

SEYCHELLES

Economic growth is estimated at 5.8 percent in 2025, mainly driven by tourism, with inflation at 0.3 percent and a poverty rate of 7.2 percent using the upper-middle-income poverty line of US\$8.30 per day (2021 PPP). Growth is projected at 1.1 percent in 2026, as visitor arrivals moderate. The government aims to maintain fiscal consolidation through improved revenue efficiency while expanding social benefits. External shocks and domestic policy uncertainties, however, pose downside risks.

Key conditions and challenges

Seychelles, an archipelago of 115 islands with a population of about 120,000 inhabitants, boasts the highest gross national income per capita in Africa. Its economy depends on tourism and fisheries, along with related activities that support these sectors. Since 2008, significant macroeconomic and structural reforms, including exchange rate and factor markets liberalization, have supported economic development. Nevertheless, the country's small size, geographic dispersion, remoteness, and vulnerability to external shocks, including climate risks—pose persistent structural challenges. Heavy dependence on a few sectors, as well as on imports, exposes the economy to external shocks, including fluctuations in international travel demand and volatility in food, fuel, and freight prices. In response, diversification efforts target the blue economy and financial services. However, geographic constraints raise production costs, hinder export competitiveness, and limit economic diversification, reinforcing reliance on the public sector and state-owned enterprises (SOEs) for essential services.

Seychelles' economic development faces both external and domestic risks. Climate risks are mounting, including increasingly intense

Population ¹ thousand	Poverty ² thousands living on less than \$8.30/day
121.9	8.2
Life expectancy at birth ³ years	School enrollment ⁴ primary (% gross)
75.0	93.4
GDP ⁵ current US\$, billion	GDP per capita ⁶ current US\$
2.4	19615.8

Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2018 (2021 PPPs). 3/ 2023. 4/ 2024. 5/ 2025. 6/ 2025.

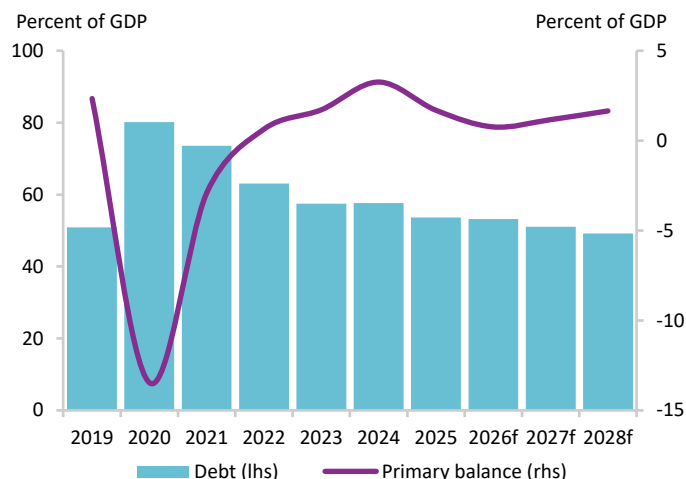
and frequent monsoon rains, as well as rising sea levels that lead to floods, landslides, and coastal erosion. Domestically, despite maintaining a low overall unemployment rate of 2.6 percent and having nearly eradicated extreme poverty, the country continues to grapple with socioeconomic vulnerabilities, with 16 percent of youth not in employment, education, or training. Additionally, challenges such as substance abuse, teenage pregnancy, declining educational outcomes, and high unemployment among single female parents threaten human capital development, undermine long-term economic sustainability, and impact household welfare.

Recent developments

Record-high tourism earnings supported an estimated GDP growth of 5.8 percent in 2025, as tourist arrivals surpassed the pre-pandemic peak recorded in 2019. Growth was broad-based across all source regions and reflected enhanced destination marketing, supported by improved air connectivity and major international events such as the FIFA Beach Soccer World Cup.

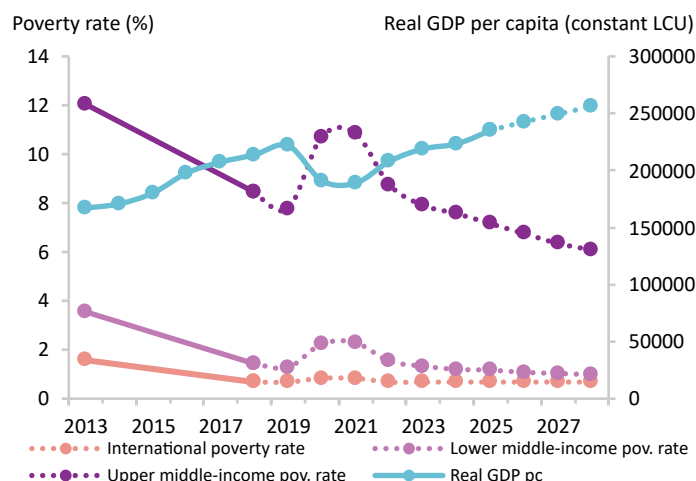
Increased tourism earnings contributed to a narrowing of the current account deficit to an estimated 5.5 percent of GDP in 2025,

FIGURE 1 / Public debt and primary balance



Source: World Bank.

FIGURE 2 / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: See footnotes in table on the next page.

down from 7.5 percent in 2024. Net foreign direct investment inflows remained the main source of external financing, reflecting the commencement of hotel developments backed by foreign investors.

The Central Bank of Seychelles kept its policy rate at 1.75 percent since March 2024 to stimulate economic activity. Declines in utility tariffs, lower international fuel prices, and reduced freight costs kept inflation at 0.3 percent. The exchange rate also remained stable, as steady inflows from tourism offset outflows to meet the country's demand for goods.

Fiscal consolidation continued for a fifth year, with a primary surplus of 1.8 percent of GDP and a reduction in public debt to 53.6 percent. Total revenue is edged down to 32.8 percent of GDP, as lower SOE dividends more than offset gains in tax revenue. Capital investment drove an increase in total spending to 33.6 percent of GDP, although under-execution of the capital budget persisted. A new government took office in October 2025 following a peaceful transfer of power. The new administration aims to prioritize inclusive development and the expansion of social welfare programs to address the needs of the most vulnerable while committing to fiscal consolidation. These recent developments, however, are set against a more uncertain global backdrop due to the ongoing conflict in the Middle East.

Outlook

The conflict in the Middle East is having tangible effects, with GDP growth now expected to slow to around 1.1 percent. Seychelles relies on the Middle East for over 50 percent of inbound flights, 34 percent of goods imports (largely from the United Arab Emirates), and fuel which serves as input for 95 percent of electricity

generation. Given flight and freight uncertainties, these dependencies are expected to reduce tourism and slow public and private investment. To mitigate the impact on air connectivity, the authorities are lobbying airlines to fly larger planes on alternate routes, adding direct European routes via the national carrier, and encouraging tourists to maintain bookings through flight re-routing.

Higher commodity prices are projected to widen the current account deficit to 6.7 percent of GDP while also adding pressure on the currency and international reserves as inflows from tourism and other service activities decline. Inflation is expected to rise to 2.3 percent in 2026. In response, the authorities have introduced price controls for staple goods, legislating maximum mark-ups for wholesalers and retailers.

While the authorities have expressed commitment to fiscal consolidation, the conflict poses challenges, particularly as the new administration pursues key election pledges of lowering the pension eligibility age from 65 to 63, raising wages, and expanding social protection. Lower growth is expected to reduce tax revenues, narrowing the primary fiscal balance to around 0.8 percent of GDP, down from pre-conflict projections of 1.5 percent, while public debt is expected to decline more slowly than previously projected.

Risks are heavily tilted to the downside. A prolonged closure of Gulf airspace and the Strait of Hormuz could accentuate the impact on economic activity. Higher commodity prices and freight disruptions could raise inflation and cause shortages. Heightened geopolitical tensions, trade policy uncertainties, climate risks, and evolving anti-money laundering and combating the financing of terrorism standards could further weigh on tourism, trade, and investment, with disproportionate effects on lower-income households and tourism-dependent workers.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	5.2	3.4	5.8	1.1	4.5	3.1
Private consumption	-6.7	15.6	3.9	1.0	3.6	3.5
Government consumption	26.1	2.9	9.8	0.4	-1.2	-0.2
Gross fixed capital investment	55.8	-19.3	-0.7	-0.5	14.0	5.3
Exports, goods and services	-2.4	-0.8	5.4	-0.3	2.4	2.4
Imports, goods and services	2.6	1.9	3.8	-0.6	2.4	2.4
Real GDP growth, at constant factor prices	5.2	3.4	5.8	1.1	4.5	3.1
Agriculture	8.0	9.6	4.5	-0.2	4.1	4.0
Industry	13.8	2.6	13.0	1.9	2.1	2.0
Services	3.4	3.3	4.4	0.9	5.0	3.3
Inflation (consumer price index)	-1.0	0.3	0.3	2.3	1.9	1.5
Current account balance (% of GDP)	-7.1	-7.5	-5.4	-6.7	-6.9	-7.0
Net foreign direct investment inflow (% of GDP)	13.3	11.7	12.2	9.1	11.4	11.1
Fiscal balance (% of GDP)	-1.2	0.2	-0.8	-1.7	-1.1	-0.6
Revenues (% of GDP)	32.0	33.0	32.8	31.9	31.7	31.6
Debt (% of GDP)	57.5	57.7	53.6	53.2	51.1	49.2
Primary balance (% of GDP)	1.7	3.3	1.7	0.8	1.2	1.7
International poverty rate (\$3.00 in 2021 PPP)^{1,2}	0.7	0.7	0.7	0.7	0.7	0.7
Lower middle-income poverty rate (\$4.20 in 2021 PPP)^{1,2}	1.3	1.2	1.2	1.2	1.0	1.0
Upper middle-income poverty rate (\$8.30 in 2021 PPP)^{1,2}	7.9	7.6	7.2	7.1	6.5	6.2
GHG emissions growth (mtCO₂e)	2.9	3.0	2.9	3.2	3.1	0.0

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on 2018-HBS. Actual data: 2018. Nowcast: 2019-2025. Forecasts are from 2026 to 2028.

2/ Projection using neutral distribution (2018) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.