

EBS/86/135

CONFIDENTIAL

June 25, 1986

To: Members of the Executive Board
From: The Acting Secretary
Subject: Seychelles - Real Effective Exchange Rate - Information Notice

Attached for the information of the Executive Directors is an information notice on the real effective exchange rate of the Seychelles rupee.

Mr. Belanger (ext. 8671) is available to answer technical or factual questions relating to this paper.

Att: (1)

INTERNATIONAL MONETARY FUND

SEYCHELLES

Real Effective Exchange Rate - Information Notice

Prepared by the African Department and the
Exchange and Trade Relations Department

(In consultation with the Legal Department
and the Research Department)

Approved by A.D. Ouattara and S. Kanesa-Thasan

June 23, 1986

The recent evolution of Seychelles' real effective exchange rate, as measured by the standard index developed in connection with the information notice system, is set out in the attached table and chart. Based on this index, as of April 1986 the Seychelles rupee had depreciated in real effective terms by more than 10 percent since the last occasion on which Seychelles' exchange rate developments were brought to the attention of the Executive Board--the Article IV consultation in April 1985. ^{1/} The depreciation is estimated to have amounted to 10.1 percent.

The Seychelles rupee is pegged to the SDR. In March 1981, with a view to lowering the domestic price level and despite the recognized risks to the competitiveness of the tourist and export industries, the rupee was revalued by 15 percent to the current rate of SR 7.2345 per SDR. The real effective exchange rate of the rupee depreciated slightly from the second quarter of 1981 through mid-1982, but subsequently appreciated steadily until May 1985. Since then it has depreciated, reflecting both an improvement in Seychelles' relative price position and also some decline in the nominal effective exchange rate index. The depreciation has more than offset the appreciation of the rupee that had occurred subsequent to the 1981 revaluation. However, by April 1986 the real effective exchange rate index remained considerably above the level that had prevailed prior to the revaluation.

Exchange rate policy and developments in Seychelles in recent years are described in the recently issued staff report for the 1986 Article IV consultation (SM/86/129, 6/10/86) and the report on recent economic developments. The staff appraisal notes that maintenance of the international competitiveness of the key tourist and fishing services industries will require a reversal of the real effective appreciation of

^{1/} Chairman's Summing Up circulated as SUR/85/41, 5/1/85.

the exchange rate that occurred from 1980 until May 1985. It also emphasizes that exchange rate policy should be kept under constant review to ensure the competitiveness of the economy.

Discussion by the Executive Board to conclude the 1986 Article IV consultation with Seychelles is scheduled for July 7, 1986.

Table 1. Seychelles: Real Effective Exchange Rate and Related Series

(Indices: 1980 = 100)

	Real Effective Exchange Rate <u>1/</u> <u>2/</u>	Nominal Effective Exchange Rate <u>1/</u>	Relative Consumer Prices (Local Currencies)	Exchange Rate in Terms of U.S. Dollars <u>1/</u>	Consumer Price Index (Seasonally Adjusted)	Consumer Price Index (Not Seasonally Adjusted)
Quarterly						
1981						
I	105.9	102.5	103.3	98.0	110.3	110.1
II	120.7	118.9	101.5	104.5	111.7	111.6
III	120.3	123.5	97.5	100.2	110.1	111.5
IV	117.1	123.3	94.9	102.5	110.1	109.0
1982						
I	114.3	124.7	91.6	100.5	108.4	108.2
II	115.6	127.2	90.9	98.7	109.6	109.5
III	115.1	129.5	88.9	96.0	109.0	110.1
IV	117.5	131.2	89.6	95.1	111.6	110.9
1983						
I	118.2	133.2	88.7	96.5	112.1	111.8
II	116.8	134.0	87.2	95.2	111.7	111.6
III	125.7	136.0	92.4	93.2	120.4	121.5
IV	126.2	138.4	91.2	92.9	120.9	120.5
1984						
I	126.6	140.1	90.4	92.6	121.4	121.0
II	126.7	141.7	89.4	92.4	121.6	121.3
III	128.8	147.7	87.2	89.5	120.2	121.2
IV	131.9	152.9	86.3	87.9	120.6	120.4
1985						
I	136.3	159.3	85.6	85.4	121.5	121.1
II	130.1	154.3	84.3	87.6	122.0	121.7
III	127.5	152.5	83.6	90.7	122.1	123.1
IV	126.9	153.3	82.7	95.2	122.2	122.0
1986						
I	119.4	151.3	78.9	99.3	117.7	
Monthly						
1985						
April <u>3/</u>	130.6	154.5	84.5	87.5	121.7	121.0
May	131.2	154.8	84.8	87.4	122.7	122.5
June	128.6	153.7	83.7	88.0	121.7	121.4
July	126.0	150.5	83.7	89.9	122.0	122.5
Aug.	127.5	152.7	83.5	91.3	122.0	123.4
Sep.	129.0	154.3	83.6	90.7	122.4	123.5
Oct.	127.9	153.2	83.4	94.0	122.7	122.8
Nov.	126.6	153.4	82.5	95.3	121.8	121.7
Dec.	126.2	153.4	82.3	96.2	122.2	121.5
1986						
Jan.	120.5	151.9	79.3	96.9	118.3	118.3
Feb.	119.2	151.1	78.9	99.5	117.7	
March	118.3	151.0	78.4	101.5	117.1	
April	117.4	150.6	77.9	101.4	116.5	
Percentage change						
April 1985- April 1986	-10.1	-2.5	-7.8	15.9	-4.3	

Source: Information Notice System.

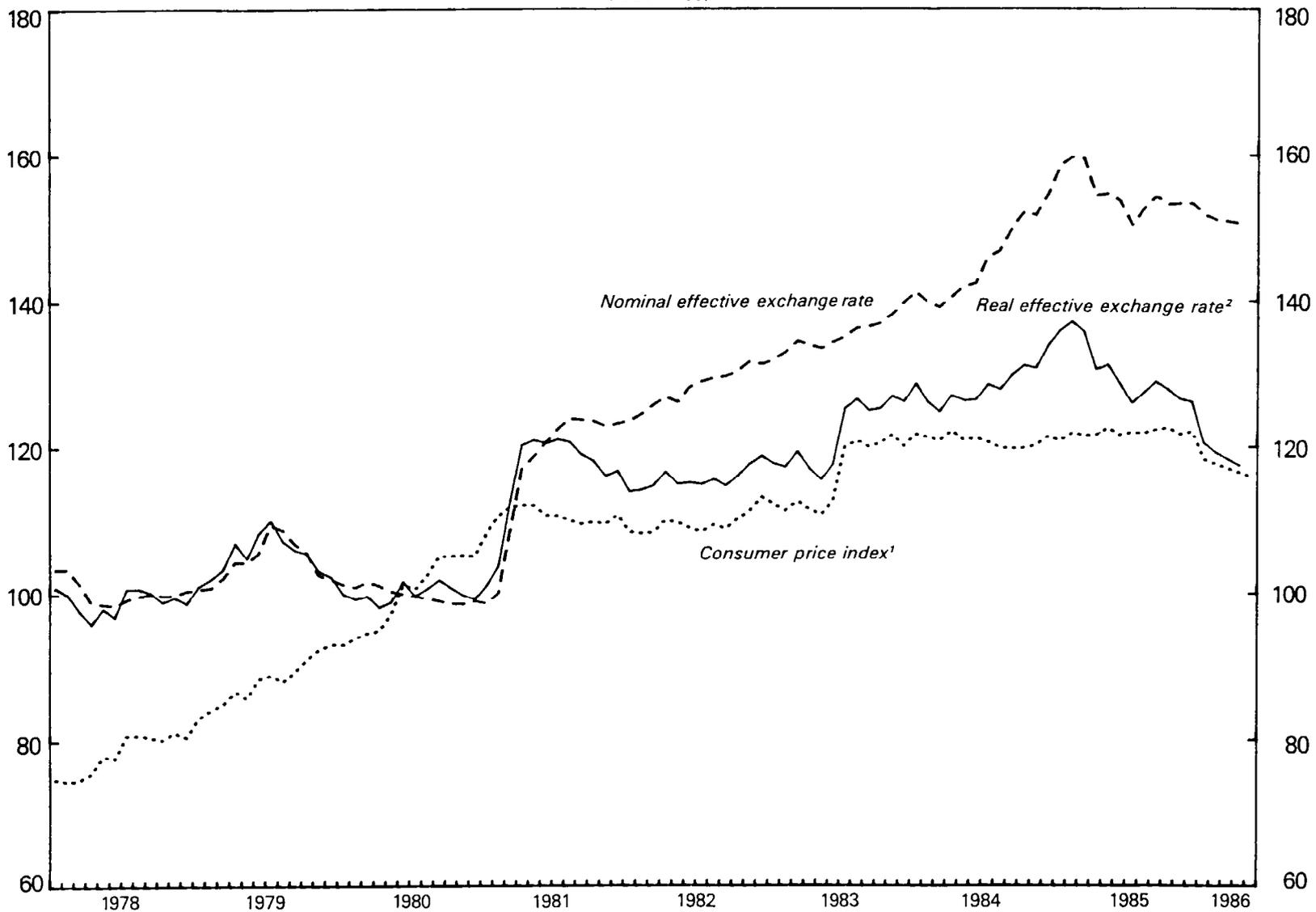
- 1/ Increases mean appreciation.
2/ Using seasonally adjusted price indices.
3/ Date of latest consideration by Executive Board.

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CHART
SEYCHELLES
INFORMATION NOTICE SYSTEM INDEX OF REAL EFFECTIVE EXCHANGE RATE
(1980=100)



Source: Information Notice System.

¹ Seasonally adjusted.

² Trade-weighted index of nominal exchange rates deflated by seasonally adjusted relative consumer prices, increases mean appreciation.