Mauritius Economy Update

July 15, 2025 | Economics

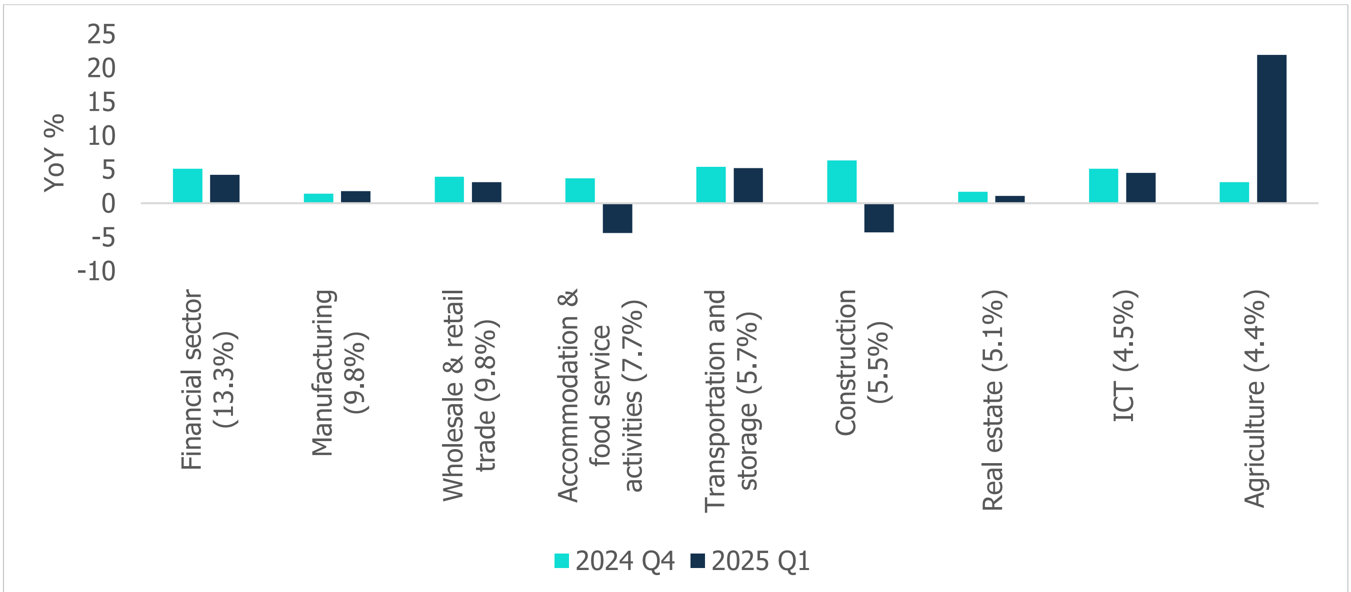
Growth Decelerates in Q1 2025

GDP growth decelerated to 4.2% YoY in Q1 2025 from 5.2% in both Q4 2024 and corresponding Q1 2024, reflecting a broad-based moderation across key sectors of the economy, notably the tourism and construction sectors. The slowdown was driven by a combination of easing tourism activity, weakening external demand, and the impact of drought conditions on certain sectors. As projected in previous analyses, these headwinds contributed to contractions in two key sectors in Q1 2025, weighing on overall growth [see Mauritius FY26 Pre-Budget Expectations (Part II)_May 2025.pdf]. The accommodation and food service activities sector declined by 4.4%, reversing the 3.7% growth seen in the previous quarter, amid softer tourist arrivals and spending. Similarly, the construction sector contracted by 4.3%, following a strong 6.3% expansion in Q4 2024, likely reflecting a temporary pause in project execution and reduced public infrastructure investment.

Despite the deceleration, several sectors continued to support growth, albeit at a slower pace. On the production side, the agricultural sector recorded strong growth of 21.9%, up significantly from 3.1% in Q4 2024. This was largely driven by increases in tea production, food crops, and livestock, although sugarcane production declined. The manufacturing sector also saw improved performance, growing by 1.8%, compared to 1.4% in the previous quarter, supported by higher output in food (excluding sugar), textiles, and other manufacturing, even as sugar manufacturing declined.

In the services sector, ICT and financial services maintained steady momentum, expanding by 4.5% and 4.2%, respectively. The wholesale and retail trade sector grew by 3.1%, reflecting resilient domestic demand and consumer spending. Furthermore, the transportation and storage sector expanded by 5.2% in Q1 2025, maintaining strong momentum and reflecting ongoing demand for logistics, freight movement, and warehousing services.

Gross Value Added (GVA) Growth Rates



Source: Statistics Mauritius; Note: Select sectors are represented; Q1 2025 shares of each sector as a % of GVA are indicated in the parenthesis ().

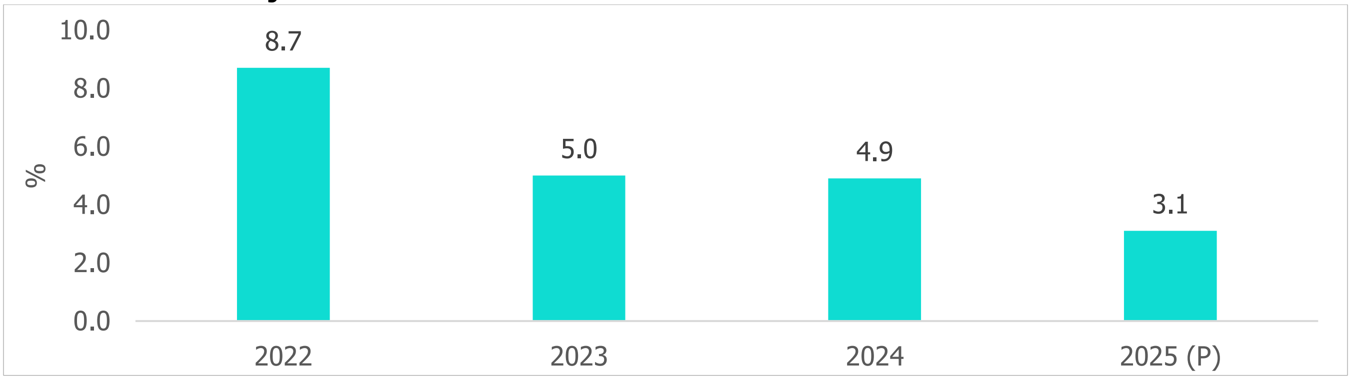
On the expenditure side, final consumption expenditure in the first quarter accounted for 81% of the Q1 GDP, with household consumption representing 65% of the total expenditure. For the quarter, total final consumption expenditure expanded by 4.7%. This has been supported by a 14.2% growth in general government expenditure and a 2.5% growth in household expenditure. Nevertheless, investment continued to contract by 7.1% after the decline of 1.9% in Q4 2024. This is propelled by lower investment in building and construction work, as well as in machinery and equipment. However, it was partially offset by a slight increase in passenger car investments.

During the quarter, there was an 11.1% growth in goods exports, despite a 3.2% decline in services exports. These resulted in a modest overall increase in total exports of 2.2%. On the other side, total imports rose more significantly by 7.3%, fuelled by an increase in both goods and services.

2025 Growth Forecast Adjusted Downward Following 4.9% Expansion in 2024

Growth for 2024 has been revised upward to 4.9% by Statistics Mauritius, reflecting stronger-than-expected performance in key sectors. In contrast, the growth projection for 2025 has been revised slightly downward, from 3.3% to 3.1%, amid a more subdued outlook for external demand and domestic investment.

Revised Growth Projection



Source: Statistics Mauritius

The moderation of real GDP growth to 3.1% in 2025 reflects both external and domestic challenges. On the global front, heightened geopolitical tensions, persistent trade uncertainties, and the potential expiry of the 90-day reciprocal tariff pause by the U.S. (extended till August 1, 2025) are key downside risks. If no trade agreement is reached, a reversion to the 40% reciprocal tariff rate could weigh on global trade flows. For Mauritius, a small and open economy, this poses risks to export performance and supply chain stability.

Domestically, the projected slowdown also reflects sector-specific pressures, including a normalisation in construction activity after a strong performance in 2024, as well as residual impacts of the 2025 drought on agricultural production. In addition, uncertainty around the pace of recovery in tourism-related sectors may further constrain growth.

Despite these challenges, several sectors are expected to continue supporting the economy. On the domestic front, growth will be underpinned by the financial sector (projected to expand by 4.0%), wholesale and retail trade (3.2%), and a rebound in agriculture (7.9%), supported by recovery efforts following the drought. The ICT sector is also expected to grow by 4.8%, driven by the government's Blueprint for Mauritius 2025, which focuses on digital transformation, innovation, and workforce upskilling.

Moreover, the 2025–2026 Budget outlines continued support through public sector investment in road networks, drainage infrastructure, and social housing. These measures are expected to stimulate domestic demand and partially offset external headwinds.

Nonetheless, the overall outlook remains subject to elevated uncertainty, particularly around the trajectory of global trade negotiations, commodity prices, and investor confidence, all of which could affect a small, outward-oriented economy like Mauritius.

Seasonal Shift to Winter in May Leads to Decline in Tourist Arrivals

May signals the start of the cooler winter season in Mauritius, leading to a decline in tourist arrivals by 4.2% MoM from 120,157 in April to 115,090. Known for its tropical beach vacations, Mauritius experiences an off-peak travel period in May, as many tourists prefer to visit during the warmer months (November to April) when the weather is ideal for beach activities and water sports. Gross tourism earnings have also declined from MUR 8.6 billion in April to MUR 8.2 billion in May.

Cumulative arrivals for the year (January to May) indicate that the total number of tourist arrivals reached 561,636, a 0.8% increase compared to the same period in 2024. The cumulative gross earnings for January to May are MUR 40.4 billion, representing a 4% increase over the same period in 2024. Despite the seasonal drop in tourist arrivals in May and the early-year dip, the tourism sector in Mauritius has performed well overall during the first five months. Both the number of tourists and the revenue generated have increased compared to the same period last year.

Gross Tourism Earnings and Tourist Arrivals

Source: Bank of Mauritius

June Inflation Surges after Budget 2025-2026

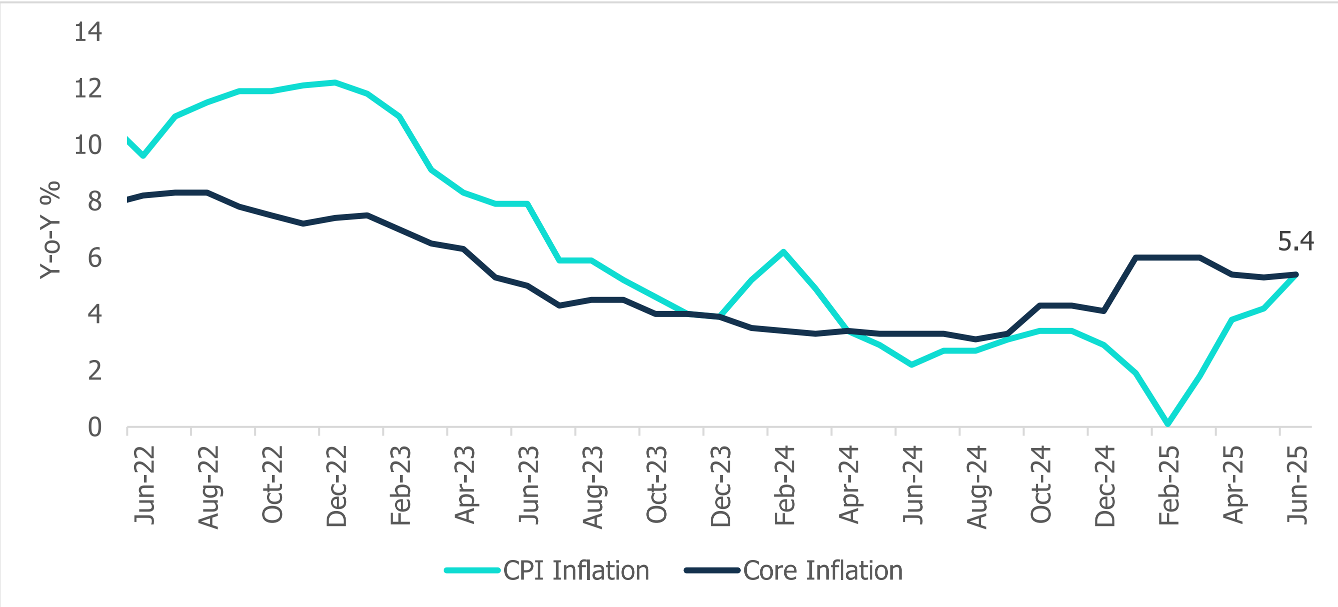
In June, headline inflation accelerated further to 5.4% YoY, marking the fourth consecutive monthly increase from 4.2% in May. During the month, core inflation remained at 5.4% YoY, matching the headline inflation rate. The uptick in headline inflation was largely influenced by budgetary measures introduced during the month. Effective from 6 June, the government implemented higher excise duties on select products as part of its strategy to promote preventive healthcare and encourage healthier consumption patterns.

Specifically, excise duties on alcoholic beverages and tobacco products were raised by 10%. In contrast, the levy on the sugar content of sugar-sweetened products was doubled from 6 cents to 12 cents per gram of sugar. These fiscal measures contributed to a sharp increase in inflation of the 'alcoholic beverages and tobacco', which rose by 8.4% YoY in June. Commodities particularly affected include soft drinks, cigarettes, beer, whisky, and rum.

In addition to these tax-induced price adjustments, the pass-through effects from global commodity price fluctuations and domestic supply chain rigidities may have further amplified upward pressures on prices in these categories.

The inflation outlook for the remainder of 2025 remains tilted to the upside, as global factors continue to exert upward pressure on prices. There is a risk that geopolitical tensions and supply chain disruptions can keep commodity prices volatile. The depreciation of the MUR has further amplified imported inflation. Moreover, inflationary pressures in key trading partners, including the Euro area and the UK, could further transmit to domestic prices through higher import costs.

The Monthly CPI and Core Inflation



Source: Statistics Mauritius

Further Decline in Trade Balance

April marks a further widening of the trade deficit to MUR 18.4 billion from MUR 16.3 billion in March. Both lower exports and higher imports drove the higher deficit. Total merchandise exports fell by 11.8% to MUR 8.5 billion, whereas total merchandise imports increased by 3.8% to MUR 27.0 billion.

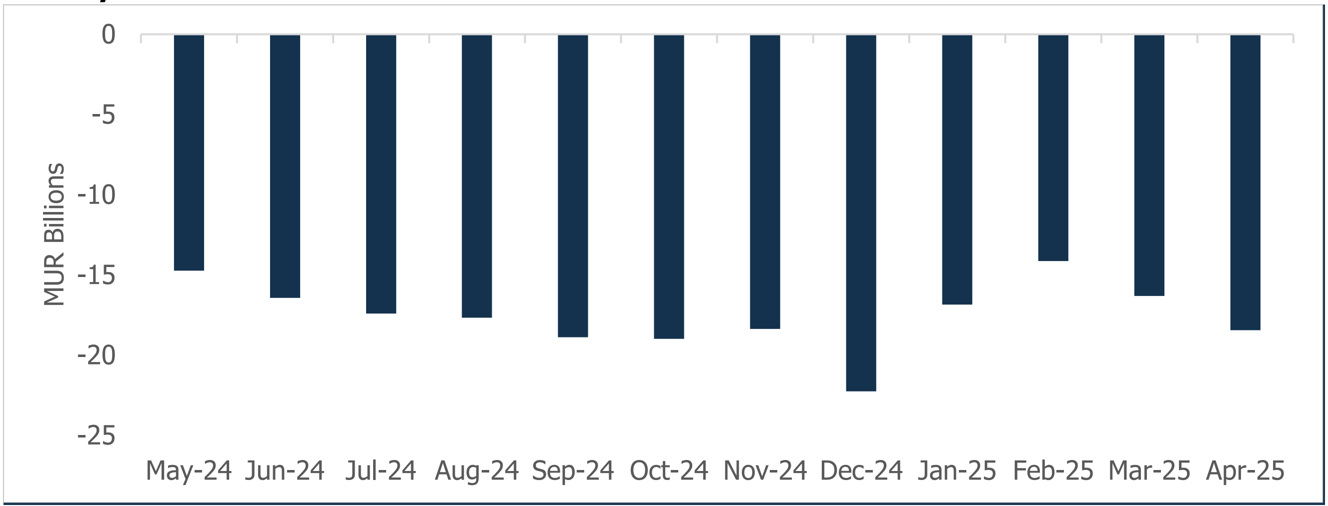
From January to April, cumulative exports reached MUR 35.2 billion, marking a 9.1% YoY increase compared to the corresponding period in 2024. Over the same period, cumulative imports amounted to MUR 100.9 billion, reflecting a growth of 6.6% compared to the corresponding period in 2024.

In April, Mauritius' main export destinations included the United States (10.9% of exports share), South Africa (10.6%), Madagascar (10.2%), the United Kingdom (8.6%), France (7.9%) and Spain (6.8%). On the import side, the countries were the U.A.E. (17.0% of imports share), China (16.1%), South Africa (8.1%), India (7.5%), France (6.4%) and Argentina (3.3%).

Statistics Mauritius projects a 2% YoY increase in total exports of goods and services for 2025, reaching MUR 328.4 billion. Conversely, imports of goods and services are expected to remain almost the same at MUR 404.9 billion. As a result, the trade deficit is expected to narrow to MUR 76.5 billion in 2025 from MUR 84.3 billion in 2024.

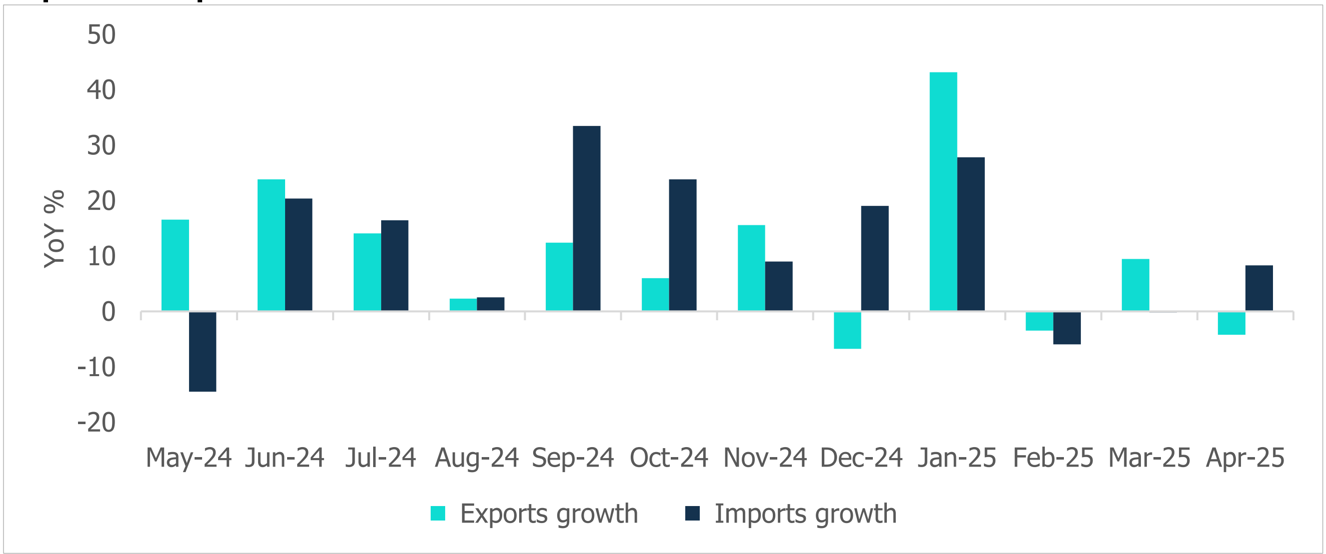
Mauritius' trade outlook remains muted due to ongoing global risks. Increasing trade barriers, uncertainties around international policy changes, and the possible non-renewal of AGOA present significant obstacles for export performance, especially in the textile and apparel industries. Additionally, continuous geopolitical conflicts are disrupting global supply chains, further impacting trade flows. While these external headwinds may constrain export growth, the trade deficit is expected to remain broadly stable in 2025, reflecting a parallel moderation in import demand.

Monthly Trade Balance



Source: Statistics Mauritius

Import and Export Growth



Source: Statistics Mauritius

Slight Narrowing of Current Account Deficit in Q1 2025 Amid Trade Imbalances

The current account deficit (CAD) for Q1 2025 was 5.1% of GDP, around the same level as Q1 2024. During the first quarter of 2025, deficits in the goods and secondary income accounts continued to outweigh surpluses in the services and primary income accounts.

In Q1 2025, the goods account deficit also remained at around the same level as MUR 42 billion compared to Q1 2024. Although there was a rise in exports of ships, stores and bunkers, this was mostly offset by an increase in imports of road vehicles and refined petroleum products. The secondary income account also remained in deficit, largely reflecting tax payments by Global Business Companies (GBCs) to foreign governments.

Conversely, the services account posted a surplus in Q1 2025, although slightly lower than the same period in the previous year. This decline was mainly attributed to reduced tourist arrivals and increased freight costs. The primary income account also recorded a surplus during the quarter, supported by investment income.

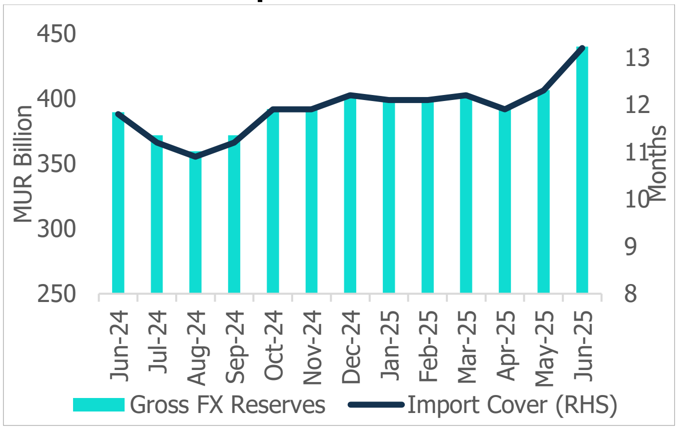
As per the IMF projection, the CAD to GDP is expected to improve to 4.7% in 2025 from 6.4% recorded in 2024. However, this projection looks difficult to achieve due to several headwinds facing economic growth, notably from tariff-related shocks and disruptions to global trade patterns. These challenges could adversely impact the performance of the export sector and, in turn, place further pressure on the current account balance.

Mauritius' Reserves Maintaining the Growth Momentum

In June, gross official international reserves rose by 8.2% MoM, reaching MUR 440.2 billion (USD 9.7 billion). This increase extended the import coverage to 13.2 months, providing a strong safeguard against external economic shocks and maintaining stability in international trade.

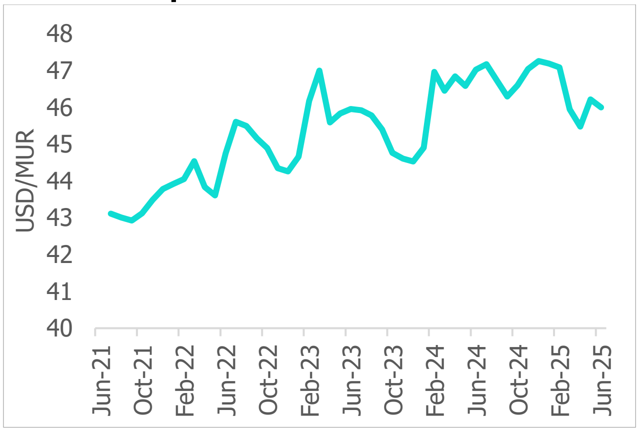
The Mauritian Rupee (MUR) has had a varied performance against the USD. Over the past three months (April-June 2025), it has depreciated by 1.1%. However, when considering a longer period, from January 2024 to June 2025, the MUR has appreciated by 2.5% against the USD. This suggests short-term fluctuations but an overall strengthening trend in the medium term, largely due to dollar weakness after the uncertainty caused by the U.S. tariffs.

FX Reserves and Import Cover



Source: Bank of Mauritius
Note: For 2025, the monthly import cover is based on imports of goods and services for calendar year 2024

Mauritian Rupee Performance



Source: Bank of Mauritius

Monthly Data of Key Economic Indicators

Indicators	Unit	February 2025	March 2025	April 2025	May 2025	June 2025
Headline Inflation	YoY%	0.1	1.8	3.8	4.2	5.4
Core Inflation*	YoY%	6.0	6.0	5.4	5.3	5.4
Key Policy Rate	%	4.5	4.5	4.5	4.5	4.5
Merchandise Exports	MUR Bn	7.9	9.7	8.5	-	-
Merchandise Imports	MUR Bn	22.0	26.0	27.0	-	-
Trade Balance	MUR Bn	-14.1	-16.3	-18.4	-	-
Exchange Rate (Period Average)	USD/MUR	47.1	45.9	45.5	46.2	46.0
Gross Official International Reserves	MUR Bn	401.2	402.4	392.1	406.8	440.1
Import Cover	Months	12.1	12.2	11.9	12.3	13.2
Tourist Arrivals	'000	96.0	113.5	120.2	115.1	-
Gross Tourism Earnings	MUR Bn	7.2	7.8	8.6	8.2	-

Source: Statistics Mauritius; Bank of Mauritius (BoM)
Note: *Core inflation (denoted by data for category Core 2) excludes "Food, Beverages, Tobacco," mortgage interest, energy prices, and administered prices from the CPI basket. MUR = Mauritian Rupee.

Contact

Saurav Chatterjee	Chief Executive Officer	saurav.chatterjee@careratingsafrica.com	+230 - 5955 3060
Vidhyasagar Lingesan	Chief Rating Officer	vidhya.sagar@careratingsafrica.com	+230 – 5273 1406
Rajani Sinha	Chief Economist	rajani.sinha@careedge.in	+91 - 22 - 6754 3525
Girisha Algoo	Associate Economist	girisha.algoo@careratingsafrica.com	+230 5955 3060
Mradul Mishra	Media Relations	mradul.mishra@careedge.in	+91 - 22 - 6754 3596

CARE Ratings (Africa) Private Limited
5th Floor, MTML Square, 63, Cyber City, Ebene, Mauritius
Phone : +230 - 58626551 | www.careratingsafrica.com

CARE Ratings Limited
Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022
Phone : +91 - 22 - 6754 3456 | CIN: L67190MH1993PLC071691

Connect:

Locations: Ahmedabad | Andheri-Mumbai | Bengaluru | Chennai | Coimbatore | Hyderabad | Kolkata | Noida | Pune

About Us:
CareEdge is a knowledge-based analytical group offering services in Credit Ratings, Analytics, Consulting and Sustainability. Established in 1993, the parent company CARE Ratings Ltd (CareEdge Ratings) is India's second-largest rating agency, with a credible track record of rating companies across diverse sectors and strong position across the segments. The wholly-owned subsidiaries of CareEdge Ratings are (I) CARE Analytics & Advisory Private Ltd (previously known as CARE Risk Solutions Pvt Ltd), (II) CARE ESG Ratings Ltd, (previously known as CARE Advisory Research and Training Ltd) and (III) CareEdge Global IFSC Ltd. CareEdge Ratings' other international subsidiary entities include CARE Ratings (Africa) Private Ltd in Mauritius, CARE Ratings South Africa (Pty) Ltd, and CARE Ratings Nepal Ltd. For more information: www.careedge.in.