

# SEYCHELLES

**Table 1** **2021**

Population, million	0.1
GDP, current US\$ billion	1.5
GDP per capita, current US\$	14691.9
International poverty rate (\$2.15) <sup>a</sup>	0.5
Lower middle-income poverty rate (\$3.65) <sup>a</sup>	1.2
Upper middle-income poverty rate (\$6.85) <sup>a</sup>	6.7
Gini index <sup>a</sup>	32.1
School enrollment, primary (% gross) <sup>b</sup>	100.8
Life expectancy at birth, years <sup>b</sup>	77.2
Total GHG emissions (mtCO2e)	0.5

Source: WDI, Macro Poverty Outlook, and official data.  
a/ Most recent value (2018), 2017 PPPs.  
b/ Most recent WDI value (2020).

*Seychelles' economy continues to recover, with real GDP growth projected at 11.0 percent in 2022, driven largely by a recovery of tourism. Key risks to the outlook include inflationary pressures and lower-than-expected tourism stemming from the Ukraine war, and new COVID-19 variants. These risks could reduce household income, increase poverty, and limit the effectiveness of social transfers. Fiscal consolidation and structural reforms are therefore critical for sustaining inclusive growth.*

## Key conditions and challenges

Seychelles is a small island economy heavily dependent on tourism and fisheries. Tourism centers on large hotels that offer comprehensive packages, exhibiting a high degree of vertical integration, with limited participation of local operators offering complementary services such as local restaurants, taxis, and other accommodations. The fishing industry also contains little local value added. Yet, Seychelles' tuna canneries are among the largest in the world, contributing 8 to 20 percent to GDP annually and employing 17 percent of the population. Climate change and rising sea levels have affected soil salinity and aquifers, constraining agriculture and fisheries' growth. During the extreme rainfalls of 1997-1998 El Nino and 1998-2000 La Nina, fisheries accounted for 45 percent of total losses, followed by agriculture and tourism.

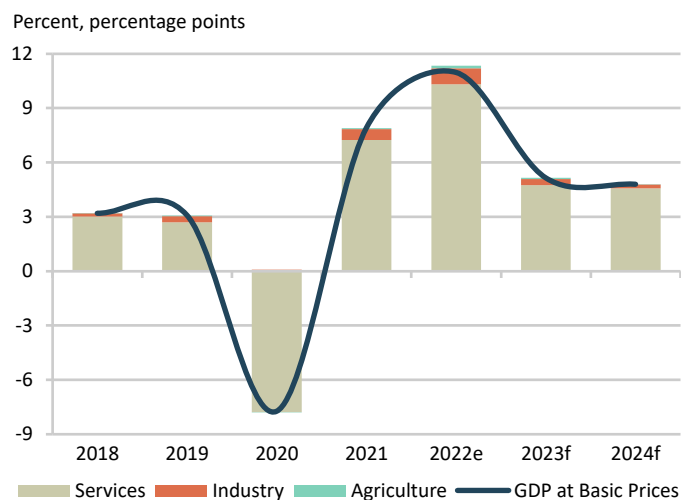
The limited domestic sources of growth, combined with a heavy reliance on imports, exposes Seychelles to external shocks. These are transmitted mainly through disruptions in international travel and tourism demand, fluctuations in fishing stocks, and unstable prices of essential commodities. In addition, Seychelles is vulnerable to new COVID-19 variants. A potential external shock from new infection waves (despite a vaccination rate of 84 percent) could adversely impact Seychelles' main tourist

markets. The service sector accounts for the largest share of employment (with tourism alone directly employing an estimated 27 percent of the labor force). Adverse shocks to services could once again derail the downward trend in poverty. The recent Ukraine war would exacerbate these effects by undermining the authorities' efforts to mitigate the impact of high food and energy prices. Specifically, the needed increase in social transfers could lead to a deterioration of fiscal and debt sustainability.

## Recent developments

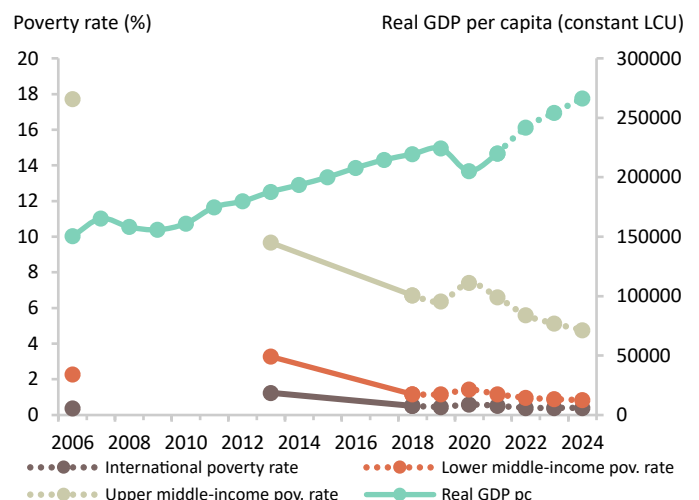
The economy has continued on its recovery path in 2022, driven by a rebound in tourism and the services sector. In the first half of 2022, tourist arrivals have been strong, reaching about 70 percent of the 2019 level (in contrast to the 60 percent decline in 2020). Although the war hurt tourist arrivals from Russia and Ukraine, increased tourist arrivals from Western Europe have helped offset this loss. As a result, tourism earnings in Q1 2022 reached pre-pandemic levels (at around SCR 650 million). Tourism growth has also helped catalyze growth in the industrial and agriculture sectors (through linkages to fisheries and canneries), buoyed by growth in private consumption. Average annual inflation has moderated, in line with an appreciation of the Seychelles rupee (as tourism has recovered). This has partly offset the upward pressure on prices from the Ukraine

**FIGURE 1 Seychelles / Real GDP growth and sectoral contributions to real GDP growth**



Sources: National Bureau of Statistics and World Bank staff calculations.

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



Source: World Bank. Notes: see Table 2.

war and residual cost-push factors arising from pandemic-related disruptions of production, trade, and distribution channels. On the external front, the current account deficit (CAD) narrowed in the first half of 2022 due to higher tourism receipts. As a result, gross international reserves remained close to 2021 levels, reaching USD 668 million as of June 7, 2022 (or 4.1 months of imports). Freezes on staffing and wages, coupled with a year-on-year 37 percent expansion of revenues (for Q1 2022) due to robust economic growth, is expected to keep the fiscal deficit on a declining path and support debt reduction.

As tourism continues to pick up, poverty rate is projected to decline to 7.2 percent in 2022 from 7.4 percent in 2021 (when measured against the new poverty line for upper middle-income countries of USD 6.9 a day per capita in PPP terms). However, the ongoing inflationary pressures may undermine this projection if the recently announced subsidies/assistance are not well targeted to the most vulnerable households.

## Outlook

The ongoing rebound in tourism and activity will lead to growth peaking at 11.0 percent in 2022 before eventually moderating to about 5.0 percent in the medium-term. Tourist arrivals and investments in large resorts will continue to be the key growth driver over in the medium-term, complemented by growth in private consumption. Higher food and fuel prices are expected to raise inflation in 2023. Thereafter, price pressures should moderate, reflecting strong growth prospects and a stable rupee backed by recovering tourist arrivals. The current account deficit is projected to peak in 2022 (due to higher import prices of fuel and wheat), then narrow over the medium term as tourism inflows rebound and FDI inflows increase. Tourist earnings are expected to reach 2019 levels by 2024.

Fiscal consolidation is the key priority for a sustained downward debt trend, with an expected reduction in the deficit to 3.8 percent by end-2022. The GoS will

continue to contain wages and salaries, at around 11 percent of GDP over the medium term, and to rationalize expenditures on goods and services. Increased capital expenditure on some new capital projects (i.e., drug rehabilitation center, La Digue hospital) will be financed by grants. Revenues are projected to remain buoyant, supported by efforts to improve tax administration and compliance. Savings from fiscal consolidation will help finance increased transfers (of an estimated 0.3 percent of GDP), to support low-income households in dealing with the impact of higher-than-expected inflation.

As growth continues to pick up, poverty will reach pre-pandemic levels of 6.4 percent by 2023 and decline further to 5.7 percent by 2024 as inflation stabilizes. This may further be boosted as Aeroflot is planning to resume direct flights to Seychelles before the end of the year since Russian tourists made up nearly 14 percent of Seychelles tourists in early 2022 before the onset of the Ukraine war. However, given how long the war is dragging on, this prospect is not fully certain.

**TABLE 2 Seychelles / Macro poverty outlook indicators**

(annual percent change unless indicated otherwise)

	2019	2020	2021	2022e	2023f	2024f
<b>Real GDP growth, at constant market prices</b>	3.1	-7.7	7.9	11.0	5.2	4.8
Private Consumption	5.9	-5.0	8.9	9.2	2.5	5.9
Government Consumption	0.8	11.0	2.3	4.3	2.1	1.7
Gross Fixed Capital Investment	-1.7	-33.6	22.0	18.9	9.9	4.0
Exports, Goods and Services	3.1	-35.7	12.3	17.6	17.3	17.3
Imports, Goods and Services	2.0	-34.2	14.4	15.3	14.4	14.9
<b>Real GDP growth, at constant factor prices</b>	3.1	-7.7	7.9	11.0	5.2	4.8
Agriculture	2.2	-0.3	2.7	6.9	3.4	1.1
Industry	3.2	0.8	5.1	7.8	3.0	2.0
Services	3.1	-8.9	8.4	11.5	5.5	5.2
<b>Inflation (Consumer Price Index)</b>	1.8	1.2	9.8	4.1	4.7	1.5
<b>Current Account Balance (% of GDP)</b>	-16.1	-21.9	-20.1	-22.4	-19.3	-17.4
<b>Net Foreign Direct Investment Inflow (% of GDP)</b>	16.0	10.7	10.2	11.0	10.6	11.2
<b>Fiscal Balance (% of GDP)</b>	-0.8	-18.4	-5.6	-3.8	-0.8	1.1
<b>Debt (% of GDP)</b>	58.0	88.7	76.2	73.3	67.0	61.3
<b>Primary Balance (% of GDP)</b>	2.6	-14.8	-2.9	-1.4	1.8	2.9
<b>International poverty rate (\$2.15 in 2017 PPP)<sup>a,b</sup></b>	0.5	0.6	0.5	0.4	0.4	0.4
<b>Lower middle-income poverty rate (\$3.65 in 2017 PPP)<sup>a,b</sup></b>	1.2	1.4	1.2	1.0	0.9	0.8
<b>Upper middle-income poverty rate (\$6.85 in 2017 PPP)<sup>a,b</sup></b>	6.4	7.4	6.6	5.6	5.1	4.8
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	5.0	-2.0	-29.2	8.2	5.3	7.2
<b>Energy related GHG emissions (% of total)</b>	78.8	79.8	70.7	72.3	73.1	74.5

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Poverty lines are expressed in 2017 PPP, resulting in changes from earlier editions that used 2011 PPP. See [pip.worldbank.org](http://pip.worldbank.org).

a/ Calculations based on 2018-HBS. Actual data: 2018. Nowcast: 2019-2021. Forecasts are from 2022 to 2024.

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