

Data changes could weaken fiscal metrics

The newly elected government published an audit report on the state of the economy in December 2024. The report has highlighted changes in two key areas, including the economy's growth and the government's fiscal metrics.

Growth

The revised projection indicates moderate growth of 5.1% for 2024 (revised from 6.5%), down from 5.6% (adjusted from 7%) in 2023. These adjustments on the production side primarily stem from a significant reassessment of the construction sector, where growth has been revised downward from 38.8% to 25%. Nonetheless, this still represents an improvement from the estimated growth of 21.3% for 2023. Additionally, downward revisions were made for other sectors, including "wholesale & retail trade," "accommodation & food service," "information & communication," and "financial & insurance." activities".

GDP growth of main sectors

(%)	2022		2023		2024	
	Previous Estimates	Revised Estimates	Previous Estimates	Revised Estimates	Previous Estimates	Revised Estimates
Construction	1.3	1.3	37.4	21.3	38.8	25.0
Wholesale and retail trade	3.0	3.0	3.6	3.0	3.9	3.2
Accommodation and food services	200.8	192.4	26.8	25.7	7.4	7.4
Information & communication	4.0	4.0	6.0	4.0	6.6	4.4
Financial & Insurance	4.2	4.2	4.3	3.9	4.8	4.4

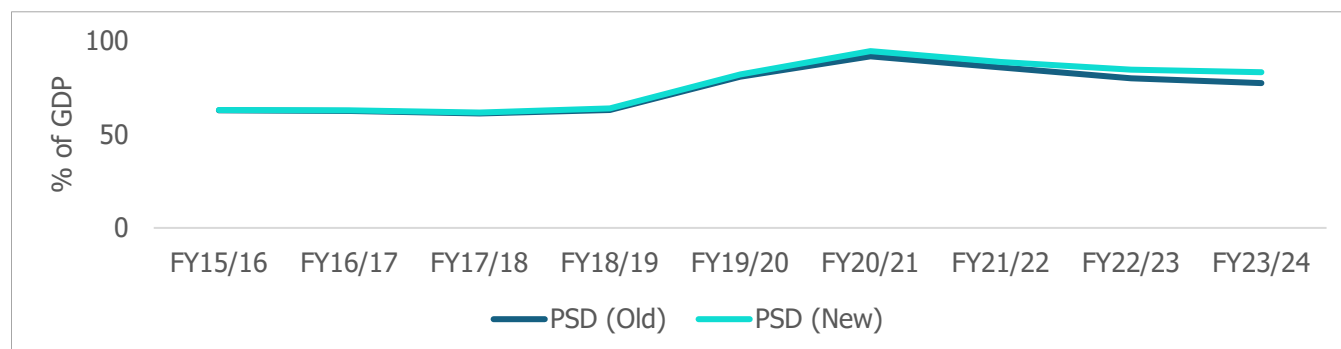
Source: Ministry of Finance

Looking ahead to 2025, the Bank of Mauritius (BoM) projects growth to be between 3.5% and 4% in 2025, whereby major economic sectors are expected to contribute positively and sustain the island's growth momentum.

Public Sector Debt (PSD)

Public Sector Debt (PSD) was adjusted to include debt held by non-financial public sector entities, such as the Mauritius Ports Authority and the Projects Development Fund, which were netted out in the previous computation. PSD for FY23/24 is now estimated to be 83.4% of GDP, from an earlier estimate of 77.6%.

Public Sector Debt (PSD) to GDP



Source: Ministry of Finance

Fiscal deficit

The fiscal deficit for FY23/24 (fiscal year ending June) has been revised to 5.7% of GDP, up from the 3.9% budgeted deficit. This higher deficit is attributed to a revenue shortfall of MUR 13.8 billion, partly offset by reduced capital expenditure, among other expense categories.

For FY24/25, the fiscal deficit is revised to 6.7% of GDP from a budgeted estimate of 3.4% presented in the 2024 Budget. The increased deficit is attributed to an anticipated shortfall in tax revenues, including reduced excise duties on motor vehicles and petroleum products and lower dividends from Airports Holding Ltd Mauritius and the Financial Services Commission. Overall, expenditure is also estimated to be higher in FY24/25 despite reduced capital expenditures.

The higher projected FY24/25 fiscal deficit is also due to the impact of fiscal priorities announced by the new government, including salary adjustments and introducing a free travel allowance scheme. There are also provisions for increases in basic retirement pensions, CSG income and child allowances, support for bus operators, medical supplies allowances, and contingent liabilities for state-owned enterprises (SOEs).

Overall, for FY24/25, the borrowing requirement is expected to reach 8.2% of GDP, well above the budgeted borrowing requirement of 4.8%.

Statement of Government Operations (MUR million)

	FY23/24			FY24/25	
	Budgeted Estimates	Revised estimate	Actual	Budgeted Estimates	Revised estimate
Total revenue	179,160	174,751	160,998	210,500	193,839
o/w taxes	156,241	153,545	141,133	182,640	167,627
Total expenditure	200,178	202,127	199,029	237,319	242,320
Fiscal deficit	-21,018	-27,376	-38,031	-26,818	-48,481
As % of GDP	-2.9%	-3.9%	-5.7%	-3.4%	-6.7%
Net acquisitions of financial assets	3,619	4,415	3,928	11,510	11,400
Adjustment for the difference in cash and accrual interest	-325	-1,100	-1,243	-300	-300

Borrowing Requirement	24,312	30,691	40,716	38,028	59,580
As % of GDP	3.4%	4.4%	6.1%	4.8%	8.2%

Source: Ministry of Finance

In light of the revisions to historical figures, the fiscal position of the new government may result in a weaker fiscal profile and an increased debt-to-GDP ratio for Mauritius in the near to medium term. Simultaneously, the government has articulated its commitment to fiscal consolidation. This process may be bolstered by anticipated annual receipts of approximately GBP 80-100 million for ceding control of Diego Garcia, the largest island within the Chagos Archipelago.

We believe that more clarity will emerge from the government's publication of the 2025 Budget and other disclosures concerning Mauritius' fiscal trajectory over the medium term over the next few months.

BoM hikes interest rates by 50bps

In its February monetary policy committee (MPC) meeting, the BoM unanimously voted to raise interest rates by 50bps. The BoM remains concerned about excess liquidity in the banking system, which puts downward pressure on yields and contributes to negative interest rate differentials, mainly the US Dollar, ultimately impacting the exchange rate and the overall inflationary environment. As such, given that there is positive growth momentum in the economy, the MPC sees this as an opportunity to reverse the negative interest rate differential, especially in the context of several underlying global factors such as the US Fed's pause on its interest rate cutting cycle, which could add to Rupee weakness and therefore inflationary pressures. The MPC also warned of upside risks to the inflation outlook, which could exacerbate these linkages.

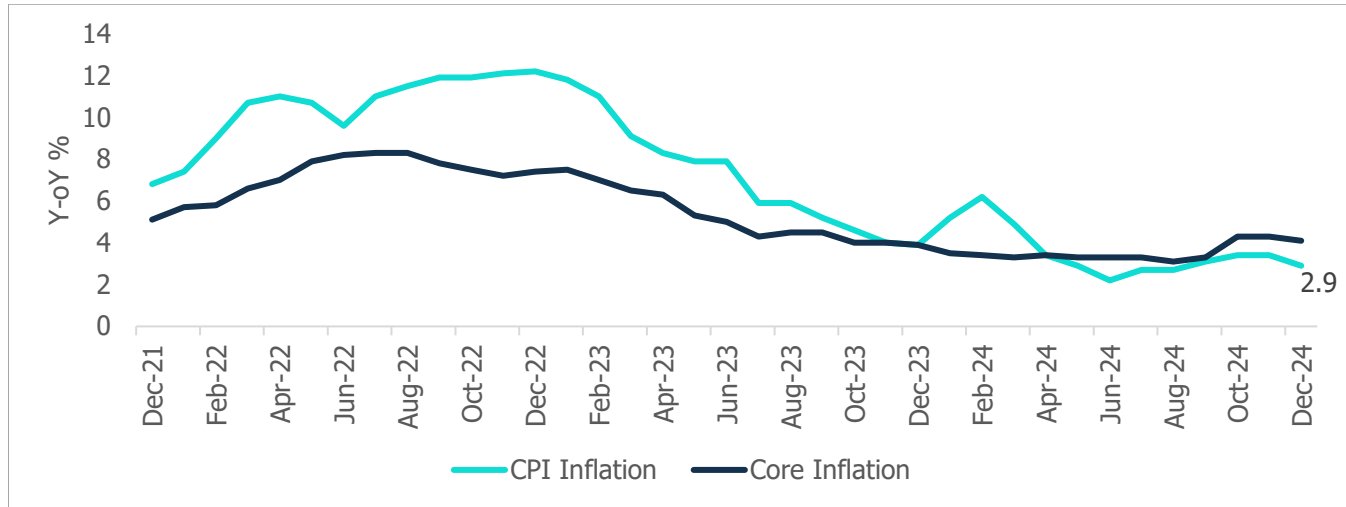
Inflation is Near Target, but BoM Warns External and Domestic Risks

Headline inflation decreased to 2.9% YoY in December, down from 3.4% in November. Similarly, core inflation, which excludes volatile items such as food and energy, fell to 4.1% from 4.3% in November. Inflation in "recreation, sport and culture", "transport", and "food and non-alcoholic beverages" sectors have eased for the month. Whereas higher inflation in the "restaurants and accommodation services" was observed. Overall, for 2024, headline inflation was 3.6% compared to 7.0% for 2023.

While the inflation forecast 2024 is near the mid-point of the BoM target range at 3.5%, the February MPC meeting warned of significant risks to the inflation outlook from both external and domestic sources. Externally, the risks of imported inflation persist, given the country's position as a net food importer, mainly if supply chain disruptions or climate-related events occur. Additionally, the threat of a potential trade war could result in higher imported inflation. Domestically, inflation, including that of services, remains persistent, and the output gap is anticipated to stay in positive territory in 2025.

Overall, the BoM anticipates that inflation will reach 3.7% by the end of 2025, but this may be higher in the context of the highlighted risks.

The monthly CPI and core inflation



Source: Statistics Mauritius

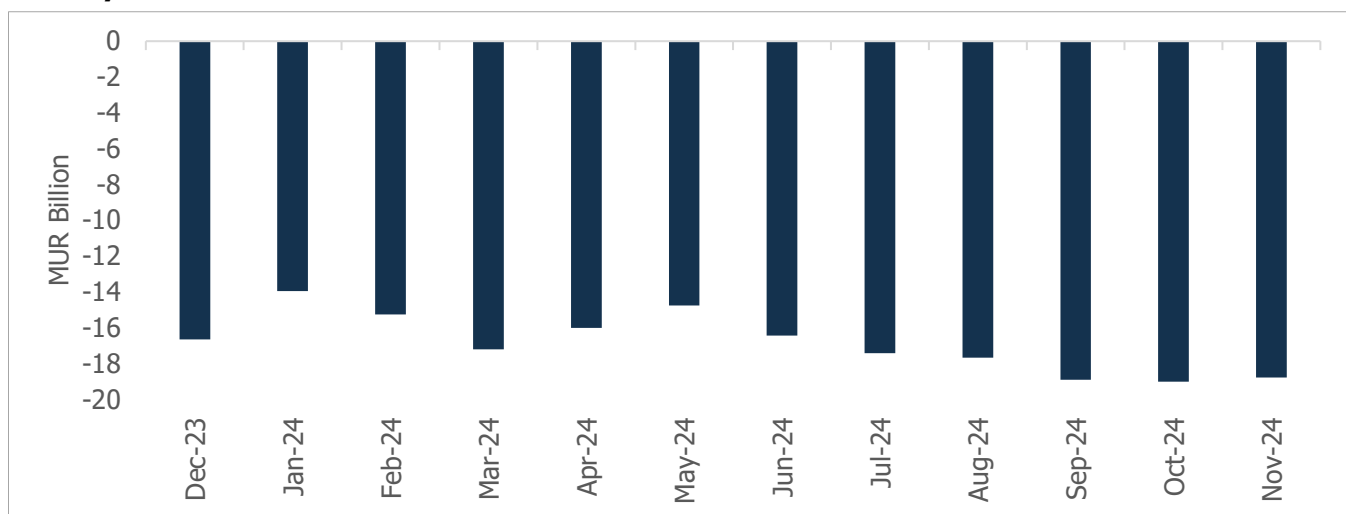
Marginal Decline in Trade Deficits

The trade deficit slightly narrowed in November to MUR 18.8 billion from MUR 19.0 billion in October. Merchandise exports increased significantly by 15.7% YoY to MUR 8.7 billion, while merchandise imports also saw a rise of 10.6% YoY, reaching MUR 27.4 billion.

From January to November, total merchandise exports amounted to MUR 101 billion, marking a 7.3% YoY increase. During the same timeframe, total merchandise imports rose by 10.7% YoY to MUR 286 billion, compared to 2023.

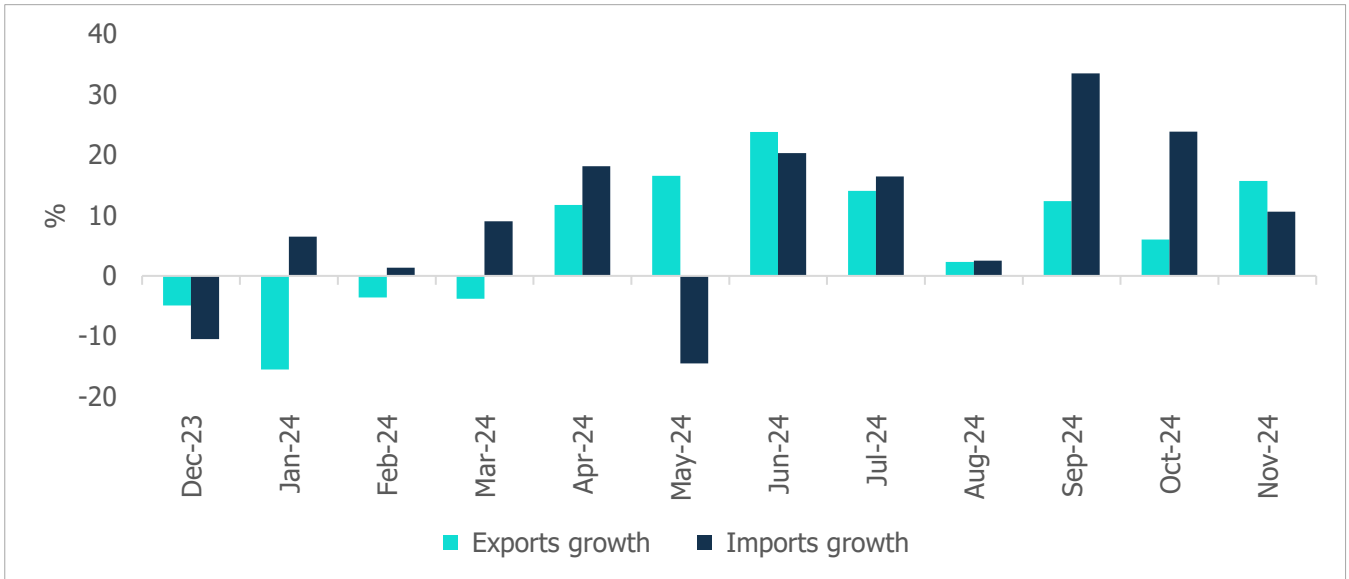
In November, Mauritius’ main export destinations included South Africa (13.3% of exports share), France (10.5%), Madagascar (9.4%), United Kingdom (9.1%), United States (8.6%) and Spain (7.3%). On the import side, the primary countries were China (19.1% of import share), the U.A.E. (14.3%), India (8.1%), France (6.5%), Spain (5.4%) and Japan (4.2%).

Monthly trade balance



Source: Statistics Mauritius

Import and export growth



Source: CareEdge computation

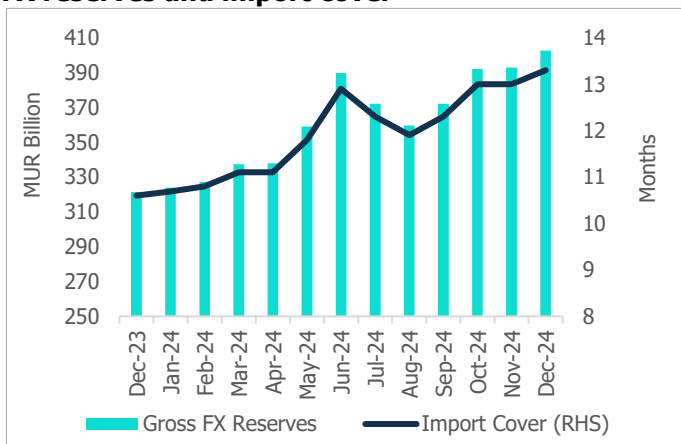
Growing Foreign Exchange Reserves in December

In December, gross official international reserves rose by 2.5% MoM, totalling MUR 402,663 billion (USD 8.5 billion), marking the highest level in three years. Import coverage increased to 13.3 months in December, up from a consistent 13 months in October and November, providing a robust buffer against external pressure shocks.

The Mauritian Rupee weakened slightly by 0.3% against the US Dollar over the past three months (November 2024 -January 2025) and experienced a depreciation of 1.0% over the last six months (August 2024 -January 2025).

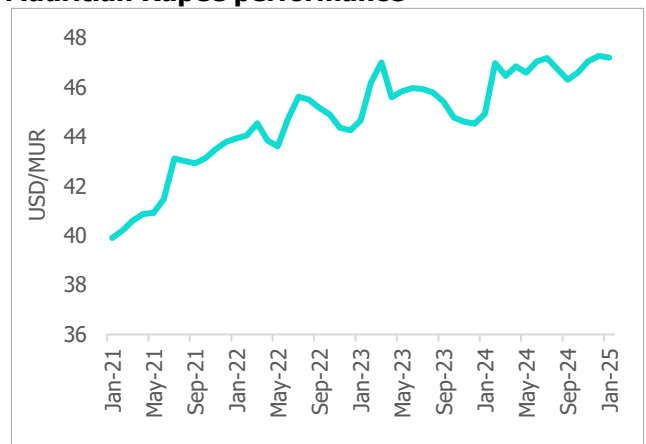
In January 2025, the Bank of Mauritius (BoM) intervened twice in the domestic foreign exchange market, selling a net of USD 25 million to banks to manage the Rupee’s value.

FX reserves and import cover



Source: Bank of Mauritius

Mauritian Rupee performance



Source: Bank of Mauritius

Tourism Achieves 99% of its 2024 Target

Tourist arrivals in December rose to 154,208, the highest monthly figure for the year, up from 123,104 in November. From January to December, total tourist arrivals reached 1,382,177, marking a 7% increase compared to the same period in 2023. From January to November, gross earnings amounted to MUR 83.3 billion, reflecting a 7.8% increase compared to the same period in 2023.

Overall, for 2024, tourist arrivals were close to the government's 1.4 million target, reaching 99% of the target and in line with the pre-pandemic 2019 level.

Gross tourism earnings and tourist arrivals



Source: Statistics Mauritius

Monthly data of key economic indicators (2024)

Indicators	Unit	August	September	October	November	December
Headline inflation	YoY%	2.7	3.1	3.4	3.4	2.9
Core inflation*	YoY%	1.8	1.9	2.5	2.5	1.9
Key policy rate	%	4.00	4.00	4.00	4.00	4.50
Exports	MUR Bn	10.1	9.8	9.5	8.7	-
Imports	MUR Bn	29.3	28.7	28.5	27.4	-
Trade balance	MUR Bn	-19.2	-18.9	-19.0	-18.8	-
Exchange rate (end of period)	USD/MUR	47.0	46.3	46.6	47.8	47.2
Gross official reserves	MUR Bn	359.6	372.0	392.1	392.8	402.7
Import cover	Months	11.9	12.3	13.0	13.0	13.3
Tourist arrivals	'000	106.6	102.5	133.1	123.1	154.2
Gross tourism earnings	MUR Bn	7.2	6.9	8.4	9.5	-

*Excludes "Food, Beverages, Tobacco", mortgage interest, energy prices and administered prices from the CPI basket.

Source: Statistics Mauritius, Bank of Mauritius (BoM), CEIC; Note: Core inflation denotes data for category Core 2; MUR=Mauritian Rupee

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