



A subsidiary of CARE Ratings Limited, India

CareEdge

► Mauritius: 2025 Performance and Economic Outlook

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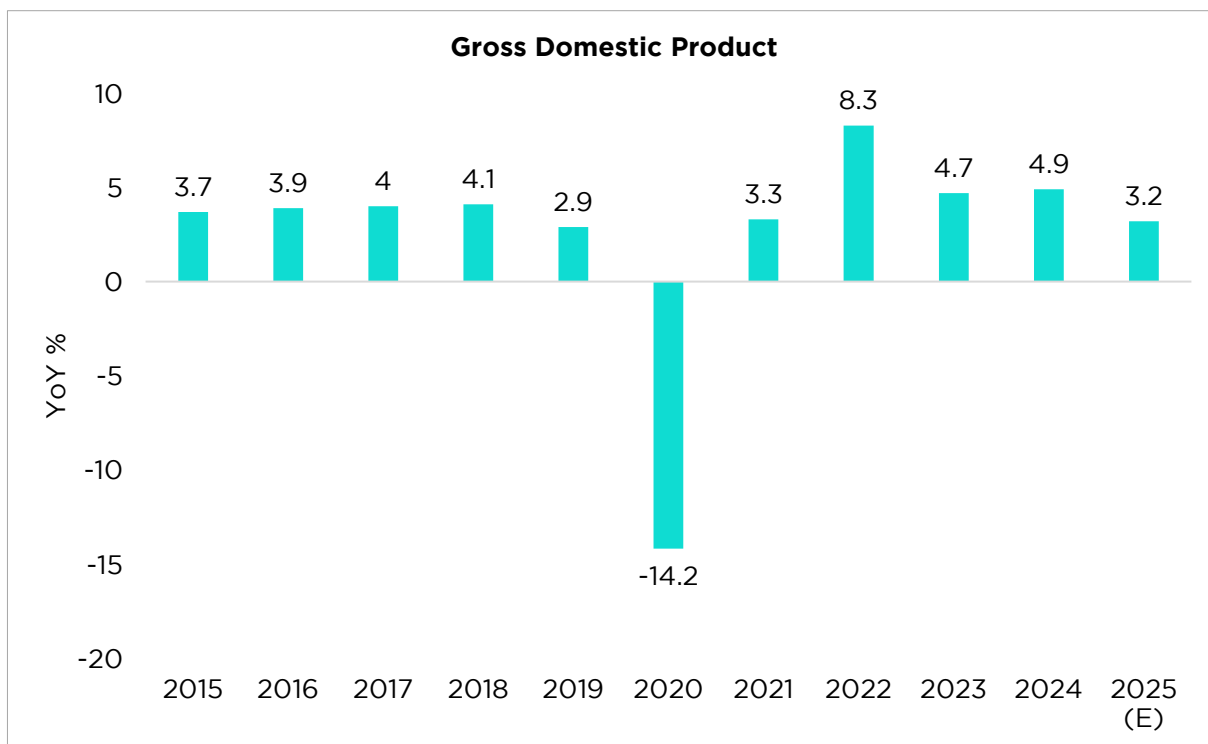
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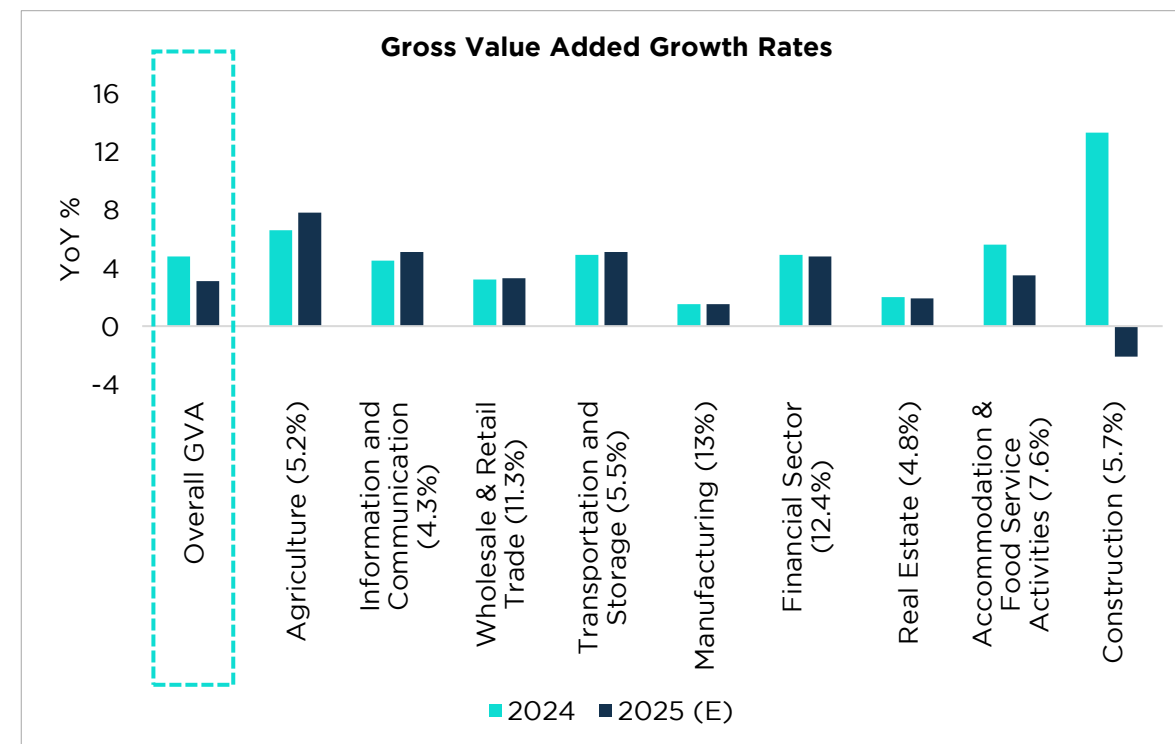


≡ Economic Structure & Resilience

Mauritius' Growth Moderates in 2025 Amid Sectoral Rebalancing



Source: Statistics Mauritius

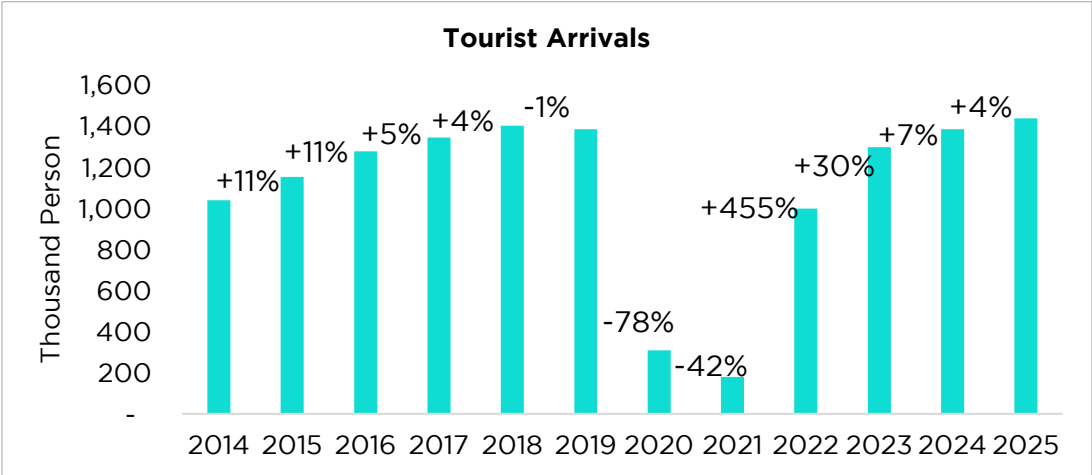


Source: Statistics Mauritius

Note: Select sectors are represented; 2025 shares of each sector as a % of GVA are indicated in parentheses ().

- Mauritius' growth is estimated to moderate at 3.2% in 2025, from 4.9% in 2024, reflecting softer performance in traditional sectors.
- Slowdown driven by persistent weaker performances in construction and investment, and deceleration in export-oriented manufacturing & real estate growth.
- The services sector remains buoyant nonetheless, with strong momentum in ICT, Financial services and Tourism activities.

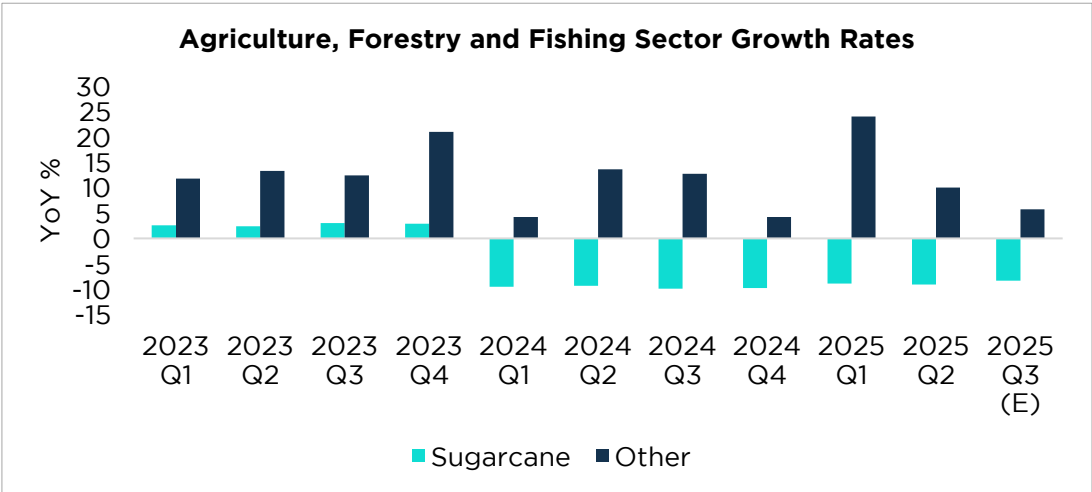
Sectoral Performance in 2025: Tourism Shines, Other Traditional Sectors Struggle



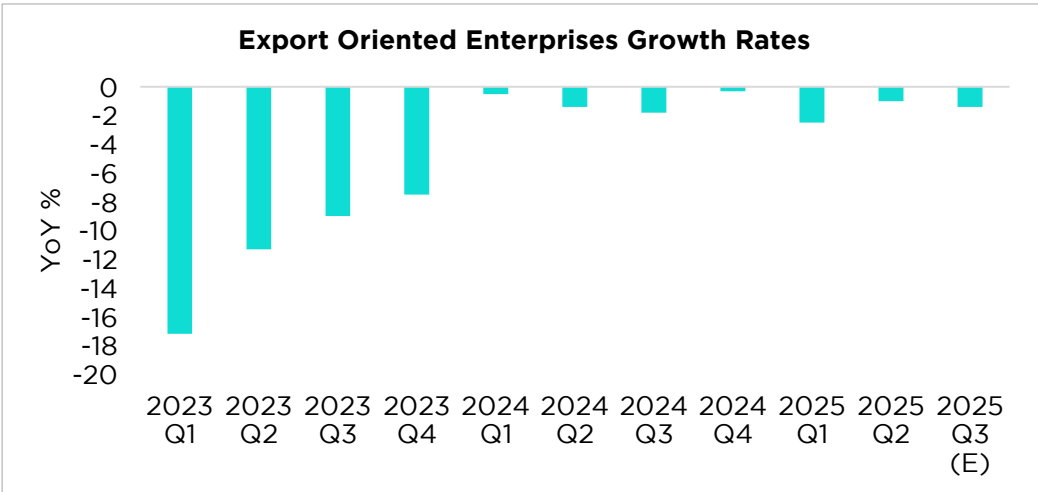
Tourism remained resilient in 2025, outperforming government expectations with strong arrivals.



Construction activity is subdued, reflecting weak investment momentum and project delays.

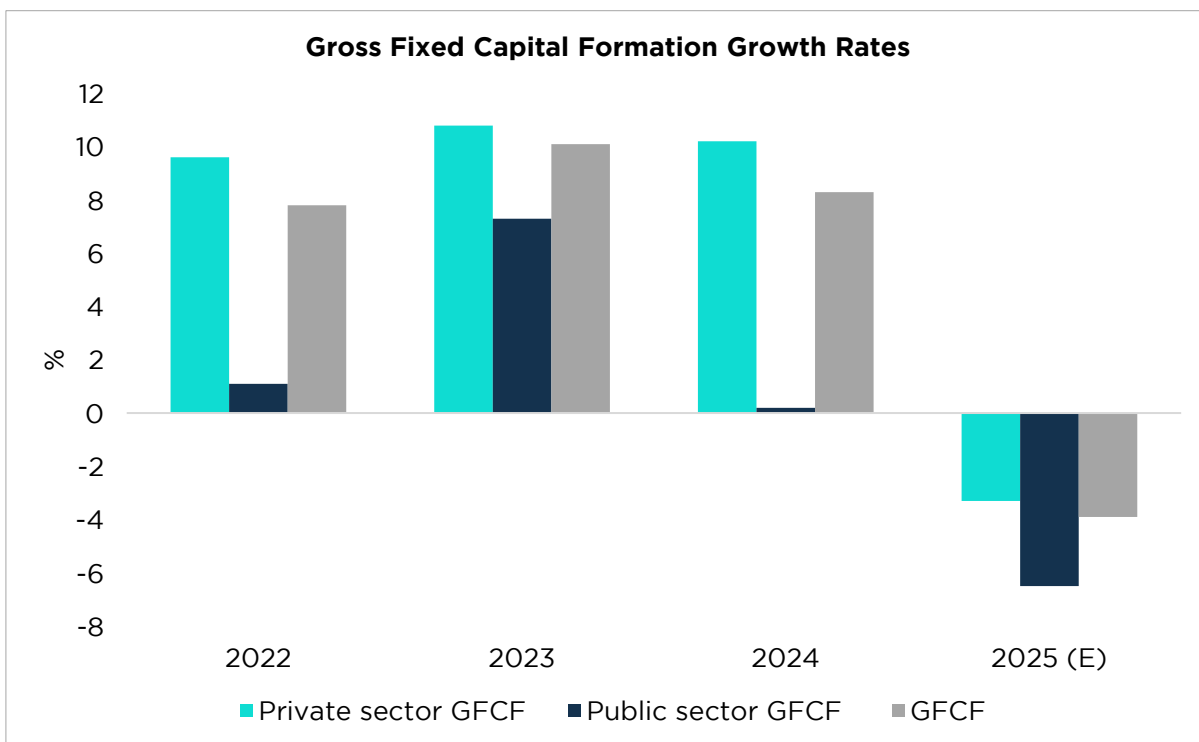


The decline in the sugar segment was offset by the solid performance of non-sugar agriculture.

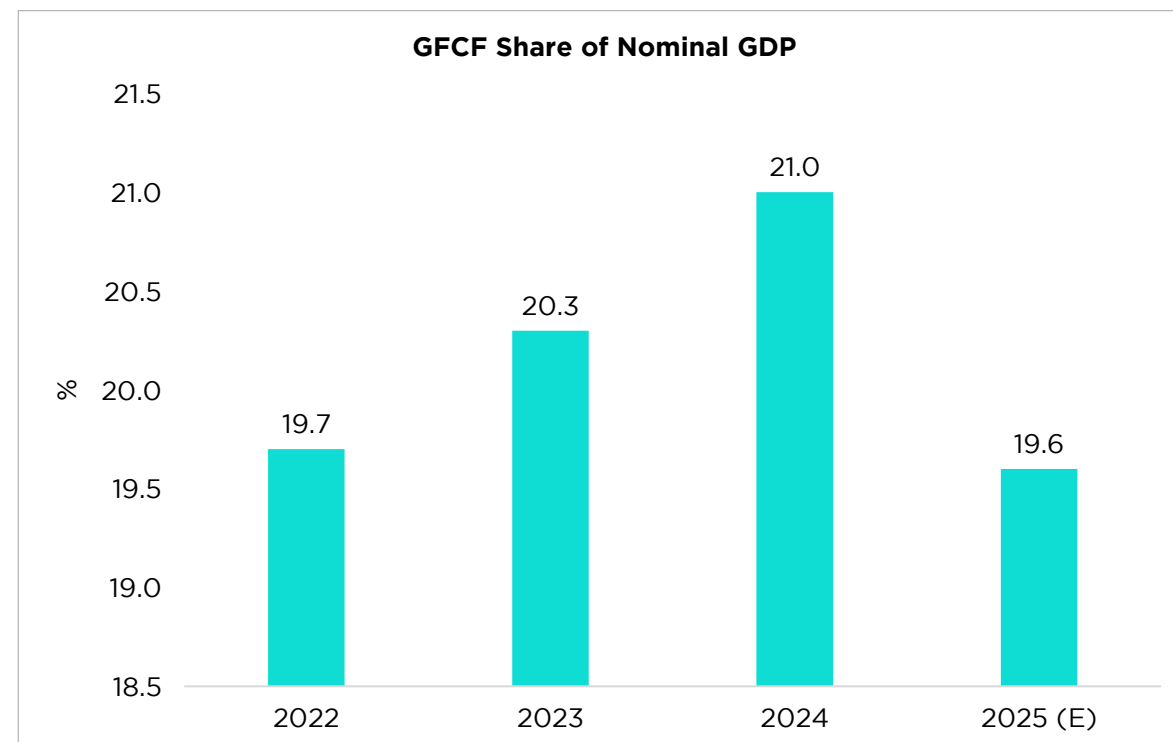


Export-oriented enterprises continue to underperform, constrained by competitiveness issues and softer external demand.

Investment Momentum Remains Soft



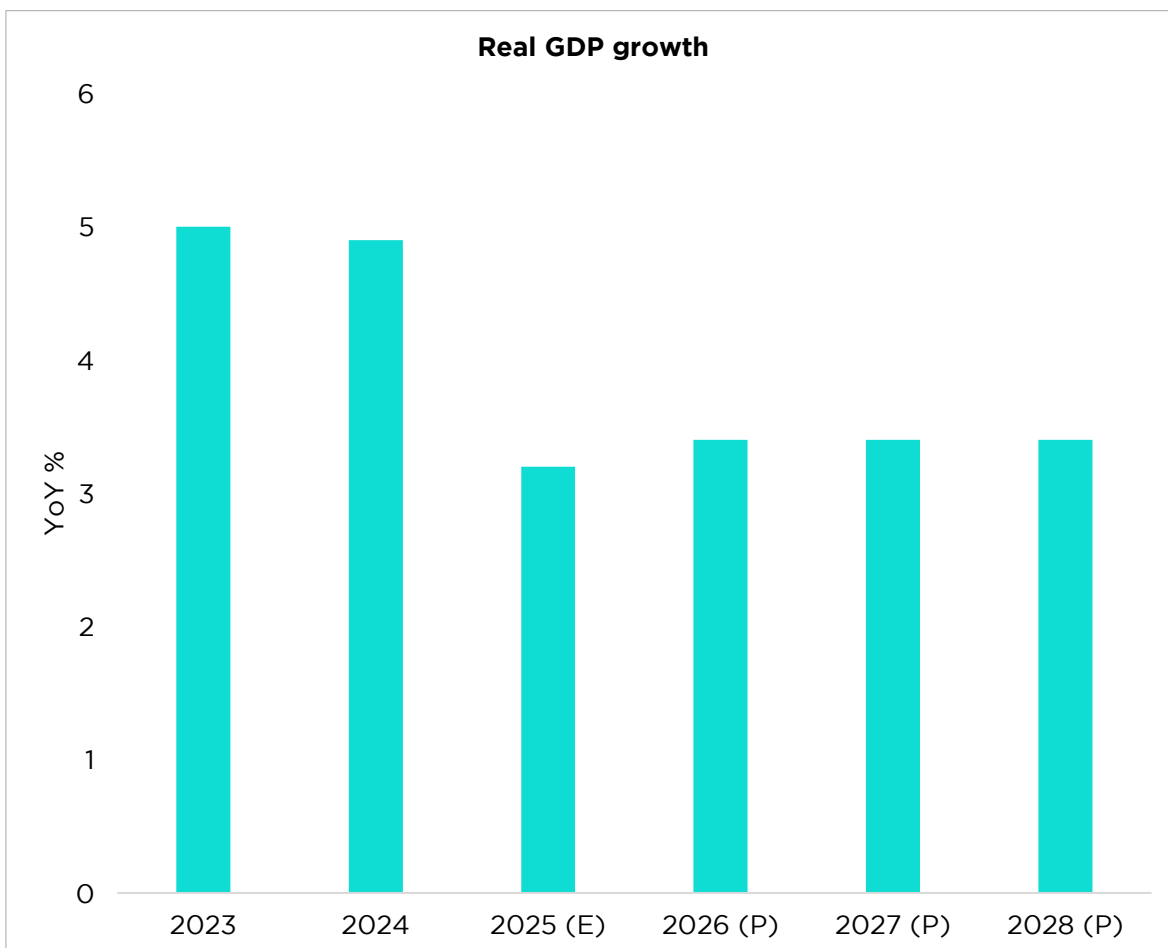
Source: Statistics Mauritius



Source: Statistics Mauritius

- Private and public sector GFCF are expected to remain subdued in 2025, dragging overall investment growth negative.
- Low investment intensity signals structural constraints on Mauritius' medium-term growth and productivity prospects.

Mauritius Economic Growth Outlook

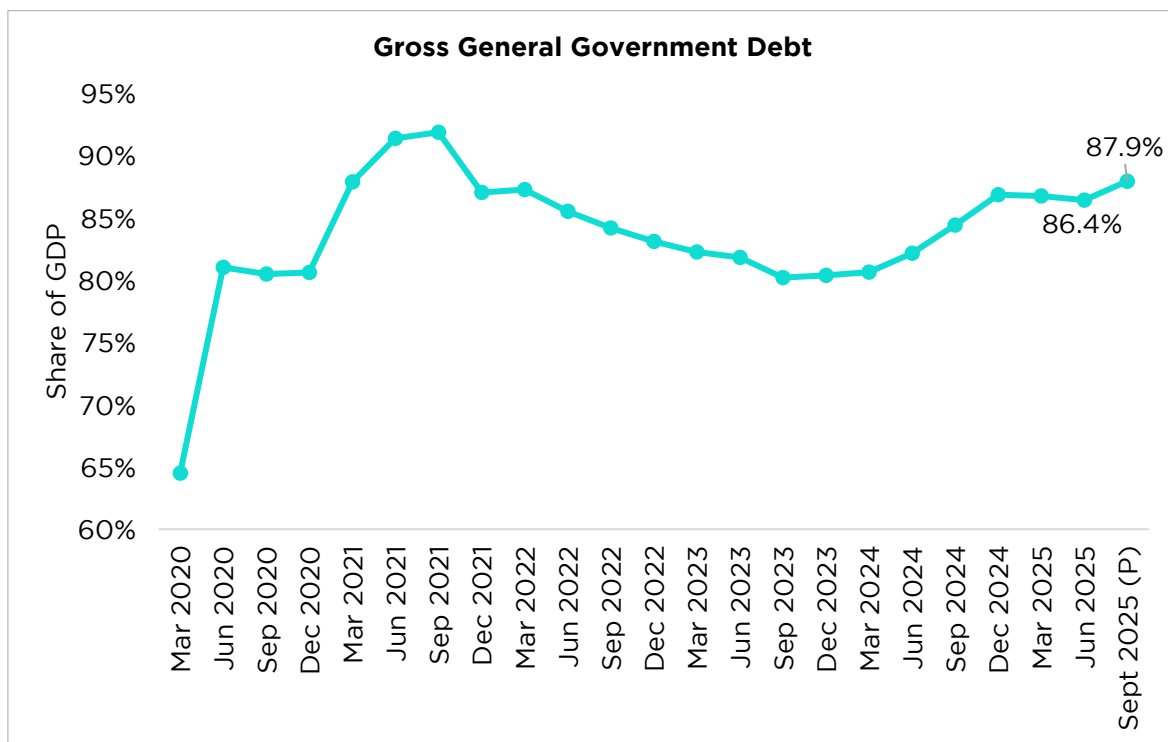


Source: IMF, WEO

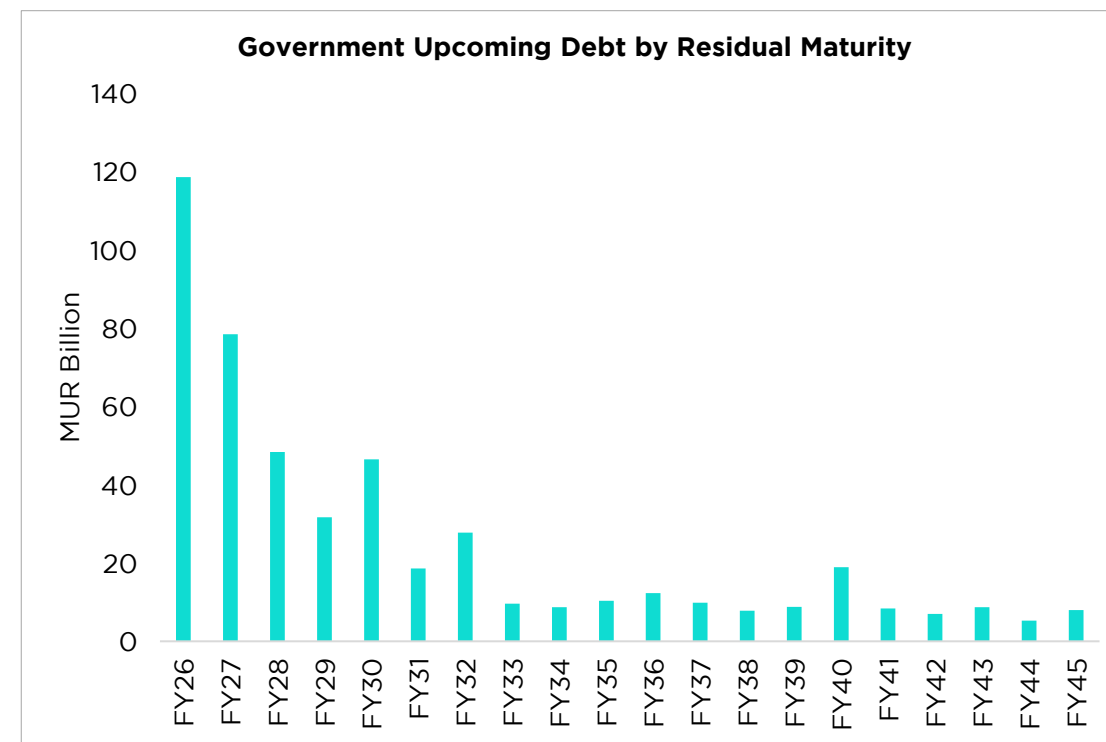
- Mauritius's economy is expected to sustain moderate growth, with real GDP projected at about 3.4% annually, underpinned by continued expansion in tourism, services, and related activities, while structural headwinds such as demographic shifts and labour constraints are likely to temper acceleration.
- The medium-term trajectory reflects a stable expansion supported by gradual improvements in external demand and domestic activity, with risks skewed to the downside from weaker global conditions, climate variability, and tightening financial conditions.
- These subdued but positive growth prospects suggest that policy efforts to enhance competitiveness and diversification, especially in the secondary sector, will be important to anchor long-term resilience.

≡ Fiscal Strength

Elevated Debt Levels and Refinancing Needs



Source: Mauritius, Ministry of Finance
Note: P=Provisional

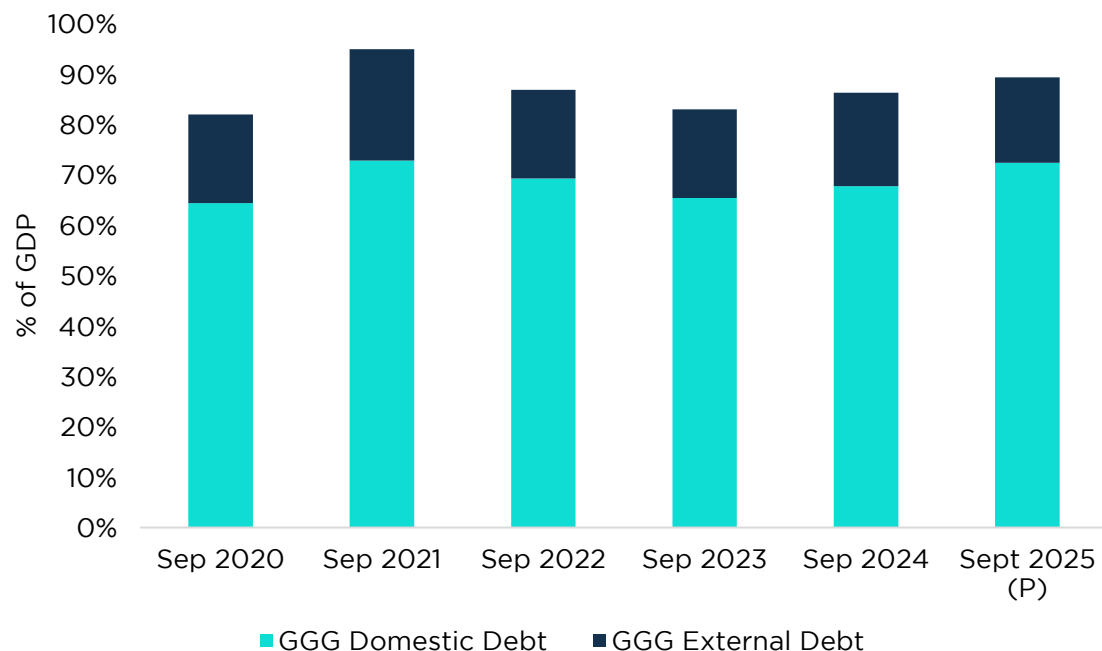


Source: Statistics Mauritius

- GGG debt-to-GDP has trended upward since early 2024, reaching 87.9% in September 2025, and remains elevated.
- Residual maturity profile highlights higher refinancing needs, with 40% of debt maturing in FY26–FY27, raising rollover risk.
- High debt levels and near-term maturities reduce fiscal flexibility, underscoring the importance of prudent fiscal consolidation.

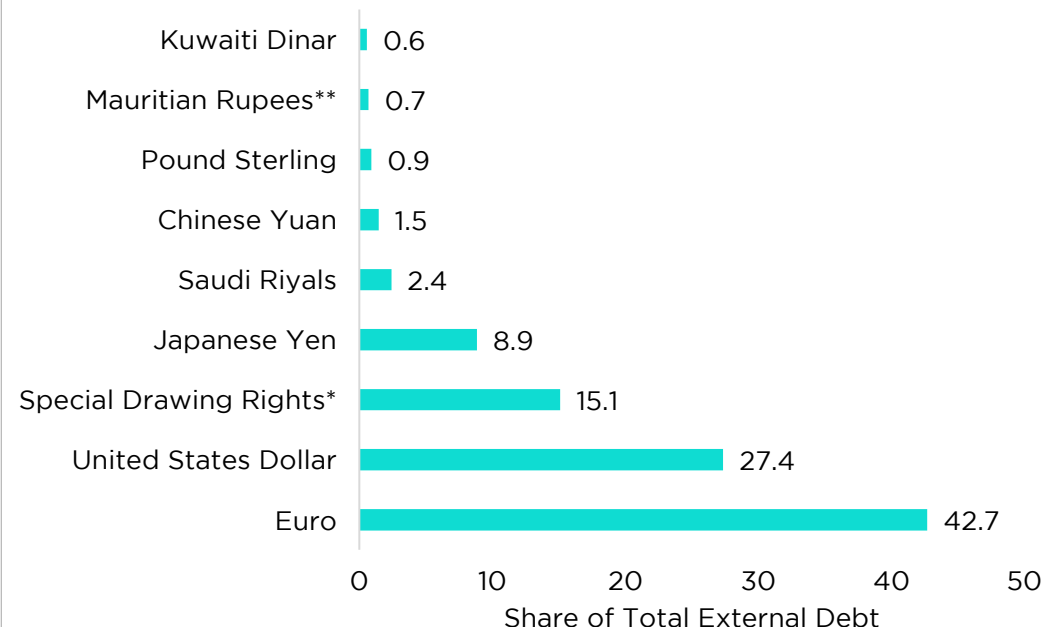
Currency Exposure and FX Vulnerabilities

GGG Domestic and External Debt Composition



Source: Mauritius, Ministry of Finance

Currency Composition of Government External Debt



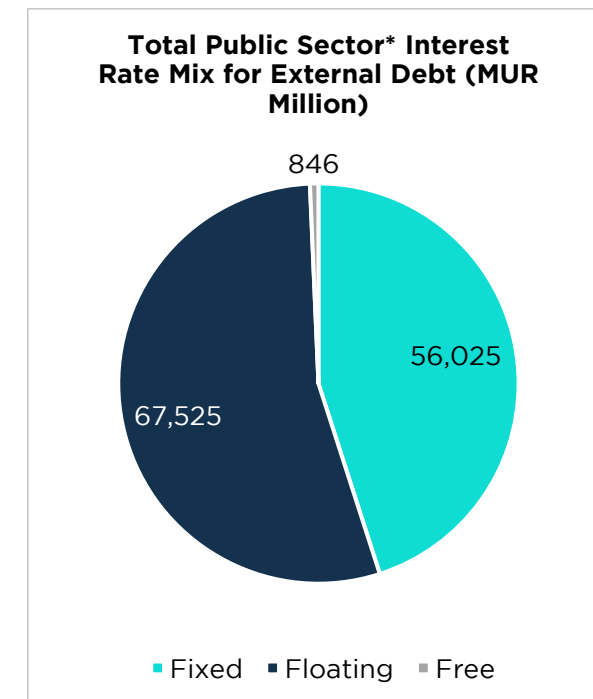
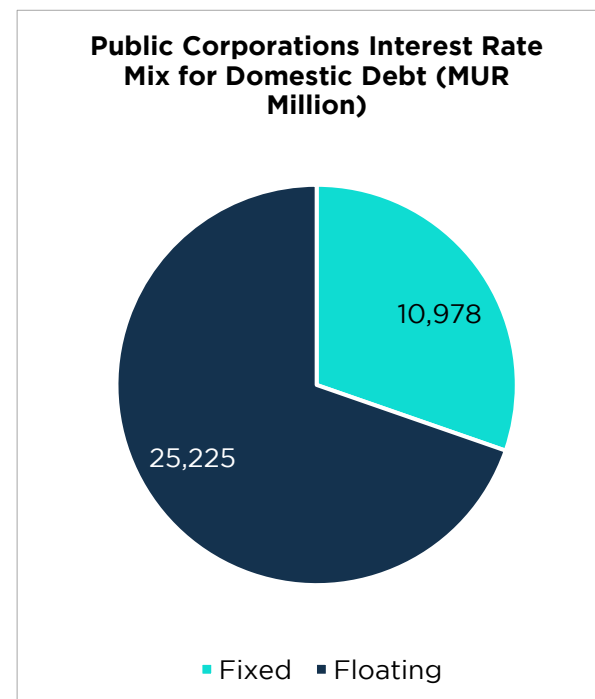
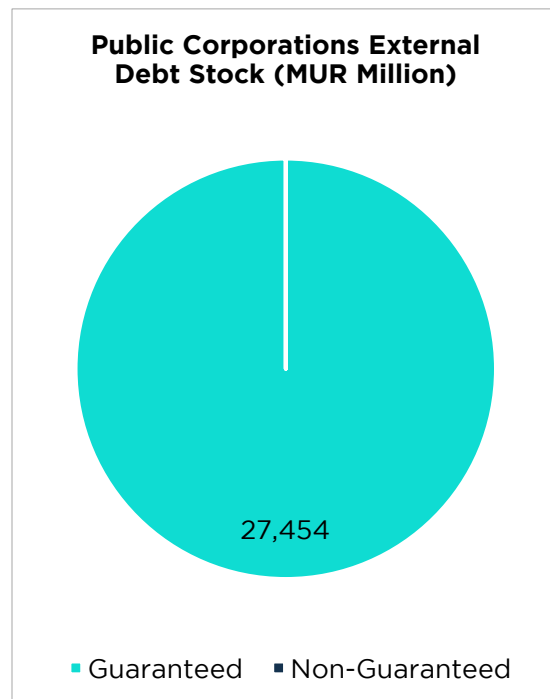
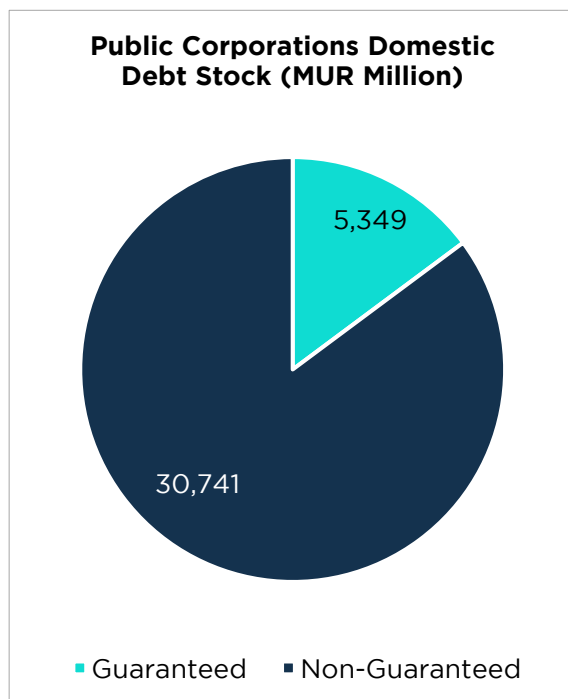
Source: Mauritius, Ministry of Finance

Note: Graph denotes Budgetary Central Government external debt;

- * Include long term debt liability in respect of IMF SDR Allocations
- ** Represent investments held by non-residents in Government Securities

- General Government Gross (GGG) debt remains largely domestic, with only 17% denominated externally, limiting FX risks but still notable.
- Within external debt, 42.7% is denominated in EUR and 27.4% in USD, creating exposure to exchange rate movements against these currencies.
- Over Dec 2023–Dec 2025, the Mauritian Rupee depreciated by 11.9% against the EUR and 4.5% against the USD.

Public Corporations: Hidden Liabilities and Interest Rate Mix

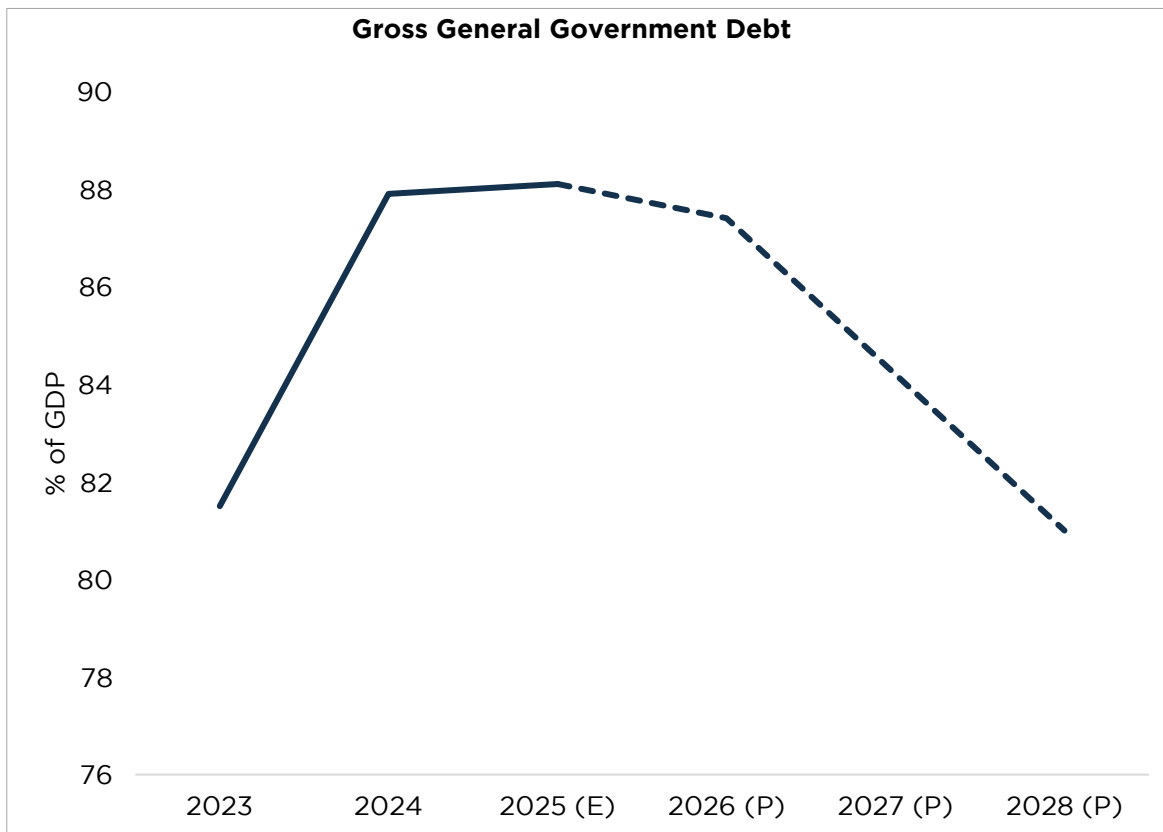


Source: Mauritius, Ministry of Finance

Note: Data is as at September 2025; *Public Sector includes Public Corporations and Budgetary Central Government

- External debt stock of public corporations is fully guaranteed, implying potential fiscal exposure.
- Domestic debt is largely non-guaranteed, with only 15% backed by government guarantees, but still adds to contingent liabilities.
- Interest rate mix shows reliance on floating rates: 70% of domestic debt and 54% of external debt are floating, indicating sensitivity to interest rate changes.

Public Debt Outlook

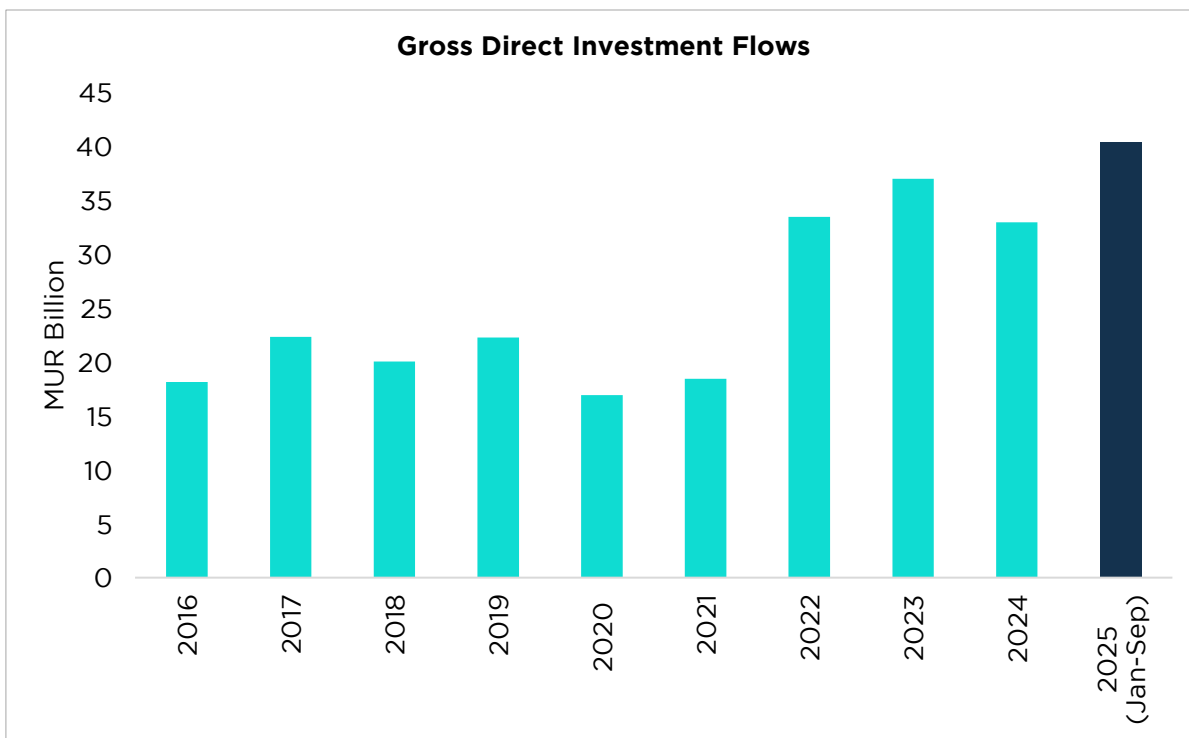


Source: IMF, WEO

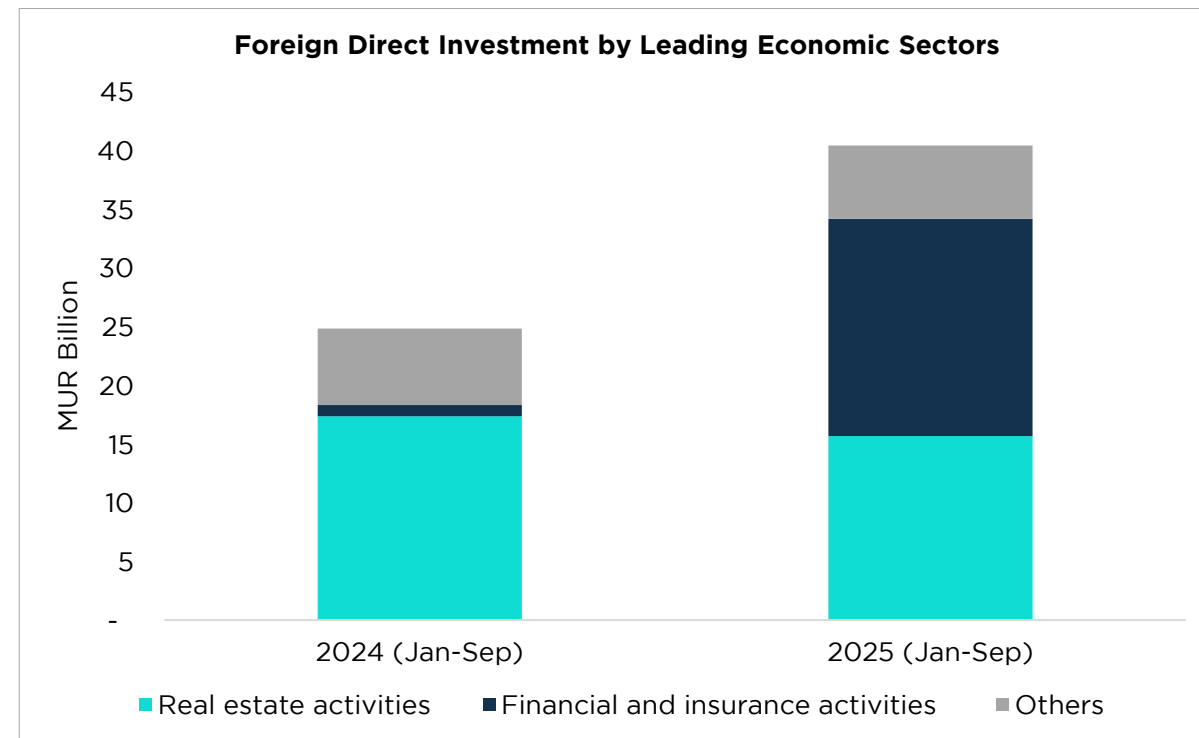
- Over 2026–2028, Mauritius’s fiscal deficit is projected to gradually narrow from elevated levels in 2025, supported by expected stronger revenue collection, expenditure rationalisation, and ongoing fiscal consolidation measures.
- The public debt-to-GDP ratio is projected to be around 87.4% by 2026 and improve to 81% by 2028, reflecting better debt management, moderate financing needs, and continued adherence to fiscal rules.
- Nevertheless, the fiscal and debt outlook remains sensitive to shocks from global commodity prices, contingent liabilities, and revenue volatility, highlighting the importance of maintaining fiscal discipline to safeguard debt sustainability and macroeconomic stability.

≡ External Position and Linkages

FDI inflows record expected, boosted by exceptional transactions



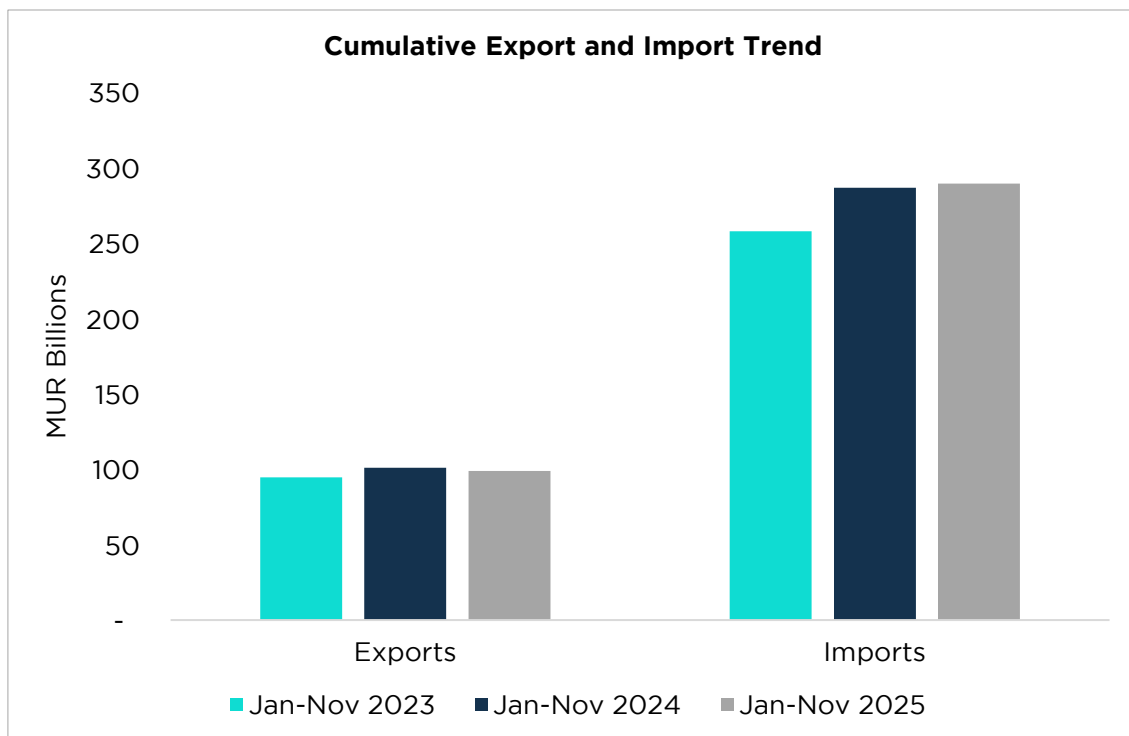
Source: Bank of Mauritius



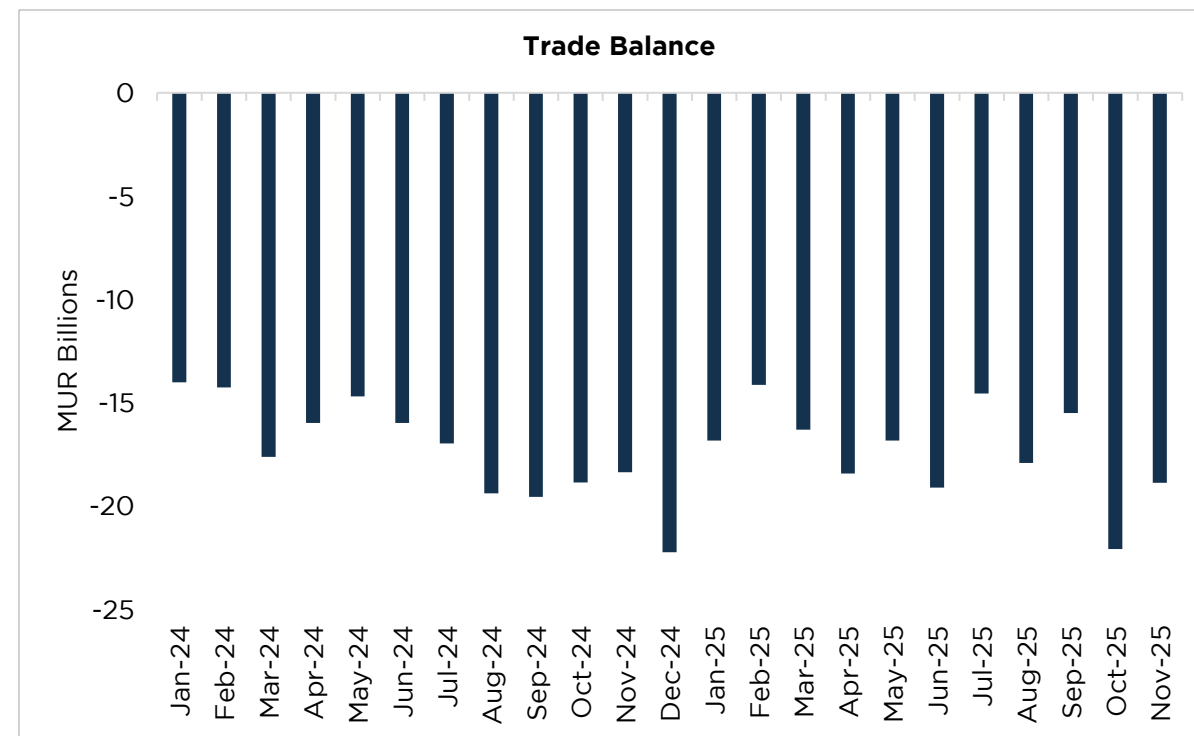
Source: Bank of Mauritius

- Gross direct investment flows have historically been concentrated in real estate activities, which still account for 67% of total FDI in H1 2025.
- However, Q3 2025 marks an exceptional surge in financial-services FDI following the acquisition of a majority stake in a local bank by a UK-based institution. This single transaction significantly boosted inflows originating from the UK.
- Europe remains the dominant source of FDI, led by France, which contributed 37% of total inflows in H1 2025.

Flat Exports Weigh on External Performance Amid Rising Imports



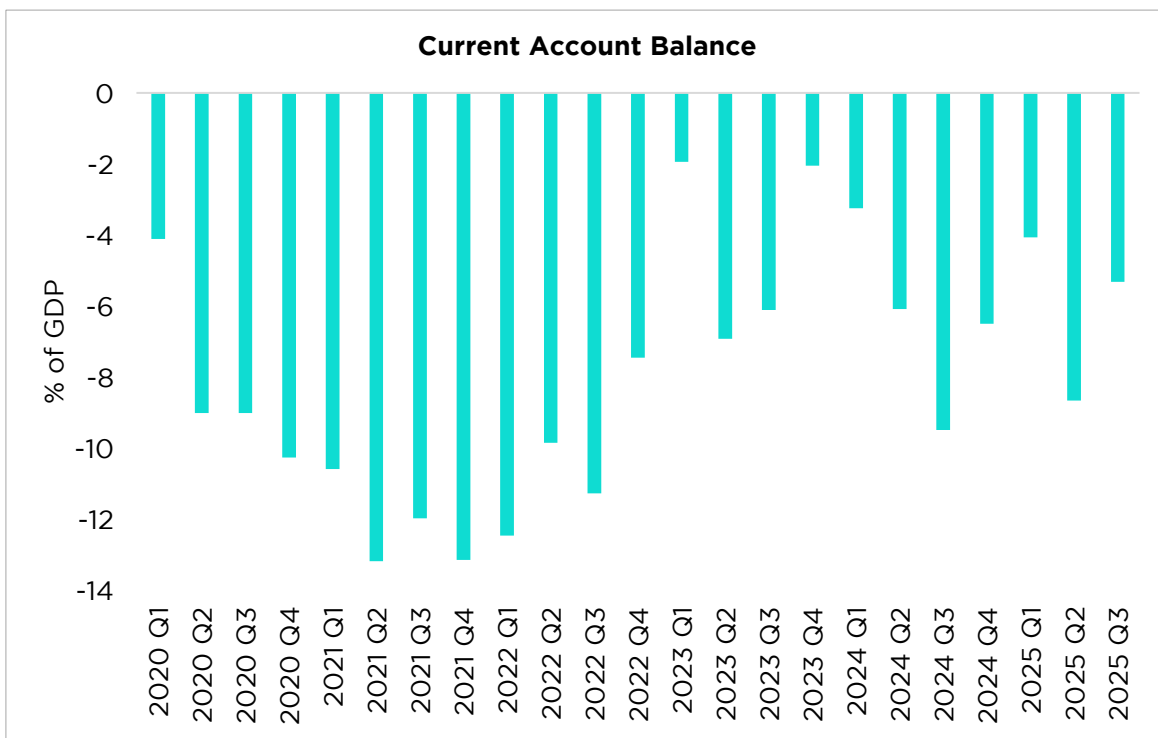
Source: Statistics Mauritius



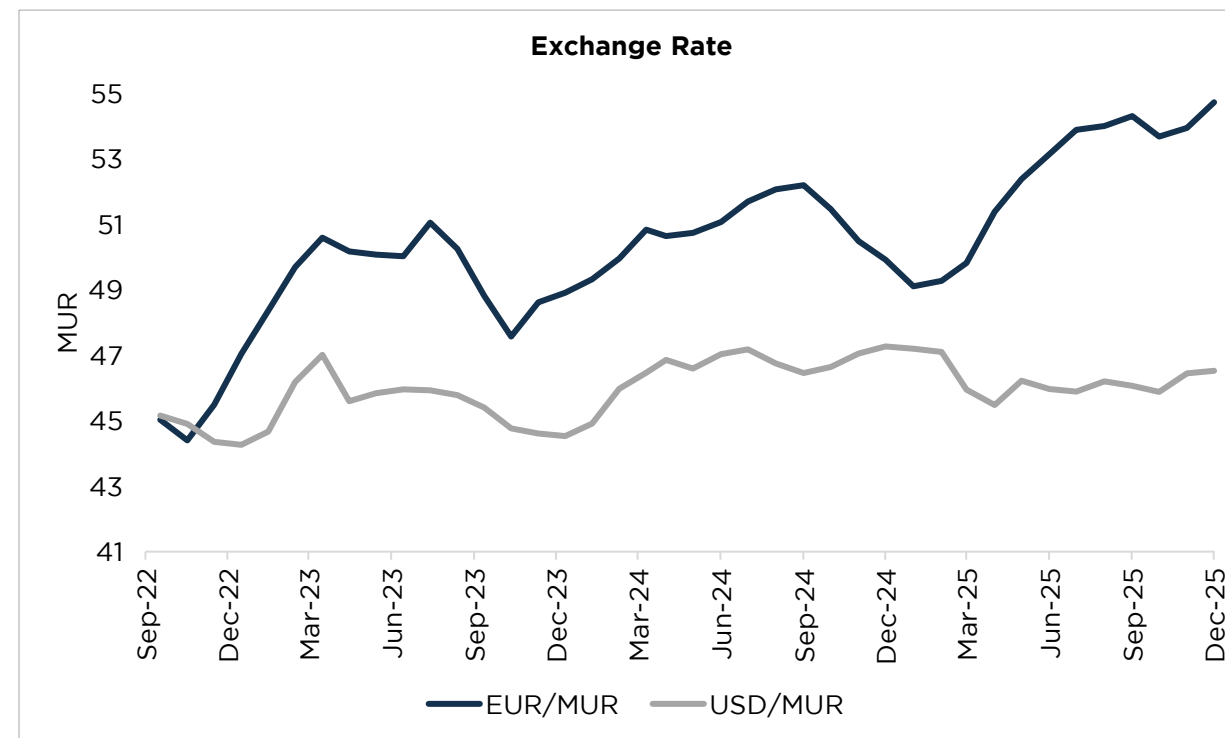
Source: Statistics Mauritius

- The absence of sustained export growth of goods over Jan-Nov from 2023 to 2025, alongside a mild downturn in 2025, underscores weakening external momentum.
- Imports of goods show a modest upward trend, reflecting steady domestic demand and investment activity.
- Monthly trade balance highlights recurring deficits, consistent with Mauritius' structural reliance on imports for consumption and production.

Current Account Improves as Euro Strengthens against USD



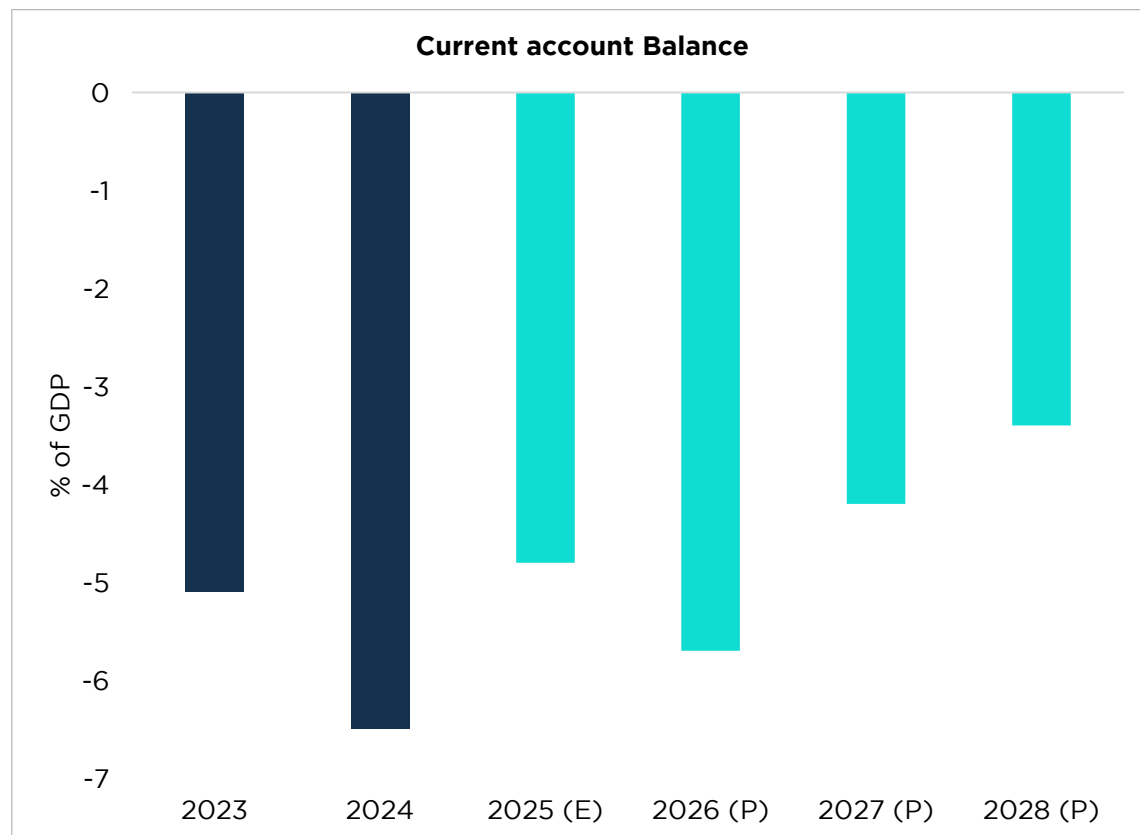
Source: Haver Analytics



Source: Bank of Mauritius

- Current account deficit softened to 5.3% of GDP in Q3 2025, from 8.7% in Q2 2025 and 9.5% in Q3 2024, reflecting a marked improvement in external balances.
- Stronger EUR against the USD supported the current account, as EUR-denominated export and tourism receipts helped offset the USD-denominated import bill.
- Between Dec 2022 and Dec 2025, the Mauritian Rupee depreciated by only 5.1% against the USD, supported by frequent central bank intervention.
- The sharper 16.3% depreciation against the EUR boosted competitiveness for tourism and EUR-linked exports, while highlighting EUR-side vulnerabilities.

Current Account Balance Outlook



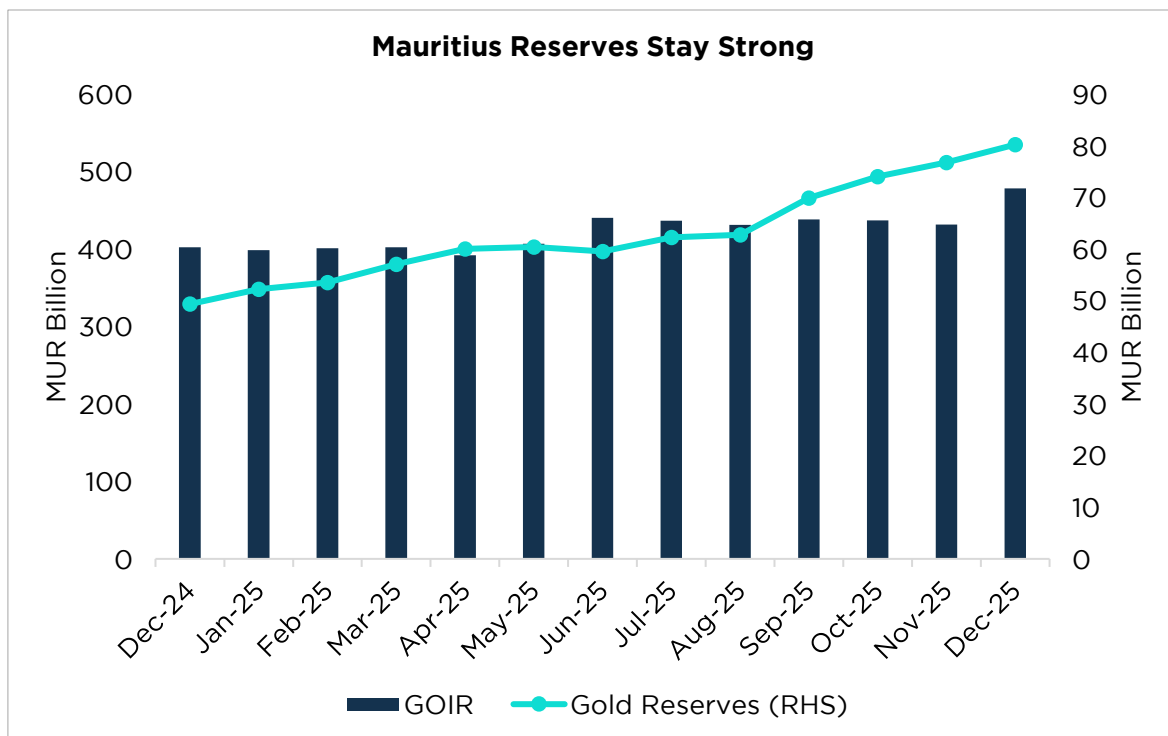
Source: IMF, WEO

Over 2026–2028, Mauritius’s current account deficit is projected to remain negative but gradually narrow as a share of GDP, reflecting a modest improvement in net services and income receipts alongside a moderation in the trade deficit.

The current account deficit is projected to widen slightly in 2026 to 5.7% of GDP, with subdued export growth, before gradually declining to around 3.9% of GDP by 2028, on the back of strengthening services exports and external demand.

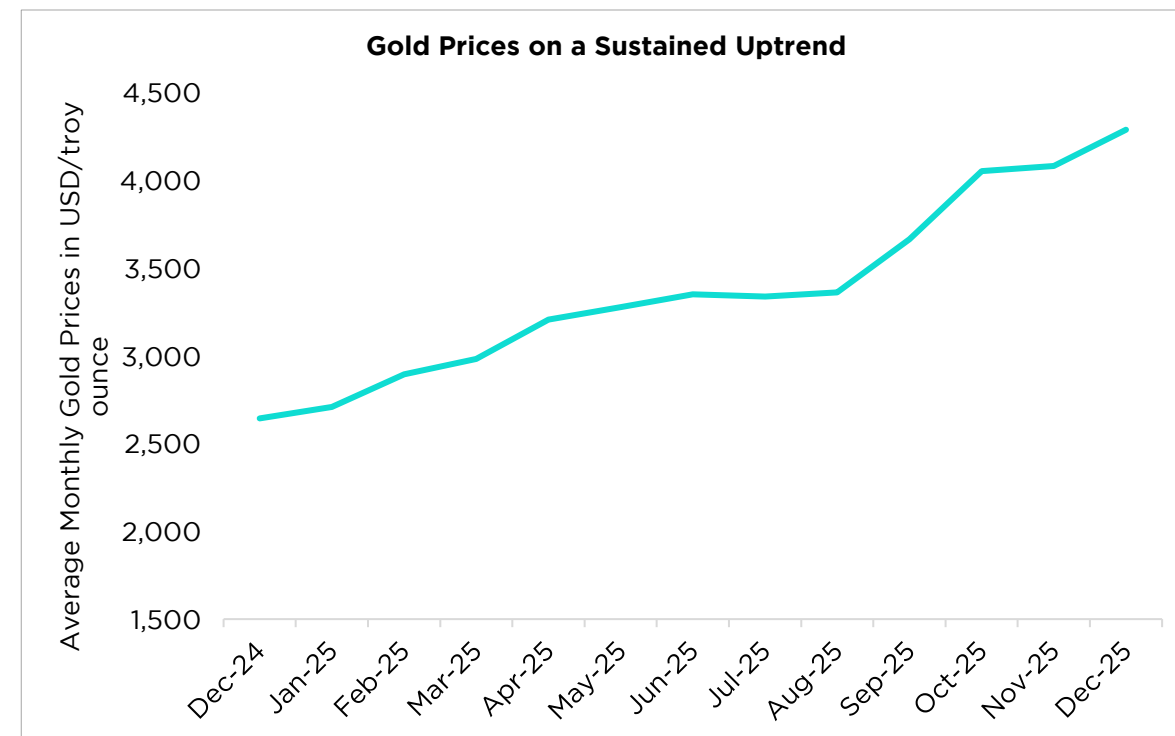
This trajectory underscores persistent external imbalances, albeit on a slowly improving path, and remains an important monitorable for external financing and reserve adequacy.

Reserves Stay Robust While Gold Shapes the Edges



Source: Statistics Mauritius

Note: GOIR - Gross Official International Reserves

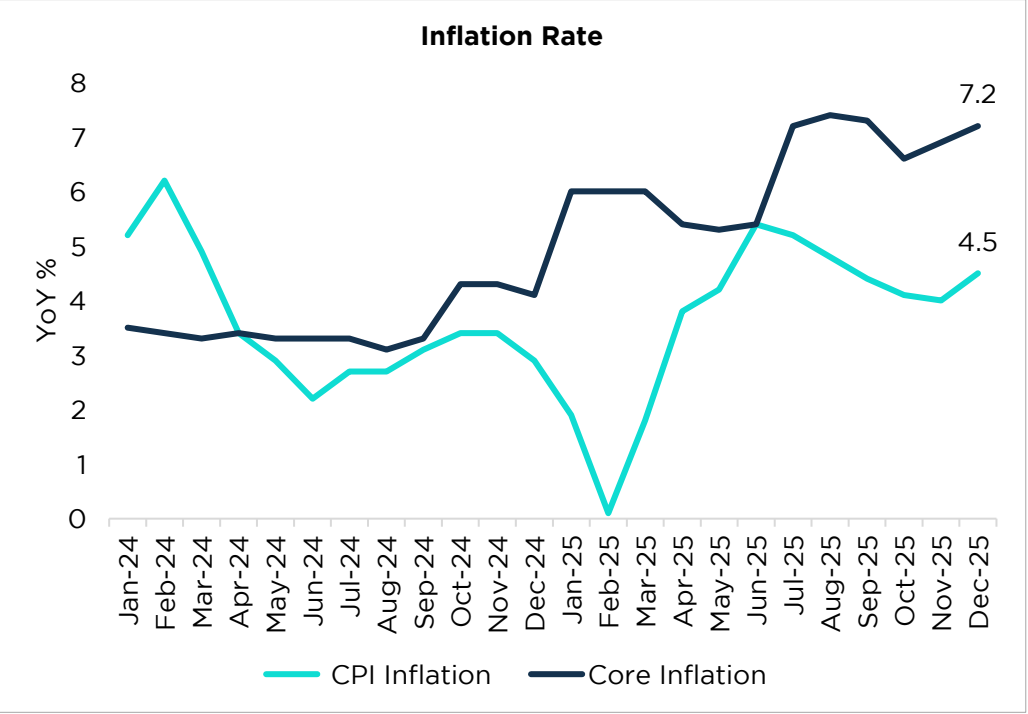


Source: World Gold Council

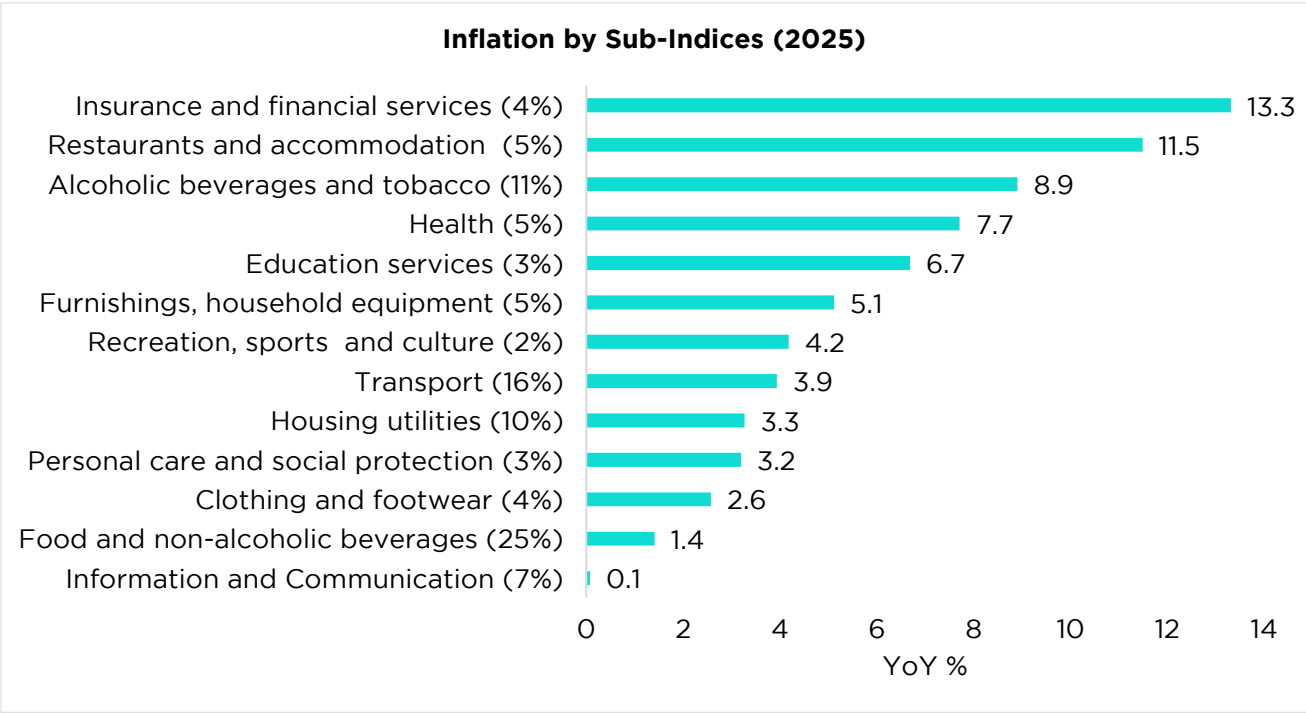
- Mauritius' reserves remained resilient in 2025, averaging MUR 422 billion and providing 12.7 months of import coverage, underscoring strong external buffers.
- The gold component of reserves rose to 16.7%, up from 12.3% in December 2024, likely reflecting valuation gains amid rising gold prices rather than additional accumulation.
- While this trend enhances reserve diversification, it also highlights that the overall strength of reserves continues to rely on underlying foreign currency holdings, which remain critical in supporting external stability.

≡ Monetary & Financial Stability

Inflation Stable Overall, Driven by Services Sectors



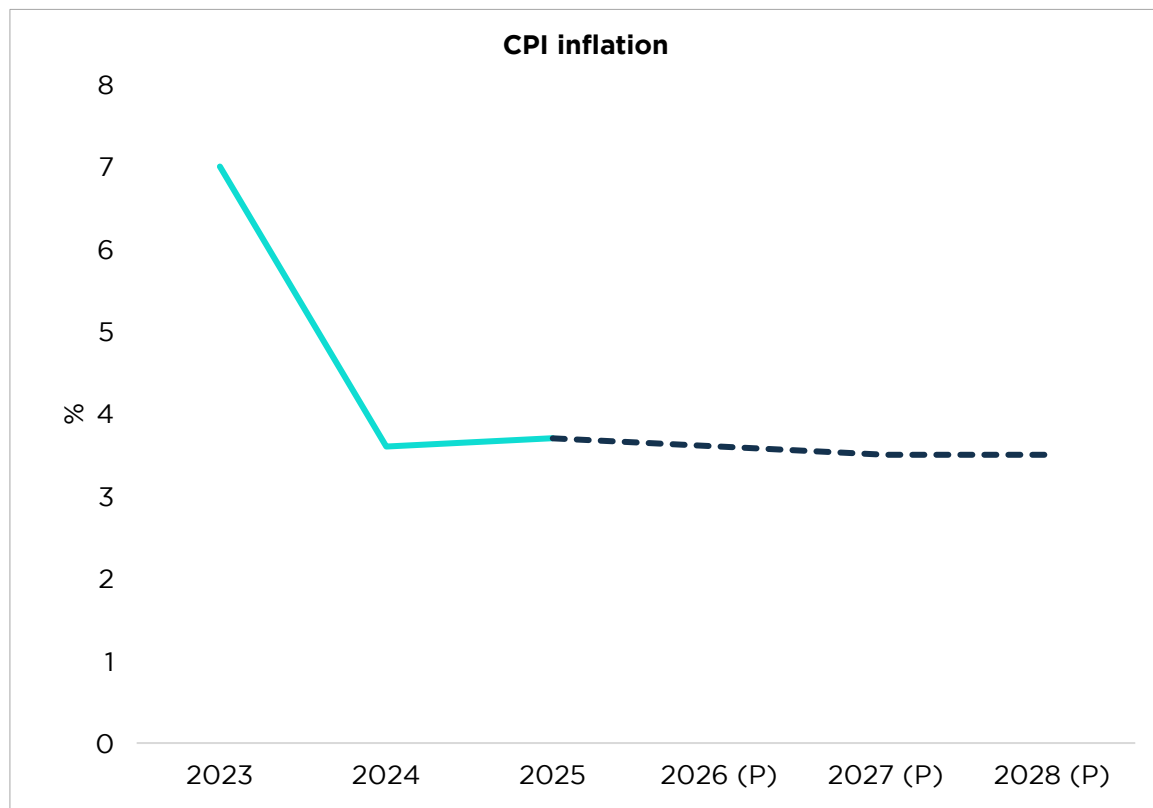
Source: Statistics Mauritius



Source: Statistics Mauritius

Note: Weights of each index are indicated in parentheses ().

- Headline inflation averaged 3.7% YoY in 2025, marginally higher than 3.6% in 2024.
- Sectoral drivers of inflation in 2025 were concentrated in insurance and financial services, restaurants and accommodation, and alcoholic beverages and tobacco.
- The composition of inflation highlights service-related price pressures, contrasting with more moderate movements in goods categories.



Source: IMF, WEO

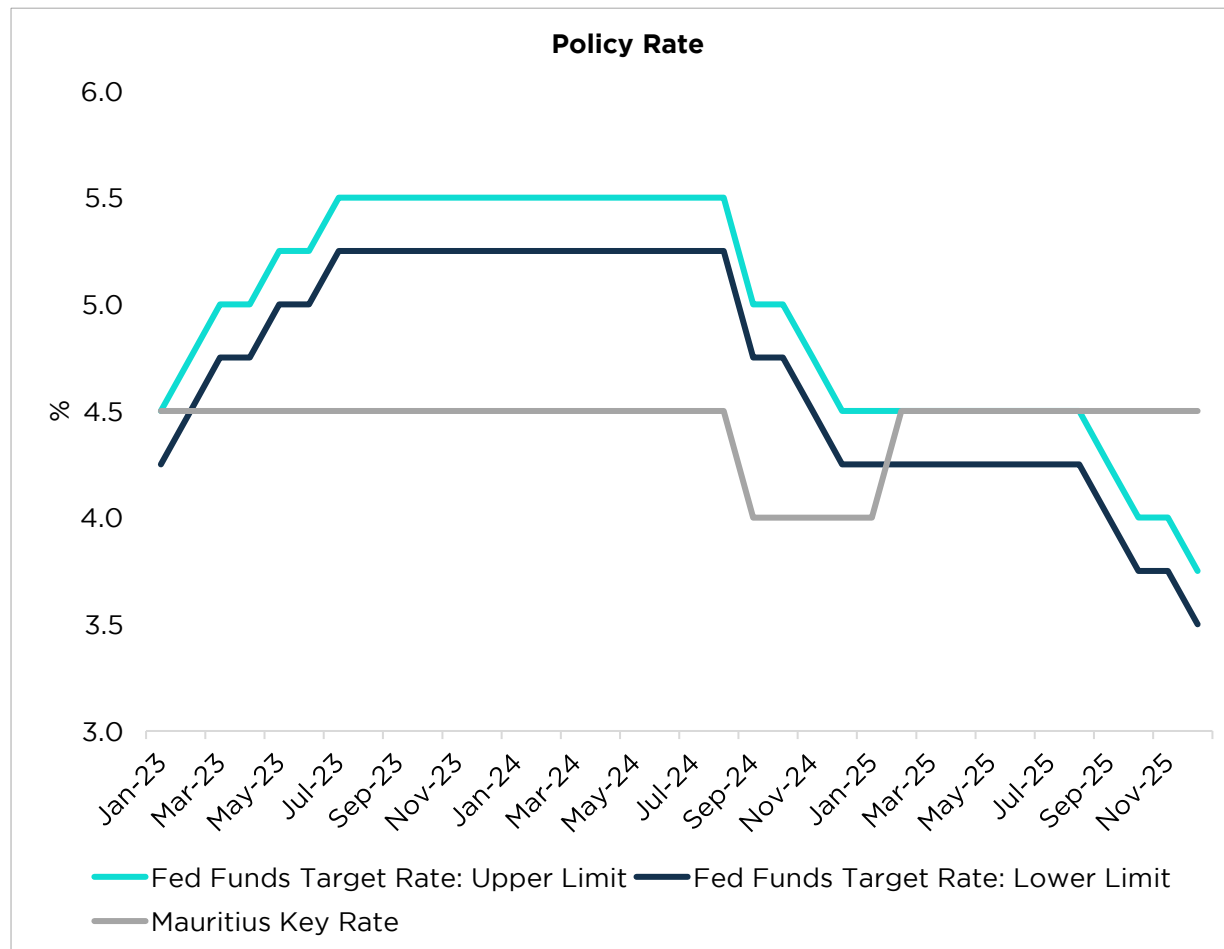
Over 2026–2028, inflation in Mauritius is expected to moderate gradually from elevated levels, with headline inflation projected to remain around the 3.5% (target range midpoint).

Core inflation is likely to persist somewhat higher due to ongoing wage and service-sector pressures.

Exchange rate fluctuations, imported commodity prices, and global energy costs remain key determinants of price dynamics, and pass-through effects could sustain underlying inflationary pressures despite expected monetary policy stabilisation.

Overall, continued monitoring of both external and domestic cost drivers will be essential to guide monetary policy and maintain price stability.

Policy Rates Evolution



- In February, the Bank of Mauritius raised the Key Rate by 50 bps to 4.50%, citing concerns over persistent excess liquidity that has been compressing yields and widening negative interest rate differentials, particularly against the USD.
- This brought the policy rate in line with the upper bound of the US federal funds target range.
- In August 2025, the US Federal Reserve cut policy rates, shifting the interest rate differential in favour of Mauritius, with the Key Rate moving above the US federal funds target range.
- In November 2025, a further Fed rate cut widened the positive interest rate differential, as the Bank of Mauritius maintained the Key Rate at 4.50%.

Source: Bank of Mauritius; Haver Analytics

≡ 2026 Key Monitorables

Renewal of the African Growth and Opportunity Act (AGOA)

Recent legislative action by the US House of Representatives has approved a multi-year extension of AGOA benefits, which would maintain duty-free access for eligible African exports until at least 2028, subject to subsequent Senate and executive approval. While the ongoing efforts in the United States Congress to restore and extend the AGOA would support Mauritius's export performance for Mauritius, continued uncertainty around AGOA renewal creates downside risk for textile and apparel exports, broader external demand conditions, and, in the end, investment in the sector.

Chagos Deal

The GBP 3.4 billion UK-Mauritius agreement, signed in May 2025, which provides for the transfer of sovereignty over the Chagos Archipelago to Mauritius while securing continued UK-US rights to operate the Diego Garcia military base, has been laid before and considered through key stages in the UK Parliament. Nevertheless, geopolitical and domestic political sensitivities, including reported reservations from elements within the US administration, mean that execution of the agreement and associated fiscal flows remain important monitorables for the medium-term external and fiscal outlook. A delay or alteration in implementation could affect projected financing assumptions and external sector dynamics.

Core Inflation

Core inflation, estimated at 6.4% in 2025, has remained significantly above headline inflation (3.7%), indicating persistent underlying price pressures, particularly in services and wage-sensitive components. The sustained core-headline divergence suggests incomplete disinflation and remains a key monitorable for the monetary policy stance.

EUR Trend

A depreciation of the rupee against the euro may improve external price competitiveness, particularly for the tourism and export sectors, assuming relative stability in the USD/MUR exchange rate. However, with an estimated 42.7% of external public debt denominated in euros, a prolonged depreciation against the EUR would increase debt service obligations in domestic currency terms, thereby weighing on public debt sustainability and external vulnerability indicators. In addition, exchange rate pass-through could raise inflationary pressures, as the local currency cost of imported consumer durables, capital goods, pharmaceuticals, and higher-end food items would increase.

Debt Reduction Pace

Elevated public debt levels place emphasis on the credibility and effectiveness of ongoing fiscal consolidation measures, including expenditure restraint and revenue-enhancing initiatives, to achieve a sustained debt reduction trajectory.

India's Mauritius Tax Ruling

India's Supreme Court ruling on the taxation of Tiger Global's Mauritius-routed divestment in Flipkart has heightened uncertainty surrounding the continued effectiveness of the India-Mauritius tax treaty. Historically, Mauritius has been a key conduit for India-bound foreign direct investment, with a quarter of all investment inflows to India from 2000 to 2023 coming from Mauritius (at USD 171 billion). The judgment reinforces India's authority to deny treaty benefits to investment structures deemed to lack sufficient commercial substance, increasing the risk of retrospective or prospective tax exposure for Mauritius-based investment vehicles. This poses downside risks to fund inflows, fee-based revenues, and the broader offshore financial services sector.

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