224.3
Prices 2/	(Indices: 1986=100)					
Food, live animals, beverages, and tobacco						
Food and live animals	107.2	101.4	104.4	105.4	92.1	80.6
Beverages and tobacco	109.8	112.9	111.4	108.3	91.8	74.9
Minerals, fuels, etc.	71.4	73.3	75.1	76.2	51.7	60.1
Machinery and transport equipment	77.1	78.2	73.2	74.9	69.1	69.3
Manufactures						
Goods classified by material	91.8	87.3	79.9	81.7	75.4	75.7
Miscellaneous articles	66.3	67.5	66.3	67.8	62.6	62.8
Other groups						
Crude materials	123.6	126.8	126.3	129.2	119.3	119.6
Oils and fats	79.7	86.7	94.3	96.5	89.0	89.3
Chemicals	117.6	126.2	123.1	125.9	116.2	116.6
Overall index	82.7	80.7	81.4	83.3	81.4	81.6

Sources: Management and Information Systems Division (MISD); Central Bank of Seychelles; and staff estimates.

1/ Valued at import prices. Imports for warehousing at reexport less imports for home consumption ex warehouse.

2/ Paasche formula indices (current weights) applied to 109 items representing over 60 percent of total value of imports; less coverage for machinery and transport equipment and manufacturing.

Table 28. Seychelles: Imports by End Use, 1994-96

	1994	1995	1996
(In millions of Seychelles rupees)			
Retained imports, c.i.f.	806.4	847.2	1,045.4
Consumer goods	117.9	161.1	209.9
Intermediate goods	430.7	424.8	514.4
Capital goods	257.8	261.3	321.1
Imports for cannery	54.2	56.8	109.7
Imports for resale, c.i.f.	139.0	139.6	488.4
Petroleum products for bunkers 1/	119.5	118.4	151.4
Other bunkers and reexports 2/	19.5	21.2	337.0
Statistical adjustment	42.8	65.7	238.4
Total imports, c.i.f.	1,042.5	1,109.3	1,881.8
Memorandum items:			
Imports, f.o.b. 3/	884.1	940.9	1,597.5
Total imports, c.i.f.	1,042.5	1,109.3	1,881.8
Less shipment 4/	-156.4	-166.4	-282.3
Less returned imports	-2.0	-2.0	-2.0
GDP at current market prices	2,459.4	2,420.1	2,583.0
(In percent)			
Rates of change			
Retained imports, c.i.f.	-17.3	5.1	23.4
Total imports, c.i.f.	-15.6	6.4	69.6
Ratios to GDP			
Retained imports, c.i.f.	32.8	35.0	40.5
Total imports, c.i.f.	42.4	45.8	72.9

Source: Management and Information Systems Division (MISD).

1/ Imports of petroleum products for subsequent sale to ships and aircraft.

2/ Reported as equal to nonpetroleum reexports and bunker sales.

3/ As adjusted for balance of payments.

4/ Freight and insurance, estimated as 15 percent of noncannery imports, c.i.f.

Table 29. Seychelles: Direction of Trade, 1994-99  
(In percent of total)

	1994	1995	1996	1997	1998	1999 Prov.
Domestic exports, f.o.b.	100.0	100.0	100.0	100.0	100.0	100.0
France	4.3	2.2	21.1	30.3	17.2	14.7
Germany	13.5	20.4	18.9	27.6	26.2	7.1
Hong Kong S.A.R.	0.4	0.3	0.3	0.0	0.0	0.1
Italy	9.4	0.1	15.7	24.3	17.1	23.4
Japan	0.7	5.7	4.6	4.3	4.5	0.1
Mauritius	1.4	1.0	0.4	0.2	0.1	0.1
Pakistan	0.0	0.0	0.0	0.0	0.0	0.0
Reunion, France	7.5	6.7	3.4	1.5	0.6	0.6
Singapore	1.3	2.5	1.9	2.3	0.2	0.0
South Africa	0.5	0.9	1.4	3.5	1.4	0.1
United Kingdom	52.9	49.9	26.5	3.8	29.5	47.2
Other	8.0	10.3	5.8	2.2	3.2	6.6
Total imports, c.i.f.	100.0	100.0	100.0	100.0	100.0	100.0
Australia	1.6	1.3	1.3	2.2	4.1	1.7
Bahrain	0.0	0.0	0.0	11.4	0.0	0.0
Belgium	1.1	1.0	0.7	1.0	0.6	0.6
China, People's Republic of	1.0	0.8	0.4	0.9	0.8	0.9
France	5.7	7.3	7.0	11.6	9.1	10.0
Germany	1.4	1.6	2.1	1.7	1.8	1.8
Hong Kong S.A.R.	0.7	0.6	0.4	0.4	0.3	0.7
India	1.5	2.1	2.4	2.6	2.6	2.1
Italy	3.1	3.6	3.6	4.8	8.3	13.3
Japan	3.3	5.8	2.2	3.3	3.5	1.2
Kenya	2.2	1.9	1.0	1.7	0.9	0.6
Malaysia	1.2	1.2	0.9	1.1	1.9	1.3
Mauritius	1.7	1.5	1.1	1.8	1.9	2.3
Netherlands	2.3	2.4	1.3	2.6	1.3	0.9
Oman	0.0	0.0	0.0	0.0	0.0	0.0
Singapore	14.6	15.1	9.2	11.5	9.9	7.7
South Africa	13.2	12.9	10.4	14.7	12.9	10.6
Thailand	1.8	2.1	1.8	2.4	1.5	1.4
United Arab Emirates	0.5	0.6	0.6	1.2	1.0	0.9
United Kingdom	17.6	14.7	11.3	12.1	11.4	7.9
United States	3.8	3.9	26.6	2.1	3.3	1.8
Yemen	14.1	11.9	10.6	1.3	7.8	0.0
Other	7.4	7.7	5.2	7.6	15.1	32.3

Source : Management and Information Systems Division (MISD).

Table 30. Seychelles: Terms of Trade and Related Indices, 1994-99  
(Indices in terms of Seychelles ruppes: 1986 = 100 unless otherwise indicated)

	1994	1995	1996	1997	1998 Est.	1999 Est.
Domestic exports						
Value	824.2	821.8	1,474.9	2,423.2	3,259.4	4,218.3
Volume	999.0	804.1	1,480.8	2,437.4	2,531.9	3,962.2
Price index 1/	82.5	102.2	99.6	100.7	135.0	106.5
Tourism						
Value 2/	179.2	179.1	206.8	238.0	239.2	240.4
Volume 3/	142.2	146.9	162.6	171.5	173.2	174.9
Unit value	126.0	121.9	127.2	138.8	138.1	137.4
Combined unit value 4/	124.3	121.2	126.2	137.3	138.0	136.2
Imports						
Value	159.9	170.1	288.7	268.9	316.8	312.7
Volume	193.4	210.8	354.7	312.3	412.1	405.6
Price index 1/	82.7	80.7	81.4	83.3	76.9	77.1
Terms of trade	150.4	150.1	155.0	164.9	179.5	176.7
Percent change	-7.5	-0.2	3.2	6.4	8.8	-1.6

Sources: Management and Information Systems Division (MISD); and staff estimates.

1/ Paasche formula indices (current weights) covering virtually all domestic exports and over 60 percent of total imports.

2/ Based on tourism earnings in balance of payments.

3/ Based on nights spent rather than arrivals.

4/ Staff estimate weighted by values of exports (3.8 percent) and tourism earnings (96.2 percent) in 1986.

Table 31. Seychelles: External Public Debt and Debt Service, 1994-99

	1994	1995	1996	1997	1998	1999
(In millions of Seychelles rupees)						
Government external debt						
(year's end) 1/	938.9	918.6	767.6	789.7	847.6	1,038.2
Bilateral loans	277.4	300.9	324.5	358.7	415.8	458.4
Multilateral loans	424.2	414.6	269.6	280.0	265.5	246.2
Commercial loans	237.3	203.1	173.5	151.0	166.3	333.5
Suppliers' credits	99.7	78.0	70.0	60.4	...	...
Financial institutions	137.6	125.1	103.5	90.6	166.3	333.5
Debt service	70.9	77.4	81.0	95.5	118.2	143.2
Repayments	40.1	42.5	45.0	55.5	69.2	78.4
Interest and charges	30.8	34.9	36.0	40.0	49.0	64.8
Memorandum items:						
Exchange rate (Seychelles rupees per						
U.S. dollar; end of period)	5.0	4.9	5.0	5.1	5.5	5.4
GDP at current market price	2,440.4	2,419.8	2,725.7	2,953.4	3,177.0	3,275.0
Exports of goods and services	1,250.5	1,329.4	1,575.5	1,887.0	2,202.2	2,462.4
Reexports and bunkers	123.5	129.4	160.0	212.7	180.4	184.7
Exports of goods and services						
less reexports and bunker sales	1,127.0	1,200.0	1,415.5	1,674.3	2,021.8	2,277.7
(In percent)						
Share in total debt	100.0	100.0	100.0	100.0	100.0	100.0
Bilateral loans	29.5	32.8	42.3	45.4	49.1	44.2
Multilateral loans	45.2	45.1	35.1	35.5	31.3	23.7
Commercial loans	25.3	22.1	22.6	19.1	19.6	32.1
Total debt-to-GDP ratio	38.5	38.0	28.2	26.7	26.7	31.7
Debt service as a percent of						
Exports of goods and services	5.7	5.8	5.1	5.1	5.4	5.8
Same less reexports and bunker sales	6.3	6.5	5.7	5.7	5.8	6.3

Sources: Ministry of Finance; Central Bank of Seychelles; and World Bank estimates.

1/ Government-serviced debt of over one year's maturity only.  
 figures for 1994 are tentative World Bank estimates.

2/ Central Bank and parastatals (estimated); largely short term.

Table 32. Seychelles: Effective Exchange Rate Indices, 1994: Q1-99:Q4  
(Indices, 1990 = 100, unless otherwise indicated; period averages)

	Nominal Effective Rate		Real Effective Rate		Seychelles Rupees per U.S. Dollar
	Weighted by		Weighted by		
	Trade partners 1/	Tourism and trade 2/	Trade partners 1/	Tourism and trade 2/	
Annual					
1994	110.2	143.0	103.6	101.5	5.0559
1995	111.1	143.6	101.2	98.6	4.7620
1996	110.0	147.5	96.6	95.6	4.9700
1997	116.7	153.2	100.6	94.6	5.0263
Quarterly					
1994 I	110.4	149.5	104.2	106.7	5.2158
1994 II	110.4	145.4	104.8	103.6	5.1138
1994 III	110.1	142.9	102.9	100.9	4.9624
1994 IV	109.9	134.2	102.5	94.6	4.9314
1995 I	110.7	136.2	101.9	94.7	4.8511
1995 II	112.5	144.6	102.7	100.2	4.6207
1995 III	111.6	148.2	101.5	101.7	4.7311
1995 IV	109.7	145.5	98.6	97.8	4.8450
1996 I	109.4	146.5	96.8	96.9	4.9374
1996 II	110.5	148.7	96.7	97.0	4.9808
1996 III	110.1	148.1	96.7	95.5	4.9736
1996 IV	110.2	146.5	96.1	92.9	4.9881
1997 I	114.7	148.8	99.2	93.0	4.9933
1997 II	116.1	149.2	100.0	91.9	4.9960
1997 III	117.9	156.7	101.4	96.6	5.0637
1997 IV	118.1	157.9	101.6	96.7	5.0523
1998 I	118.6	155.8	102.1	94.4	5.1659
1998 II	118.7	157.3	102.8	95.7	5.1609
1998 III	117.1	156.1	101.3	94.9	5.2829
1998 IV	108.3	147.0	95.0	90.7	5.4391
1999 I	112.1	153.3	100.2	96.0	5.3823
1999 II	116.6	162.1	105.2	102.0	5.3400
1999 III	116.4	165.0	105.0	103.3	5.3345
1999 IV	116.3	165.0	108.8	106.7	5.3135
December					
1994	110.2	135.5	102.8	95.6	4.9814
1995	109.7	145.6	98.2	97.1	4.8709
1996	110.5	146.0	96.3	92.4	4.9942
1997	118.5	157.7	101.8	96.3	5.1008
1998	107.3	146.7	93.8	90.2	5.4944
1999	117.6	165.7	111.7	108.7	5.3646

Sources: Staff estimates based on *International Financial Statistics* and *Directions of Trade Statistics* data, and tourism data from Seychelles.

1/ Weighted by shares of major trading partners in Seychelles's trade; index used for IMF Information Notice System.

2/ Weighted by shares of nearby competitor countries in tourism market (applied to Seychelles's tourism earnings), as well as by trading partners' weight in exports and imports.