

Mid-Year Economic and Fiscal Outlook

Financial Year 2024 and 2025 Outlook

Ministry of Finance, National Planning and Trade

August 2024

The Mid-Year Economic & Fiscal Outlook (MYEFO) looks at the state of the economy for the current year (2024) based on developments and data from the first half of the year. MYEFO comments on economic and fiscal performance for the first half of the year; updates forecasted economic conditions for the second half of the year; and provides an initial forecast of anticipated 2025 economic activity and tax revenues. Combined, this allows for the determination of a recommended Government expenditure “envelope” for 2024. MYEFO is compiled by the Ministry of Finance, with inputs from the Macro-Economic Framework Working Group (MFWG).

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Acronyms and Abbreviations

AfDB	African Development Bank
ASP	Agency for Social Protection
CBS	Central Bank of Seychelles
CIF	Cost, Insurance & Freight
CPI	Consumer Price Index
CSRT	Corporate Social Responsibility Tax
DAA	Deposit Auction Arrangement
DBS	Development Bank of Seychelles
EFF	Extended Fund Facility
ESL	Environmental Sustainability Levy
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
HCA	Health Care Agency
HTT	Hotel Turnover Tax
IMF	International Monetary Fund
IPT	Immoveable Property tax
LMG	Locally Manufactured Goods
MDA	Ministries, Departments & Agencies
MFAD	Macroeconomic Forecasting & Analysis Division
MoFNPT	Ministry of Finance National Planning & Trade
MPR	Monetary Policy Rate
MRR	Minimum Reserve Requirement
NBS	National Bureau of Statistics
NDS	National Development Strategy
OPEC	Organisation of the Petroleum Exporting Countries
OT	Other Tax
PSIP	Public Sector Investment Program
PUC	Public Utilities Corporation
RST	Resilience & Sustainability Trust
SBC	Seychelles Broadcasting Corporation
SCF	Standing Credit Facility
SDF	Standing Deposit Facility
SFRSA	Seychelles Fire & Rescue Services Agency
SLTA	Seychelles Land Transport Agency
SPTC	Seychelles Public Transport Corporation
SRC	Seychelles Revenue Commission
T-bill	Treasury Bill
T-bond	Treasury Bond
TMS	Tax Management System
TMT	Tourism Marketing Tax
VAT	Value Added Tax
WEO	World Economic Outlook
WTO	World Trade Organisation

About the Document

Introduction

The purpose of the Mid-Year Economic and Fiscal Outlook (MYEFO) report is to provide an assessment of the Government's fiscal performance against the fiscal strategy set out in the current Budget Papers.

The MYEFO updates key information contained in the most recent Budget Economic and Fiscal outlook report, taking into account, to the fullest extent possible, all Government decisions and all other circumstances that may have a material effect on the fiscal and economic outlook.

This document provides a snapshot of the economy as after the first half of 2024 giving a brief outlook for the rest of 2024 and 2025. Secondly, the source and amount of taxes that will be collected by Government in the remainder of 2024 and in 2025 is outlined. The taxes are the main component determining the overall level of Government's spending that will be possible in 2024.

Furthermore, the document assesses the ability of the ministries, departments and agencies to execute their allocated budgets based on their performance in the first half of 2024.

Finally, it provides an overview of the government's debt levels as managed by the Ministry responsible for Finance (on behalf of Government).

Economic Outlook

Overview

International Developments

As of July 2024, the 2024 global growth estimates range from 2.6 per cent to 3.2 per cent, according to the publications of major international financial institutions and economic organisations, such as the IMF (Table 1). Overall, these forecasts depict a slight slowdown compared to the initial estimated growth of 3.0 per cent on average.

The end of 2023 saw varied economic activity, with cyclical factors diminishing and economies moving closer to their potential output. However, persistent services price inflation is hindering progress on disinflation and complicating monetary policy, leading to increased risks of prolonged high interest rates amid rising trade tensions and policy uncertainty.

Global activity and trade strengthened at the beginning of the year, driven by robust Asian exports, especially in technology. Many countries saw stronger than expected first-quarter growth, although the U.S. and Japan experienced notable downturns. The U.S. faced a sharper slowdown due to reduced consumption and negative net trade contributions. Japan's growth dip was linked to temporary supply disruptions from a major automobile plant closure. Conversely, Europe saw signs of recovery, mainly in services, and China benefited from a resurgence in domestic consumption and a temporary export boost, leading to a narrowing of output differences across economies.

Table 1: World Output forecasts from various financial organizations and bodies

	World GDP Growth (%)	
	2024	2025
IMF	3.2	3.3
OECD	3.1	3.2
WB	2.6	2.7
Fitch Ratings	2.6	2.4
Average:	2.9	2.9
Seychelles:	3.1	4.1

Source: IMF, OECD, WB, Fitch Ratings, MoFNPT ¹

¹ Fitch Ratings Global Economic Outlook June 2024; IMF World Economic Outlook Update July 2024; Macroeconomic Forecasting and Analysis Division; OECD Economic Outlook, Volume 2024 Issue 1; World Bank Global Economic Prospects July 2024;

Domestic Developments

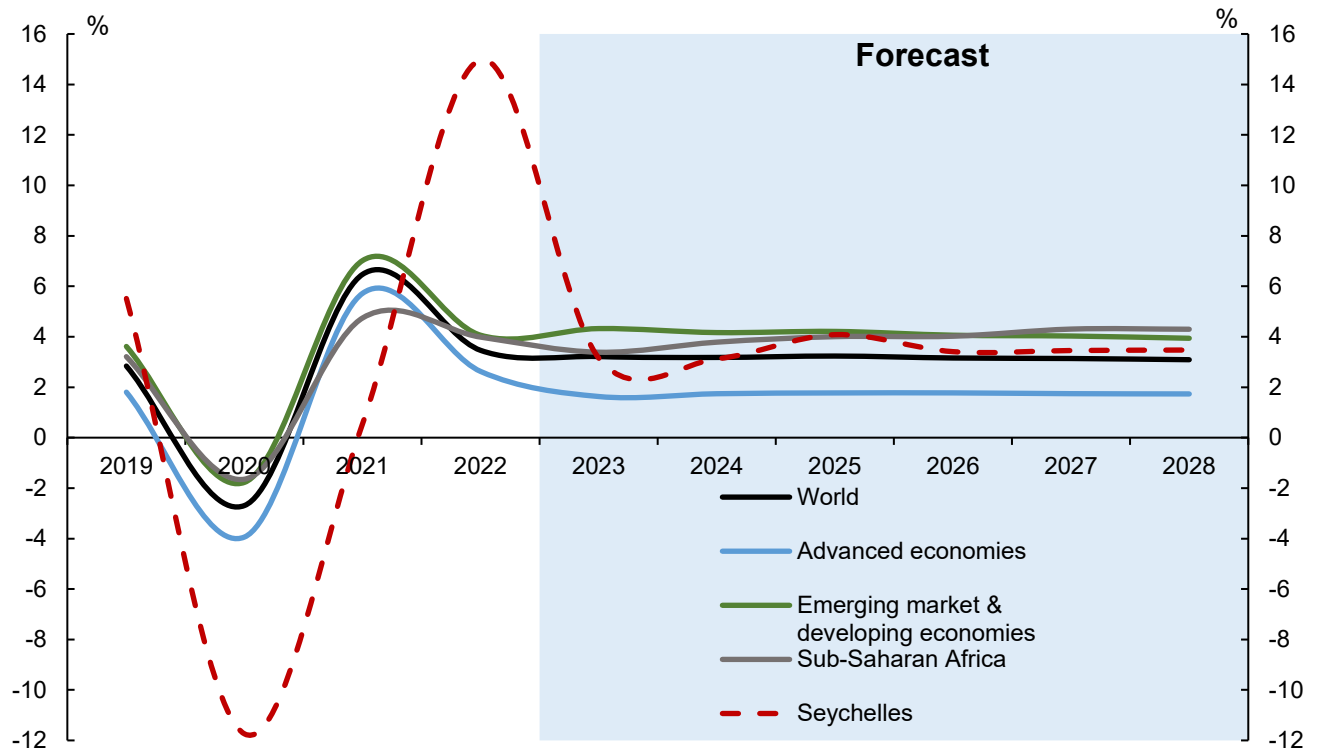
2024 and medium-term forecast

Seychelles’ real GDP growth for 2024 has been revised downwards to 3.1 per cent, from the Budget forecast of 4.0 per cent, representing a 0.9 percentage point decrease. This is mainly due to a lower 2024 tourism arrivals forecast of 2 per cent, compared to more optimistic assumptions made initially for Budget 2024. The downward revision to the visitor arrivals growth forecast is on account of the slower tourism arrivals over the second quarter resulting from a seasonal decrease in flight connectivity coupled with lower demand from main European markets.

Another factor that also reduced the forecast was the tragic events of the 7th December Disasters, particularly the explosion at the Providence Industrial Estate. The disaster halted the operations of key manufacturing companies, almost halving the output of the concrete and rock production industry.

These slowdowns are countered by the resilient Information and Communication Technology sector which has shown strong momentum over the first quarter through the persistent growth of data traffic. In addition, positive year-to-date performance and encouraging production targets from the main canned tuna manufacturing company suggests a firm rebound of the manufacturing of fishery products.

Figure 1: Real GDP Growth estimates (2019-2024)



Source: IMF World Economic Outlook Update July 2024

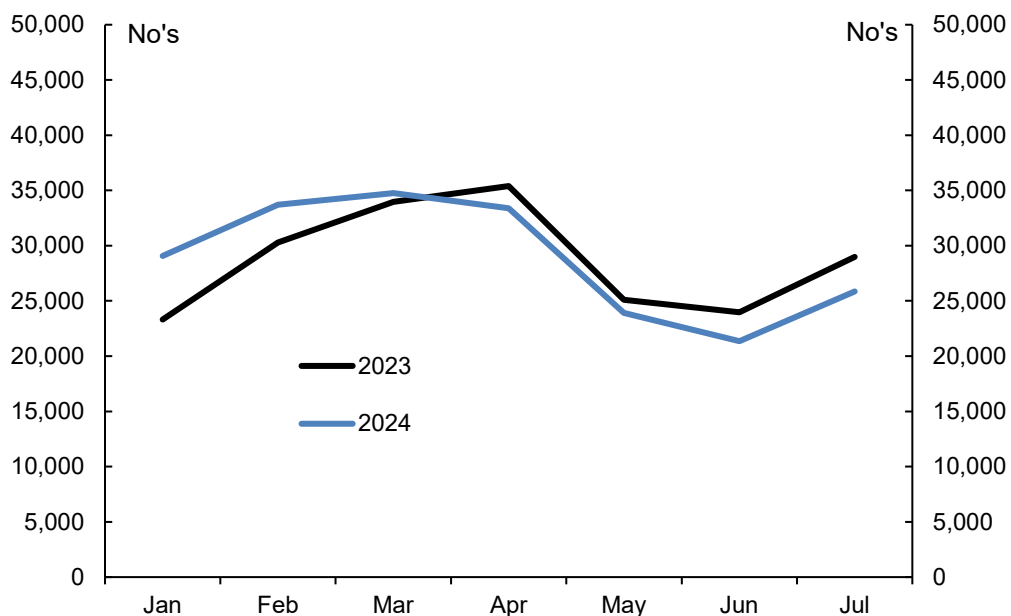
Overall, Seychelles' 2024 economic growth is projected to remain above the world average of 2.9 per cent. Furthermore, the medium-term economic outlook remains sturdy, as real GDP growth over the period 2025 to 2028 is projected to average roughly about 3.6 per cent. This is mainly driven by the continued steady growth expected in tourism arrivals and its positive economic impact on associated sectors.

Tourism

Globally, tourist arrivals reached about 97 per cent of pre-pandemic levels in the first quarter of 2024 with over 285 million tourists travelling internationally. This represents a growth of 20 per cent when compared to the first quarter of 2023.

For the year 2023, total visitor arrivals in Seychelles stood at 350,879, representing a growth of 6 per cent over 2022. By the end of the first quarter of 2024 visitor arrivals in Seychelles stood at 97,517, indicating a growth of 1 per cent in comparison to the same period in 2023. During the second quarter however, total arrivals fell by 19 per cent with 78,651 visitors recorded. Year-to-date, a total of 213,899 visitors has been recorded, representing a relatively flat growth vis-a-vis the same period last year (see Figure 2). The main market is Europe with a total share of 73 per cent with the top three markets where 17 per cent of visitors are coming from Germany, 12 per cent from France and 11 per cent from Russia.

Figure 2: Tourism arrivals comparison Jan-July (2023-2024)



Source: National Bureau of Statistics

Performance from key European markets is lower than the same period last year, namely France, Russia and UK with the exception of Germany which recorded a strong positive growth. The flat year-to-date growth in arrivals may be attributed to several factors. There has been a reduction in flight connectivity during the low season, where Turkish airlines, Condor, Edelweiss and Aeroflot suspended flights to Seychelles over the European summer period, resulting in no direct flights to Europe, which is

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the main market. Additionally, geopolitical issues, such as the Russian-Ukraine war and the conflict between Israel and Hamas may be affecting tourists' willingness to travel especially from these specific countries as well as neighbouring ones. Finally, other factors potentially affecting people's appetite to travel could be the election held earlier this year in some of the main markets, as well as the different sporting events held in Europe. Considering all of the aforementioned, the total visitor arrivals for 2024 is forecasted at 357,897 which represents a growth of 2 per cent over 2023 or a 3 per cent decline in comparison to the initial Budget estimate of 368,423.

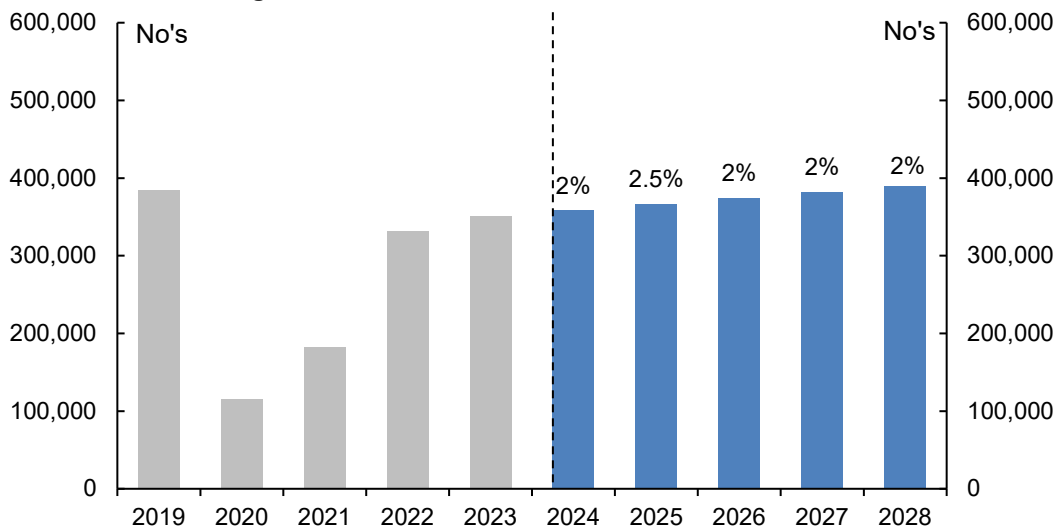
Table 2: Top 5 markets comparison Jan-July (2023-2024)

Top markets	Arrivals (No's)		% Growth
	2023	2024	
Germany	26,540	34,546	30
France	25,406	24,308	-4
Russia	23,329	21,361	-8
UK	11,917	11,555	-3
United Arab Emirates	10,023	11,138	11
Total	97,215	102,908	25

Source: National Bureau of Statistics

Looking ahead, the visitor arrivals count is expected to grow by 2.5 per cent in 2025 and over the medium term a steady growth of 2 per cent is anticipated. With that, it is estimated that arrivals will potentially reach pre-COVID level in 2028 (see Figure 3).

Figure 3: Medium term tourist arrivals estimates



Source: Macroeconomic Forecasting & Analysis Division estimates
Note - Percentages indicate growth rates

Manufacturing

Mixed paths are forecasted for the manufacturing industries in 2024 with an average real GDP growth estimate of 0.6 per cent.

Despite slowed output towards the end of 2023 due to various logistical challenges, canned tuna manufacturing is expected to rebound in 2024, reflecting a growth of 3.5 per cent in the '**manufacturing of fishery products**' sector. This robust recovery is on account of strong sales output from the primary manufacturer over the first quarter, coupled with a promising production projection for the year. As this momentum is expected to be maintained through to next year, the 'manufacturing of fishery products' sector growth is forecasted at 3 per cent for 2025.

On 7th December 2024, a major explosion occurred at a quarry site, heavily damaging the Providence industrial area and surrounding areas. The epicentre of this explosion was the headquarters of one of the main manufacturers of concrete and rock products, which has since halted all operations, resulting in a substantial fall in the production of concrete and rock products. Consequently, the '**manufacturing of others**' sector is projected to contract by 5 per cent, despite heavy investment and increased output from other industry players. For 2025, the sector's growth is projected at 3 per cent as further investment is anticipated with the aim to increase production capacity.

Despite a slow first quarter, the '**manufacturing of beverages and tobacco**' sector is forecasted to grow by 2 per cent in 2024. The first quarter's production statistics indicate a flat output growth during the beginning of the year, however major producers expect a pick-up in production of beverages over second half of the year. For 2025, the sector is projected to grow by 4 per cent, as a result of an expected bump in demand for beverages brought on by the range of major events planned throughout the year, including the 2025 FIFA Beach Soccer World Cup, as well as political rallies leading up to the 2025 elections.

Construction

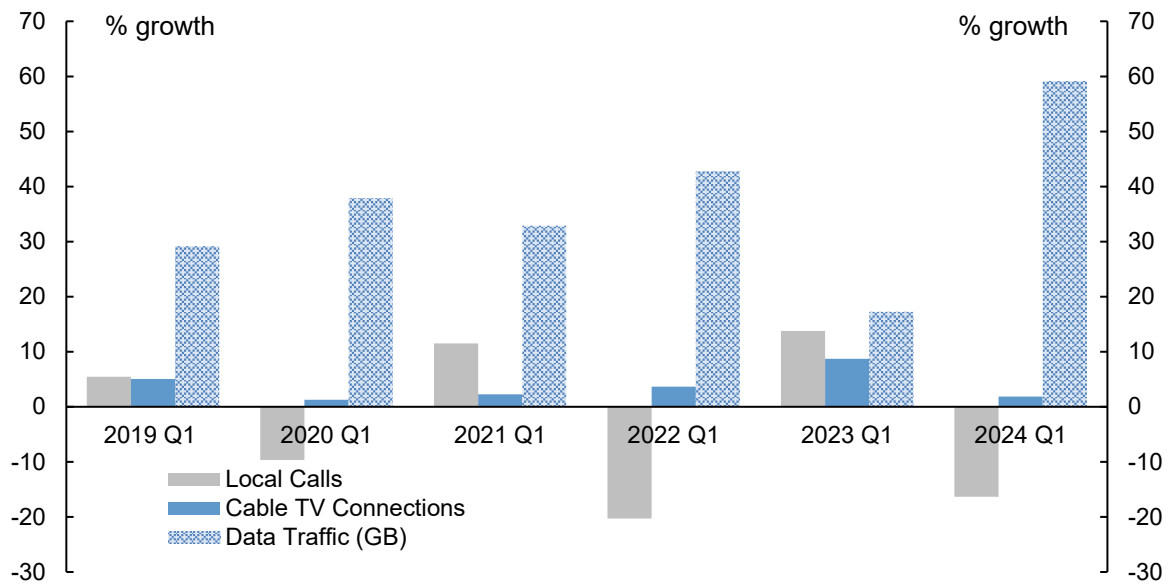
Following strong growth in 2023, the **construction** sector remains sturdy, maintaining the momentum from the range of projects in progress. While the construction of several tourism establishments has concluded, this sector is projected to grow by 7 per cent as the industry remains active and various major construction projects continue to progress. The industry is expected to continue this trajectory and grow by 5 per cent in 2025.

Information and Communication Technology

The ICT sector have recorded double-digit growth over the recent years. Production statistics for the first quarter of 2024 indicates strong performance overall, with data traffic, the main proxy for this sector, growing by 59 per cent compared to the same quarter last year. The sector faces strong demand to adapt to new technology and ICT solutions in the aftermath of the pandemic. Furthermore, growth is supported by the recovery in tourism. Overall, it is expected that this sector will record a growth of 10

per cent for 2024. The growth is expected to be maintained in 2025 and for the outer years it will remain steady at an average growth of 8 per cent.

Figure 4: ICT sector performance (Q1 comparison)



Source: National Bureau of Statistics

Agriculture and Fisheries

The **agriculture** sector’s direct contribution to GDP stands at 1.2 per cent as at the end of 2022, a figure that has been on the rise since the pandemic. Government policy, as outlined in the National Development Strategy (NDS), continues to prioritise this sector in line with strategies to diversify the economy, as well as for food security reasons. As a result, the growth outlook for 2024 and the medium term remains positive at 3 per cent.

The **fisheries** sector continues to be a corner-stone of the economy, contributing directly to 5 per cent of 2022 GDP, however, overall, the larger Blue Economy sector accounts for a more sizeable portion. Increased efforts to improve fisheries related infrastructure, enhance value chains, and better plan for sustainability are expected to support the sector, with 2024 growth estimated at 5 per cent, and medium-term growth moderating to 3 per cent.

Finance and Insurance Activities

Finance and insurance activities are estimated to grow by 4 per cent in 2024, a 2-percentage point increase over the initial Budget forecast. The sector has seen strong growth since 2023 and this can be observed in solid VAT receipts from the sector since last year. Moreover, as at June 2024, credit to the private sector has seen over 9 per cent growth vis-à-vis June 2023.

The ‘Finance and insurance activities’ sector is expected to remain buoyant over the medium-term with a growth projection of 2 per cent yearly on average.

Monetary Sector

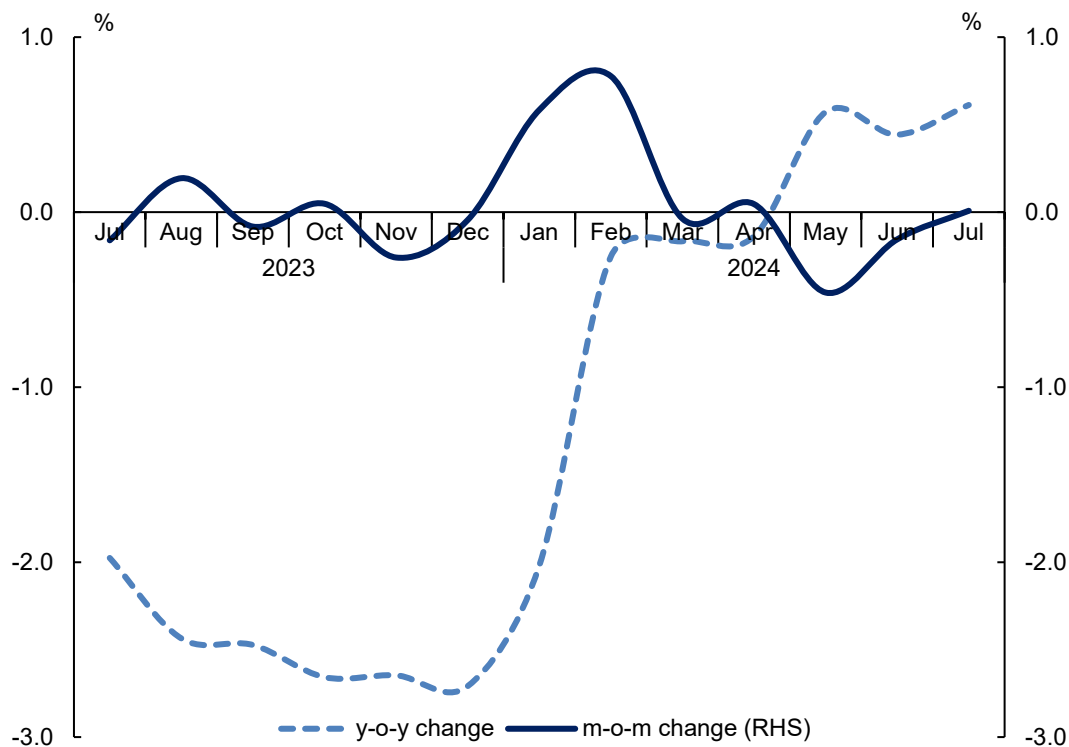
Inflation

The Consumer Price Index (CPI), as published by the National Bureau of Statistics (NBS), showed a general increase in the average prices of goods and services during the first half of the year. In July 2024, the year-on-year inflation rate was 0.6 per cent as compared to *negative* 2.0 per cent in July 2023. This outcome was attributed to higher international prices of food and fuel as well as a weaker domestic currency observed since the beginning of the year. As such, some of the notable increases were in the sub-categories of 'Housing, water, electricity & gas', 'Furniture & household equipment', 'Vegetables', 'Sugar, jam, honey & confectionery' and 'Milk, cheese & eggs'.

As for the outlook for the rest of 2024, global inflation is anticipated to subside on account of the tight global financial conditions that prevailed over the past few years. Recently, many central banks have started easing monetary policy in view of abating levels of inflation in their respective countries. Nevertheless, the inflation outlook is subject to risks such as the expected uptick in international food and fuel prices in the second half of 2024. Notably, crop failures due to adverse weather events may increase food prices and worsen food insecurity. Global fuel prices are anticipated to be higher in 2024 compared to 2023, on account of oil production cuts by the Organisation of the Petroleum Exporting Countries and partner countries (OPEC+) as well as voluntary reductions by Saudi Arabia and Russia. Furthermore, elevated freight costs and longer shipping routes associated with the geopolitical tensions particularly in the Red Sea and Persian Gulf, are expected to contribute to higher imported prices and underpin international trade fragmentation.

As for the exchange rate movements, the Seychelles rupee weakened against the major traded currencies from January to July 2024. For the rest of the year, supply of foreign exchange is expected to be sustained by the performance of the tourism industry, as well as the contribution of other sectors of the economy. The demand for foreign exchange is expected to be higher on account of the anticipated uptick in domestic credit, preparations leading up to the festive season, increase in international commodity prices and elevated global freight costs. Consequently, if demand for foreign exchange exceeds that of supply, the domestic currency is anticipated to weaken further. However, the exchange rate outlook remains contingent on both domestic and international developments.

Relative to 2023, monetary policy conditions have been more accommodative following the reduction in the Monetary Policy Rate (MPR) from 2.0 per cent to 1.75 per cent as of the second quarter of 2024. As such, the looser monetary conditions provided the necessary impetus for domestic economic activity. Nevertheless, the Central Bank remains vigilant to domestic and international developments and will adjust its policy stance should the need arise.

Figure 5: Year-on-Year and Month-on-Month change in the Consumer Price Index

Source: National Bureau of Statistics

Interest Rates

At its meeting held in December 2023, the Board decided to maintain the MPR at 2.0 per cent for the first quarter of 2024. This took into consideration the high level of uncertainty in the external environment and the impacts of the disasters that occurred in December 2023 which affected businesses and households. Mindful of these economic realities, the Board decided that it was imperative for the Bank to continue supporting the local economy. As a result, the MPR remained at 2.0 per cent whilst the interest rates on the Standing Deposit Facility (SDF) and Standing Credit Facility (SCF) were kept at 0.50 per cent and 3.50 per cent, respectively. The Minimum Reserve Requirement (MRR) remained unchanged at 13 per cent of applicable deposit liabilities. However, as approved by the Board, the MRR could be reduced to 12 per cent on rupee-denominated deposits to ensure sufficient liquidity in the system, should it be required. This measure was aimed at complementing the other measures being implemented at the national level to support those affected by the disasters in December 2023.

More recently, at its meeting in June 2024, the Board decided to continue providing the necessary impetus to the domestic economy for Q3 2024. The low inflationary environment provided the policy space to stimulate further economic activity and as such the Board decided to reduce the MPR from 2.0 per cent to 1.75 per cent for Q2 2024. In line with such, the SDF and SCF were lowered to 0.25 per cent and 3.25 per cent, respectively. As for the MRR, it was maintained at 13 per cent of applicable deposit liabilities.

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Despite the accommodative stance, market interest rates on facilities denominated in local currency have increased slightly. As at July 2024, the average effective lending rate was higher by 28 basis points in year-on-year terms, standing at 9.82 per cent. The average interest rate charged on foreign currency loans rose from 7.84 per cent in July 2023 to 8.05 per cent in July 2024, which reflected a shift in the pool of foreign currency-denominated loans with variable contracts to higher interest rate tiers. This shift was associated with prevailing tight external financial conditions as global interest rates remained elevated. In July 2023, the average interest rate on rupee-denominated loans reached a historic low of 9.98 per cent. Since then, the average lending rate for local currency-denominated credit facilities has increased, primarily due to higher interest rates on loans disbursed to sectors such as 'Trade' and 'Transport'. Consequently, as compared to July 2023, the average interest rate charged on local currency loans rose by 20 basis points to 10.18 per cent in July 2024.

In regards to the yield on Treasury bills (T-bills), in July 2024, it stood at 2.26 per cent on the 91-day bills, 2.46 per cent on the 182-day bills and 2.58 per cent on the 365-day bills. In relation to the outcome for end-2023, this was a decrease of 1.34 percentage points on the 91-day bills, and 1.37 percentage points in the yield of both the 182-day and 365-day bills. As for the return on the 7-day Deposit Auction Arrangement (DAA), it has been gradually declining since the beginning of the year, from 2.50 per cent in January 2024 to 1.75 per cent in July 2024. The downward trend in the yield of the 7-day DAA, was underpinned by the resumption of optimal liquidity absorption operations, which effectively aligned the MPR to the 7-day DAA rate. Therefore, these developments were reflective of the Bank's decision to lower the MPR from 2.0 per cent to 1.75 per cent for the second quarter of 2024, which led to a declining trend in short-term interest rates.

Consistent with Government's debt strategy of issuing longer-term maturities, Treasury bonds (T-bond) with a tenor of 5 years were allotted twice in the first half of 2024, in March and June, at average yields to maturity of 4.72 per cent and 4.51 per cent, respectively. Additionally, a 3-year T-bond was issued in June 2024 with an average yield to maturity of 3.36 per cent.

In the near term, consistent with the accommodative monetary policy stance, no significant upward reaction is anticipated in the banking sector interest rates on facilities denominated in local currency. However, as mentioned previously, developments in financial markets externally may continue to impact the existing stock of foreign currency-denominated loans with variable interest rates.

External Sector

The global economy showed positive signs of recovery in the first half of 2024 with a gradual improvement in economic activity in many countries. According to the International Monetary Fund (IMF) World Economic Outlook (WEO) Update, published in July 2024, the world economy is anticipated to grow by 3.2 per cent in 2024 from 3.3 per cent in the previous year. Global headline inflation continued to subside and is expected to fall to 5.9 per cent this year from 6.7 per cent in 2023. Given such, a gradual easing of monetary conditions is anticipated in the second half of 2024 although the timing and magnitude of such may differ across economies, given varied levels of inflation.

In regards to international commodity prices, they are expected to increase in the second half of the year. An uptick in food prices is anticipated in the latter half of 2024, owing to adverse weather events and supply constraints. As for the increase in global fuel prices, this is primarily on account of the oil production cuts implemented by the OPEC+ countries as well as shipping concerns in the Red Sea and Persian Gulf.

In terms of the services industry, a reduction in air connectivity as well as higher competition from other regional tourism destinations impacted the performance of the domestic tourism industry in the first half of 2024. Whilst visitor arrivals grew by 2.4 per cent in the first six months of the year as compared to the same period in 2023, earnings generated by the sector dropped by 15 per cent over the same period. Despite the expected resumption of some airlines in the second half of 2024, activity in the tourism sector is anticipated to be lower than initial forecasts made at the beginning of the year.

Imports

The overall value of imported goods is forecasted to be higher than in 2023. Whilst the projected growth in the volume of imports is in line with economic activity, another contributing factor to the increase in value is the rise in international food and oil prices in 2024, associated with the effects of geopolitical tensions and rising freight costs.

Exports

The total value of exported goods is estimated to be higher than in the previous year. This is mainly as a result of a forecasted growth in its main component, canned tuna. This is in addition to an increase in the value of oil re-exports this year, consistent with the higher price of oil internationally.

Services

The country's services account is anticipated to remain in surplus, although its value is expected to be lower than in the preceding year.

The export of services, largely related to tourism activity, is projected to decline in comparison to 2023. The expectation at the start of the year was that the positive performance of the tourism sector in 2023 would carry through to 2024, supported by the opening of some large hotels. However, a seasonal reduction in air connectivity as of end-March through to September 2024 by several key airlines, coupled with highly anticipated international sporting events occurring in Europe over the summer, have impacted on domestic tourism activity. As a result, overall earnings from the sector are forecasted to be lower than initially anticipated. As for imports of services, it is projected to be slightly above that of 2023, owing to higher transportation costs and other trade-related services.

Capital and Financial Accounts

The capital and financial accounts provide an insight into how a country's current account transactions are financed.

Capital transfers continue to primarily consist of bilateral and multilateral donations of capital equipment from partner countries. This value is anticipated to be slightly above that for 2023.

As has traditionally been the case, Foreign Direct Investment (FDI) and transactions under "other investments" remain the main financing sources of the current account. An increase in FDI inflows has been projected in 2024, on account of several ongoing FDI tourism-related projects. Some of these projects resumed in 2022 after the COVID-19 pandemic whilst others began in 2023.

External Reserves

The country's gross international reserves are expected to end the year at USD 782m, equivalent to 3.8 months of imports. This is an expansion from the recorded level of USD 682m or 3.4 months of imports cover in 2023. This projected increase is primarily due to Budget and program support received from multilateral partners during the year coupled with opportunistic purchases of foreign exchange from the market to accumulate reserves.

Fiscal Outlook

Despite a lower GDP growth forecast as aforementioned, the Government remains committed to maintaining the primary fiscal balance of 1.1 per cent per the initial Budget. The expected primary surplus is now forecasted at SR 328.3m in level terms, a slight reduction of SR 3.4m from the initial Budget (Table 3 below). Debt to GDP ratio as of June 2024 is 59.0 and is expected to decline to pre-pandemic lows, on track to reaching the target of 50 per cent of GDP by 2030 (Figure 6).

The administration maintains its focus towards healthier fiscal policies and structural reforms with the continuous support of the International Monetary Fund via two new programmes: the 'Extended Fund Facility' (EFF) and 'Resilience and Sustainability Trust' (RST), which were approved in May 2023.

For the mid-year 2024 Budget revision, total Government revenue including grants is estimated at SR 10.9bn, a SR 16.4m upward revision from the initial Budget. While tax revenue forecast was revised downwards to reflect slower GDP growth, as well as lower 2023 tax collection (resulting in a lower base for 2024), Non-tax revenue was revised upwards.

In terms of Non-tax revenue, the projection for Grants was reduced by SR 17.5m, while Non-tax revenue (excluding grants) was revised upwards by about SR 325.7m or 25 per cent, mainly due to 'Proceeds from the sale of assets'.

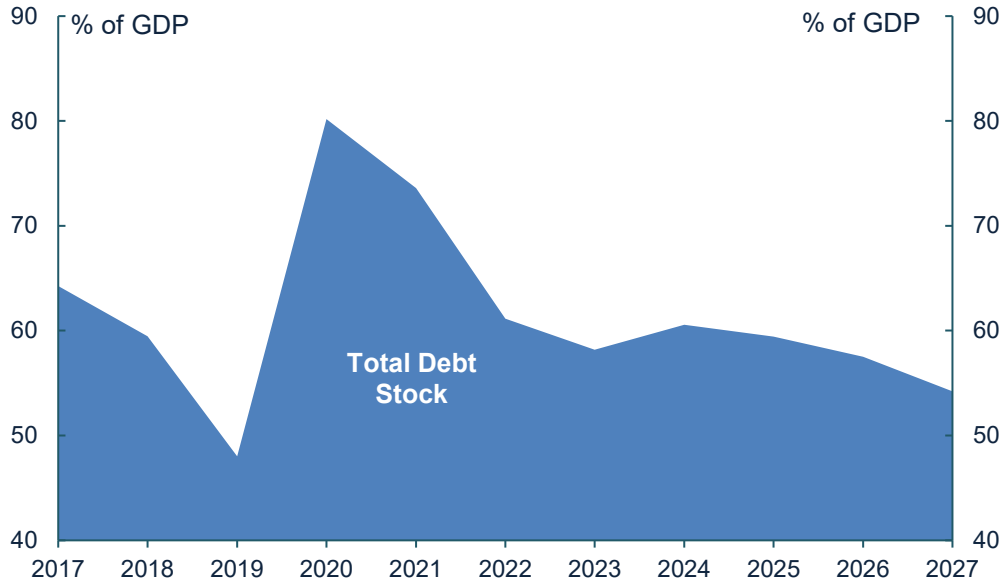
On the expenditure side, primary expenditure now stands at 8.9bn, an upward revision of SR 59.1m in comparison to the initial Budget estimate. While 'Wages and Salaries' was revised downwards by SR 133m, 'Goods and Services' was increased by SR 161m to account for revised expenditure plans for the second half of the year.

Table 3: Revised Government Revenue and Expenditure (SR'000s)

DESCRIPTION	2023	2024 Budget	2024 MYEFO	2025
Revenue and Grants	9,743,003	10,856,611	10,872,964	11,800,471
Primary Expenditure	8,069,945	8,881,220	8,940,369	9,303,432
Primary Balance	523,772	331,711	328,284	381,940
% of GDP:	1.7	1.1	1.1	1.1

Source: Ministry of Finance estimates

Figure 6: Total Debt to GDP



Source: Ministry of Finance - Debt management office estimates

Revenue & Grants

Total expected revenue and grants has been revised upwards by about SR 16m or 0.2 per cent for the mid-year 2024 Budget. This is mainly attributed to an upward revision in non-tax revenue by SR 325.7m or 25 per cent, mainly attributed to an increase in dividend income, fees and charges followed by other non-tax revenue and proceeds from sale of assets. This was slightly offset by a reduction in tax revenue by SR 292m or 3 per cent following a lower 2023 outturn and lower growth assumptions. A downward revision was also made in grants by SR 17m or 5 per cent mainly due to the delays in implementation of certain projects. The Budget revision for Total revenue and grants stands at SR 10.9bn for 2024 representing about 35 per cent of GDP. For 2025, total revenue and grants is expected to be about 35.5 per cent of GDP.

Table 4: Revised Government Revenue (SR'000s)

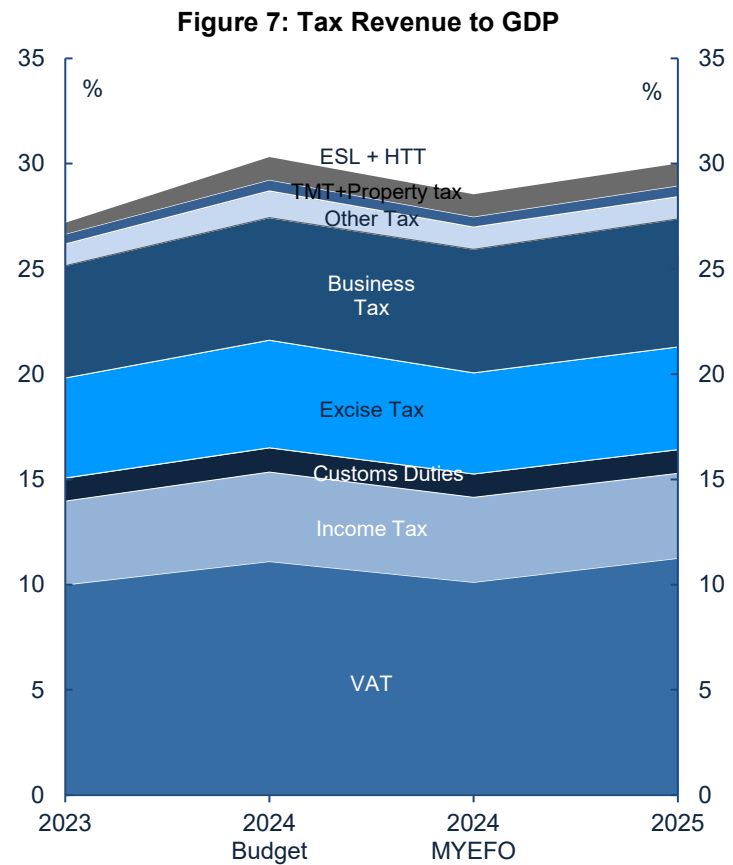
DESCRIPTION	2023	2024 Budget	2024 MYEFO	2025
Tax Revenue	8,168,669	9,190,066	8,898,218	9,965,840
Non-Tax Revenue	1,314,057	1,293,683	1,619,342	1,379,406
Grants	260,277	372,862	355,404	455,225
TOTAL: REVENUE & GRANTS	9,743,003	10,856,611	10,872,964	11,800,471
% of GDP:	32.5	35.8	34.9	35.5

Source: Ministry of Finance estimates

Tax Revenue

Tax revenue has been revised downwards by about SR 292m for this mid-year 2024 Budget revision. Total tax collections are now estimated at SR 8.9bn, representing a 3.2 per cent reduction from the initial Budget estimate of SR 9.2bn.

Although the overall tax collections have been relatively strong during the first half of the year, downward adjustments have been made to account largely for the lower 2023 collections (lowering the 2024 base by about SR 269m) and the downward revisions to the macroeconomic assumptions by about SR 90m aggregate. The most notable downward revision is observed in VAT which has been reduced by about SR 214m, mainly resulting from lower base coupled with significant refunds expected for the year. Excise tax and Other tax have both seen a reduction of about SR 54m and SR 52.9m respectively mainly due to lower-than-expected performances by the end of 2023, impacting the base for the year 2024. Business tax on the other hand has been revised upwards by about SR 65m on account of strong year-to-date performance coupled with a more positive outlook from key businesses, particularly in the manufacturing and financial services sectors.



Source: Ministry of Finance - Macroeconomic Forecasting & Analysis Division estimates

Table 5: Mid-year revised Tax revenue (SR'000s)

DESCRIPTION	2023	2024 BUDGET	2024 MYEFO	2025
Income Tax	1,190,004	1,284,729	1,254,847	1,336,954
Custom Duties	329,543	349,713	349,523	374,278
Excise Tax	1,426,485	1,550,066	1,495,901	1,623,231
GST (Goods and Services)	669	-	-	-
Value Added Tax	3,001,806	3,366,660	3,153,055	3,738,744
Business tax	1,601,022	1,764,486	1,829,888	2,020,806
Corporate Social Responsibility Tax	4,865	-	-	-
Tourism Marketing Tax	108,962	91,416	96,978	103,323
Environmental Sustainability Tax	60,408	195,790	187,267	191,948
Hotel Turnover Tax	102,098	132,082	144,335	153,779
Other Tax	307,529	382,585	329,715	349,689
Property tax	35,271	72,538	56,710	73,087
TOTAL: TAX REVENUE	8,168,669	9,190,066	8,898,218	9,965,840
% of GDP:	27.2	30.3	28.5	30.0

Source: Ministry of Finance - Macroeconomic Forecasting & Analysis Division estimates

Income Tax

Background

Income tax is a withholding-based tax on wage income for nationals and resident expatriates. Also levied on Non-Monetary employee benefits, this tax was introduced on the 1st of July 2010 and replaced the previous Social Security Contribution system. As of the 1st of June 2018, the current Income tax regime was replaced by a progressive system with different rates applicable at different income brackets.

2024 Context and 2025 Projections

The 2024 mid-year tax estimate has been revised downwards in comparison to the initial Budget by 2.3 per cent or SR 29.9m to 1.25bn. While year-to-date Income tax over-performed by SR 28.0m or 4.5 per cent as at the end of June, the 2024 forecast have been revised downwards against the Budget mainly due to the overall 2023 tax revenue under-performance affecting the 2024 base, and a lower 2024 nominal GDP growth projection.

Table 6: Medium Term Income Tax (SR'000s)

DESCRIPTION	2023	2024 Budget	2024 MYEFO	2025
Central Government	266,235	292,510	281,767	300,204
Other Public Sector	139,615	161,813	146,793	156,398
Private Sector	784,153	830,405	826,287	880,352
TOTAL: INCOME TAX	1,190,004	1,284,729	1,254,847	1,336,954
% of GDP:	4.0	4.2	4.0	4.0

Source: Ministry of Finance - Macroeconomic Forecasting & Analysis Division estimates

By the end of 2023, Income tax revenue under-performed by SR 24.8m or 2 per cent, leading to a lower 2024 base. Moreover, the 2024 nominal growth assumptions have also been revised downwards from the initial Budget estimate of 4.2 per cent to 3.9 per cent, further impacting expected revenue collections for the year. These were partially offset by strong year-to-date performance in Income tax receipts. However, these were not significant enough to outweigh the downward revisions.

For 2025, Income tax is projected at SR 1.34bn, a growth of 7 per cent, in line with forecasted nominal GDP growth.

Custom Duties

Background

Custom duty is levied on specified goods that are imported to Seychelles based on their CIF (Cost, Insurance and Freight) value. However, approximately 90 per cent of the tariff lines are subject to a zero per cent rate. The applicable tax rate depends on the nature of the Custom duty component, whether it is specific or ad valorem. Tax collections on ad valorem rate items tend to grow in tandem with the nominal GDP whereas, tax collections on specific rate items grow in tandem with real GDP only. Following WTO policies and regulations, certain Custom duty rates have been significantly reduced and others, such as petroleum, motor vehicles and levy, have been or are expected to be transferred out of Custom duties.

2024 Context and 2025 Projections

Custom duties collection is expected to amount to SR 349.5m for the year 2024. This is unchanged from the initial Budget with a negligible 0.1 per cent downward revision. Although 2023 collections surpassed 2019 pre-pandemic level, the outcome fell short of expectation, resulting in a lower base going into 2024. The lower base coupled with the lower revised GDP assumptions, has decreased the forecast by about SR 10.8m collectively. This however, was almost fully offset by stronger than anticipated year-to-date collections under most sublines amounting to about SR 10.6m on aggregate, in line with the increased value of imports recorded during the first quarter of the year. 'Livestock Trust Fund' and 'Others' sub lines in particular have been relatively strong since the beginning of the year and this has been reflected in the upward revision.

For the year 2025, Custom duties are expected to grow by about 7 per cent over 2024, amounting to SR 374m or 1.1 per cent of GDP. This growth is supported by expected increase in imports during the year, leading up to the 2025 FIFA Beach soccer world cup and the presidential and parliamentary elections to be held in the second half of the year.

Table 7: Medium-Term Customs Duties (SR'000s)

DESCRIPTION	2023	2024 Budget	2024 MYEFO	2025
Custom Duties Direct imports	332,303	354,713	354,523	379,278
Alcohol (Beverages Spirits and Vinegar)	90,444	107,222	93,271	100,125
Textiles and textile articles	7,599	7,671	7,893	8,410
Tobacco (Tobacco and Manufactured Tobacco)	1,784	2,159	1,840	1,915
Prepared Food (Prepared Foodstuffs)	10,699	12,325	11,237	11,972
Others	126,357	121,289	136,206	146,214
Levy (Additional Levies)	68,805	73,700	70,956	76,170
Documentary Charges	3,563	4,646	3,700	3,851
Livestock Trust Fund	23,052	25,701	29,419	30,620
Custom Duties Exemptions	-2,760	-5,000	-5,000	-5,000
TOTAL: CUSTOM DUTIES	329,543	349,713	349,523	374,278
% of GDP:	1.1	1.2	1.1	1.1

Source: Ministry of Finance - Macroeconomic Forecasting & Analysis Division estimates

Excise Tax

Background

Excise tax is applied to specific imported and locally manufactured goods in order to control consumption due to health or environmental implications. The former reason applies to alcohol, tobacco and sugar while the latter applies to petroleum and motor vehicles. Excise tax on all goods, other than motor vehicles, is specific.

Imported petroleum products account for the highest contribution to the Excise tax as a whole. The demand for excisable goods generally shows a minimal response to price fluctuations since the demand for most goods being taxed, in particular tobacco, are relatively price inelastic. Hence, this tax line proves to be a significant revenue earner for the Government.

2024 Context and 2025 Projections

In comparison to initial Budget, Excise tax has been revised downwards by about SR 54m or 3.5 per cent. This stem largely from lower 2023 base where collections were lower than expected, coupled with the downward revision in GDP assumptions. As a result, the forecast has been revised downwards by about SR 60m. The forecast was adjusted downwards further by about SR 10.4m to account for reduced Excise tax rates on Hybrid motor vehicles, twin cab trucks and new quarter panels. These downward revisions were partially offset by strong year-to-date performance by about SR 15.7m. The value of imported motor vehicles has seen a notable increase in the first half of the year vis-à-vis the same period last year. As such, Excise tax collections on same have been relatively strong throughout H1 of 2024.

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Excise tax is expected to see a notable growth of 9 per cent in 2025, with collections estimated to reach SR 1.6bn, representing about 4.9 per cent of GDP. Here again, the growth is supported by expected increase in the volume and value of imports as well as locally manufactured goods for reasons aforementioned in custom duties.

Table 8: Medium-Term Excise Tax (SR'000s)

DESCRIPTION	2023	2024 Budget	2024 MYEFO	2025
Excise-Imports	1,019,072	1,083,742	1,075,754	1,177,427
Alcohol	237,531	242,274	249,343	267,796
Petroleum	638,987	686,277	665,633	715,120
Motor Vehicles	139,724	152,201	157,860	191,473
Tobacco	2,830	2,990	2,919	3,038
Excise-Locally Manuf. Goods	342,092	407,264	352,784	368,633
Alcohol	169,170	209,011	174,457	183,027
Tobacco	172,922	179,310	178,326	185,606
Sugar Tax	65,321	59,060	67,363	77,171
Imported Beverages	35,121	31,178	36,219	41,979
LMG - Beverages	30,200	27,882	31,144	35,192
TOTAL: EXCISE TAX	1,426,485	1,550,066	1,495,901	1,623,231
% of GDP:	4.8	5.1	4.8	4.9

Source: Ministry of Finance - Macroeconomic Forecasting & Analysis Division estimates

Value Added Tax

Background

Value Added Tax (VAT) is imposed on the value added of all taxable products that are produced and consumed domestically through VAT registered companies, with the current rate being a flat 15 per cent of taxable goods and services. VAT is charged on all taxable imports but not on exports, also known as the 'destination principle'. Businesses with an annual turnover exceeding SR 2m are required to be VAT registered (compulsory registrations). VAT collections tends to grow in tandem with Nominal GDP and it accounts for approximately 37 per cent of the total tax revenue, making it the single largest tax line.

2024 Context and 2025 Projections

In comparison to the initial 2024 Budget, VAT has been revised downwards by SR 213.6m, or 6 per cent. The revision is partly due to lower than expected 2023 collection, which has resulted in a SR 115m reduction in the base for 2024.

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Moreover, three additional factors contributed to further revision. Firstly, 2024 nominal GDP growth has been lowered which directly impact the expected collections by about SR 40.9m. Secondly, adjustments were made primarily to VAT on 'Tourism' and on 'Construction' on account of continued hotel construction and renovations activities. While 'Tourism' was adjusted downwards owing to large refunds foreseen to hotel owners and development companies, 'Construction' was adjusted upwards to reflect higher collection from construction companies working on these projects. The resulting net adjustment reduces the forecast by SR 85.5m. Finally, positive year-to-date performance resulted in an upward adjustment of 26.9m, partially easing the downward revisions. VAT on 'Wholesale and Retail' accounted for the largest over-performance, which can be largely attributed to increased compliance in the aftermath of audits within the sector. On the other hand, VAT on 'Imported Goods' was relatively weak, which may be partly explained by easing of post-COVID freight costs.

For 2025, VAT is expected to grow by about 19 per cent over 2024 to SR 3.7bn or 11 per cent of GDP. The large growth is on account of foreseen resolution of the VAT refunds issue as the bulk of hotel projects complete. Additionally, the FIFA Beach Soccer World Cup and presidential and parliamentary elections is anticipated to boost economic activity further.

Table 9: Medium-Term Value Added Tax (SR'000s)

DESCRIPTION	2023	2024 Budget	2024 MYEFO	2025
VAT- Domestic	1,712,295	2,030,638	1,856,274	2,339,586
LMG- Alcohol	91,062	102,048	94,650	100,843
LMG- Tobacco	27,709	35,437	28,804	30,689
Construction	134,994	127,793	311,874	341,155
Services - Tourism	654,452	964,182	437,901	804,732
Services - Financial & Insurance activities	82,396	93,932	87,226	92,933
Services - ICT & Telecommunication	146,896	203,426	152,184	162,142
Real Estate	-34,281	16,105	77,978	95,080
Wholesale Retail - Others	206,427	211,428	268,946	289,344
Others	402,640	276,285	396,710	422,668
VAT- Imported	1,290,094	1,341,023	1,301,781	1,404,158
VAT-Exemptions	-583	-5,000	-5,000	-5,000
TOTAL: VALUE ADDED TAX	3,001,806	3,366,660	3,153,055	3,738,744
% of GDP:	10.0	10.1	10.1	11.3

Source: Ministry of Finance - Macroeconomic Forecasting & Analysis Division estimates

Business Tax

Background

The Business tax revenue consists of provisional payments (called Pay As You Go – PAYG) paid by businesses in monthly instalments for the current year. Additionally, the businesses are assessed on their profit of the previous year, which they are required to lodge by 31st March. Based on this assessment, the company either

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has an additional tax liability (PAYG paid is less than actual tax payable) or is due for a refund (PAYG paid exceeds actual tax payable). Although companies are required to lodge their annual returns by the 31st March, extensions of this lodgement date are provided under the Seychelles Revenue Commission (SRC) lodgement program.

2024 Context and 2025 Projections

The Business tax mid-year Budget forecast stands at SR 1.83bn, about 5.9 per cent of GDP. Business tax projections were revised upwards by SR 65.4m or 3.7 per cent in comparison to the initial 2024 Budget. The majority of this upward adjustment stems from the 'companies' and 'sole traders' lines as a result of greater than expected collections from key industries, particularly from businesses in the manufacturing and financial services sectors, over the first half of the year. The 'Others' line projection was also revised upwards as increased tax collections were reported under this line over the third quarter of 2023. This is a consequence of reclassification of tax revenue streams following the implementation of SRC's new Tax Management System (TMS) in September 2023. Conversely, the positive revision was partially offset by the lowering of 'Withholding tax' projections by SR 31.4m. This reduction is on account of a lower base following a similar under-performance in the previous year.

In 2025, Business tax collections are projected at SR 2.02bn, about 6.1 per cent of GDP. This indicates a growth of SR 190m or 10 per cent over 2024, mostly supported by a swiftly expanding financial services sector and overall economic performance.

Table 10: Medium-Term Business Tax (SR'000s)

DESCRIPTION	2023	2024 Budget	2024 MYEFO	2025
Companies	1,381,599	1,522,092	1,606,461	1,786,628
Sole Traders	80,549	74,710	81,848	85,786
Partnerships	27,701	29,082	28,145	29,499
Trusts	18	24	18	19
Withholding Tax	79,544	113,518	81,285	85,197
Others	6,483	0	6,589	6,906
Residential Dwelling	25,128	25,060	25,541	26,770
TOTAL: BUSINESS TAX	1,601,022	1,764,486	1,829,888	2,020,806
% of GDP:	5.3	5.8	5.9	6.1

Source: Ministry of Finance - Macroeconomic Forecasting & Analysis Division estimates

Corporate Social Responsibility Tax

Background

Corporate Social Responsibility tax (CSRT) was introduced in January 2013, and has recently been abolished in April 2021. It was applicable to all businesses with a turnover of SR 1m and over, and was levied on monthly company turnover at a 0.5 per cent rate. Half of this tax could be offset against any donations or sponsorships

a company chose to make. CSRT was established to encourage compliance with ethical and regulatory standards, as well as promote accountability for businesses' actions.

2024 Context and 2025 Projections

Since the abolition of the CSRT in 2021, this tax is no longer being forecasted. Further revenue collections under this tax line are entirely arrears payments and are progressively minimal and unsubstantial.

Table 11: Medium-Term Corporate Social Responsibility Tax (SR'000s)

DESCRIPTION	2023 Actual	2024 Budget	2024 MYEFO	2025
Corporate Social Responsibility Tax	4,865	0	0	0
TOTAL: CSRT	4,865	0	0	0
% of GDP:	0.02	0.0	0.0	0.0

Source: Ministry of Finance - Macroeconomic Forecasting & Analysis Division estimates

Tourism Marketing Tax

Background

Tourism Marketing tax (TMT) was introduced in January 2013 and is applicable to all tourism operators, banks, insurance, and telecom companies with turnovers of SR 1m and above. It is a 0.5 per cent tax levied on company turnover with the aim of having greater private sector contribution to the Tourism Marketing Fund.

2024 Context and 2025 Projections

The mid-year 2024 Budget estimate for TMT stands at about SR 97m, representing an increase of SR 5.6m or 6.1 per cent against the initial Budget estimate of SR 91m. This upward revision is mainly attributed to a higher base of SR 21m given the higher than expected collections in 2023 by 24 per cent, followed by adjustments amounting SR 2.8m to cater for year-to-date over-performance.

Despite the year-to-date flat growth in tourism arrivals compared to the same period in 2023, TMT collections as at June 2024 amounted to SR 49m, which is about SR 7m or 16 per cent above the Budget. TMT is also levied against certain businesses which are less reliant on the tourism sector, most notably 'Telecommunication Service providers'. This industry has been experiencing rapid growth in recent years, which could explain the over-performance in TMT revenue.

Due to the upward revision to the mid-year 2024 annual estimate and increased nominal growth assumption for the year 2025, the forecasts for next year have been revised upwards. Total TMT receipts are projected to amount to about SR 103m or 0.3 per cent of GDP.

Table 12: Medium-Term breakdown of Tourism Marketing Tax (SR'000s)

DESCRIPTION	2023 Actual	Budget 2024	2024 MYEFO	2025
Tourism Marketing Tax (TMT)	108,962	91,416	96,978	103,323
TOTAL: TMT	108,962	91,416	96,978	103,323
% of GDP:	0.4	0.3	0.3	0.3

Source: Ministry of Finance - Macroeconomic Forecasting & Analysis Division estimates

Environmental Sustainability Levy

Background

Environmental Sustainability Levy (ESL) was introduced in August 2023, to be collected per tourist per night and is applicable to all tourism establishments such as self-caterings, hotels and guesthouses. The establishments are classified under three categories and each have their respective rates. The small establishments (up to 24 rooms) have a rate of SR 25, a rate of SR 75 for medium sized (25-50 rooms) and for large establishments SR 100 (more than 50 rooms).

2024 Context and 2025 Projections

A total of SR 187m is expected to be collected for ESL, representing a downward revision of SR 8m or 4 per cent compared to the initial Budget. This is mainly attributed to the lower 2023 collection which resulted in a lower base by SR 4m. The revised tourism arrivals growth assumption was also accounted for, reducing the forecast further by about SR 5m. Other adjustments have been made to cater for the year-to-date under-performance. As of June 2024, total ESL collections amounted to SR 79m, which is 20 per cent below the Budget for this period. Compliance remains an issue but MFAD is working closely with SRC for a way forward in that regard.

For the year 2025, a total of SR 191m is expected to be collected on account of improved compliance from hotel establishments and a more enhanced collection system from the SRC.

Table 13: Medium-Term breakdown of Environmental Sustainability Levy (SR'000s)

DESCRIPTION	2023 Actual	Budget 2024	2024 MYEFO	2025
Environmental Sustainability Levy (ESL)	60,408	195,790	187,267	191,948
TOTAL: ESL	60,408	195,790	187,267	191,948
% of GDP:	0.2	0.6	0.6	0.6

Source: Ministry of Finance - Macroeconomic Forecasting & Analysis Division estimates

Hotel Turnover Tax

Background

The Hotel Turnover tax (HTT) was introduced in January 2023, it is applicable to hotel establishments generating a gross turnover of SR 100m or more at a rate of 2 per cent.

2024 Context and 2025 Projections

HTT was revised upwards by SR 12m or 9 per cent. This is mainly attributed due to a higher base of SR 14.5m, this was slightly offset by a reduction of SR 2m due to lower growth assumptions. As of June 2024, collections amounted to SR 61m which is 9 per cent below the Budget for this period.

For 2025, a total of SR 154m is expected to be collected, representing a growth of about 7 per cent over 2024, here again on account of improvement in compliance rate by tourism establishments.

Table 14: Medium-Term breakdown of Hotel Turnover Tax (SR'000s)

DESCRIPTION	2023 Actual	Budget 2024	2024 MYEFO	2025
Hotel Turnover Tax (HTT)	102,098	132,082	144,335	153,779
TOTAL: HTT	102,098	132,082	144,335	153,779
% of GDP:	1.2	1.4	1.6	1.6

Source: Ministry of Finance - Macroeconomic Forecasting & Analysis Division estimates

Other Tax

Background

Other tax comprises of a set of license fees and smaller tax lines that covers a variety of sectors in the economy. The main constituents are 'Road tax', 'Telecommunications licenses', and 'Stamp duty'. These three components account for approximately 63 per cent of the Other tax revenue.

2024 Context and 2025 Projections

Other tax has been revised downwards by SR 53m or 14 per cent. This is mainly attributed to a lower 2023 collection thus leading to a lower base by SR 45m, followed by lower GDP assumption by SR 7m. This was slightly offset by adjustments of SR 0.2m to certain sub-lines to cater for year-to-date over-performance. The main downward revision has been made to 'Stamp duty' line by SR 36m or 28 per cent. By the end of 2024, a total of SR 330m is expected to be collected under Other tax. For 2025, a total of SR 350m is expected to be collected, representing about 1 per cent of GDP.

Table 15: Medium-Term breakdown of Other Tax (SR'000s)

DESCRIPTION	2023	2024 Budget	2024 MYEFO	2025
OT- Ministry of Finance				
Trade/Ind Licenses	7,922	10,408	8,170	8,503
Licenses and Other License Registration	4,443	4,918	4,860	5,059
Road Tax and Other Licenses	136,059	144,219	140,109	145,829
Telecommunications Licenses	60,041	77,002	71,956	81,023
Hotel Licenses	344	743	355	369
Liquor and Toddy Licenses	283	295	291	303
Radio Broadcasting Licenses	800	1,705	800	800
SUB TOTAL				
OT- MACCE				
Environment Trust Fund	2,237	5,873	2,307	2,401
OT- Department of Legal Affairs				
Stamp Duty	86,571	127,737	91,761	95,925
OT-Department of Transport				
Vehicle Testing	8,829	9,685	9,105	9,477
TOTAL: OTHER TAX	307,529	382,585	329,715	349,689
% of GDP:	1.0	1.3	1.1	1.1

Source: Ministry of Finance - Macroeconomic Forecasting & Analysis Division estimates

Immovable Property Tax

Background

Immovable Property Tax came into effect in January 2020, and is applicable to non-Seychellois owners of immovable property for residential purpose. As at January 2024, the Immovable Property Tax rate was increased from 0.25 per cent to 0.50 per cent of the market value of the property. The tax is payable to the Seychelles Revenue commission (SRC) on or before 31 December of every financial year.

2024 Context and 2025 Projections

The 2024 mid-year Budget estimate for IPT annual revenue projection has been revised downwards significantly against the initial Budget. The mid-year forecast stands at SR 56.7m compared to the initial SR 72.5m budgeted, representing a downward revision of SR 15.8m or 21.8 per cent. The 2024 Budget estimate for IPT initially accounted for a doubling of the rate from 0.25 to 0.5 per cent of foreign owned property market value. However, given the significant under-performance observed over the first half of the year, the 2024 projection was reduced accordingly. IPT payments are due on or before 31st December of every financial year, however taxpayers tend to pay at various points throughout the year with a large degree of year-on-year variance. Consequently, the timing of IPT payments has proven difficult to forecast.

The revised 2025 IPT projection stands at SR 73m or 0.2 per cent of GDP, on account of slightly lower property value growth assumptions for the year.

Table 16: Medium-Term breakdown of Property Tax (SR'000s)

DESCRIPTION	2023	2024 Budget	MYEFO 2024	2025
Immovable Property Tax	35,271	72,538	56,710	73,087
TOTAL: IMMOVABLE PROPERTY TAX	35,271	72,538	56,710	73,087
% of GDP:	0.1	0.2	0.2	0.2

Source: Ministry of Finance - Macroeconomic Forecasting & Analysis Division estimates

Non-Tax Revenue & Grants

2024 Context and 2025 Projections

The total non-tax revenue collected during the first half of the year summed up to SR 543.7m, against a budgeted amount of SR 362.5m. This represents a significant over-performance of about SR 181m or 50 per cent. For the mid-year 2024 Budget revision, non-tax revenue has been revised upwards by SR 325.7m, or 25 per cent.

Table 17: Non-Tax revenue and grants (SR'000s)

DESCRIPTION	2023	2024 Budget	2024 MYEFO
Non-Tax Revenue	1,314,057	1,293,683	1,619,342
Fees and Charges	445,880	422,051	425,632
Dividends Income	581,531	587,381	693,465
Other Non-Tax	37,233	45,155	123,626
Proceeds from sale of assets	249,413	239,096	376,620
Grants	260,277	372,862	355,404
TOTAL	1,574,334	1,666,545	1,974,746
% of GDP:	4.5	4.7	5.2

Source: Ministry of Finance - Financial Planning and Control Division estimates

Fees and Charges

For the first half of the year, the total revenue collected under 'Fees and Charges' amounted to SR 217m compared to a Budget of SR 204m for the same period. This represents an over-performance of SR 12.9m vis-a-vis the Budget, and a slight reduction of about SR0.5m compared to the same period of 2023.

Table 18: Fees and Charges (SR'000s)

DESCRIPTION	2023	2024 Budget	2024 MYEFO
First half of the year	217,378	204,026	216,876
Second half of the year	228,502	218,025	208,755
TOTAL: FEES & CHARGES	445,880	422,051	425,632
% of GDP:	1.5	1.4	1.4

Source: Ministry of Finance - Financial Planning and Control Division estimates

The main revenue lines contributing towards the over-performance are immigration fees at SR 9.5m from the Department of Immigration, planning fees at SR3.4m from Planning Authority and medical fees at SR 2.5m from Health Care Agency.

Dividend Income

Actual dividend income for first half of the year amounted to about SR 196m compared to an initial Budget of SR 125.4m. This indicates a growth of 143 per cent over the same period last year. Table 19 shows the dividend income performance for the first six months of 2024 vis-à-vis the Budget.

Table 19: Dividend Income for the first half of 2024 (SR'000s)

DIVIDEND INCOME	Budget	Actual
SIMBC	107,000	150,489
Island Development Company	6,500	25,000
Ile Du Port Handling Services	11,866	20,559
TOTAL: DIVIDEND INCOME	125,366	196,048

Source: Ministry of Finance - Financial Planning and Control Division estimates

For the mid-year 2024 Budget revision, dividend income has been revised upwards by SR 106m. This is primarily linked to increases in dividend from Nouvobanq at SR 64.9m and the Financial Services Authority at SR 30m.

Other Non-Tax

Other Non-tax collections summed up to SR 95.3m, compared to a Budget forecast of SR 12.6m for the first half of the year. This represents an over-performance of SR 82.7m.

Table 20: Other Non-Tax (SR'000s)

DESCRIPTION	2023	2024 Budget	2024 MYEFO
First half of the year	17,705	12,590	95,334
Second half of the year	19,528	32,565	28,291
TOTAL: OTHER NON-TAX	37,233	45,155	123,626
% of GDP:	0.1	0.1	0.4

Source: Ministry of Finance - Financial Planning and Control Division estimates

The main contributor towards the over-performance within this category was the total distributable earning transfer to Government at SR 79.8m by Central Bank of Seychelles. Other tax has been revised upward by SR 78.5m consequently.

Proceeds from Sales of Assets

Total revenue from proceeds from sales of assets amounted to SR 35.4m in comparison to a Budget of SR 20.6m for the first half of the year. This represents an over-performance of SR 14.8m or 72 per cent. The over-performance stems mainly from the long-term lease of land and building at SR 8.8m from Ministry of Land and Housing.

The total collection of proceeds from sale of assets have been revised upward by SR 137.5m from SR 239m to SR 376.6m, representing a 58 per cent increase. This is largely attributed to projected revenue from the upcoming upfront lease payment for the Ile Aurore development.

Grants

Table 21: Grants Receipts for 2024 (SR'000s)

GRANT RECEIPTS	2023	2024 Budget	2024 MYEFO
Cash Grant	78,267	142,581	97,249
Benefit in Kind	182,009	230,280	258,155
Capital	72,042	304,937	277,065
Recurrent	188,235	67,924	78,338
TOTAL: GRANT RECEIPTS	260,277	372,862	355,404
% of GDP:	0.9	1.2	1.1

Source: Ministry of Finance - Financial Planning and Control Division estimates

Cash Grant

For 2024 mid-year review, 'Cash grant' has been revised downward by 32 per cent. This is mainly due to delay in the implementation of various projects expected to be financed through cash grants including projects being financed by the Government of India through the 'High Impact Small Community Projects' program.

Grants in kind

Contrary to 'Cash Grants', 'Grants in kind' has been seen an upward revision. Despite delays in implementation of certain projects, the forecast has been revised upwards by 12 per cent. The increase is largely attributed to the inclusion of the final payment for the 'SBC House' project which was previously forecasted to be paid in 2023 and therefore had not featured in the Budget for 2024.

Expenditure

Scope

This section is dedicated towards reviewing expenditure incurred by Central Government and Budget dependent entities. It does not include the cost of financing, net lending and contingency fund.

Overview

Over the first half of 2024, current expenditure totalled to SR 4.47bn. The main spending components within the primary expenditure relate to 'Wages & Salaries' (40 per cent); 'Goods & Services' (42 per cent); and 'Benefits & Approved Programmes of the Agency for Social Protection' (ASP) (14 per cent). The total primary expenditure has been revised upwards by SR 59m taking into effect revised expected spending for the second half of the year.

Table 22: Primary Expenditure (SR'000s)

PRIMARY EXPENDITURE	2023	2024 Budget	2024 MYEFO
Wages and Salaries	3,009,497	3,559,049	3,426,028
Goods and Services	3,582,147	3,732,736	3,893,501
Social program of Government	243,124	285,235	283,235
Transfers to Public Enterprises	47,697	48,958	57,277
Benefits and approved programs of ASP	1,187,481	1,252,000	1,252,000
Others	0	3,242	28,328
TOTAL: PRIMARY EXPENDITURE	8,069,945	8,881,220	8,940,362
% of GDP:	27.5	29.3	28.7

Source: Ministry of Finance - Financial Planning and Control Division estimates

Current Expenditure

The first half of the year recorded a current expenditure of SR 3.27bn against a Budget of SR 3.56bn. This has resulted in an overall surplus of SR 294m. The current expenditure has been revised upwards by SR 28.4m taking into consideration the revised expenditure plans of Government for the second half of the year.

Table 23: Current Expenditure (SR'000s)

DESCRIPTION	2023	2024 Budget	2024 MYEFO
Wages and Salaries	3,009,497	3,559,049	3,426,028
Goods and Services	3,582,147	3,732,736	3,893,501
TOTAL: CURRENT EXPENDITURE	6,591,644	7,291,785	7,319,529
% of GDP:	22.4	24.1	23.5

Source: Ministry of Finance - Financial Planning and Control Division estimates

2024 Context

The 2024 Budget is to be revised upwards from SR 7.29bn to SR 7.32bn. The larger contribution to the increase is seen to be the disproportionately larger decrease to Wages and Salaries as compared to an increase in 'Goods and Services'. The Budget for Goods and services is being increased to cater for identified shortfalls in different MDAs whilst the Budget for 'Wages and Salaries' is being adjusted downwards in view of identified savings from delays in recruitments.

Wages and Salaries

The actual expenditure recorded for the first six months of 2024 summed up to SR 1.66bn. This is opposed to a Budget of SR 1.71bn, resulting in a positive variance of SR 56.6m, or 3 per cent. The positive variance is largely as a result of the delays in recruitment resulting from several factors, notably the lengthy and slow recruitment process but mainly due to the lack of supply in the labour market. Some MDAs also experienced staff turnover, whereby it takes several months before a replacement can be identified. These recruitment and replacement challenges are expected to continue over the remainder of the year and consequently, funds allocated towards vacancies for some MDA's have been considered for Budget cuts.

MDAs with the largest saving under wages and salaries for the first six months are mainly;

- Health Care Agency at SR 19.9m;
- Ministry of Internal Affairs at SR 15.6m;
- Seychelles Revenue Commission at SR 13m;
- Ministry of Foreign Affairs at SR 9.2m
- Ministry of Land & Housing at SR 3m
- Office of Auditor General at SR 2.5m

During the Mid-Year process, savings within the 'Wages & Salaries' Budget have been re-allocated to areas of priority. The 'Wages and Salaries' Budget has been revised downwards by SR 133.02m, from SR 3.56bn to SR 3.43bn.

Goods and Services

A Budget of SR 1.6bn was allocated towards 'Goods and Services' for the first half of the year. The actual expenditure for the same period was relatively in line with the Budget, recording a minor savings of SR 43.3m or 3 per cent. Spending within this category has remained fairly stable during the first half of the year as opposed to the trend for previous years.

The following MDAs were the main contributors to the savings under Goods and Services: The Ministry of Education (SR 20m) and the Ministry of Foreign Affairs & Tourism (SR 8m). In contrast, a few MDAs recorded negative variance for the first six months of 2024; The Department of Defence (SR 8.3m) for high maintenance cost of ships; The Health Care Agency (SR 18.2m) for procuring HIS equipment; and the Seychelles Land Transport Agency (SR 12.9m) to cater for road infrastructure maintenance costs.

In addition, virements were effected from the Public Sector Investment Program (PSIP) allocations to cater for certain additional expenses under goods and services for the Health Care Agency, as well as the SLTA. A total of SR 1.3m was transferred from the PSIP allocation to cater for the purchase of other vehicles under the HCA's Budget; and a total of SR 4.3m was transferred from PSIP to goods and services for the purchase and maintenance of street lights under SLTA's Budget.

The 'Goods and Services' Budget has been increased by SR 160.8m to cater for the additional requirements from MDAs.

Transfers to Social Programs of Central Government

For the first half of 2024, a Budget of SR 115.6m was allocated towards the Social Programs of Central Government. The actual spending was SR 100.8m, resulting in a savings of SR 14.9m or 13 per cent underspending. Most of the line items under this group reported savings, a large portion of which was under the pension vote which recorded a saving of SR 8.5m as well as Special Pension Payment with a saving of SR 5.4m. No spending was recorded under several Trust Funds during the first six months, these includes; Sports Trust Fund, Women Trust Fund and Innovation Trust Fund, the Ministry is working closely with the responsible MDA's to put in place proper framework.

Transfers to Public Enterprises

A total of SR 25.6m in expenditure has been recorded under Transfers to Public Enterprises as compared to the Budget of SR 18.7m. This indicates an overspending of SR 6.8m or about 36 per cent. The forecast for this Budget line has been increased by SR 8.3m to cater for the additional increase of SR 5m in travel concessions required by SPTC, and operational cost of SR 3.3m for Petro Seychelles.

Benefits and Approved Programs of SSF

The actual expenditure recorded under the ‘Benefits and Approved Programmes’ of ASP amounted to SR 613m in comparison to the Budget of SR 611m. Spending within this category has remained fairly stable during the first half of the year as opposed to the trend for previous years.

Capital Expenditure

Table 24: Capital Expenditure (SR’000s)

DESCRIPTION	2023	2024 Budget	2024 MYEFO
Capital Expenditure	1,146,994	1,532,641	1,490,588
Capital Projects	990,396	1,429,218	1,387,165
o.w. Grant funded	260,277	304,937	277,065
Development Grant	156,598	103,423	103,423
% of GDP:	3.8	5.1	4.8

Source: Ministry of Finance - Financial Planning and Control Division estimates

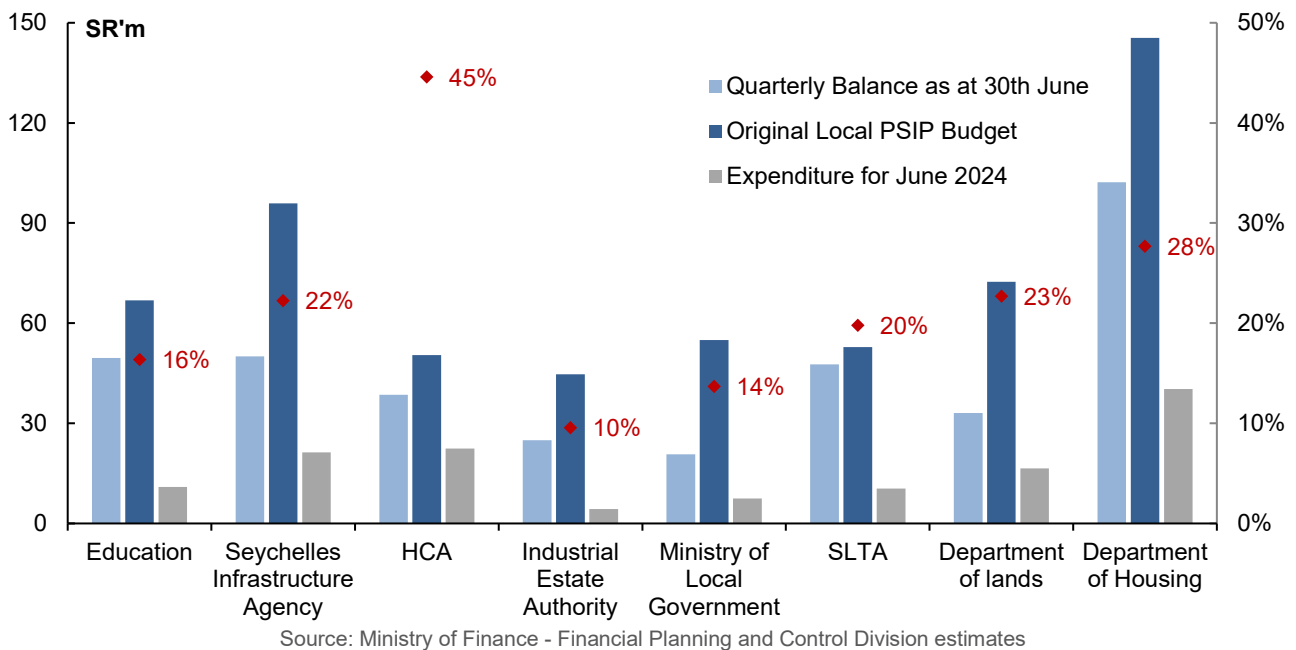
Domestic Financing

A total amount of SR 846.6m was made available for PSIP projects under the local Budget for the year 2024. From this, a total of SR 180.7m has been spent representing percentage spending of 21.3 per cent. This compares to spending of SR 114.3m out of a total local Budget of SR 756.6m representing a percentage expenditure of 15.1 per cent for the same period in 2023.

The execution rate for the year 2024 as at end of June, for MDAs accounting for the highest shares of the Government’s capital Budget are as follows:

- Health Care Agency – 44.6%
- Ministry of Education – 16.4%
- Seychelles Infrastructure Agency – 22.3%
- Seychelles Land Transport Agency – 19.8%
- Ministry of Local Government – 13.7%

Figure 8: Capital Budget Execution as at end June 2024 (SR' 000s)



Loan Financing

As at end June 2024 a total amount of SR 4.4m out of an initial loan financing allocation of SR 277.7m has been spent, which represents only 1.6 per cent of expenditure. SR 4.4m was spent under the Department of Blue Economy related to blue bond projects.

A number of projects earmarked to be financed through loan financing are expected to incur expenditure during the second half of the year; including Social Housing Projects being financed from the Government of Saudi Arabia; and the Seychelles Solid Waste Management Project from the Landscape and Waste Management Agency.

Grant Financing

A total of SR 304.9m was allocated as grant financing for the year 2024 out of which a total amount of SR 21.6m or 7.1 per cent has been spent as at end June 2024. Projects that were earmarked to be financed from grant financing in 2024 include a number of road infrastructure projects, housing infrastructure projects, education and sports infrastructure projects.

Certain projects earmarked for financing from foreign grants are not expected to materialize during the year including the coastal management project - Anse La Blague (SR 925k) and the construction of Mat Clinic (SR 13.5m).

A number of projects which were not earmarked for grant financing are expected to incur expenditure during the second half of the year, including the SBC House project which is expected to make a final payment of SR23.4m.

Development Grants

Table 25: Development Grants (SR'000s)

DESCRIPTION	2024 Budget	2024 MYEFO	Actual as at June 2024	Spending (%)
Seychelles Public Transport Corporation	10,000	10,000	1,457	15
<i>o/w Government Budget</i>	10,000	10,000	1,457	15
<i>o/w Foreign Loan/ Grant</i>	0	0	0	0
Property Management Corporation	53,423	53,423	26,401	49
Public Utilities Corporation Local	40,000	40,000	10,483	26
TOTAL:	103,423	103,423	38,342	37

Source: Ministry of Finance - Financial Planning and Control Division estimates

Projects completed first half 2024

Main projects completed during the first half of the year include:

Several housing infrastructure projects

- Construction of 24 affordable housing units at Perseverance with a contractual sum of SR 17.9m
- 16 units at Bel Ombre (ex-Kashugy) with a contractual sum of SR 15.1m

Several education infrastructure projects

- Anse Boileau Primary/Creche minor renovation works to: Dining, C Block, toilet and alteration to storm surface drain at SR 1.2m
- Mont Fleuri Primary repair to boundary wall at SR 238k
- Construction of new tuckshop and renovation to toilet at SALS at SR 435k
- Construction of security kiosk at La Rosiere & Bel Eau Primary at SR 238k
- Construction of security kiosk at Perseverance Secondary & Anse Etoile Primary at SR 536k
- General Renovation; repair to structural defects, replacement of steel trusses, balustrades and steel post at Grand Mahe Primary at SR 3.8m
- Construction concrete fencing Plaisance Primary at SR 1.03m

Several road infrastructure projects

- Construction of new lanes and footpath at Mont Fleuri at SR 1.96m
- Proposed rock armouring, road widening and footpath at English river & Ile du port phase 1 at SR 3.4m

Several industrial estate projects

- Bulk Infrastructure development zone 19/20 at SR 32.9m
- Public parking facilities at SR 1.5m

Outlook - Second half of the year

Overall, the capital spending for the first half of 2024 has been slow, which is similar to past trends. It is expected that spending will start to improve particularly towards the last quarter of the year. Project statuses from MDAs show that several projects are currently ongoing, whilst a considerable number of projects are at various stages of design and procurement.

Some of the larger ongoing projects expected to see completion during the year include:

- Construction of 16 units of affordable housing project Corgate Estate (SR 18.2m)
- Construction of 4 units self-finance at Ile Perseverance (SR 4.5m)
- Renovation work to TE Block Phase 1 at Mont Fleuri Secondary (SR 1.7m)
- New road Copolia – Plaisance (SR 2.7m)
- Footpath Belombre (SR 2.6m)
- Bulk Infrastructure Development Zone 6 – Phase 1 (SR 7.5m)

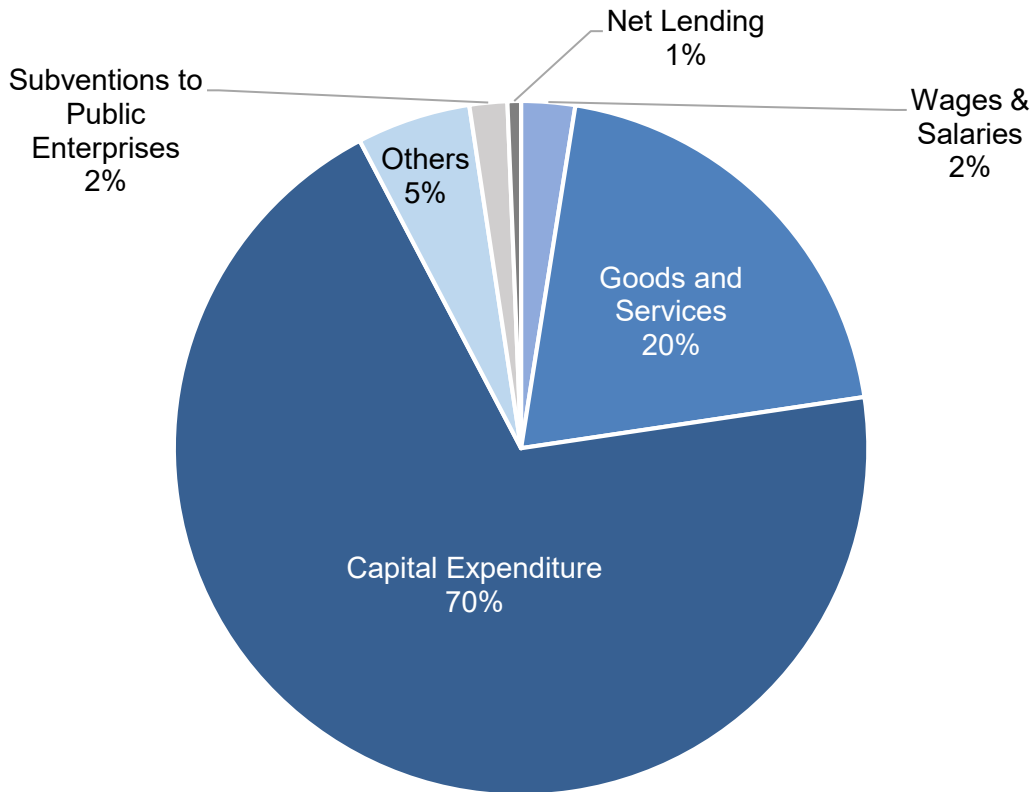
Net Lending

'Negative expenditures' were recorded under 'Net lending' as at June, with higher repayment amounts being recorded for PUC and DBS. A total of SR 64.9m were collected from both entities. Contrarily, a total of SR 38.8m was disbursed to PUC.

Mid-Year Expenditure Revision

The total proposed supplementary Budget for this mid-year revision amounts to SR 473.1m. This will entirely be funded through a Budget cut (re-allocation) of SR 453.2m, which means that a net additional fund of SR 19.8m will be issued for the 2024 appropriation bill.

Figure 9: Supplementary Budget Allocation



Source: Ministry of Finance - Financial Planning and Control Division estimates

Wages and Salaries

As a part of the mid-year review process, savings within the 'Wages & Salaries' Budget have been re-allocated to priority areas for which additional funds were required. Total additional funds of SR 11.8m is expected to be offset against total identified budget cuts of SR 46m under the various MDAs that will be recording a savings at year end within their wages and salaries budget. A net total budget cut of SR 34.1m is being proposed under this category.

Other Wages

A total of SR 33 million has been earmarked for budget cuts under the 'Other Wages' category. This allocation accounts for savings in pension scheme contributions due to delays in recruitment, as well as forecasted savings in compensation payments and emoluments for constitutional appointees.

Goods and Services

A net total of SR 75.6m is required as supplementary to fund shortfall within critical budget lines of Ministries, Departments and Agencies. The main organizations contributing to this supplementary are:

Office of the President (SR 4.4m):

- Increase in costs under specific operational expenses, such as consumables, electricity, water and motor vehicle expenses.

Department of Defence (SR 27.5m):

- Maintenance of ships at SR 8.3m for dry docking Aux Saya de Malha in Mauritius.
- Aircraft maintenance at SR 12.7m, due to delay in annual maintenance of the Defence Force Dornier in 2023.
- Electricity for Coast Guard at SR 2.1m.
- Installation of propeller on aircraft as part of maintenance at SR 2.7m.
- Acquisition of vehicles at SR 1.6m for 2 Jeeps and 2 mini vans.

Judiciary (SR 2.5m):

- For payment of outstanding rent and medical insurance and check-up for Judges.

Department of Information and Communication Technologies (SR 2m):

- Provision made for the purchase of ID Cards and its related consumables expenses.

Ministries of Fisheries (SR 20.4m):

- Department of Fisheries (SR 9.6m):
Transfer of Seychelles Maritime Academy Budget from Ministry of Education.
- Department of Blue Economy (SR 10.8m):
Provision for the actual payment of expenses upon completion of SWIOFISH Projects.

Ministry of Internal Affairs (SR 5m):

- For the purchase of vehicles for the Department of Police at SR 3m and Seychelles Prison Services at SR 1.3m.

Ministry of Local Government and Community Affairs (SR 2m):

- Provision made for payment of emergency work undertaken at District level.

Ministry of Agriculture, Climate Change and Environment (SR 2.6m):

- Department of Agriculture:
For payment of outstanding invoices to suppliers under livestock support at SR 2.25m.
- Department of Climate Change & Environment:

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Foreign Exchange fluctuation under Grant project component at R 0.37m.

Seychelles Land Transport Agency (SR 8.8m):

- For maintenance of road infrastructure including asphaltting works at SR 6.4m.
- For procurement of Bitumen at SR 2.4m.

Health Care Agency (SR 5.8m):

- Increase in consumption and monthly bills of electricity at Victoria Hospital and La Digue Hospital.

Seychelles Qualifications Authority (SR 2.1m):

- Provision made for office building rent and increase in domestic airfares as a result of more school inspections on inner island.

Anti-Corruption Commission (SR 2.04m):

- For late payment of legal invoices due last year.

Seychelles National Institute for Culture, Heritage and the Arts (SR 3.3m):

- Provision made for office building rent for Creole Academy and deficit under Electricity for the National Library.

Capital Expenditure

A total of SR 329.5m is being proposed as additional funding under this category, while a cut of SR 352.5m is being made resulting in a net cut of SR 23m.

The net supplementary Budgets will be allocated mainly towards the following MDAs:

- Construction of Jetty at SR 897k to cater for shortfall in cash flow
- Coastal Surveillance- Radar System - SR 121k due to changes in foreign exchange rate
- SR 631k to cater for shortfall in contract sum for project partitioning of Attic (Phases 2 & 3)
- SR 868k to cater for basic requirements for the office of the Electoral Commission to occupy the Steel Frame Building at Mont Fleuri.
- SR 14.7m for rock landslide mitigation prevention measures projects
- A total of SR 279.6m for the land reclamation project
- A total of SR 1.3 for the project construction of 72 housing units Cap Bonm Jean being financed from foreign grant due to revision of foreign exchange rate
- A total of SR 1.3m for the project construction of 69 housing units Beoliere being financed from foreign grant due to revision of foreign exchange rate.
- A total of SR SR 82k for the housing project 12 units Ex Ferrari being financed from foreign grant due to changes in exchange rate.

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- A total of SR 271k as local component for West Coast Project phase 2, 3 and 4, and SR 6k for West Coast Project phase 1 project to cater for tax liabilities related to the project.
- A total of SR 1.8m under West Coast phase 2,3, 4 and SR 41k under West Coast phase 1, under foreign grant financing as a result of changes to foreign exchange rate.
- A total of SR 17k for the project support shift to electricity mobility as a result of changes to foreign exchange rate.
- SR 1.1k for the project construction of 2 soak away at Anse Royale for SFRSA.
- SR 3.6m under foreign loan for the Seychelles solid waste management project.
- Additional fund for SBC Broadcast House SR 23.4m.

Subvention to Public Enterprises

A total of SR 8.3m is being proposed as additional funds to cater for the following:

- Seychelles Public Transport Corporation at SR 5m: To cater for increase in actual payment of claim for SPTC travel concession for Pensioners/Disability/Workers Special.
- PETRO Seychelles at SR 3.3m: To cater for general operational expenses.

Others

A total of additional funds of SR 25.1m is being proposed for full payment of AfDB increase in capital subscription at USD 1.9m in two instalment payments.

Development Grants

No changes are forecasted to the 2024 Development Grants Budget

Net Lending

A total additional fund of SR 2.97m is being proposed under Net lending within PUC on-lending.

Debt Outlook

2024 Overall Context

As illustrated by Table 26, by the end of June 2024 the total Government debt stock amounted to SR 18.6bn, equivalent to 59.0 per cent of GDP. The total stock of domestic debt is approximately SR 9.5bn, while the external debt stock stands at around SR 9.0bn; accounting for 30.3 per cent and 28.7 per cent of GDP respectively. Domestic debt remains the primary component of the total debt stock, comprising 51.4 per cent of the overall total.

Table 26: Provisional Total Debt Stock as at June 2024

DESCRIPTION	Debt Stock (SR' m)	% of GDP
Domestic	9,546	30.3%
External	9,024	28.7%
TOTAL:	18,570	59.0%

Source: Debt Management Division

2024 External Debt Stock

The external debt is defined as the outstanding amount of those actual current, and non-contingent liabilities that require payment(s) of principal and/or interest by the debtor at some point(s) in the future and that are owed to non-residents by residents of the Seychelles' economy.

External Debt by Creditor Category

At the end of June 2024, the total external debt stock amounted to about SR 9.0bn, equivalent to 48.6 per cent of the total debt portfolio. The total external debt stock increased by 9.1 per cent from SR 8.3bn at the end of December 2023 to SR 9.0bn at the end of June 2024. This increase stems mainly from multilateral creditors due to ongoing disbursements under existing projects and new loans that were received since the beginning of the year. These include funds from the IBRD under Seychelles Third Fiscal Sustainability and Climate Resilience program, IBRD-SWIOFish 3, the IMF-Extended Fund Facility and Resilience Sustainability Facility, AFDB- Governance and Economic Reforms Support Program (GERSP) phase III. On the other hand, debt owed to Bilateral creditors, Commercial creditors and Private decreased by SR 50m, SR 49m and SR 99m respectively in comparison to the end of 2023. This is attributed to continuous debt repayments.

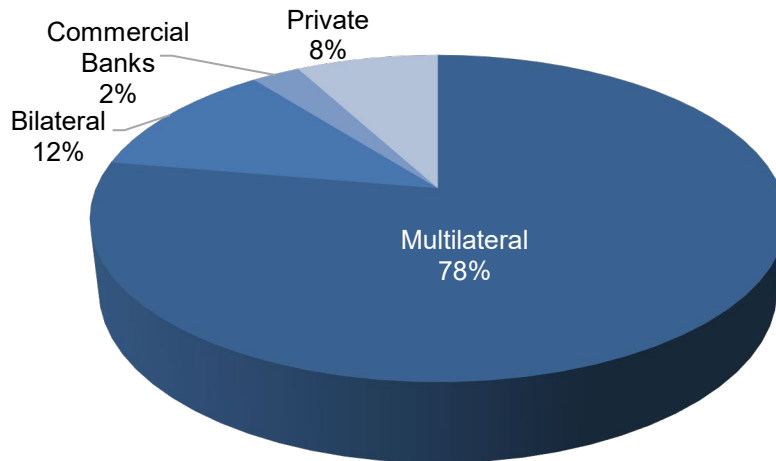
Figure 10 displays the distribution of creditor categories within the total external debt stock. Multilateral creditors represent the largest share at 78 per cent followed by bilateral creditors at 12 per cent. Private creditors and commercial banks account for the smallest share at 8 per cent and 2 per cent respectively.

Table 27: External Debt by Creditor Category Dec 2023 vs June 2024

DESCRIPTION	Dec-23	Jun-24	% Change
Multilateral	6,059	7,011	15.7
Bilateral of which;	1,107	1,057	(4.5)
<i>Paris Club</i>	531	485	(8.7)
<i>Non-Paris Club</i>	575	572	(0.6)
Commercial Banks	292	243	(16.9)
Private	812	713	(12.2)
TOTAL:	8,271	9,024	9.1

Source: Debt Management Division

Figure 10: External Debt by percentage composition as at June 2024



Source: Debt Management Division

External Debt Repayments

The following table displays the repayment schedule for External Debt during the latter half of 2024. The largest payments are expected in July and August, with amounts of USD 17.9m and USD 10.5m, respectively. These payments primarily consist of the July repayment on the Euro Bond and the August repayment on World Bank Loans.

Table 28: External Debt Forecast by Month - 2024 (USD 000s)

EXTERNAL DEBT	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
Total Principal	12,218	8,410	1,387	2,645	5,580	5,711	35,951
Total Interest	5,687	2,047	505	2,635	3,758	411	15,044
TOTAL:	17,905	10,457	1,892	5,280	9,338	6,123	50,995

Source: Debt Management Division

2024 Domestic Debt Stock

The stock of domestic debt comprises of all debt liabilities owe to residents of Seychelles economy. The table below provides a summary of the total domestic debt stock at the end of June 2024 in comparison to December 2023. As illustrated, at the end of the second quarter of 2024, the total domestic debt stock increased by SR 353m or 3.8 per cent from the last quarter of 2023. This is mainly attributed to the issuances of new T-bonds as well as a newly guaranteed loan to DBS worth SR 100m.

Table 29: Changes in Domestic Debt Stock (SR' m)

DOMESTIC DEBT	Debt Stock		% change
	Dec-23	Jun-24	
Government Securities	7,902	8,255	4.5
Other Securities	375	375	0.0
Loans	850	867	2.0
Other Debt Liabilities	66	48	(26.8)
TOTAL:	9,193	9,546	3.8

Source: Debt Management Division

Composition of Domestic Securities

Table 30 below summarizes the composition of the total domestic securities at the end of June 2024 in comparison to the end of December 2023. The total stock of Government securities increased from SR 8.3bn to SR 8.6bn, equivalent to a 4.3 per cent increase over the mentioned period. This is mainly attributed to the continuous issuance of T-bills and T-bonds as part of Government issuance plan in managing its cashflow position. The stock was partially offset with ongoing repayments as the securities matured.

Table 30: Composition of Domestic Securities (SR' m)

GOVERNMENT SECURITIES	Dec-23	Jun-24	% Change
T-Bills	1,825	2,074	13.6
T-Bonds	6,032	6,136	1.7
Treasury Deposits	45	45	-
Other	375	375	-
TOTAL:	8,277	8,630	4.3

Source: Debt Management Division.

During the first half of the year 2024, the Government issued a total of SR 413m worth of T-bonds as per table below. At the end of March 2024, a single 5-yr T-Bond worth SR 85m was issued and was successfully subscribed at SR 150m. Furthermore, towards the end of June, two additional bonds were issued, including a 3-yr and 5-yr tenors, altogether worth SR 200m which were oversubscribed at SR 263.3m.

Table 31: 2024 T-bonds Issuance Summary

QUARTER	T-Bonds	Issue Limit (SR' m)	Total Subscribed (SR' m)	Coupon Rate (%)
Q1	5- Year T-Bond	85.0	150.0	5.0
Q2	3- Year T-Bond	200.0	128.4	3.5
	5- Year T-Bond		134.9	4.7
TOTAL:		285.0	413.3	

Source: Debt Management Division.

Interest Rates on T-bills

The table below provides a summary of the changes within the interest rates on T-bills from June 2023 compared to June 2024. As illustrated, the interest rates for all three tenors increased by an average of 0.55 percentage point, representing the continuously growing competitiveness within the T-bills market.

Table 32: Interest Rates on T-bills

T-bills	Interest Rates (%)		
	Jan-Jun 2023	Jan-Jun 2024	Diff.
91 Days	1.21	2.06	0.85
182 Days	1.59	2.22	0.63
365 Days	2.22	2.40	0.18

Source: Debt Management Division and CBS.

As per Table 33, the total amount of T-bills issued for all three tenors during the first half of the year 2024 was higher with a total issuance of SR 748 m in contrast to the first half of the year of 2023 whereby only SR 516m worth of T-bills were issued. Amongst all three tenors, the 182 day T-bills shows the largest increase by SR 142 m compared to 91 and 365 days T-bills which increased by SR 77m and SR 13m respectively. This indicates a higher appetite for the 182 days T-bills based on the prevailing rates.

Table 33: T-bills Issuance Comparison (SR' m)

T-Bills	Amount issued		
	Jan-Jun 2023	Jan-Jun 2024	% Change
91 Days	74.43	151.21	103.17
182 Days	196.08	338.39	75.58
365 Days	245.50	258.40	5.25
TOTAL:	516.00	748.00	44.96

Source: Debt Management Division and CBS.

Selected Economic Indicators

	2023	2024	2025
National income and prices			
Nominal GDP (millions of Seychelles rupees)	30,016	31,177	33,217
Real GDP growth (%)	3.15	3.13	4.08
GDP deflator growth (%)	-0.93	0.72	2.36
CPI Growth (annual average) (%)	-1.0	0.6	2.4
Government Budget (% GDP)			
Total revenue, including grants	32.5	34.9	35.5
Total revenue, excluding grants	31.6	33.7	34.2
Grants	0.9	1.1	1.4
Expenditure and net lending	33.6	36.7	37.3
Current expenditure	29.8	31.6	31.1
<i>Of which: interest payments</i>	2.9	2.9	2.5
Capital expenditure	3.3	4.4	5.5
Net Lending	-0.1	0.1	0.1
Primary balance (accrual basis), including grants	1.7	1.1	0.8
Primary balance (accrual basis), excluding grants	0.9	-0.1	-0.6
Overall balance (accrual basis), excluding grants	-2.0	-3.0	-3.1
Overall balance (cash basis), including grants	0.5	-1.9	-1.7
Domestic bank financing (net)	-1.4	2.3	-0.3
External sector (% GDP)			
External sector (% GDP)	-7.2	-10.2	-10.6
Current account balance including official transfers (USD m, unless otherwise indicated)	-155	-220	-233
<i>Imports of goods</i>	1,427	1,469	1,493
<i>Imports of services</i>	1,010	1,012	1,072
<i>Exports of goods</i>	542	658	687
<i>Exports of services</i>	1,833	1,697	1,742
Primary Income, net	-74	-72	-73
Secondary Income, net	-19	-22	-23
Foreign Direct Investment	240	331	279
Gross official reserves	682	782	798
In months of imports, c.i.f.	3.4	3.8	3.7
Total external debt outstanding (% of GDP)			
Total external debt outstanding (% of GDP)	58	61	59
Total debt outstanding (SR 'm)	17,463	18,885	19,743
Total debt outstanding (% of GDP)	58.2	60.0	59.1
<i>Domestic (% of GDP)</i>	30.6	27.4	22.9
<i>External (% of GDP)</i>	27.6	32.6	36.2

Source: Seychelles Macroeconomic Framework Working Group.