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PRESS COMMUNIQUÉ

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Outcome of the Q4 2023 Financial Stability Committee discussions

The Financial Stability Committee (FSC) met to discuss matters that may have a bearing on the country's financial stability observed during the fourth quarter of 2023. The meeting was held on February 27, 2024.

On the global front, the meeting was apprised of the impact that the tight monetary conditions are having on the world economy. However, there is optimism regarding the global economic performance for the year 2024, as growth projections indicate increased resilience across major emerging and developing economies. Committee members were also briefed on the decrease in commodity prices in 2023 compared to the preceding year, attributed to slow global economic activity. Looking ahead, the Committee recognised that there are potential risks that may drive higher international commodity prices and heighten domestic inflationary pressures in the upcoming quarters.

On the domestic front, members noted the improvement in domestic economic activity, supported by the positive performance of the tourism industry. Nonetheless, ongoing geopolitical tensions in the Middle East which has already disrupted the shipping industry, may also threaten air connectivity and have a direct impact on tourism arrivals. The Committee was also informed of the main risks being faced by the banking and non-banking sectors. Looking ahead, downside risks such as geopolitical tensions, expected price increases, and climate change-related disruptions continue to pose challenges to domestic economic growth and financial stability.

Regarding the impact of the December 7th explosion, members were apprised of the status of insurance claims for both residential and business properties. Additionally, the FSC was informed of the difficulties encountered by the insurance sector in processing and finalising the insurance claims.

The Committee also welcomed CBS' First Deputy Governor, Mr. Brian Commettant, as the newest FSC member as provisioned under section 4(1)(b) of the Financial Stability Act, 2023, given his role as the banking supervisor. Additionally, members were presented with the proposed work plan for the year, reflecting the continued effort towards developing the country's Financial Stability Framework. They were also briefed on the overall structure of the Financial Stability Report, which is a requirement under the new Financial Stability Act. Emphasis was placed on the content of the report, which will be used as a financial education

tool to ensure all stakeholders, including the general public, are informed on the broad topic of financial stability.

During the meeting, FSC members were also provided with a summary of the oversight and supervision framework for Financial Market Infrastructures (FMIs) developed by CBS in line with its mandate to oversee the national payment system. The framework focuses on ensuring the efficient and secure functioning of payment, clearing, and settlement systems, which are critical for the stability of the financial system. Moreover, members highlighted the importance of the inter-agency cooperation among regulators to ensure a coordinated approach in the overall supervision of FMIs. The Committee also recognised the work being carried out by the FSC Technical Sub-Committee which is essential in strengthening the country's Financial Stability Framework.

The Committee concluded that although the global economy is on a positive path to recovery, the economic outlook presents challenges that could negatively impact global and domestic conditions as a result of potential risks. In light of this, emphasis needs to be placed on enhanced collaboration between the relevant authorities to mitigate the impact of potential risks to domestic financial stability.