CENTRAL BANK OF SEYCHELLES

P. O. Box 701, Victoria, Seychelles

Tel: + (248) 4 282 000; Fax: + (248) 4 226 104

Website: www.cbs.sc

PRESS COMMUNIQUÉ

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The current Monetary Policy stance is maintained to support economic activity

For the fourth quarter of 2017, the CBS Board has decided to maintain the monetary policy stance of the third quarter of 2017 in order to continue to support domestic economic activity. Whilst the overall increase in the general price level is expected to remain above that of last year, the uptick in inflation is not anticipated to reach levels that CBS considers to be a concern. This is on account of modest external inflationary pressures as commodity prices internationally are forecasted to remain within a comfortable margin whilst the depreciation of the Seychelles rupee (SCR) against the US dollar is not expected to accelerate to an alarming level. The Board also maintained the position of the interest rate corridor such that the rate on the Standing Deposit Facility (SDF) remained at 1.0 per cent while that on the Standing Credit Facility (SCF) at 6.0 per cent. The SCF and SDF rates form the ceiling and the floor for short-term money market rates, i.e. the interest rate corridor. The reserve money target has been increased slightly compared to the third quarter of 2017 to cater for seasonal changes in liquidity level in the system during the last three months of the year.

Global factors are expected to have limited threat to domestic price stability

The global economy is on the path of recovery and the outlook for future growth remains positive. Nonetheless, oil prices continue to stagnate, whilst food prices are projected to remain generally weak. A further normalisation of the monetary policy stance in the United States towards the end of the year is likely to contribute to a further weakening of the SCR against the US dollar. The overall weak external inflationary pressures and the anticipated depreciated level of the SCR are expected to have limited impact on domestic inflation.

Tourism continued to boost economic activity

The Seychelles economy has continued to perform relatively well, led by activity in the tourism industry, the economy's main driver. Monthly visitor arrivals in 2017 have consistently outperformed 2016 and 2015 levels, an outcome partly attributed to an increase in the number of flights to Seychelles towards the end of last year. Moreover, the growth in visitor arrivals has translated to a growth in tourism earnings.

From January to August 2017, visitor arrivals amounted to a cumulative total of 232,913 compared to 192,761 in August 2016, which was a year-to date growth of 21 per cent. Over the same period, the growth in tourism earnings is estimated at 16 per cent in euro terms.

Money supply growth accelerates

In the domestic financial markets, the quarterly average for the 7-day interest rate on the Deposit Auction Arrangement (DAA) stood at 2.9 per cent as of September 22, while the average yield on the 91-day Treasury bills was 3.5 per cent from 5.2 per cent at the end of the second quarter of 2017.

Money supply grew by 15.2 per cent year-on-year in August 2017 compared to 12.7 per cent in August 2016. The volume of outstanding credit to the private sector as at August 2017 has risen by 14.3 per cent year-on-year, explained primarily by a growth in consumer loans.

Modest inflationary pressures expected in the short-term

The rise in inflation since the start of 2017 has continued. In August 2017, year-on-year inflation stood at 3.9 per cent while the 12 month average rate amounted to 1.6 per cent. In the short-term, inflationary pressures are expected to be modest due to a weak rebound in global commodity prices and a slight depreciation of the domestic currency.

Maintain the current monetary policy stance in light of modest inflationary pressures to provide further support to economic activity and growth

At its third Monetary Policy Meeting for the year on September 25, 2017, the Board decided to maintain the current monetary policy stance for the fourth quarter of 2017 to give further support to the productive sector and consequently boost economic growth in an environment of modest inflation. The decision reflected the Board's view that although economic activity is picking up relative to last year, it continues to be below potential whilst inflationary pressures remained modest which implies that there is sufficient policy space for CBS to cater for economic growth with limited inflationary impact in the short-term.

In line with an interest rate-focused monetary policy framework, the Board also decided on the positioning of the corridor for short-term money market interest rates to provide guidance to the market and which are in line with projected economic conditions for the coming quarter. **The rate on the SDF remains at 1.0 per cent and the rate on the SCF at 6.0 per cent.**

The reserve money target has been set at R3,660 million for Q4 2017, which is an increase of 9.1 per cent compared to the third quarter of 2017.

The minimum reserve requirement (MRR) was kept unchanged at 13.0 per cent of applicable deposit liabilities. The primary purpose of the minimum reserve requirement is to regulate the amount of money circulating in the economy, and as such this requirement is part of the CBS's overall policy stance.

The CBS remains vigilant and stands ready to adjust its policies as needed to promote price stability.

STATISTICAL ANNEX *(Tables and Charts)*

TABLE 1. POLICY STANCE INDICATORS

	2015				2016				2017			
	Q1	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**
RM Target (quarterly average)	2 529	2 529	2 552	2 781	2 818	2 846	2 954	3 051	3 095	3 169	3 353	3 660
RM Target (q/q growth rate in %)	3.6	0.0	0.9	9.0	1.3	1.0	3.8	3.3	1.4	2.4	5.8	9.1

TABLE 2. FINANCIAL MARKET INDICATORS

		2015				2016				2017		
		Q1	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**[1]
7D DAA (end of period)		3.8	5.5	5.8	4.3	3.6	3.8	4.3	4.6	4.7	3.0	2.9
91D T Bill Rate (end of period)		6.3	7.4	7.2	6.7	5.4	5.4	6.2	5.8	6.1	5.2	3.5
EUR/SCR FX rate (average of period)		15.5	14.7	14.3	14.6	14.6	15.0	14.9	14.5	14.5	15.0	16.4
USD/SCR FX rate (average of period)		13.8	13.3	13.1	13.1	13.2	13.3	13.3	13.4	13.6	13.6	13.7
Gross FX Reserves (end of period)		475	505	519	539	541	551	538	538	549	559	550
Net International Reserves (end of period)	**Target**	356	367	417	409	429	412	418	401	405	413	415
	Actual	373	398	364	424	436	420	429	415	438	446	428

[1] Q3 to date (as at September 22)

TABLE 3. MAIN ECONOMIC INDICATORS

CHANGES (%)											
	2015				2016				2017		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3 to date
CPI (12-month average)	1.8	2.4	3.3	4.0	2.6	1.3	-0.1	-1.0	-0.3	0.8	1.6[2]
CPI (y/y change)	5.8	4.3	4.5	3.2	-3.2	-1.4	-1.0	-0.2	1.9	3.7	3.9[2]
Real GDP (quarterly change)	1.3	0.3	1.7	-1.3	1.9	-0.2	-0.6	0.5	2.6	n.a.	n.a.
Credit growth (y-o-y change)	17.0	16.0	7.7	10.6	7.9	5.8	13.9	14.3	13.1	8.0	10.1[2]
EUR/SCR FX rate (quarterly change)	-11.4	-5.2	-2.7	2.1	0.0	2.7	-0.7	-2.7	-0.3	3.5	7.2[1]
USD/SCR FX rate (quarterly change)	-1.2	-3.6	-1.5	0.0	0.8	0.8	0.0	0.8	0.9	0.4	0.5[1]

[1] Q3 to date (as at September 22)
[2] Q3 to date (as at August 2017)