INTERNATIONAL MONETARY FUND

IMF Country Report No. 25/136

MAURITIUS

2025 ARTICLE IV CONSULTATION—PRESS RELEASE; AND STAFF REPORT

June 2025

Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. In the context of the 2025 Article IV consultation with Mauritius, the following documents have been released and are included in this package:

- A **Press Release**.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on a lapse of time basis, following discussions that ended on April 11, 2025, with the officials of Mauritius on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on May 29, 2024.
- An **Informational Annex** prepared by the IMF staff.

The document listed below have been or will be separately released.

Selected Issues

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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International Monetary Fund
Washington, D.C.

IMF Executive Board Concludes 2025 Article IV Consultation with Mauritius

FOR IMMEDIATE RELEASE

- The Mauritian economy continues to exhibit resilience with growth at 4.7 percent in 2024 and contained inflation. The growth outlook remains favorable, though risks are to the downside.
- Mauritius needs to recalibrate the macroeconomic policy mix to rebuild fiscal space. The monetary policy framework needs to be strengthened while continued monitoring of macro-financial risks is essential to maintain financial stability.
- Advancing key reforms to foster external competitiveness and private sector-led growth while enhancing climate resilience will reduce external imbalances.

Washington, DC – June 18, 2025: The Executive Board of the International Monetary Fund (IMF) completed the Article IV Consultation for Mauritius.[1]

Mauritius' economy remains resilient. Real GDP grew by 4.7 percent in 2024, from 5.0 percent in 2023, driven by services, construction, and tourism. Headline inflation (12-month average) declined to
2.5 percent in March 2025 from 7.0 percent in 2023, helped by easing international food and energy prices and lower fuel excise duties. The external current account deficit widened in 2024 to
6.5 percent of GDP, mostly reflecting higher imports and freight costs. Gross foreign reserves increased to US$8.5 billion by end-2024, covering almost 12 months of imports. Looking ahead, the country needs to address fiscal and structural challenges, notably the high public debt, significant public investment needs, low productivity, and an ageing society.

The outlook for growth is favorable. Real GDP growth is projected to soften to 3.0 percent in 2025 due to weakening external demand, easing tourism activity, and the drought. Over the medium term, growth is expected at around 3.4 percent, reflecting demographic headwinds and labor shortages. Inflation is projected to average 3.6 percent in 2025 and remain within BOM's target range over the medium term. The external current account deficit is projected to reduce to 4.7 percent of GDP in 2025—reflecting lower oil prices, as exports grow modestly amid the slowdown in global demand—and to increase in 2026 due to subdued exports, but gradually decline thereafter. The primary fiscal deficit (excluding grants) for FY24/25 is projected to worsen by 3.4 ppt of GDP relative to FY23/24, to 6.5 percent of GDP, mostly driven by higher compensation of employees, social benefits, and grants and transfers. The stock of public sector debt is projected at around 88 percent of GDP at end-June 2025, and to gradually decline in the medium term.

[1] Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

Risks to the outlook are on the downside, including from global uncertainty, tariff wars, higher-than-anticipated fuel and food prices, and extreme climate shocks.

Executive Board Assessment[2]

The economy has recovered solidly from the pandemic and the outlook is favorable, but fiscal and structural challenges remain. The recovery has been driven by services, construction, and tourism. The medium-term outlook is favorable but held back by demographic headwinds and labor shortages. Mauritius is facing fiscal and structural challenges from high public debt, significant public investment needs for climate, low productivity, and an ageing society. Risks to the outlook are on the downside including from high global uncertainty, highlighting the importance of addressing fiscal and external imbalances to increase the resilience of the economy.

Fiscal policy should pursue frontloaded growth-friendly consolidation to shore up fiscal credibility, helping rebuild fiscal space while protecting the most vulnerable. Tax revenue should be increased and current and ESFs' spending contained while safeguarding critical social spending and growth-enhancing capital spending. Pension system reform remains key to support fiscal sustainability, especially given the ageing of Mauritius' population. Strengthening public financial management, including by streamlining ESFs, will support fiscal consolidation, transparency, and good governance.

BOM should start to gradually phase out its ownership of MIC and strengthen the implementation of the monetary policy framework by resuming uncapped issuance of 7-Day BOM bills (at the key policy rate). BOM should stand ready to tighten the monetary policy stance should inflationary pressures reemerge. BOM should adopt amendments to the BOM Act, including to ensure fiscal backing, to protect central bank independence. Ministry of Finance and BOM are encouraged to strengthen the commitment on their mutual agreement for BOM independence. Mauritius should continue to rely on exchange rate flexibility and FX purchases when opportunities arise, and in line with the monetary policy framework, to help further build foreign reserves buffers to ensure ability to respond to large external shocks.

Mauritius' external position at end-2024 is assessed as weaker than the level implied by fundamentals and desirable policies, and structural reforms to foster external competitiveness are needed to reduce external imbalances. Steady progress in strengthening the AML/CFT framework is welcome and should be sustained, including provisions related to non-resident and cross-border activity. Financial sector risks should continue to be closely monitored including of the real estate sector. Ongoing efforts to improve external sector statistics, including measurement of the GBCs sector, should be sustained. Statistical gaps and discrepancies should be addressed to improve the quality and credibility of macroeconomic statistics.

Mauritius should advance structural reforms that boost investment and innovation to secure longer-term private sector-led growth. Priorities include strengthening workers' skills through

[2] The Executive Board takes decisions under its lapse-of-time procedure when the Board agrees that a proposal can be considered without convening formal discussions.

better education and narrowing gender gaps as well as advancing climate adaptation efforts to support economic resilience.

Mauritius: Selected Economic Indicators

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
					Est.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
	(Annual percent change, unless otherwise indicated)										
National income, prices and employment											
Real GDP	-14.5	3.4	8.7	5.0	4.7	3.0	3.4	3.4	3.4	3.4	3.4
Real GDP per capita	-14.6	3.6	8.9	5.1	4.9	3.2	3.6	3.6	3.6	3.7	3.8
GDP per capita (in U.S. dollars)	9,011	9,087	10,235	11,188	11,883	12,448	13,287	14,183	15,128	16,131	17,190
GDP deflator	2.6	3.2	9.6	6.6	3.8	3.8	3.7	3.7	3.6	3.6	3.6
Consumer prices inflation (period average)	2.5	4.0	10.8	7.0	3.6	3.6	3.6	3.5	3.5	3.5	3.5
Consumer prices inflation (end of period)	2.7	6.8	12.2	3.9	2.9	3.9	3.5	3.5	3.5	3.5	3.5
Unemployment rate (percent)	9.2	9.1	6.8	6.1	5.8	5.9	5.9	5.9	5.9	5.9	5.9
	(Annual percent change)										
External sector											
Exports of goods and services, f.o.b.	-23.8	5.2	45.7	4.0	3.0	1.7	2.3	7.1	6.2	6.5	7.4
Of which: tourism receipts	-73.8	-23.8	313.1	29.7	6.0	-4.6	5.3	7.7	8.6	8.1	7.7
Imports of goods and services, f.o.b.	-29.1	16.0	32.9	-0.3	6.4	0.7	4.7	5.3	4.9	4.3	5.3
Nominal effective exchange rate (annual average)	-8.0	-8.0	3.6	0.5	-1.4	...	...	...	...	...	...

Real effective exchange rate (annual average)	-7.6	-7.5	6.2	1.7	-0.6	...	...	...	...	...	...
Terms of trade	5.1	-12.0	-5.1	8.3	0.0	2.3	2.0	0.7	0.5	0.5	0.4
Money and credit											
Net foreign assets	16.4	18.6	-3.6	-0.3	18.3	1.5	2.7	2.5	2.1	2.2	3.0
Domestic credit	7.9	15.6	13.1	9.7	13.7	7.2	6.5	6.3	6.1	6.0	5.9
Net claims on government	8.8	34.8	24.6	26.1	31.3	13.2	7.7	6.0	5.3	4.5	3.7
Credit to non-government sector	2.7	0.4	-0.6	8.0	8.3	6.0	6.9	7.2	7.1	7.1	7.1
Broad money	17.7	8.6	4.1	7.8	12.9	6.4	7.6	8.5	8.4	8.4	7.9
Income velocity of broad money (M2)	0.8	0.8	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9
					(Percent of GDP, unless otherwise indicated)						
Central government finances [1]											
Overall borrowing requirement [2]	-22.1	-5.5	-4.7	-6.1	-10.4	-5.4	-3.7	-3.4	-2.9	-2.4	-2.0
Primary balance (excluding grants)	-16.5	-4.9	-2.7	-3.1	-6.5	-3.0	-1.3	-0.3	0.1	0.4	0.5
Revenues (incl. grants)	21.6	24.2	24.5	24.0	25.7	27.0	27.3	27.5	27.5	27.5	27.4
Expenditure, excl. net lending	40.4	31.1	29.4	29.7	35.2	32.3	31.2	30.3	29.9	29.4	28.9
Domestic debt of central government	67.5	61.9	57.3	58.7	64.4	65.8	65.7	65.3	64.5	64.0	63.7
External debt of central government	15.8	14.0	13.8	12.7	14.8	14.9	14.8	14.7	14.6	14.3	13.9

Investment and saving											
Gross domestic investment	18.2	19.8	19.8	20.2	21.0	22.0	22.4	22.5	22.5	22.5	22.5
Public	4.1	4.1	3.9	3.9	3.8	4.1	4.2	4.3	4.3	4.3	4.3
Private [3]	14.1	15.7	15.8	16.3	17.2	17.9	18.2	18.2	18.2	18.2	18.2
Gross national savings	11.6	12.6	17.1	22.4	23.4	23.8	25.0	26.1	26.5	26.2	26.4
Public	-7.9	-5.6	-2.0	-2.4	-4.5	-4.0	-1.7	-0.7	-0.1	0.4	0.8
Private	19.5	18.2	19.2	24.8	28.0	27.8	26.7	26.8	26.6	25.9	25.6
External sector											
Balance of goods and services	-10.7	-16.1	-14.8	-11.7	-13.2	-12.3	-13.0	-12.2	-11.6	-10.5	-9.6
Exports of goods and services, f.o.b.	35.1	36.7	47.6	45.3	43.9	42.7	41.0	41.2	41.1	41.2	41.7
Imports of goods and services, f.o.b.	-45.8	-52.7	-62.4	-56.9	-57.2	-55.0	-54.0	-53.4	-52.7	-51.7	-51.2
Current account balance	-8.9	-13.1	-11.1	-5.1	-6.5	-4.7	-6.1	-5.0	-4.3	-3.7	-3.0
Capital and financial account	3.3	23.3	13.4	-0.9	14.5	6.1	9.1	6.7	5.9	5.2	4.6
Overall balance	-4.4	10.2	2.8	-5.5	7.3	1.4	2.9	1.8	1.6	1.5	1.6
Total external debt	110.7	134.0	132.2	131.6	139.2	128.9	119.3	110.8	102.2	94.1	87.1
Gross international reserves (millions of U.S. dollars)	7,242	7,805	7,740	7,254	8,510	8,675	9,163	9,475	9,781	10,083	10,420
Months of imports of goods and services, f.o.b.	14.3	11.6	11.6	10.2	11.8	11.6	11.6	11.4	11.3	11.2	11.1
Memorandum items:											
GDP at current market prices (billions of	448.9	478.8	570.3	638.3	694.0	742.3	796.0	853.3	914.0	979.0	1,048.7

Mauritian rupees)											
GDP at current market prices (millions of U.S. dollars)	11,408	11,484	12,908	14,101	14,953	15,641	16,662	17,748	18,890	20,082	21,326
Public sector debt, fiscal year (percent of GDP)[4]	91.9	86.1	81.8	81.5	88.3	89.1	88.1	86.9	85.3	83.9	82.7
Foreign and local currency long-term debt rating (Moody's)	Baa1	Baa2	Baa3	Baa3	Baa3	Baa3	…	…	…	…	…

Sources: Country authorities; and IMF staff estimates and projections.

[1] *GFSM 2001* concept of net lending/net borrowing, includes special and other extrabudgetary funds. Fiscal data reported for fiscal years (e.g, 2019=2019/20).

[2] Following the *GFSM 2014,* Sections 5.111.5.116, the transfers from the BOM to the Central Government are considered as financing.

[3] Excludes changes in inventories in 2022 and outer years.

[4] The public debt series has been reclassified starting in the 2024 AIV Mission to allow consolidation of central government securities held by non-financial public corporations

INTERNATIONAL MONETARY FUND

MAURITIUS

STAFF REPORT FOR THE 2025 ARTICLE IV CONSULTATION

May 29, 2025

KEY ISSUES

Solid Recovery and Challenges. Mauritius recovered solidly from the pandemic on the back of buoyant tourism, social housing construction, and financial services but is facing fiscal and structural challenges—high public debt, significant public investment needs for climate, low productivity, and an ageing society.

Outlook and Risks. The outlook for growth is favorable. Real GDP growth is projected to soften to 3.0 percent in 2025—due to weakening external demand, easing tourism activity, and the drought—and is projected at 3.4 percent over the medium term, while inflation is projected to remain within Bank of Mauritius' target range. Public debt, which reached 87 percent of GDP at end-2024, is projected to gradually decline in the medium term supported by significant fiscal consolidation under the baseline—though smaller than needed fiscal efforts to reach authorities' goal of 75 percent debt-to-GDP ratio in six years. Risks to the outlook are on the downside, including from global uncertainty, tariff wars, and extreme climate shocks.

Policy Advice. The macroeconomic policy mix should be recalibrated to rebuild fiscal space, conserve external buffers, and maintain financial stability. Structural reforms remain important to promote competitiveness and private sector-led growth. Key recommendations include:

- Rebuild fiscal space and reduce public debt via a front-loaded and growth-friendly consolidation, by containing spending and mobilizing revenue in the near term while protecting the most vulnerable. To enhance resilience to external shocks, foreign exchange reserves should be conserved.

- Strengthen the implementation of the 2023 monetary policy framework and stand ready to tighten the monetary policy stance should inflationary pressures reemerge. Implement the central bank's plan to gradually phase out its ownership of the Mauritius Investment Corporation (MIC), and promptly return undisbursed funds to the central bank. Adopt amendments to the Bank of Mauritius Act to protect central bank independence.

- Continue to monitor financial sector risks closely, including of non-residents and global business companies operating in the Mauritius International Financial Center, and of the real estate sector, and sustain AML/CFT compliance.

- Advance structural reforms to foster external competitiveness and private sector-led growth, including to strengthen workers' skills and advancing climate adaptation efforts.

Approved By
Andrea Richter Hume (AFR) and Tokhir Mirzoev (SPR)

Discussions took place in Mauritius between March 31 and April 11, 2025. The team comprised Ms. Mariana Colacelli (head), Ms. Concha Verdugo Yepes, Mr. Félix Fernando Simione, Ms. Vaishali Ashtakala (all AFR), and Mr. Wilson Phiri (STA). Mr. Ha Nguyen (ICD) joined an analytical presentation. Mr. Linda Hlophe (OED) also joined the meetings. The mission met with Prime Minister and Minister of Finance Dr. Navin Ramgoolam, Junior Minister of Finance Mr. Dhaneshwar Damry, Chief Economic Advisor to the Prime Minister Mr. Gilbert Gnany, Governor of the Bank of Mauritius Dr. Rama Krishna Sithanen, other senior government officials, as well as representatives of the private sector, opposition leadership, civil society, and international development partners. Mmes. Danielle Bieleu and Elena Esbaile (all AFR) assisted in the preparation of this report.

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ANNEXES

CONTEXT AND RECENT ECONOMIC DEVELOPMENTS

1. **Mauritius has a strong economic track record but is facing fiscal and structural challenges.** Economic growth has averaged an impressive 5 percent over the last 50 years, supporting a transition from an agricultural economy to a diversified upper-middle-income country with improved social indicators. However, Mauritius now faces fiscal and structural challenges from high public debt, significant public investment needs for climate, low productivity, and an ageing society. A new administration, which took office in November 2024, has pledged to restore sound economic fundamentals and foster greater competitiveness via a five-year program to restore macroeconomic buffers and embrace a new growth model focused on investment and productivity.[1] A key pillar of the program is to enhance good governance and transparency, including with support from an IMF Report on the Observance of Standards and Codes (ROSC) for Mauritius. Envisaged reforms aim to diversify investment towards agro-processing, textiles, and ICT, and boost productivity via an upgraded framework for innovation, research, and development—including with an upgraded licensing regime in the telecommunications sector.

2. **Growth remains solid and inflation has decreased.** The economy grew by 4.7 percent in 2024, driven by services, construction, and tourism.[2] On the demand side, growth was driven by private investment and consumption. Unemployment was 5.8 percent at end-December 2024, down from 6.1 percent a year earlier. Headline inflation (12-month average) declined to 2.5 percent in March 2025 from 7.0 percent in 2023, driven by easing international food and energy prices, the reduction of fuel excise duties in December, and base effects. Inflation expectations have been moderating, reaching 3.7 percent in March 2025 (1-year horizon).

3. **Fiscal policy in FY23/24 was expansionary, resulting in increased debt pressures.** The primary fiscal deficit (excluding grants) increased by 0.4 ppt of GDP to 3.1 percent of GDP in FY23/24. Including net expenditure from extra-budgetary special funds (ESFs), the primary deficit increased by 2.8 ppt of GDP to 6.1 percent of GDP, as net expenditure from ESFs rose by 2.4 ppt of GDP driven by social housing construction payments. Revenue (excluding grants) declined by 0.2 ppt of GDP, mostly reflecting lower personal income tax and excise duty collection. Primary expenditure increased by 0.2 ppt of GDP as social benefits and other current expenses continued to rise. Public sector debt rose to 87 percent of GDP at end-2024 (above the statutory ceiling of 80 percent), while sovereign yields increased. In January 2025, Moody's kept Mauritius at investment grade (Baa3) but downgraded the rating outlook to negative from stable, noting uncertainty over Mauritius' ability to improve the fiscal situation.

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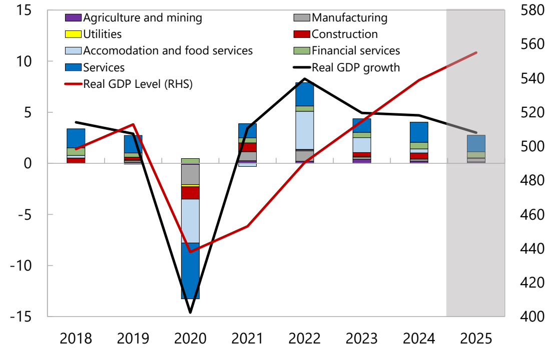
[1] Mauritius' Government Programme for 2025–29 was announced in January 2025 (A Bridge to the Future. https://govmu.org/EN/Documents/Government-Programme-2025-2029.pdf).

[2] Statistics Mauritius recently made significant revisions to historical National Accounts owing to incorporation of revised data, mainly for the construction and accommodation sectors. The real GDP growth rate for 2023 was revised down from 7.0 to 5.6 percent in December 2024, and to 5.0 percent in March 2025. The estimated 2024 growth rate was revised from 5.1 percent in December 2024 to 4.7 percent in March 2025.

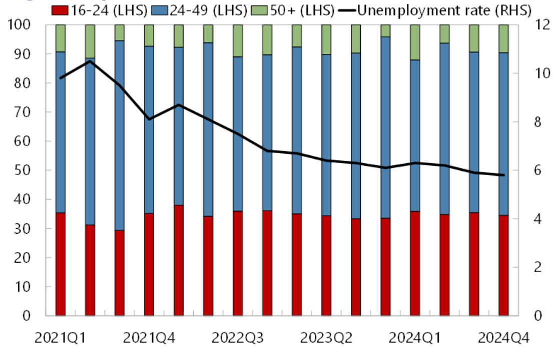
Figure 1. Mauritius: Recent Economic Developments

Real GDP Now Exceeds Its Pre-Pandemic Level

(LHS Contribution to growth in percent; RHS in billions of rupees)

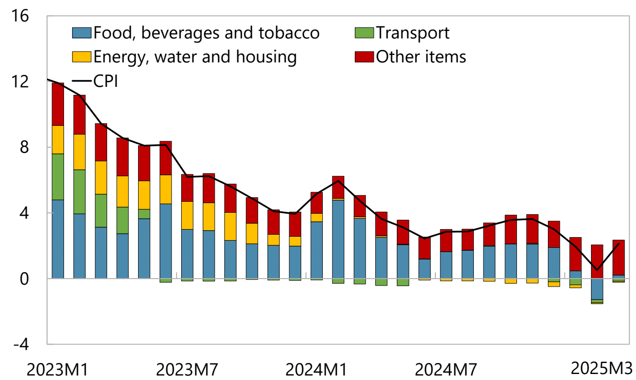


Unemployment Rate and Share of Unemployed by Age Group (In percent)



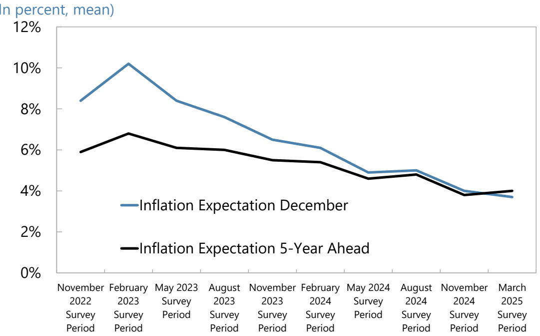
Headline Inflation and Contributions by Category

(In percent, year-on-year)



Inflation Expectations Survey

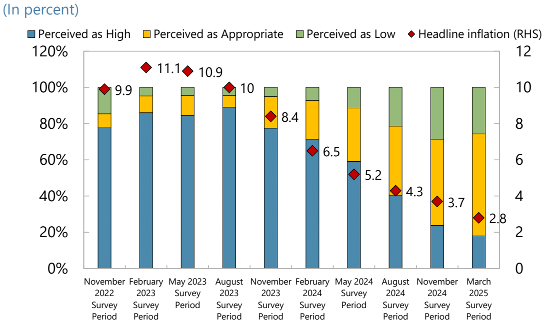
(In percent, mean)



Note: The Inflation Expectation Survey is conducted on a quarterly basis by BoM, and invites responses through mail from 50 stakeholders of the financial and real sectors of the economy.

Perceptions of Headline Inflation

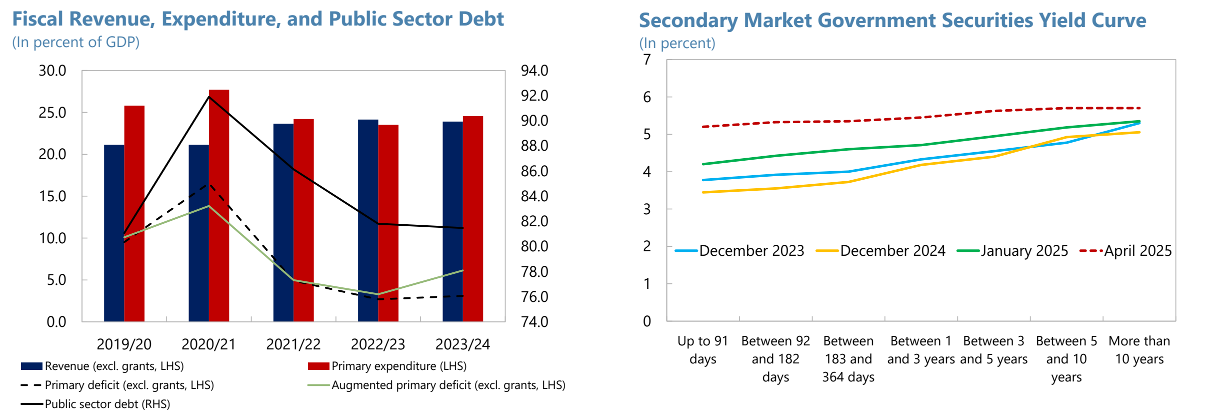
(In percent)



Note: Headline inflation values reflect observed inflation for a month prior to survey date.

Sources: Mauritian authorities and IMF staff calculations.

Fiscal Developments and Sovereign Yield Curve



Source: Mauritian authorities and IMF staff calculations

4. Monetary policy appropriately has been less accommodative since early 2024. As inflation declined towards BOM's target range of 2-5 percent, the BOM cut the key policy rate from 4.5 to 4.0 percent in September 2024 but raised it back to 4.5 percent in early February 2025 in the context of renewed inflation risks. The BOM upgraded its monetary policy committee (MPC) press release with improved communication in line with staff advice (Annex IX) including mentioning Forecasting and Policy Analysis System (FPAS) analysis, as well as announcing the schedule for MPC meetings.

5. BOM's gross foreign exchange reserves increased to US$8.5 billion by end-2024—amounting to about 11.9 months of imports and an estimated 108 percent of the IMF's reserve adequacy metric (ARA), above the lower bound of the recommended 100-150 percent range. Mauritius' external position at end-2024 is assessed as weaker than the level implied by fundamentals and desirable policies (Annex III). The external current account deficit is estimated to have widened in 2024 to 6.5 percent of GDP, mostly reflecting higher imports and freight costs. The nominal rupee-USD rate and the real effective exchange rates depreciated in 2024 by 6.7 and 1.7 percent, respectively, from 2023. After the U.S. tariff announcement of April 2, 2025, the value of the rupee fluctuated significantly, reflecting broader volatility in global financial markets; it has stabilized since mid-April.

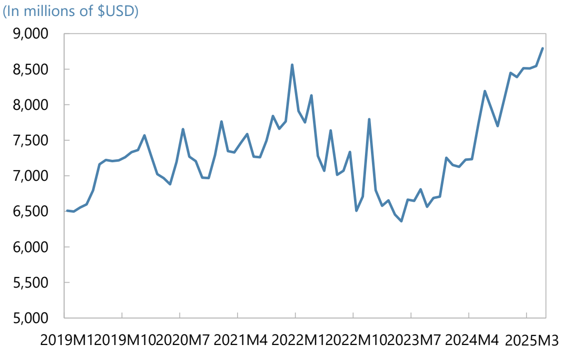
6. Financial sector risks remain contained. Credit to the private sector grew by 8.3 percent in 2024. Growth in housing loans eased, while real estate prices continued to increase. The Net Stable Funding Ratio (NSFR) guideline has been effective since June 2024 to contain banks' vulnerabilities.[3] In November, BOM introduced virtual assets guidelines to support related banks' risk assessments. The consolidated Liquidity Coverage Ratio (LCR) stood at 299 percent in December 2024, above the regulatory requirement of 100 percent. BOM's stress tests from June and September 2024 showed

[3] NSFR is a liquidity standard designed to ensure banks maintain sufficient stable funding to cover their long-term assets.

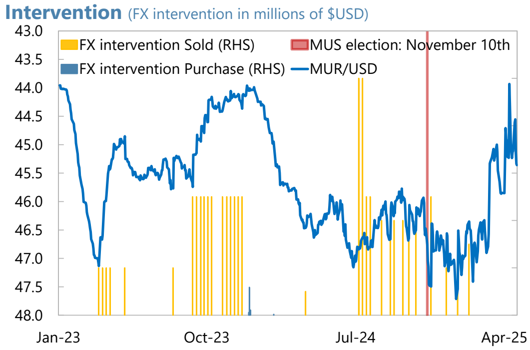
improved resilience of the banking sector. The financial soundness of the corporate sector has improved, with corporate leverage relative to earnings declining further during the first half of 2024 (to 60 percent in June 2024 from 95 percent in December 2020). Risks to financial stability from credit dynamics in the household sector have remained largely contained, with the leverage of the household sector—measured by credit extended by the financial sector as a ratio to GDP—broadly stable in the first half of 2024 (the ratio stood at 38 percent in June 2024 versus 42 percent in December 2020). At the same time, ongoing AML/CFT investigations, including with MIC, suggest oversight challenges that present risks to the financial sector.

International Reserves and Exchange Rate Developments

Gross International Reserves
(In millions of $USD)



Daily Rupee-per-USD Exchange Rate and BOM FX Intervention (FX intervention in millions of $USD)



Source: Mauritian authorities and IMF staff calculations.

Authorities' Views

7. **The authorities highlighted that recent economic performance, although boosted by statistical effects of the post-Covid recovery, was much weaker than previously estimated.** They noted that inflationary pressures were successfully contained as inflation fell sharply in early 2025. The authorities consider that the economy has been operating above potential due to high demand-side pressures sustained by higher wages and expanded social transfers. However, they expressed serious concerns about the pre-election fiscal expansion and stressed their commitment to fiscal sustainability. Rapid increases in residential real estate prices heightened authorities' concerns over housing affordability. They highlighted that, even though macroprudential measures were tightened in 2021, subsequent politically motivated monetary and fiscal measures have directly contributed to price increases. They agreed that financial sector stability risks are contained.

OUTLOOK AND RISKS

8. **The growth outlook is favorable, and inflation is projected to stay contained.** Real GDP growth is projected to soften to 3.0 percent in 2025, slightly below potential, due to weakening external demand, easing tourism activity, the drought, and the fiscal consolidation assumed for FY25/26. Tourist arrivals are projected to remain unchanged at around 1.4 million in 2025. Over the medium term, growth is expected at around 3.4 percent, reflecting a closing output gap and

demographic headwinds. Headline inflation is projected to remain contained in 2025 at 3.6 percent. The drought in early 2025 and the recent increase in wages are expected to put upward pressure on inflation. However, lower international oil prices in 2025 (with high pass-through to Mauritius' domestic prices) and weakening external demand from global uncertainty are projected to contain inflation in 2025. Over the medium term, inflation is projected to stay within the 2-5 percent BOM target range.

9. The external current account deficit is projected to decline to 4.7 percent of GDP in 2025. This reflects an improvement in the trade balance due to lower imports, driven by lower oil prices and projected fiscal consolidation, as exports grow modestly amid the slowdown in global demand. The current account deficit is projected to increase in 2026 due to subdued exports, but gradually decline thereafter, reflecting an improvement in the trade balance supported by slower growth in global food and energy prices. GBCs' financial inflows are expected to be resilient amid uncertainty and competition. Reserves are projected to remain above 11 months of import cover.

10. The fiscal deficit for FY24/25 is projected to deteriorate significantly. The primary fiscal balance (excluding grants) is projected to worsen by 3.4 ppt of GDP relative to FY23/24, to 6.5 percent of GDP. Primary expenditure is projected to increase by 5.1 ppt of GDP. This reflects a higher public wage bill due to wage adjustments announced in September 2024 and new fiscal measures announced in December 2024, notably a one-off 14th month salary to government employees and subsidies to selected private sector employees, additional transfers and grants to ESFs and state-owned enterprises (SOEs), and higher social benefits. Revenue (excluding grants) is projected to increase by 1.6 ppt of GDP, helped by the new Climate Corporate Responsibility Levy introduced in July 2024 and higher VAT collection. Including net expenditures from ESFs, the primary deficit (excluding grants) is projected to increase by 2.5 ppt of GDP to 8.6 percent of GDP. Public sector debt is projected at 88 percent of GDP at end-June 2025.

11. The government borrowing requirement for FY24/25 (10.4 percent of GDP) will continue to be met mostly domestically through issuance of government securities. However, external financing is expected to increase to near 2.0 percent of GDP in FY24/25, reflecting mostly a budget support loan from the African Development Bank (1.5 percent of GDP).

12. Based on the IMF's Sovereign Risk and Debt Sustainability Framework, Mauritius' overall risk of sovereign stress is assessed as high, though public debt is projected to decline over the medium term (Annex II). This assessment reflects the high level of debt projected at the end of the medium-term horizon (remaining above the statutory ceiling at 83 percent of GDP by end-June 2031), contingent liabilities related to BOM's potential recapitalization needs and external debt, adverse long-term effects from population ageing on pension spending, and fiscal risks from elevated climate shock vulnerabilities. The risk rating could be lower if medium-term growth is higher and fiscal consolidation is more ambitious than projected under the baseline.

13. Risks to the outlook are tilted to the downside (Annex I). Global uncertainty could negatively impact tourism, and second-round effects from uncertainty that weaken global growth could magnify this effect. Tariff wars and higher-than-anticipated energy and food prices could increase inflation, de-anchor inflation expectations, depress exports, and worsen the external position. Inability to implement the authorities' fiscal consolidation plans and delays in recalibrating the policy mix to rebuild fiscal buffers would exacerbate debt sustainability concerns and investor confidence. Deterioration in SOEs' balance sheets could worsen the fiscal position. Extreme weather shocks could damage infrastructure and weaken tourism and growth. On the upside, finalization of the Chagos agreement with the United Kingdom would yield windfall revenue and improve the fiscal position, allowing for potentially faster public debt reduction, while an end to Russia's war in Ukraine could boost tourism.[4]

Authorities' Views

14. The authorities highlighted their focus on strengthening medium-term growth.

- The authorities observed a decline in tourist arrivals in Q1 2025 amid uncertainty in major source markets, but stressed plans to step up marketing of the tourism sector to dampen the slowdown. They are optimistic about growth in the construction sector due to ongoing infrastructure projects. They anticipated growth in the range of 3.5-4.0 percent for 2025 before the April U.S. tariff announcement. They do not anticipate significant direct negative effects.

- The authorities project medium-term real GDP growth around 4.0 to 5.0 percent on the back of financial services sector growth from further capitalizing on the international reputation of the Mauritian International Financial Centre (notably by charting out new blueprints for the sector including on fintech, attracting foreign expertise and talent, and sustaining compliance with international standards). They expect that planned new projects in solar and biomass energy will also bolster medium-term growth. In line with these reforms, they envisage significant reductions in the debt-to-GDP ratio in the medium term that would reduce the overall risk of sovereign stress.

- The authorities agreed with the discussed risks to the outlook, and highlighted upside fiscal risks from Chagos and from a successful resolution of pending legal cases of the tax authority, while flagging that delays in needed fiscal reforms could hurt investor sentiment and disrupt capital flows.

POLICY DISCUSSION

The macroeconomic policy mix should be recalibrated to rebuild fiscal space, conserve external buffers, and maintain financial stability. An ambitious medium-term fiscal consolidation—protecting growth and the most vulnerable—starting with the upcoming FY25/26 budget, will help rebuild fiscal credibility.

[4] On May 22, the Government of Mauritius signed an agreement with the Government of the United Kingdom concerning the Chagos archipelago. It is pending ratification by both parliaments. The agreement includes 99 years of annual payments to Mauritius: GBP 165 million (around 1.3 percent of FY25/26 GDP) for the first three years, GBP 120 million (around 1.0 percent of FY25/26 GDP) from year four to year thirteen, and GBP 120 million (adjusted by UK inflation) thereafter. The financial proceeds that Mauritius would receive under this agreement are not yet included in staff's baseline.

Over the longer term, promoting private sector competitiveness through labor market reforms and skills upgrade is essential to support investment and innovation, while fostering an inclusive and resilient economy.

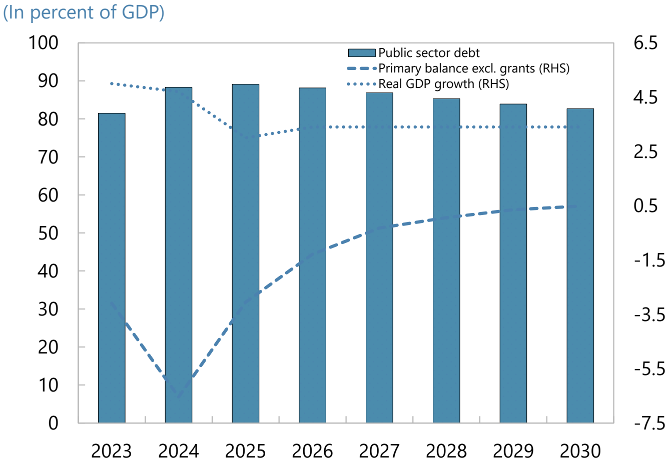
A. Rebuilding Fiscal Space

15. The new administration's commitment to consolidating public finances and reducing public debt is welcome, though it has not yet announced specific plans. With public debt projected at around 88 percent of GDP at end-June 2025 (above the 80 percent of GDP ceiling) and a high risk of sovereign stress, fiscal consolidation efforts are needed to reduce debt-related risks and increase fiscal buffers to leave room to respond to shocks. The consolidation will also rebuild fiscal space to protect key spending-including social spending for the most vulnerable, climate investment, and other growth-enhancing spending-as well as reduce external imbalances and shore up macroeconomic stability. A commitment to steady debt reduction should also help contain interest rates. The authorities aim to reduce public debt to 75 percent of GDP by end-June 2031, with a frontloaded fiscal adjustment starting in FY25/26, although specific budget plans have not yet been announced. Under staff baseline assumptions of growth and interest rates, if the adjustment is to be fully frontloaded (to reach authorities' goal of 75 percent in six years), the primary deficit would need to be reduced to -0.3 percent of GDP starting in FY25/26 and remain constant over the medium term, amounting to an unrealistic 6.2 ppt of GDP fiscal adjustment in FY25/26.[5] The FY25/26 budget consultation process was launched in early April 2025 and the budget is expected to be released in June 2025. The authorities are also considering reintroducing performance-based budgeting and strengthening budget controls in the upcoming budget.

16. Staff baseline assumes that the authorities will follow through on their frontloaded fiscal consolidation plans but at a more realistic pace, reaching a debt-to-GDP ratio of 83 percent in six years. This would still require a very ambitious policy effort to shore up fiscal credibility, while supporting growth and protecting priority spending. Based on potential expenditure and revenue measures identified and recommended by staff (outlined below), this would entail a 3½ ppt of GDP improvement in the primary balance in FY25/26 and 7.0 ppt of GDP total improvement through FY30/31 (reflecting both expenditure and revenue measures), thereby reducing public debt to around 83 percent of GDP in FY30/31, compared to the authorities' target of 75 percent of GDP.

Fiscal Balance and Public Sector Debt

(In percent of GDP)



Sources: Mauritian authorities data; and IMF staff estimates.

[5] The assumption that growth would be the same as under staff baseline may not hold under this consolidation path. If growth were to be lower, the fiscal consolidation consistent with the 75 percent of GDP debt by end-June 2031 would have to be larger.

Delivering on the fiscal consolidation envisaged under staff baseline will help boost the credibility of the government's commitment to the medium-term fiscal consolidation plan vis-à-vis consumers and investors, by achieving an important first step towards consolidating public finances. The adverse impact on growth would be dampened by a credible medium-term framework as it supports private consumption and investment, as well as by the relatively low revenue and expenditure multipliers for the identified measures including due to Mauritius' high import dependence. The appropriate mix of revenue and expenditure measures may evolve contingent on high global uncertainty and policy shifts.

17. The fiscal adjustment will require expenditure restraint, which will need to balance adverse impacts on growth, climate priorities, and the most vulnerable. Current spending (excluding interest) is relatively high in Mauritius, accounting for 85 percent of total fiscal spending-which is about 20 and 13 percentage points higher than the sub-Saharan Africa and Caribbean islands average, respectively-and remains about 6 ppt of GDP above pre-pandemic level. A wide range of options are available to help streamlining expenditure. The streamlining of primary expenditure under staff's baseline starts in FY25/26 (by 2.7 ppt of GDP relative to FY24/25) and continues in stages over the medium term.

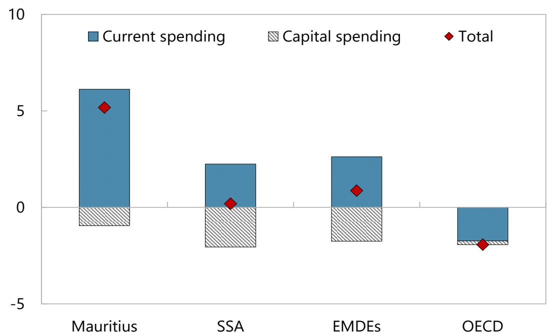
- Pension spending should be made more sustainable. Pension spending (around 7.5 percent of GDP) is relatively high, with the Basic Retirement Pension (BRP) having doubled since 2019 (70 percent up in real terms), while pension contributions represent only around 2 percent of GDP. Considering demographic trends, current policies threaten the pension system sustainability. Staff's baseline assumes that pension growth will be contained in line with inflation over the medium term. To restore sustainability, the authorities should also consider more ambitious reforms not included in staff's baseline, including (i) gradually increasing the BRP eligibility age from 60 to 65 (expected savings of 1.7 percent of GDP at full impact); (ii) keeping the CSG pension benefit fixed at the current level over the medium term for those aged 65 to 75 (expected savings of 0.4 percent of GDP); and (iii) reforming the CSG system to provide benefits only to contributors.

- Wage subsidies to the private sector should be phased out. New wage regulations for public and private sector workers from September 2024-applicable to workers earning above the existing minimum wage-contributed to increasing both the government wage bill in FY24/25 due to higher salaries (+0.2 ppt of GDP) and subsidies to help selected SMEs bear the higher labor cost (+0.2 ppt of GDP). In addition, a new 14th month allowance bonus (for public and private sector workers and pensioners) was introduced in December. The 14th month impacts the government wage bill (+0.2 ppt of GDP) and social benefits to pensioners (+0.9 ppt of GDP) and delivers a new subsidy for selected SMEs to bear the extra salary cost (+0.2 ppt of GDP). Staff's baseline assumes a partial unwinding of the September and December wage measures. It assumes that the government subsidy to private employees from the September wage regulations is phased out in FY25/26 (0.2 percent of GDP). It also assumes the unwinding of the 14th month allowance to government employees (0.2 ppt of GDP excluding pensioners) as well as unwinding the subsidy for selected SMEs (0.2 ppt of GDP).

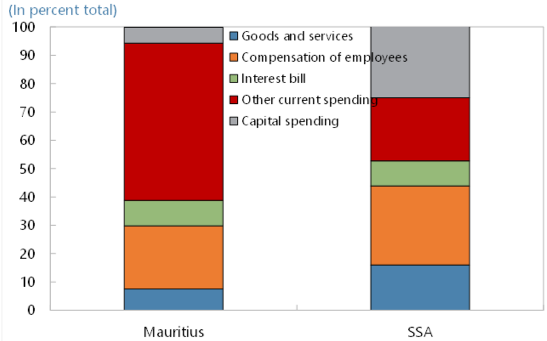
- There is scope for streamlining broadly targeted and regressive transfers and subsidies. The unwinding of two housing subsidy schemes introduced in FY21/22 (Home Ownership and Home Loan Payment schemes) would generate expected savings of 0.7 percent of GDP (included in the baseline) and help preserve financial stability (SIP "Residential Real Estate Sector Developments"). Considerations should also be given to gradually unwinding other broadly targeted schemes (not included in staff's baseline), such as the Independence Scheme (0.06 ppt of GDP), which may have unintended consequences on labor supply by increasing the reservation wage. To help protect the poor and the most vulnerable, these broadly targeted subsidies should be replaced with better targeted schemes.

Fiscal Expenditure and Environmental Revenue

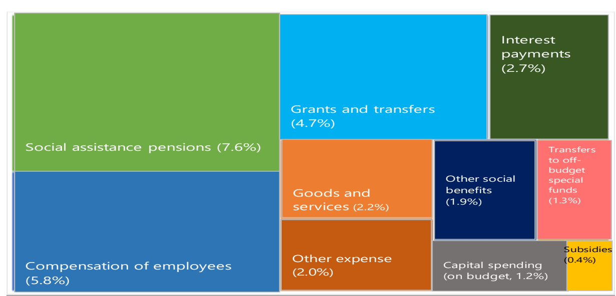
Change in Total Spending, 2010 - 2022
(In percent of GDP)



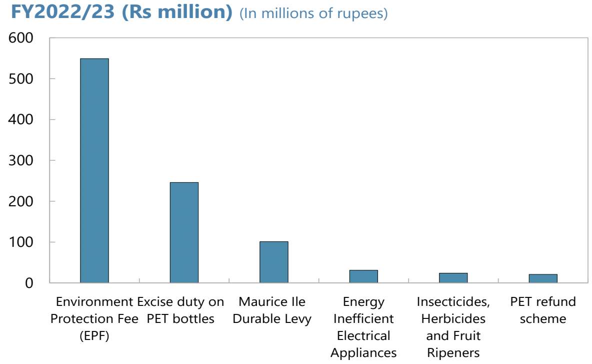
Mauritius and SSA Economic Classification
(In percent total)



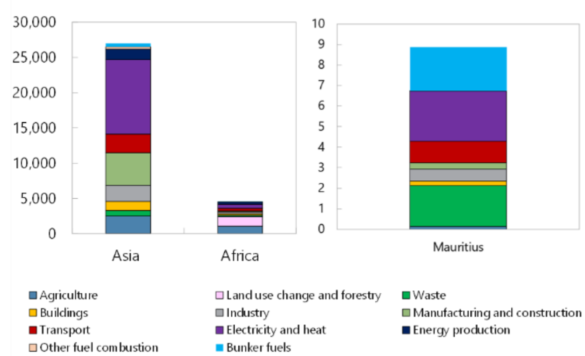
Fiscal Spending FY2023/24
(In percent of GDP)



Amount Collected for Green and Environmental Taxes, FY2022/23 (Rs million)
(In millions of rupees)



CO_2 Emissions by Sector and Region, 2021
(In millions of tons of CO_2)



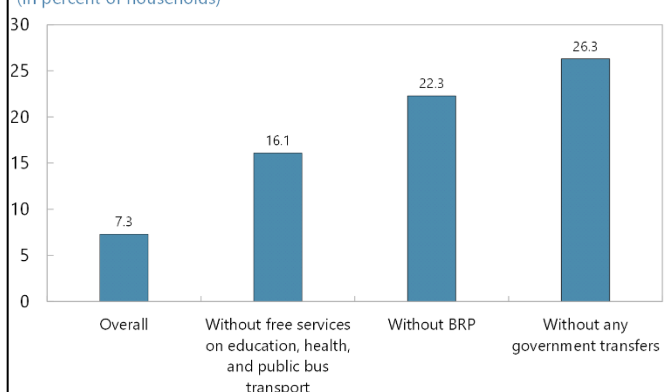
Sources: Mauritian authorities; and IMF staff estimates.

- Growth-enhancing capital spending should be protected. Non-ESF capital spending, which averaged around 2 percent of GDP per year pre-pandemic, is projected to further decline to 1.1 percent of GDP in FY24/25, from 1.3 percent in FY23/24. Weak implementation capacity and significant optimism bias in the authorities' projections have led to substantial under-execution of capital spending in recent years. Staff's baseline assumes a conservative increase of 0.2 ppt of GDP in capital spending (excluding ESFs) in FY25/26.

18. Complimentary reforms on revenue mobilization should accompany the expenditure measures. A wide range of options are also available to help increase revenue. Staff's baseline (of 1.2 ppt of GDP increase in total revenue in FY25/26) includes the introduction of VAT e-invoicing (0.4 ppt of GDP estimated yield), real estate sector reforms (0.1 ppt of GDP), the unwinding of the negative excise duty for electric vehicles (0.1 ppt of GDP), and higher grants (0.4 ppt of GDP). For more ambitious revenue mobilization (not included in the baseline), the authorities should also consider lowering the VAT registration threshold (0.6 percent of ppt of GDP), and selectively removing VAT exemptions (up to 2 ppt of GDP). Additional revenue can also be mobilized by further reforming the personal income tax (PIT) system, including by increasing the top three PIT rates by 1, 2, and 5 percent, respectively, while lowering all thresholds by 25 percent (0.8 ppt of GDP). In addition, corporate income tax (CIT) exemptions for offshore companies can be streamlined. Considerations should be given to sequencing and staging of the reforms, starting in FY25/26, to limit potential adverse impact on growth and to account for the elevated global uncertainty.

19. When selecting the specific measures to deliver fiscal consolidation, the distributional impact should also be considered. For example, to protect households' purchasing power, pension and other current spending growth may be kept in line with inflation. Alternatively, reforming the BRP in a gradual and phased manner could reduce pension spending while protecting the most vulnerable since a large proportion of BRP recipients (89 percent) are above the poverty line. Considering the VAT registration threshold, lowering it to Rs 3 million would keep 15 percent of (micro and small) enterprises outside of the VAT scope. VAT exemptions focused on luxury products could be removed. The PIT payment threshold could also be lowered while protecting the poor. Eliminating excise duty exemptions on electric/hybrid vehicles-with climate adaptation being more critical than mitigation in Mauritius- would reduce regressivity of the revenue system (SIP "Distributional Impact of Fiscal Policy").

National Poverty Rate
(In percent of households)



Sources: Ministry of Finance and Statistics Mauritius.

20. Strengthening fiscal reporting, governance, and the efficiency of public expenditure would support fiscal sustainability. The existence of several ESFs complicates the assessment of the fiscal stance. Plans to comply fully with International Public Sector Accounting Standards (IPSAS), starting with the Financial Statements of the Government for FY25/26, will increase fiscal transparency. Ongoing efforts to complete the consolidation of SOEs, ESFs, and regional governments, and plans to re-introduce performance-based budgeting (starting in the FY25/26 budget) will also help in this regard. Full adoption of a standardized template for investment pre-appraisal and assessment (supported by IMF TA as needed) is encouraged. Closely monitoring contingent liabilities in SOEs while improving their operational efficiency and revenue mobilization through public utility tariff reform would further support fiscal consolidation efforts. Rationalization of SOEs expenditure through digital and organizational innovations, as well as phased exit from non-strategic SOEs, including loss-making casinos, could also help.

21. The public debt ceiling framework should be strengthened. While the existing framework includes escape clauses for ceiling breaches to provide flexibility to address extraordinary events or shocks, it could be strengthened. Staff recommends considering: (i) narrowly defining existing clauses for suspending the ceiling, (ii) introducing a medium-term debt target in the debt ceiling legislation, and (iii) adopting a short-term operational rule for the fiscal balance. Enacting a Fiscal Responsibility Law (FRL) will strengthen credibility of fiscal policy, while the publication of a Fiscal Risk Statement in the budget would help assess climate risks (Annex VII) and contingent liabilities.

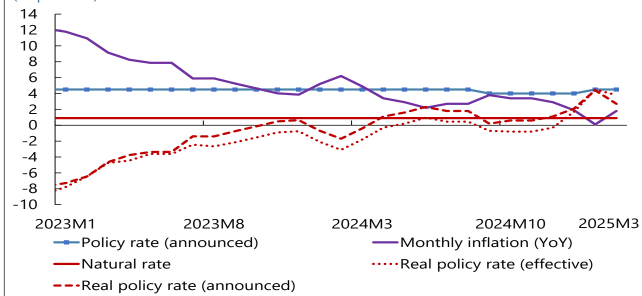
Authorities' Views

22. The authorities agreed with the need for front-loaded fiscal consolidation while protecting the vulnerable, capital spending, and growth. They highlighted that consolidation of public finances is needed given the high level of public debt and the need to strengthen fiscal sustainability. They supported a consolidation based on revenue and expenditure measures, as well as disposal of non-strategic assets. They noted their more ambitious target to reduce public sector debt to 75 percent of GDP by FY30/31 (relative to 83 percent under staff baseline) while reducing its cost and increasing maturities. They expressed concerns over the pace and magnitude of the consolidation they intend to implement as it may slow growth, but noted that, to minimize this risk, they will protect capital spending while better targeting, repurposing, and streamlining subsidies and other social benefits. They also highlighted their vision to foster reforms in support of private investment and productivity which will boost growth and help improve fiscal and debt ratios. To support their fiscal consolidation effort, they noted their plans to introduce a Fiscal Responsibility Act, to reintroduce performance-based budgeting, and improve the management of assets and liabilities of the consolidated public sector.

B. Strengthening the Monetary Policy Framework and Safeguarding BOM Independence

23. The BOM should remain ready to further tighten the monetary policy stance should inflationary pressures revive, maintaining forward-looking interest rate steering. The monetary policy stance-measured by the effective real policy rate minus the natural rate-became tighter in 2024 relative to 2023, mostly as a result of lower inflation.[6] Headline inflation (annual average) declined to 3.6 percent in December 2024 and 2.5 percent in March 2025, within BOM's target range of 2–5 percent. Though inflation is expected to stay contained within BOM's target range, BOM should stand ready to adjust the stance if forward-looking inflation indicators point towards a deviation of medium-term inflation from the target range.

Inflation and Interest Rates
(In percent)



Sources: Bank of Mauritius; and IMF staff calculations.

24. To strengthen the implementation of the 2023 monetary policy framework, the BOM should resume uncapped issuance of 7-Day BOM bills at the key policy rate. Capped issuance of 7-Day bills (at the key policy rate) since mid-2023 left excess liquidity in the system, which delivered a looser effective monetary policy stance than the one implied by the announced key policy rate. Since mid-2023, BOM has absorbed excess liquidity from the system using mainly the Overnight Deposit Facility (remunerated at key rate minus 150bps), some longer-term BOM securities and capped amounts of 7-Day bills. As a result, the effective absorption rate-defining the monetary policy stance-was looser than the announced key policy rate (by about 150bps). Accordingly, the overnight interbank (market) rate was also around 150 bps below the key policy rate. Since end-2024, the overnight interbank (market) rate has increased above the Overnight Deposit Facility rate, by around 50bps, though it is still 100bps below the announced key policy rate. Meanwhile, rates on longer-term BOM securities have also picked up.

25. Maintaining adequate foreign exchange reserves enhances the resilience of the economy in the face of external shocks (Annex III). BOM's net FX interventions (FXI) were stable in 2024 relative to 2023-US$0.37 billion and US$0.35 billion, respectively-while the rupee depreciated in 2024. As a small open economy exposed to global tourism and financial flows shocks, Mauritius should continue to rely on exchange rate flexibility and FX purchases when opportunities arise-and in line with the monetary policy framework-to help further build external reserve buffers to ensure ability to respond to large shocks. Analysis using the IMF's Integrated Policy Framework (Annex IV) suggests that relevant market frictions are not significant in Mauritius at the current juncture.[7] Moreover, the use of FXI should be reserved to address acute FX liquidity shortages with the purpose

[6] The real policy rate is defined as the key policy rate announced minus monthly headline inflation (y-o-y), while the effective real policy rate is defined as the interbank (market) rate minus monthly headline inflation (y-o-y). The real natural interest rate (at 0.9 percent) corresponds to a BOM estimate under the review of the monetary policy framework ahead of its adoption in 2023. BOM continues to upgrade the estimation methodology for the natural rate, including modeling it as an autoregressive process, with the steady state being a function of the risk premium, the expected change in the real exchange rate trend, and the real natural interest rate of Mauritius' main trading partners.

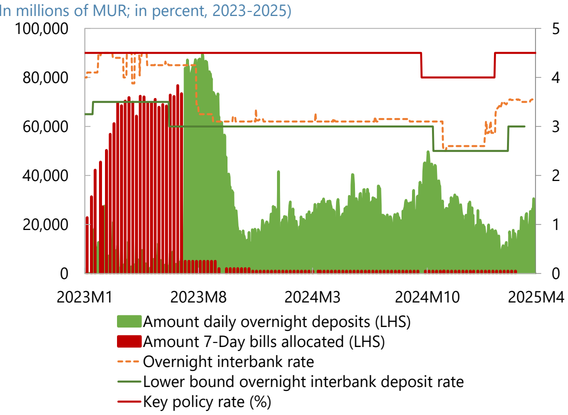
[7] The IPF contemplates the use of FXI under three cases of market frictions: (Case A) shallow or temporarily illiquid markets; (Case B) unhedged currency exposure of balance sheets; and (Case C) de-anchoring of inflation expectations due to high exchange rate passthrough.

of facilitating price discovery, and leaning against sharp exchange rate fluctuations, provided foreign reserves are sufficient and monetary/fiscal policy stances are appropriate.

Bank of Mauritius' Operations

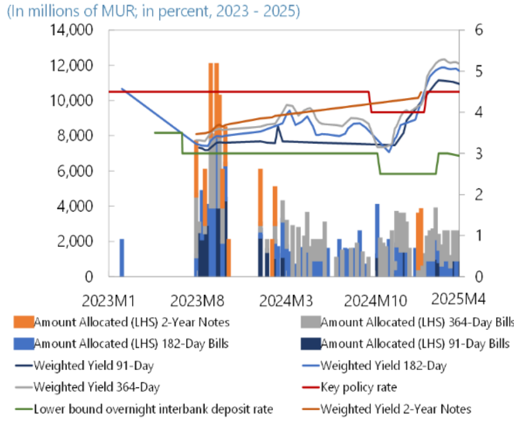
7 Days Bills vs. Overnight Deposits Facility

(In millions of MUR; in percent, 2023-2025)



Long Term Bills

(In millions of MUR; in percent, 2023 - 2025)



Sources: Bank of Mauritius; and IMF staff calculations.

26. Amendments to the BOM Act should be adopted promptly, including to ensure fiscal backing to help protect central bank independence and the implementation of monetary policy. The amendments, which also entail reforms concerning the tenure, appointment, and dismissal procedures of the Board members and Governor, strengthening the Financial Stability Committee, clarifying the oversight role of the Board, and limiting BOM's powers to provide unlimited monetary financing, would reinforce the credibility of BOM's inflation-targeting framework by enabling smooth open market operations to implement its price and financial stability mandate. Progress by BOM and the Ministry of Finance on their mutual agreement and commitment to BOM independence is welcome, and steps to ensure BOM's fiscal backing should be advanced promptly.

27. Staff supports the authorities' plans to gradually phase out BOM's ownership of the Mauritius Investment Corporation (MIC). MIC was created in 2020 with funds from the BOM (Rs 81 billion or 17 percent of 2021 GDP) to support Mauritian companies and the financial sector weather the pandemic. Due to governance challenges and potential conflicts of interest, BOM and the new government consider that MIC would be better placed outside BOM's balance sheet. As a first step, undisbursed funds with MIC (amounting to around a third of MIC's original equity) should be returned promptly to BOM. A gradual winding down of the remaining assets should take place according to market conditions and available fiscal space.

Authorities' Views

28. The authorities agreed with staff recommendations to further tighten the monetary policy stance if inflationary pressures emerge, strengthen the monetary policy framework, and gradually phase out BOM's ownership of MIC.

- BOM highlighted the key role of their Forecasting and Policy Analysis System (FPAS) model in guiding decision making by the Monetary Policy Committee in a forward-looking manner. BOM agreed that the monetary policy framework needs to be reassessed and strengthened but noted that the overnight (market) rate increased from end-2024 by 50bps bringing it closer to the key policy rate. BOM welcomed Fund assistance to further study challenges with monetary policy transmission; this may help fine tune BOM's FPAS model.

- The authorities noted their commitment to a floating exchange rate regime, agreed with the importance of conserving external buffers, and appreciated lessons offered by the IPF for BOM's conduct of FXI.

- They agree that fiscal backing safeguards BOM independence, including for the conduct of monetary policy. BOM outlined their plan to gradually phase out its ownership of MIC, while noting some legal, financial, and non-financial constraints associated with the process. BOM plans to report any associated losses from MIC in its balance sheet, in line with their commitment to transparency. BOM noted their commitment to return promptly MIC's undisbursed funds to BOM.

C. Strengthening Resilience and Managing Macro-Financial Risks

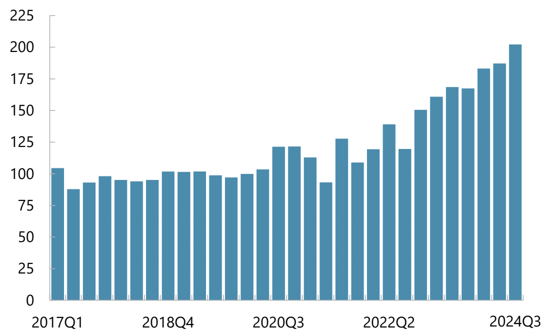
29. Strengthening the resilience of the financial sector and better managing macro-financial risks helps support financial stability. Building on the 2015 FSAP recommendations (Annex VIII), further enhancing the macroprudential and crisis management resolution frameworks would strengthen resilience of the large financial sector (assets are 55 times GDP).[8] While the slowdown in housing credit growth contributes to lowering macro-financial risks, continued monitoring of risks from increasing residential property prices is needed as they display signs of overheating (SIP "Residential Real Estate Sector Developments"). A set of effective macroprudential measures are in place (Annex VI and SIP "Residential Real Estate Sector Developments"), including to address GBCs and housing credit growth risks (e.g., Liquidity Coverage Ratio, other capital and liquidity measures, the loan-to-value and debt service-to-income ratios), which have helped manage systemic risks within Mauritius' financial system. Addressing data gaps and regular stress testing of the financial sector's assets and portfolios remain vital to identify problems early and mitigate macro-financial risks. In particular, spillover risks to the financial sector from macro-financial linkages-large exposure of banks to non-residents and Global Business Companies (GBC) sector through funding and credit, changes in cross-border capital flows, shifts in investor sentiment that could expose onshore banks to external shocks, and elevated government debt (including with banks)-require continued close monitoring (Annex VI). Financial stability risks from exchange rate flexibility related to unhedged FX exposures appear contained (Annex IV). Authorities' efforts should be sustained to strengthen risk-based AML/CFT supervision of cross-border financial activity, monitor the risks from non-resident exposures, and enhance transparency of beneficial ownership of GBCs. BOM should sustain the effective implementation of the AML/CFT standards ahead of the 2027 FATF assessment.

[8] Financial sector assets include assets held by the central bank, by other depositary corporations (mostly banks), and by other financial corporations (mostly GBCs). GBCs' assets account for 90 percent of financial sector assets.

Figure 2. Mauritius: Macro-Financial Risks

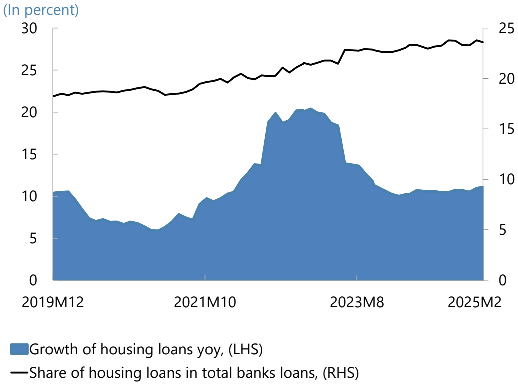
Residential property prices continued to increase in 2024…

Residential Property Price Index[1]
(Index, 2019=100)



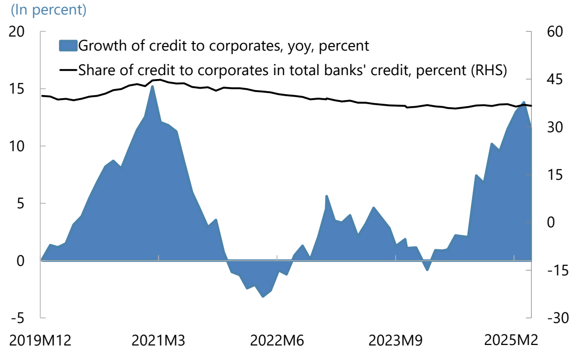
…while housing credit growth remained at its 2023 (more moderate) pace.

Housing Credit
(In percent)



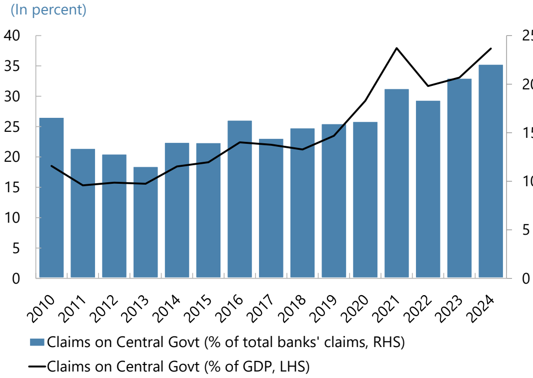
Growth in banks' credit to corporates increased in 2024…

Banks' Credit to Private Non-Financial Corporations
(In percent)



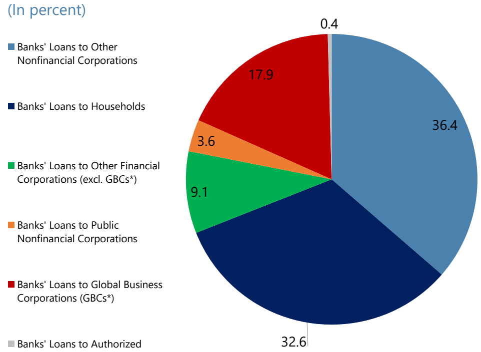
…and banks' claims on central government-to-GDP ratio increased.

Exposure of Banks to Central Government
(In percent)



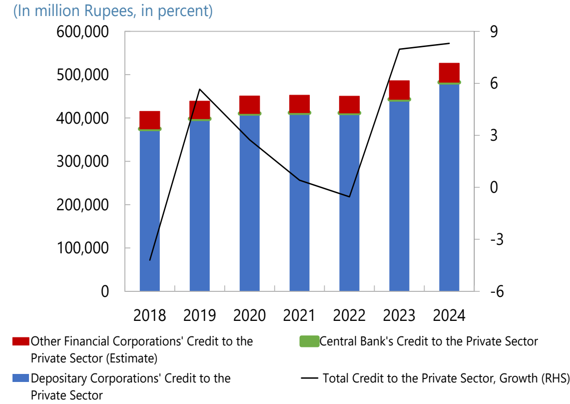
Banks' loans to corporates and households represent almost 70 percent of total bank loans in 2024.

Distribution of Banks' Loans
(In percent)



Credit growth to the private sector remained at its 2023 level—below nominal GDP growth.

Components of Credit to the Private Sector[2]
(In million Rupees, in percent)



Sources: Mauritian authorities; and IMF staff calculations.
1/ Credit to the private sector includes banks' loans and other components. OFCs credit to the private sector is estimated.

Authorities' Views

30. The authorities agree that financial stability risks are contained and highlighted macroprudential policies and supervisory framework in place. The authorities stressed that they will continue to monitor closely, including via stress testing and macroprudential toolkit, any risks emerging from GBCs or the real estate sector. The authorities noted the following:

- The AML/CFT Risk-Based Supervision framework, implemented since 2018, recognizes the risks from cross-border financial activity and non-resident exposure.
- A beneficial ownership registry is in place, capturing all companies including GBCs. This information is available to competent authorities.
- They are sustaining efforts to keep pace with AML/CFT effectiveness requirements. To that end, the Public Report on the recent National Risk Assessment was published in May 2025.
- Additional national risk assessments are being undertaken for the following areas: Non-Profit Organizations, Virtual Assets, Proliferation Financing, legal persons and legal arrangements. Various committees, entrenched in the law, are overseeing all initiatives to ensure the sustainability of AML/CFT effectiveness.

D. Structural Policies to Foster Sustainable and Inclusive Private Sector-Led Growth and External Competitiveness

31. Structural reforms are essential to advance the authorities' new growth model with greater reliance on private investment and innovation. Advancing reforms to foster external competitiveness and private sector-led growth while enhancing climate resilience will also help reduce external imbalances (Annex III). Key staff recommendations include:

- **Reversing recent labor market regulations that may undermine private sector competitiveness.** Productivity has stagnated in recent years amid persistent wage growth. New wage regulations on above-minimum wages introduced in September 2024 could further undermine private sector competitiveness and should be reversed. This will help encourage market discovery of wages and boost productivity, enhancing competitiveness and the business environment (Annex V).
- **Strengthening workers' skills through better education and boosting female labor force participation.** Improved workers' skills and labor availability are needed to sustain growth and mitigate the impact of an ageing population. Government plans should be advanced to: (i) reduce inequalities in access to higher education; and (ii) increase female labor force participation. To this end, there is a need for financing skill building, training, and education programs including for women, improving the availability of affordable childcare, and further improving the legislation on maternity and parental leave.

- **Advancing climate adaptation efforts to support economic resilience.** Weather shocks in Mauritius are associated with significant damage to housing, with repair costs accounting for an estimated 3 percent of household income (SIP "Increasing Resilience to Weather Shocks on Housing"). However, only 4 percent of households have property insurance. Mauritius also incurs substantial fiscal costs from storms, with a hypothetical storm (benchmarked with the macro-fiscal values of two past large storms) possibly raising public debt by 1.5 percent of GDP (Annex VII). To better assess and mitigate the fiscal risks related to natural disasters, the country could build on the Natural Disaster Financing Strategy and insurance schemes to address disaster-related damages and complement with other policy options. Reforms that deepen the property insurance market and that introduce climate risk accounting in the guidelines for construction and land occupation should be considered to enhance economic resilience from strengthened climate adaptation efforts. Further reforms to strengthen public investment institutions and climate mitigation plans should also be considered.

Authorities' Views

32. The authorities agreed with the external sector assessment that Mauritius' external position at end-2024 remained weaker than the level implied by fundamentals and desirable policies. They stressed on the need for structural reforms that promote private sector innovation and competitiveness—including labor market reforms that enhance skills and productivity—as well as a medium-term growth-friendly fiscal consolidation, to help reduce external imbalances. They also agreed that climate adaptation reforms would support external competitiveness and growth. They noted their planned reforms to reskill and expand the labor force, foster innovation in Fintech and digitalization, and set up a Climate Finance Unit at the Ministry of Finance to better mobilize and manage climate finance for adaptation, mitigation and resilience.

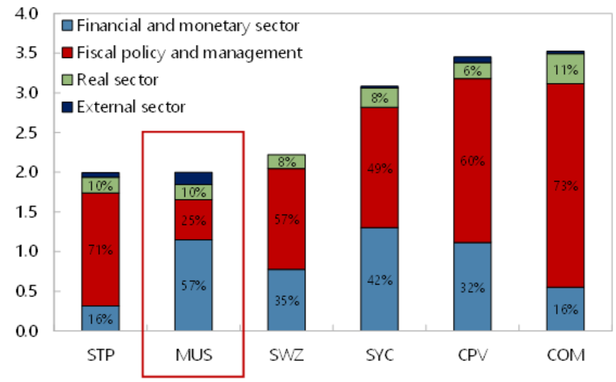
E. Statistics and Technical Assistance

33. Data provision is broadly adequate for surveillance but has some shortcomings (Annex X). Statistics Mauritius (SM) in April 2023 upgraded the benchmarking year for the Consumer Price Index from 2017 to 2023. Public debt statistics have also been updated by appropriately netting out the stock of government securities held by non-financial SOEs. However, substantial revisions in the historical national accounts and fiscal statistics undermine data credibility. Large discrepancies between the demand- and supply-side GDP persist. The measurement of GBCs' activities in the national accounts and BOP requires improvement. Mauritius does not compile key FSIs for some sub-sectors of non-banks such as pension and insurance.

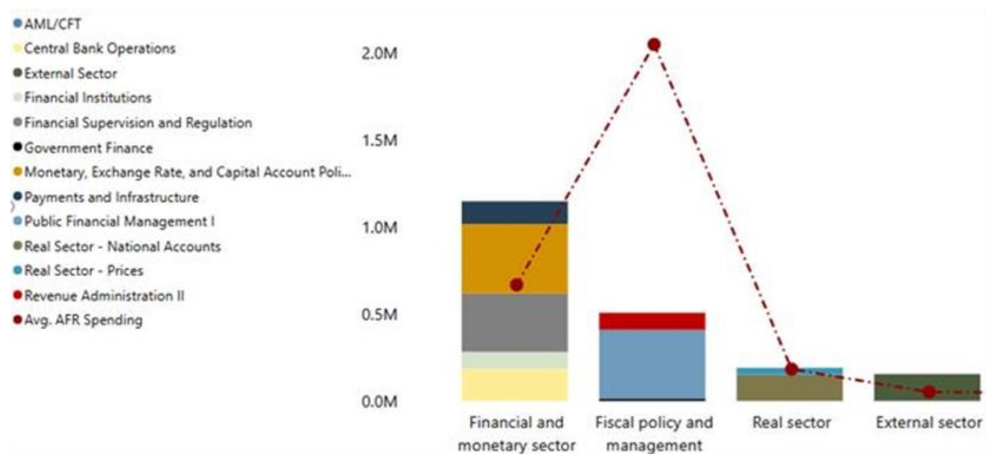
34. Further capacity development and TA can help address data shortcomings as well as boost AML/CFT training. In FY22–24, IMF TA to Mauritius focused mostly on the financial and monetary sector. Recent IMF TA supported the authorities in addressing weaknesses in national accounts and external statistics by improving consistency in the recording of GBCs' activities (Annex XI). In addition, the authorities requested TA and training on AML/CFT, and requested a ROSC mission to assess data quality and modernize the operations and governance of SM. With Fund support, the authorities plan to continue and conclude the ongoing FPAS related work. The authorities plan to require technical assistance from the International Organization of Supreme Audit Institutions (INTOSAI) to strengthen their national audit procedures.

IMF Technical Assistance to Mauritius has Focused on the Financial and Monetary Sector

Small States: CD Spending by Sector
(Spending in millions of USD$, FY22-24 total)



Mauritius: CD Spending by Sector and Workstream
(Spending in millions of USD$, FY22-24 total)



Source: IMF staff calculations with Customized Capacity Development Dashboard (AFR).
Notes: 1) Includes projects in "Approval", "Execution", and "Complete" stages and Single CD Country. 2) Sector was defined by CD departments, each CD workstream was categorized into Economic and Financial Topic.

Authorities' Views

35. The authorities expressed appreciation for Fund TA and highlighted new priority capacity development areas going forward. They agreed that data provision had some shortcomings including large statistical discrepancies in GDP and measurement of GBCs' activities and noted plans to implement recent related TA recommendations. They highlighted their appreciation for the ROSC and stressed their strong commitment to implementing the recommendations so as to ensure that institutions responsible for compiling and disseminating statistics in Mauritius observe internationally recognized statistical standards and codes. They also highlighted their commitment to ensuring the full independence of producers of official statistics. They acknowledged that BOM does not compile key FSIs for some subsectors of the non-banks financial sectors such as pensions and requested TA on financial sector indicators to be able to complete Balance Sheet Approach analysis. BOM also requested assistance to complete the Banking Bill and amend the BOM Act, as well as to support CBDC implementation. BOM emphasized significant achievements thanks to ongoing Fund TA on the monetary policy framework including FPAS, and noted their interest in further studying challenges with monetary policy transmission that may help fine tune BOM's FPAS model, as well as requesting continued TA on monetary policy communications and climate issues. On fiscal issues, the authorities plan to request TA to draft a Fiscal Responsibility Bill and also on improving their assets and liability management. They requested training on AML/CFT in preparation for the 2027 assessment and will require training from INTOSAI to strengthen their national audit procedures.

STAFF APPRAISAL

36. The economy has recovered solidly from the pandemic and the outlook is favorable, but fiscal and structural challenges remain. The recovery has been driven by services, construction, and tourism. The medium-term outlook is favorable but held back by demographic headwinds and labor shortages. Mauritius is facing fiscal and structural challenges from high public debt, significant public investment needs for climate, low productivity, and an ageing society. Risks to the outlook are on the downside including from high global uncertainty, highlighting the importance of addressing fiscal and external imbalances to increase the resilience of the economy.

37. Fiscal policy should pursue frontloaded growth-friendly consolidation to shore up fiscal credibility, helping rebuild fiscal space while protecting the most vulnerable. Tax revenue should be increased and current and ESFs' spending contained while safeguarding critical social spending and growth-enhancing capital spending. Pension system reform remains key to support fiscal sustainability, especially given the ageing of Mauritius' population. Strengthening public financial management, including by streamlining ESFs, will support fiscal consolidation, transparency, and good governance.

38. BOM should start to gradually phase out its ownership of MIC and strengthen the implementation of the monetary policy framework by resuming uncapped issuance of 7-Day BOM bills (at the key policy rate). BOM should stand ready to tighten the monetary policy stance should inflationary pressures reemerge. BOM should adopt amendments to the BOM Act, including to ensure fiscal backing, to protect central bank independence. Ministry of Finance and BOM are encouraged to strengthen the commitment on their mutual agreement for BOM independence. Mauritius should continue to rely on exchange rate flexibility and FX purchases when opportunities arise, and in line with the monetary policy framework, to help further build foreign reserves buffers to ensure ability to respond to large external shocks.

39. Mauritius' external position at end-2024 is assessed as weaker than the level implied by fundamentals and desirable policies, and structural reforms to foster external competitiveness

are needed to reduce external imbalances. Steady progress in strengthening the AML/CFT framework is welcome and should be sustained, including provisions related to non-resident and cross-border activity. Financial sector risks should continue to be closely monitored including of the real estate sector. Ongoing efforts to improve external sector statistics, including measurement of the GBCs sector, should be sustained. Statistical gaps and discrepancies should be addressed to improve the quality and credibility of macroeconomic statistics.

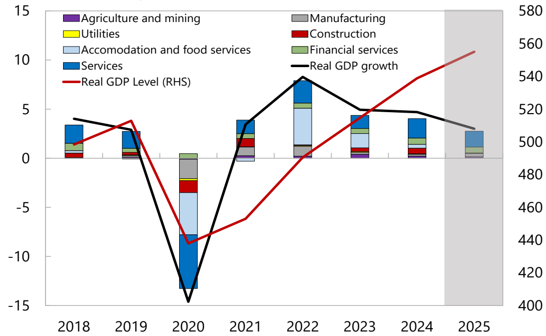
40. Mauritius should advance structural reforms that boost investment and innovation to secure longer-term private sector-led growth. Priorities include strengthening workers' skills through better education and narrowing gender gaps as well as advancing climate adaptation efforts to support economic resilience.

41. Staff recommends that the next Article IV consultation takes place on the standard 12-month cycle.

Figure 3. Mauritius: Real Sector Developments

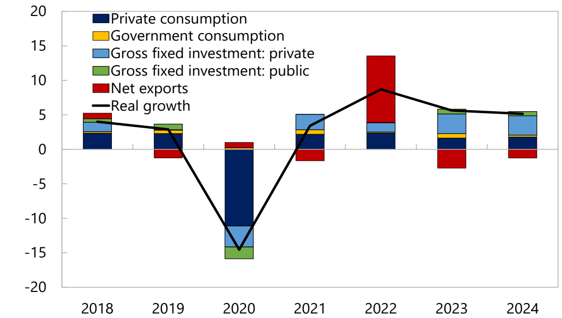
The economy has recovered from the pandemic.1/

Real GDP Now Exceeds Its Pre-Pandemic Level
(LHS Contribution to growth in percent; RHS in billions of rupees)



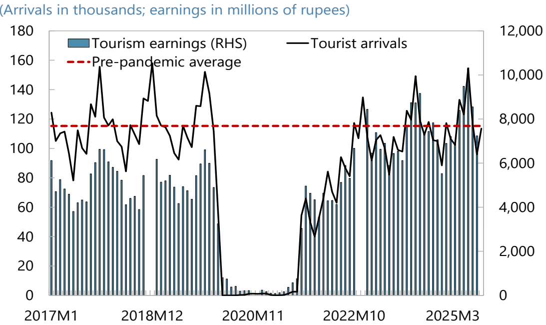
Private investment and household consumption supported growth in 2024.

Contribution to Real GDP Growth: Demand-side
(In percent)



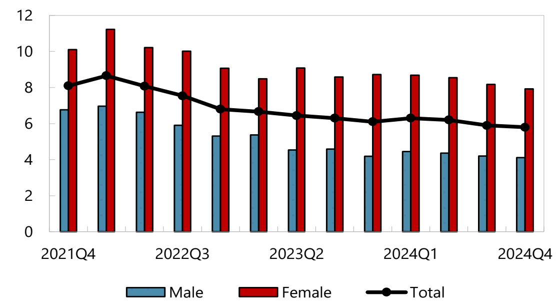
Tourist arrivals recovered to pre-pandemic levels.

Tourism Arrivals and Earnings
(Arrivals in thousands; earnings in millions of rupees)



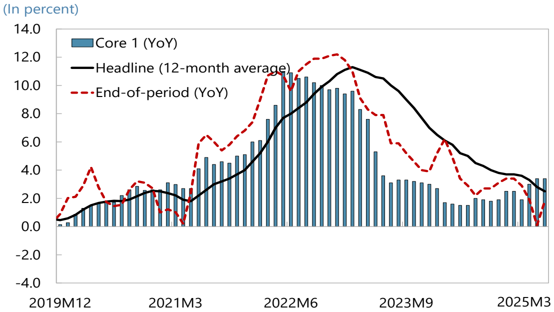
Unemployment has receded to the lowest level in decades.

Unemployment Rate
(In percent)



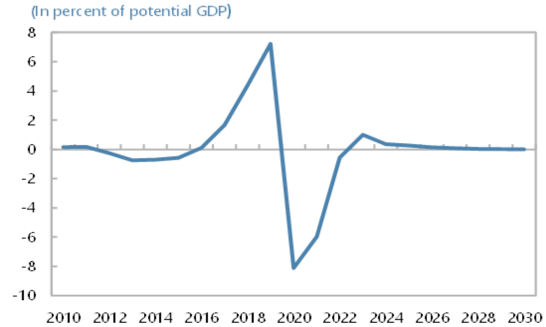
Inflation has declined to the target band of 2-5 percent.2/

Monthly Inflation
(In percent)



The output gap is nearly closed.

Output Gap
(In percent of potential GDP)

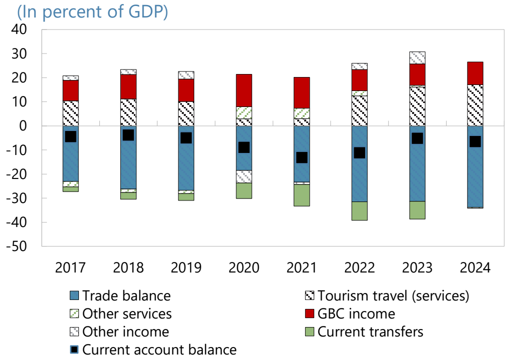


Sources: Mauritian authorities; and IMF staff estimates.
1/ The services sector includes wholesale and retail trade, information and communication, and other services.
2/ Core 1 excludes food, beverages and tobacco components and mortgage interest on housing loan from headline inflation.

Figure 4. Mauritius: External Sector Developments

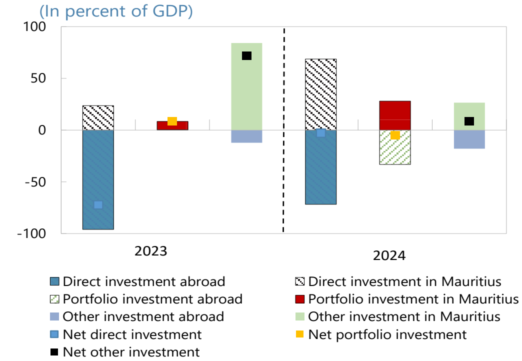
The current account deficit widened in 2024, reflecting higher freight costs….

Current Account Balance
(In percent of GDP)



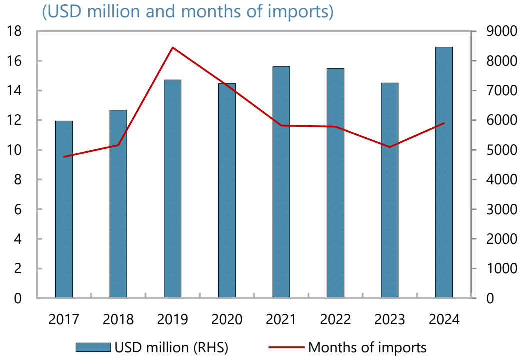
…while the financial account improved.

Financial Flows
(In percent of GDP)



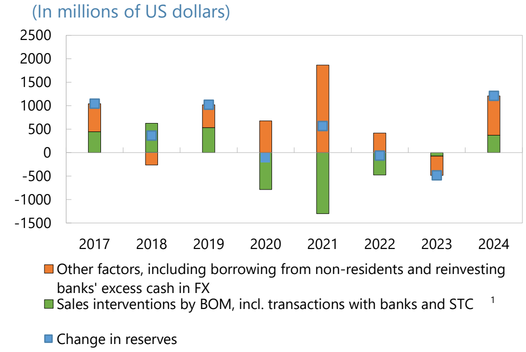
Gross international reserves recovered in 2024…

Gross International Reserves
(USD million and months of imports)



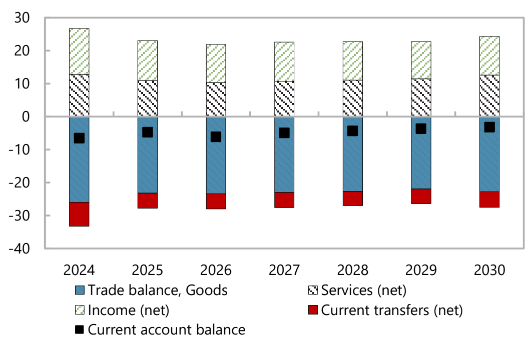
…helped by banks' FX deposits at the BOM.

Changes in Reserves
(In millions of US dollars)



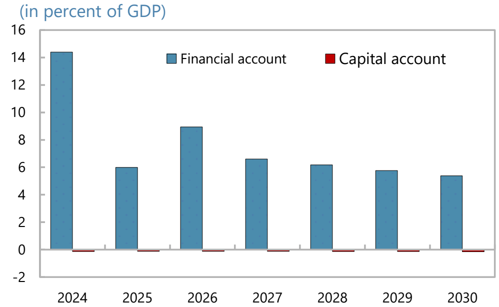
The current account balance is expected to remain in deficit over the medium term.

Current Account Projections
(In percent of GDP)



Net financial inflows are expected to remain in surplus over the medium term.

Financial and Capital Account Projections
(in percent of GDP)

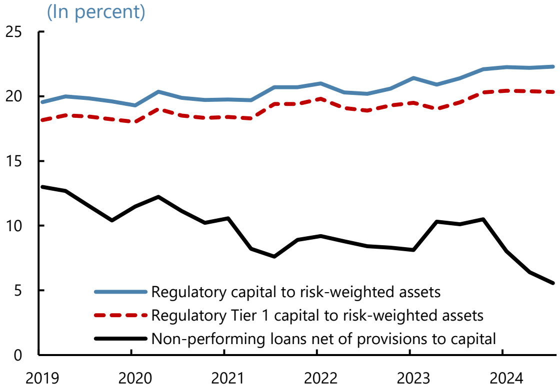


Sources: Mauritian authorities; and IMF staff estimates.

Figure 5. Mauritius: Financial Sector Developments, 2019–2024Q3

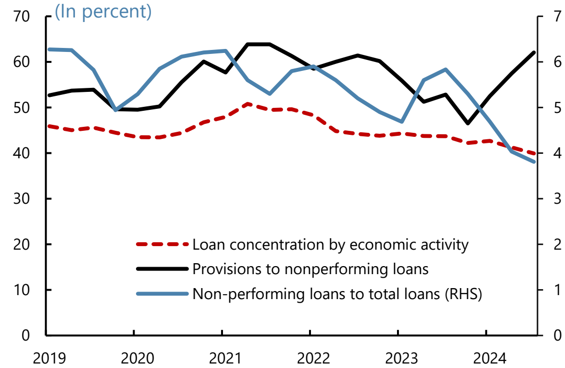
Capital ratios of the banking system are substantially above benchmarks…

Capital Adequacy
(In percent)



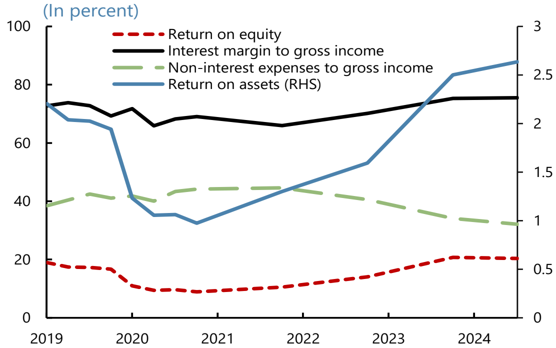
…while the NPL ratio decreased in 2024.

Asset Quality
(In percent)



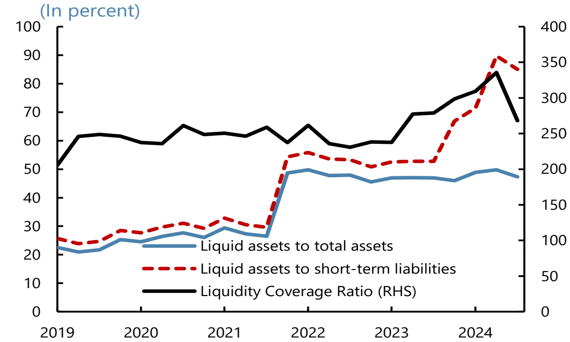
Banks' profitability continues to grow and stabilized in Q3 2024…

Earnings and Profitability
(In percent)



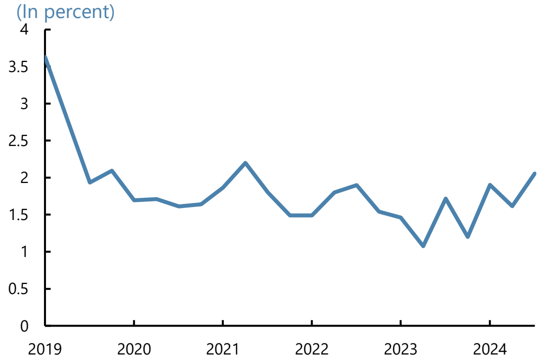
…while the consolidated Liquidity Coverage Ratio remained above the regulatory limit of 100 but dropped in 2024.

Liquidity
(In percent)



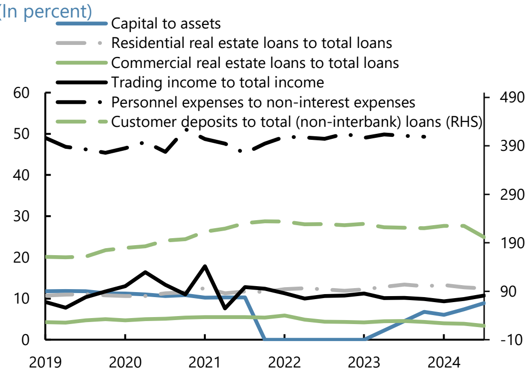
The net FX position of banks is well below the regulatory limit of 15 percent.

Sensitivity: Net Opening Position in Foreign Exchange to Capital
(In percent)



The banking sector continues to demonstrate resilience.

Encouraged Set of Financial Soundness Indicators
(In percent)

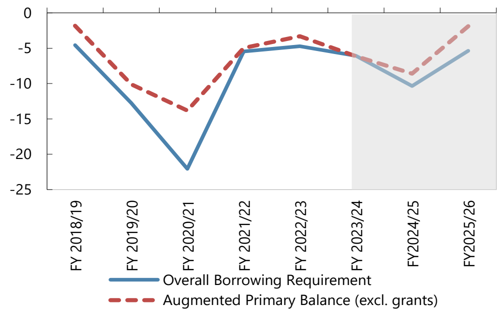


Sources: Mauritian authorities; and IMF staff estimates.

Figure 6. Mauritius: Fiscal Sector Developments

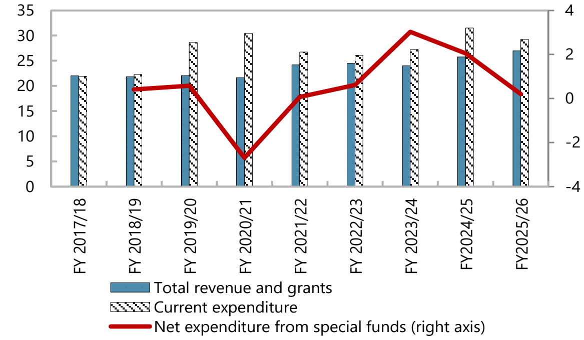
The fiscal impulse is expected to be expansionary in FY24/25 and turn contractionary in FY25/26

Fiscal Balances
(In Percent of Fiscal Year GDP)



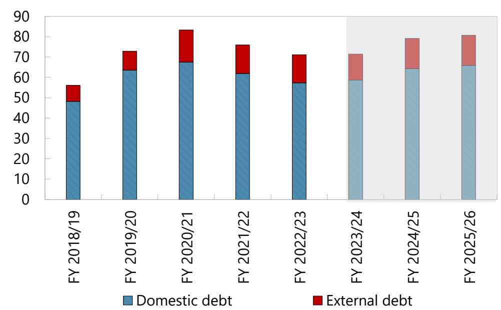
…while current expenditure remains above the pre-pandemic level.

Total Revenue and Expenditure
(In Percent of Fiscal Year GDP)



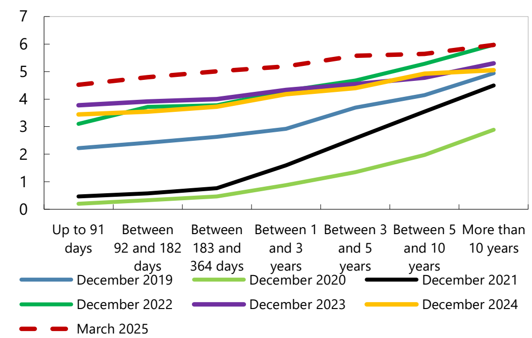
The stock of public debt is expected to remain relatively high in the medium term.

Central Government Debt-to-GDP
(In percent of fiscal year GDP)



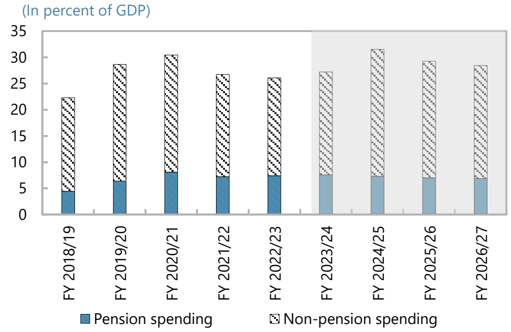
Interest rates remain relatively high, putting pressure on government debt service.

Yield on Government Treasury Bills and Bonds
(In percent)



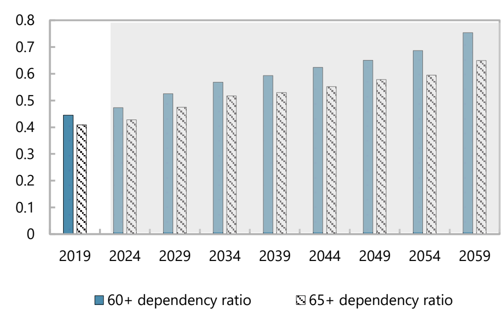
Pension costs will continue to put pressure on overall spending…

Pension and Non-Pension Spending
(In percent of GDP)



…and these challenges will be exacerbated by demographic trends in the long term.

Dependency Ratios
(In percent)



Sources: Mauritian authorities; and IMF staff estimates.
Notes: All years FY2023/24 and beyond are estimations/projections and shaded.

Table 1. Mauritius: Selected Economic and Financial Indicators, 2020–30

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
					Est.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
	(Annual percent change, unless otherwise indicated)										
National income, prices and employment											
Real GDP	-14.5	3.4	8.7	5.0	4.7	3.0	3.4	3.4	3.4	3.4	3.4
Real GDP per capita	-14.6	3.6	8.9	5.1	4.9	3.2	3.6	3.6	3.6	3.7	3.8
GDP per capita (in U.S. dollars)	9,011	9,087	10,235	11,188	11,883	12,448	13,287	14,183	15,128	16,131	17,190
GDP deflator	2.6	3.2	9.6	6.6	3.8	3.8	3.7	3.7	3.6	3.6	3.6
Consumer prices inflation (period average)	2.5	4.0	10.8	7.0	3.6	3.6	3.6	3.5	3.5	3.5	3.5
Consumer prices inflation (end of period)	2.7	6.8	12.2	3.9	2.9	3.9	3.5	3.5	3.5	3.5	3.5
Unemployment rate (percent)	9.2	9.1	6.8	6.1	5.8	5.9	5.9	5.9	5.9	5.9	5.9
	(Annual percent change)										
External sector											
Exports of goods and services, f.o.b.	-23.8	5.2	45.7	4.0	3.0	1.7	2.3	7.1	6.2	6.5	7.4
Of which : tourism receipts	-73.8	-23.8	313.1	29.7	6.0	-4.6	5.3	7.7	8.6	8.1	7.7
Imports of goods and services, f.o.b.	-29.1	16.0	32.9	-0.3	6.4	0.7	4.7	5.3	4.9	4.3	5.3
Nominal effective exchange rate (annual average)	-8.0	-8.0	3.6	0.5	-1.4	…	…	…	…	…	…
Real effective exchange rate (annual average)	-7.6	-7.5	6.2	1.7	-0.6	…	…	…	…	…	…
Terms of trade	5.1	-12.0	-5.1	8.3	0.0	2.3	2.0	0.7	0.5	0.5	0.4
Money and credit											
Net foreign assets	16.4	18.6	-3.6	-0.3	18.3	1.5	2.7	2.5	2.1	2.2	3.0
Domestic credit	7.9	15.6	13.1	9.7	13.7	7.2	6.5	6.3	6.1	6.0	5.9
Net claims on government	8.8	34.8	24.6	26.1	31.3	13.2	7.7	6.0	5.3	4.5	3.7
Credit to non-government sector	2.7	0.4	-0.6	8.0	8.3	6.0	6.9	7.2	7.1	7.1	7.1
Broad money	17.7	8.6	4.1	7.8	12.9	6.4	7.6	8.5	8.4	8.4	7.9
Income velocity of broad money (M2)	0.8	0.8	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9
	(Percent of GDP, unless otherwise indicated)										
Central government finances [1]											
Overall borrowing requirement [2]	-22.1	-5.5	-4.7	-6.1	-10.4	-5.4	-3.7	-3.4	-2.9	-2.4	-2.0
Primary balance (excluding grants)	-16.5	-4.9	-2.7	-3.1	-6.5	-3.0	-1.3	-0.3	0.1	0.4	0.5
Revenues (incl. grants)	21.6	24.2	24.5	24.0	25.7	27.0	27.3	27.5	27.5	27.5	27.4
Expenditure, excl. net lending	40.4	31.1	29.4	29.7	35.2	32.3	31.2	30.3	29.9	29.4	28.9
Domestic debt of central government	67.5	61.9	57.3	58.7	64.4	65.8	65.7	65.3	64.5	64.0	63.7
External debt of central government	15.8	14.0	13.8	12.7	14.8	14.9	14.8	14.7	14.6	14.3	13.9
Investment and saving											
Gross domestic investment	18.2	19.8	19.8	20.2	21.0	22.0	22.4	22.5	22.5	22.5	22.5
Public	4.1	4.1	3.9	3.9	3.8	4.1	4.2	4.3	4.3	4.3	4.3
Private [3]	14.1	15.7	15.8	16.3	17.2	17.9	18.2	18.2	18.2	18.2	18.2
Gross national savings	11.6	12.6	17.1	22.4	23.4	23.8	25.0	26.1	26.5	26.2	26.4
Public	-7.9	-5.6	-2.0	-2.4	-4.5	-4.0	-1.7	-0.7	-0.1	0.4	0.8
Private	19.5	18.2	19.2	24.8	28.0	27.8	26.7	26.8	26.6	25.9	25.6
External sector											
Balance of goods and services	-10.7	-16.1	-14.8	-11.7	-13.2	-12.3	-13.0	-12.2	-11.6	-10.5	-9.6
Exports of goods and services, f.o.b.	35.1	36.7	47.6	45.3	43.9	42.7	41.0	41.2	41.1	41.2	41.7
Imports of goods and services, f.o.b.	-45.8	-52.7	-62.4	-56.9	-57.2	-55.0	-54.0	-53.4	-52.7	-51.7	-51.2
Current account balance	-8.9	-13.1	-11.1	-5.1	-6.5	-4.7	-6.1	-5.0	-4.3	-3.7	-3.0
Capital and financial account	3.3	23.3	13.4	-0.9	14.5	6.1	9.1	6.7	5.9	5.2	4.6
Overall balance	-4.4	10.2	2.8	-5.5	7.3	1.4	2.9	1.8	1.6	1.5	1.6
Total external debt	110.7	134.0	132.2	131.6	139.2	128.9	119.3	110.8	102.2	94.1	87.1
Gross international reserves (millions of U.S. dollars)	7,242	7,805	7,740	7,254	8,510	8,675	9,163	9,475	9,781	10,083	10,420
Months of imports of goods and services, f.o.b.	14.3	11.6	11.6	10.2	11.8	11.6	11.6	11.4	11.3	11.2	11.1
Memorandum items:											
GDP at current market prices (billions of Mauritian rupees)	448.9	478.8	570.3	638.3	694.0	742.3	796.0	853.3	914.0	979.0	1,048.7
GDP at current market prices (millions of U.S. dollars)	11,408	11,484	12,908	14,101	14,953	15,641	16,662	17,748	18,890	20,082	21,326
Public sector debt, fiscal year (percent of GDP)[4]	91.9	86.1	81.8	81.5	88.3	89.1	88.1	86.9	85.3	83.9	82.7
Foreign and local currency long-term debt rating (Moody's)	Baa1	Baa2	Baa3	Baa3	Baa3	Baa3	…	…	…	…	…

Sources: Country authorities; and IMF staff estimates and projections.

[1] *GFSM 2001* concept of net lending/net borrowing, includes special and other extrabudgetary funds. Fiscal data reported for fiscal years (e.g, 2019=2019/20).

[2] Following the *GFSM 2014,* Sections 5.111.5.116, the transfers from the BOM to the Central Government are considered as financing.

[3] Excludes changes in inventories in 2022 and outer years.

[4] The public debt series has been reclassified starting in the 2024 AIV Mission to allow consolidation of central government securities held by non-financial public corporations

Table 2a. Mauritius: Summary of Central Government Finances, 2019/20–30/31[1]

(Millions of rupees)

	2019/20	2020/21	2021/22	2022/23	2023/24 Est.	2024/25 Proj.	2025/26 Proj.	2026/27 Proj.	2027/28 Proj.	2028/2029 Proj.	2029/2030 Proj.	2030/2031 Proj.
Total revenue and grants (1)	**103,873**	**98,711**	**126,244**	**148,360**	**160,998**	**184,804**	**207,296**	**225,299**	**242,628**	**260,192**	**279,211**	**297,982**
Domestic revenue	99,585	96,494	123,364	146,238	160,415	183,291	202,760	223,411	240,605	258,025	276,890	295,495
Tax revenue	91,879	86,028	107,720	129,787	141,132	160,970	179,554	198,951	214,395	229,949	246,817	263,283
Income tax - Individuals	11,221	11,450	13,944	15,632	13,385	14,546	15,578	19,202	20,576	22,040	23,609	25,288
Income tax - Corporations	13,876	11,760	16,446	22,542	28,422	29,834	31,951	34,256	36,708	39,320	42,117	45,114
Value added tax (VAT)	32,658	28,490	38,273	47,759	53,155	59,500	66,723	74,536	79,871	85,553	91,640	98,160
Excise duties	18,925	18,680	20,144	21,055	19,662	21,499	25,263	27,983	31,152	33,181	35,886	37,163
Customs	1,216	1,180	1,528	1,825	1,841	2,445	2,539	2,769	3,006	3,709	4,135	4,611
Other taxes	13,891	14,467	17,385	20,974	24,668	33,146	37,499	40,204	43,081	46,147	49,430	52,947
Social contributions	1,384	6,548	9,803	10,896	12,393	14,026	15,021	16,105	17,258	18,486	19,801	21,210
Nontax revenue	6,414	3,918	5,840	5,554	6,891	8,294	8,185	8,355	8,953	9,590	10,272	11,003
Grants	4,288	2,217	2,880	2,122	583	1,513	4,536	1,888	2,023	2,167	2,321	2,486
Total expense (current spending) (2)	**134,917**	**138,792**	**139,493**	**158,072**	**182,550**	**226,288**	**224,942**	**234,548**	**245,004**	**259,392**	**272,955**	**287,464**
Expenditures on goods and services	42,957	42,997	49,882	50,010	52,454	59,525	62,350	66,847	71,632	76,728	82,187	88,035
Compensation of employees	30,979	32,034	37,217	37,143	38,235	44,100	45,830	49,136	52,653	56,399	60,411	64,710
Use of goods and services	11,978	10,963	12,665	12,867	14,219	15,425	16,520	17,711	18,979	20,329	21,776	23,325
Interest payments	13,365	12,415	13,250	15,609	17,910	22,343	22,425	23,361	24,163	25,214	24,570	23,955
Domestic interest	12,775	12,095	12,975	14,532	16,810	21,285	21,413	22,400	23,250	24,349	23,754	23,187
External interest	591	320	275	1,077	1,100	1,059	1,013	960	912	864	816	769
Transfers and subsidies	32,666	29,540	26,215	30,090	33,565	39,525	37,830	40,559	43,462	46,554	49,866	53,414
Subsidies	10,097	7,904	1,815	1,890	2,410	3,500	1,748	1,875	2,009	2,152	2,305	2,469
Grants and transfers	22,569	21,636	24,400	28,200	31,155	36,025	36,082	38,685	41,453	44,403	47,562	50,946
Social benefits	41,905	45,655	47,280	54,389	63,475	84,771	83,784	87,890	92,303	96,979	101,922	107,140
Social assistance pensions	30,236	37,061	37,650	44,879	50,750	52,692	53,837	56,899	60,232	63,778	67,547	71,549
Other	11,669	8,594	9,630	9,510	12,725	32,079	29,948	30,991	32,071	33,201	34,374	35,591
Other expense	4,024	8,185	2,866	7,974	15,146	20,124	18,552	15,891	13,444	13,918	14,410	14,920
Contingencies	0	0	0	0	0	0	0	0	0	0	0	0
Gross operating balance ((3)=(1)-(2))	**-31,044**	**-40,080**	**-13,249**	**-9,713**	**-21,552**	**-41,485**	**-17,646**	**-9,249**	**-2,375**	**800**	**6,257**	**10,518**
Net acquisition of non-financial assets (capital spending)	**7,536**	**7,609**	**8,027**	**9,143**	**8,495**	**8,000**	**9,853**	**11,092**	**11,886**	**12,731**	**13,637**	**14,607**
Budget balance[2]	**-38,580**	**-47,689**	**-21,276**	**-18,856**	**-30,047**	**-49,485**	**-27,499**	**-20,341**	**-14,261**	**-11,932**	**-7,380**	**-4,090**
Net lending / borrowing (special funds)	**-15,316**	**-37,935**	**-14,714**	**-10,918**	**-7,983**	**-18,320**	**-13,837**	**-11,738**	**-10,691**	**-10,536**	**-11,285**	**-12,088**
CONSOLIDATED BALANCE	**-53,896**	**-85,624**	**-35,990**	**-29,774**	**-38,030**	**-67,805**	**-41,336**	**-32,079**	**-24,952**	**-22,468**	**-18,666**	**-16,178**
Transactions in financial assets/liabilities	**6,107**	**15,152**	**-7,503**	**-1,191**	**2,686**	**6,531**	**-163**	**-1,603**	**4,690**	**5,002**	**5,337**	**5,695**
Net acquisition of financial assets	8,473	15,143	-6,725	1,347	3,929	9,831	137	-1,303	5,012	5,347	5,706	6,090
Of which: net lending	645	489	459	181	132	1,354	1,657	3,413	3,726	4,060	4,417	4,800
Adjustment for non-cash transactions	-2,000	0	0	-1,047	0	-2,000	0	0	0	0	0	0
Adjustment for difference in cash and accrual	-366	9	-778	-1,491	-1,243	-1,300	-300	-300	-321	-344	-369	-395
OVERALL BORROWING REQUIREMENT	**-60,003**	**-100,776**	**-28,487**	**-28,582**	**-40,716**	**-74,336**	**-41,173**	**-30,476**	**-29,643**	**-27,470**	**-24,003**	**-21,874**
FINANCING	**60,003**	**100,776**	**28,487**	**28,582**	**40,716**	**74,336**	**41,173**	**30,476**	**29,643**	**27,470**	**24,003**	**21,874**
Domestic	61,061	64,732	31,464	20,206	40,584	60,336	36,263	27,086	26,053	23,880	20,413	18,284
Banks	29,354	21,577	5,461	12,124	24,350	36,201	21,758	16,251	15,632	14,328	12,248	10,970
Nonbanks	13,707	-11,845	13,853	8,083	16,234	24,134	14,505	10,834	10,421	9,552	8,165	7,313
BOM transfers[3]	18,000	55,000										
Foreign	-1,058	36,044	-2,977	8,376	132	14,000	4,910	3,390	3,590	3,590	3,590	3,590
Memorandum items:												
Central government debt	**343,260**	**379,851**	**396,055**	**430,943**	**479,048**	**568,474**	**620,689**	**663,841**	**706,522**	**748,504**	**793,342**	**842,509**
Public sector debt[4]	**381,796**	**419,358**	**449,294**	**495,567**	**546,266**	**634,206**	**685,472**	**726,738**	**767,543**	**807,663**	**850,651**	**897,981**
GDP at current market prices (FY, in billions of Rupees)	471	456	522	606	671	718	769	825	884	947	1,014	1,086
Expenditure, excluding net lending	157,769	184,336	162,234	178,134	199,028	252,608	248,632	257,378	267,581	282,660	297,877	314,160
Primary balance (incl. grants)	-40,531	-73,210	-22,740	-14,165	-20,120	-45,461	-18,910	-8,718	-790	2,746	5,904	7,777
Primary balance (excl. grants)	-44,819	-75,427	-25,620	-16,287	-20,703	-46,974	-23,446	-10,606	-2,813	579	3,582	5,291
Quasi-fiscal net expenditure from extra-budgetary special funds[5]	2,736	-12,306	341	3,670	20,315	14,717	1,466	…	…	…	…	…

Sources: Ministry of Finance and Development and IMF staff estimates and projections.

[1] *GFSM 2001* presentation.

[2] Corresponds to the authorities' budget presentation.

[3] Following the *GFSM 2014,* Sections 5.111.5.116, the transfers from the BOM to the Central Government are considered as financing.

[4] The public debt series has been reclassified starting in the 2024 AIV Mission to allow consolidation of central government securities held by non-financial public corporations.

[5] Net of transfers from central government; Expenditure from Mauritius Investment Corporation (MIC) is not included.

Table 2b. Mauritius: Summary of Central Government Finances, 2019/20–30/31[1]

(Percent of GDP)

	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
					Est.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Total revenue and grants (1)	**22.1**	**21.6**	**24.2**	**24.5**	**24.0**	**25.7**	**27.0**	**27.3**	**27.5**	**27.5**	**27.5**	**27.4**
Domestic revenue	**21.1**	**21.1**	**23.6**	**24.1**	**23.9**	**25.5**	**26.4**	**27.1**	**27.2**	**27.3**	**27.3**	**27.2**
Tax revenue	19.5	18.9	20.7	21.4	21.0	22.4	23.3	24.1	24.3	24.3	24.3	24.2
Income tax - Individuals	2.4	2.5	2.7	2.6	2.0	2.0	2.0	2.3	2.3	2.3	2.3	2.3
Income tax - Corporations	2.9	2.6	3.2	3.7	4.2	4.2	4.2	4.2	4.2	4.2	4.2	4.2
Value added tax (VAT)	6.9	6.2	7.3	7.9	7.9	8.3	8.7	9.0	9.0	9.0	9.0	9.0
Excise duties	4.0	4.1	3.9	3.5	2.9	3.0	3.3	3.4	3.5	3.5	3.5	3.4
Customs	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.4	0.4	0.4
Other taxes	2.9	3.2	3.3	3.5	3.7	4.6	4.9	4.9	4.9	4.9	4.9	4.9
Social contributions	0.3	1.4	1.9	1.8	1.8	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Nontax revenue	1.4	0.9	1.1	0.9	1.0	1.2	1.1	1.0	1.0	1.0	1.0	1.0
Grants	0.9	0.5	0.6	0.4	0.1	0.2	0.6	0.2	0.2	0.2	0.2	0.2
Total expense (current spending) (2)	**28.6**	**30.4**	**26.7**	**26.1**	**27.2**	**31.5**	**29.2**	**28.44**	**27.73**	**27.41**	**26.92**	**26.47**
Expenditures on goods and services	9.1	9.4	9.6	8.3	7.8	8.3	8.1	8.1	8.1	8.1	8.1	8.1
Compensation of employees	6.6	7.0	7.1	6.1	5.7	6.1	6.0	6.0	6.0	6.0	6.0	6.0
Use of goods and services	2.5	2.4	2.4	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1
Interest payments	2.8	2.7	2.5	2.6	2.7	3.1	2.9	2.8	2.7	2.7	2.4	2.2
Domestic interest	2.7	2.7	2.5	2.4	2.5	3.0	2.8	2.7	2.6	2.6	2.3	2.1
External interest	0.1	0.1	0.1	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Transfers and subsidies	6.9	6.5	5.0	5.0	5.0	5.5	4.9	4.9	4.9	4.9	4.9	4.9
Subsidies	2.1	1.7	0.3	0.3	0.4	0.5	0.2	0.2	0.2	0.2	0.2	0.2
Grants and transfers	4.8	4.7	4.7	4.7	4.6	5.0	4.7	4.7	4.7	4.7	4.7	4.7
Social benefits	8.9	10.0	9.1	9.0	9.5	11.8	10.9	10.7	10.4	10.2	10.1	9.9
Social assistance pensions	6.4	8.1	7.2	7.4	7.6	7.3	7.0	6.9	6.8	6.7	6.7	6.6
Other	2.5	1.9	1.8	1.6	1.9	4.5	3.9	3.8	3.6	3.5	3.4	3.3
Other expense	0.9	1.8	0.5	1.3	2.3	2.8	2.4	1.9	1.5	1.5	1.4	1.4
Contingencies	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gross operating balance ((3)=(1)-(2))	-6.6	-8.8	-2.5	-1.6	-3.2	-5.8	-2.3	-1.1	-0.3	0.1	0.6	1.0
Net acquisition of non-financial assets (capital spending)	1.6	1.7	1.5	1.5	1.3	1.1	1.3	1.3	1.3	1.3	1.3	1.3
Budget balance[2]	-8.2	-10.5	-4.1	-3.1	-4.5	-6.9	-3.6	-2.5	-1.6	-1.3	-0.7	-0.4
Net lending / borrowing (special funds)	-3.3	-8.3	-2.8	-1.8	-1.2	-2.6	-1.8	-1.4	-1.2	-1.1	-1.1	-1.1
CONSOLIDATED BALANCE	**-11.4**	**-18.8**	**-6.9**	**-4.9**	**-5.7**	**-9.4**	**-5.4**	**-3.9**	**-2.8**	**-2.4**	**-1.8**	**-1.5**
Transactions in financial assets/liabilities	1.3	3.3	-1.4	-0.2	0.4	0.9	0.0	-0.2	0.5	0.5	0.5	0.5
Net acquisition of financial assets	1.8	3.3	-1.3	0.2	0.6	1.4	0.0	-0.2	0.6	0.6	0.6	0.6
Of which: net lending	0.1	0.1	0.1	0.0	0.0	0.2	0.2	0.4	0.4	0.4	0.4	0.4
Adjustment for non-cash transactions	-0.4	0.0	0.0	-0.2	0.0	-0.4	0.0	0.0	0.0	0.0	0.0	0.0
Adjustment for difference in cash and accrual	-0.1	0.0	-0.1	-0.2	-0.2	-0.2	0.0	0.0	0.0	0.0	0.0	0.0
OVERALL BORROWING REQUIREMENT	**-12.7**	**-22.1**	**-5.5**	**-4.7**	**-6.1**	**-10.4**	**-5.4**	**-3.7**	**-3.4**	**-2.9**	**-2.4**	**-2.0**
FINANCING	**12.7**	**22.1**	**5.5**	**4.7**	**6.1**	**10.4**	**5.4**	**3.7**	**3.4**	**2.9**	**2.4**	**2.0**
Domestic	13.0	14.2	6.0	3.3	6.1	8.4	4.7	3.3	2.9	2.5	2.0	1.7
Banks	6.2	4.7	1.0	2.0	3.6	5.0	2.8	2.0	1.8	1.5	1.2	1.0
Nonbanks	2.9	-2.6	2.7	1.3	2.4	3.4	1.9	1.3	1.2	1.0	0.8	0.7
BOM transfers[3]	3.8	12.1										
Foreign	-0.2	7.9	-0.6	1.4	0.0	1.9	0.6	0.4	0.4	0.4	0.4	0.3
Memorandum items:												
Central government debt	72.9	83.2	75.9	71.1	71.4	79.2	80.7	80.5	80.0	79.1	78.3	77.6
Public sector debt[4]	81.1	91.9	86.1	81.8	81.5	88.3	89.1	88.1	86.9	85.3	83.9	82.7
Central government expenditure, excluding net lending	33.5	40.4	31.1	29.4	29.7	35.2	32.3	31.2	30.3	29.9	29.4	28.9
Central government primary balance (incl. grants)	-8.6	-16.0	-4.4	-2.3	-3.0	-6.3	-2.5	-1.1	-0.1	0.3	0.6	0.7
Central government primary balance (excl. grants)	-9.5	-16.5	-4.9	-2.7	-3.1	-6.5	-3.0	-1.3	-0.3	0.1	0.4	0.5
Quasi-fiscal net expenditure from extra-budgetary special funds[5]	0.6	-2.7	0.1	0.6	3.0	2.0	0.2	…	…	…	…	…
Augmented primary balance (excl. grants)[6]	-10.1	-13.8	-5.0	-3.3	-6.1	-8.6	-3.2	…	…	…	…	…

Sources: Ministry of Finance and Development; Bank of Mauritius; and IMF staff estimates and projections.

[1] *GFSM 2001* presentation.

[2] Corresponds to the authorities' budget presentation.

[3] Following the *GFSM 2014*, Sections 5.111.5.116, the transfers from the BOM to the Central Government are considered as financing.

[4] The public debt series has been reclassified starting in the 2024 AIV Mission to allow consolidation of central government securities held by non-financial public corporations.

5 Net of transfers from central government; Expenditure from Mauritius Investment Corporation (MIC) is not included.

[6] Central government primary fiscal balance (excluding grants) minus net spending by extrabudgetary special funds.

Table 3. Mauritius: Balance of Payments, 2020–30

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
					Est.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
	(Millions of US dollars)										
Current account balance	-1,013	-1,504	-1,434	-725	-972	-741	-1,020	-880	-813	-743	-641
Trade balance	-2,126	-2,683	-3,618	-3,601	-3,891	-3,634	-3,897	-4,081	-4,275	-4,409	-4,582
Exports of goods, f.o.b.	1,789	1,962	2,388	2,295	2,375	2,461	2,440	2,570	2,660	2,764	2,908
Imports of goods, f.o.b.	-3,915	-4,644	-6,005	-5,896	-6,266	-6,095	-6,338	-6,651	-6,935	-7,173	-7,490
Of which: Oil Imports	-633	-889	-1,510	-1,283	-1,294	-1,193	-1,255	-1,367	-1,450	-1,535	-1,638
Services (net)	909	839	1,703	1,953	1,915	1,710	1,724	1,909	2,090	2,300	2,535
Of which: tourism travel	262	232	1,091	1,401	1,480	1,126	1,079	1,145	1,227	1,312	1,389
Income (net)	939	1,361	1,478	1,959	2,085	1,898	1,925	2,104	2,202	2,260	2,355
Of which: GBCs	612	1,107	1,084	1,230	892	1,330	1,483	1,676	1,784	1,852	1,954
Current transfers (net)	-736	-1,022	-997	-1,037	-1,081	-715	-772	-812	-831	-893	-950
Capital and financial accounts	382	2,671	1,725	-121	2,171	955	1,508	1,192	1,119	1,045	979
Capital account	0	0	47	11	20	18	19	20	21	23	24
Financial account	382	2,671	1,678	-132	2,151	938	1,489	1,172	1,097	1,022	955
Non-GBCs	-600	-580	1,208	-1,146	-708	164	-141	-279	-112	-167	-348
Direct investment (net)	209	192	415	681	643	377	404	423	537	579	618
Abroad	-16	-68	-128	-115	-39	-74	-88	-98	-103	-107	-116
In Mauritius	226	260	544	797	682	451	492	521	640	685	734
Portfolio investment (net)	-1,101	-2,266	-3,934	-375	1,990	-572	-579	-592	-581	-662	-673
Other investment (net)	292	1,494	4,727	-1,453	-3,342	360	33	-110	-69	-84	-293
Government (net)	384	1,115	576	310	112	165	51	34	33	30	27
Other (net)	-92	380	4,150	-1,763	-3,454	194	-17	-144	-102	-114	-319
GBCs	982	3,251	470	1,015	2,860	774	1,631	1,452	1,209	1,190	1,302
Direct investment (net)	-12,943	-2,282	-9,674	1,097	-1,602	2,905	1,904	1,444	1,537	1,634	1,735
Portfolio and other investment (net)	13,925	5,533	10,144	-82	4,462	-2,131	-273	8	-327	-444	-432
Errors and omissions	127	0	65	74	-109	0	0	0	0	0	0
Overall balance	-504	1,166	356	-771	1,091	214	488	313	305	302	337
Change in official reserves (- = increase)	504	-1,166	-356	771	-1,091	-214	-488	-313	-305	-302	-337
	(Percent of GDP)										
Current account balance	-8.9	-13.1	-11.1	-5.1	-6.5	-4.7	-6.1	-5.0	-4.3	-3.7	-3.0
Trade balance	-18.6	-23.4	-28.0	-25.5	-26.0	-23.2	-23.4	-23.0	-22.6	-22.0	-21.5
Exports of goods, f.o.b.	15.7	17.1	18.5	16.3	15.9	15.7	14.6	14.5	14.1	13.8	13.6
Imports of goods, f.o.b.	-34.3	-40.4	-46.5	-41.8	-41.9	-39.0	-38.0	-37.5	-36.7	-35.7	-35.1
Services (net)	8.0	7.3	13.2	13.9	12.8	10.9	10.3	10.8	11.1	11.5	11.9
Of which: tourism travel	2.3	2.0	8.5	9.9	9.9	7.2	6.5	6.4	6.5	6.5	6.5
Income (net)	8.2	11.9	11.4	13.9	13.9	12.1	11.6	11.9	11.7	11.3	11.0
Of which: GBCs	5.4	9.6	8.4	8.7	6.0	8.5	8.9	9.4	9.4	9.2	9.2
Current transfers (net)	-6.5	-8.9	-7.7	-7.4	-7.2	-4.6	-4.6	-4.6	-4.4	-4.4	-4.5
Capital and financial accounts	3.3	23.3	13.4	-0.9	14.5	6.1	9.1	6.7	5.9	5.2	4.6
Capital account	0.0	0.0	0.4	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Financial account	3.3	23.3	13.0	-0.9	14.4	6.0	8.9	6.6	5.8	5.1	4.5
Non-GBCs	-5.3	-5.1	9.4	-8.1	-4.7	1.0	-0.8	-1.6	-0.6	-0.8	-1.6
GBCs	8.6	28.3	3.6	7.2	19.1	4.9	9.8	8.2	6.4	5.9	6.1
Errors and omissions	1.1	0.0	0.5	0.5	-0.7	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	-4.4	10.2	2.8	-5.5	7.3	1.4	2.9	1.8	1.6	1.5	1.6
Memorandum items:											
Gross international reserves, BOM, (mill. of U.S. dollars)	7,242	7,805	7,740	7,254	8,510	8,675	9,163	9,475	9,781	10,083	10,420
In months of imports of goods and services, f.o.b.	14.3	11.6	11.6	10.2	11.8	11.6	11.6	11.4	11.3	11.2	11.1
Percent of external short term debt	1.2	1.1	0.9	0.8	0.8	0.9	0.9	0.9	1.0	1.0	1.1
Total external debt	110.7	134.0	132.2	131.6	139.2	128.9	119.3	110.8	102.2	94.1	87.1
Exports of G&S, percentage change	-23.8	5.2	45.7	4.0	3.0	1.7	2.3	7.1	6.2	6.5	7.4
Imports of G&S, percentage change	-29.1	16.0	32.9	-0.3	6.4	0.7	4.7	5.3	4.9	4.3	5.3
Mauritian rupees per U.S. dollar (period average)	39.3	41.7	44.2	45.3	46.4						
Mauritian rupees per U.S. dollar (end of period)	39.5	43.5	43.9	44.3	47.3						
GDP (millions of U.S. dollars)	11,408	11,484	12,908	14,101	14,953	15,641	16,662	17,748	18,890	20,082	21,326

Sources: Country authorities; and IMF staff estimates and projections.

Table 4. Mauritius: Monetary Survey, 2020–30[1]

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
		Actual			Est.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
	(Millions of rupees, end of period; unless otherwise indicated)										
Central Bank of Mauritius											
Net foreign assets	284,981	306,242	290,734	255,938	336,500	359,071	386,395	408,890	431,792	456,259	483,224
(in millions of US dollars)	7,210	7,035	6,624	5,777	7,114	7,541	8,062	8,478	8,895	9,319	9,785
Net domestic assets	-90,266	-73,480	-42,570	-79,039	-154,164	-175,928	-194,870	-206,263	-216,829	-227,393	-242,601
Net domestic credit	15,120	57,510	71,987	74,446	74,642	74,726	74,812	74,898	74,984	75,072	75,160
Government (net)	-27,033	-32,087	-18,478	-16,877	-18,489	-18,404	-18,319	-18,234	-18,147	-18,060	-17,972
Commercial banks	2,053	88	117	44	3	3	3	3	3	4	4
Other sectors	40,101	89,509	90,348	91,278	93,128	93,128	93,128	93,128	93,128	93,128	93,128
Other items (net)	-105,386	-130,989	-114,557	-153,485	-228,806	-250,654	-269,682	-281,160	-291,813	-302,465	-317,761
Reserve money	194,716	263,584	248,164	176,899	181,428	183,144	191,525	202,628	214,964	228,866	240,624
Currency outside banks	46,561	50,200	54,642	59,911	68,006	71,523	79,887	88,289	97,496	107,662	118,889
Bank reserves	148,154	213,383	193,522	116,988	113,422	111,620	111,638	114,338	117,468	121,204	121,735
Banks											
Net foreign assets	468,678	557,097	571,652	603,741	680,361	672,853	672,961	676,567	676,453	676,338	683,468
(in millions of US dollars)	11,857	12,798	13,023	13,628	14,383	14,131	14,041	14,028	13,936	13,814	13,840
Net domestic assets	143,989	110,371	142,599	175,212	205,719	266,325	347,197	440,306	545,765	661,675	777,082
Net domestic credit	810,715	927,141	982,692	1,022,037	1,189,207	1,293,731	1,384,601	1,473,583	1,564,243	1,657,126	1,785,726
Credit to BoM	210,880	276,261	253,772	215,311	263,844	297,882	319,710	336,698	353,201	369,413	417,992
o/w Other Claims on BoM[2]	79,745	95,470	67,796	81,718	97,989	131,744	148,502	157,670	165,820	172,950	215,606
Central Government (net)	105,925	138,452	150,985	183,957	237,911	266,807	285,726	301,582	316,475	329,676	341,197
Other financial and public sector[3]	81,893	98,702	164,521	177,863	203,350	215,652	230,478	247,084	264,615	283,389	303,652
Claims on private sector[4]	412,018	413,726	413,413	444,906	484,102	513,390	548,686	588,218	629,953	674,648	722,885
Other items (net)	-666,726	-816,770	-840,092	-846,825	-983,489	-1,027,407	-1,037,403	-1,033,277	-1,018,478	-995,451	-1,008,644
o/w Deposits excluded from broad money: GBC deposits	-439,048	-572,122	-580,753	-550,965	-648,433	-652,694	-656,984	-661,115	-665,388	-671,149	-676,960
Total deposits, securities and liabilities to BoM	612,667	667,468	714,251	778,953	886,080	939,178	1,020,159	1,116,873	1,222,218	1,338,013	1,460,550
Monetary Survey											
Net foreign assets	753,659	894,161	862,386	859,679	1,016,861	1,031,925	1,059,356	1,085,457	1,108,245	1,132,597	1,166,693
(in millions of US dollars)	19,066	20,542	19,647	19,405	21,496	21,672	22,103	22,506	22,831	23,132	23,624
Net domestic assets	-50,066	-128,313	-56,281	4,995	-42,692	7,604	71,787	153,689	248,594	353,655	456,930
Net domestic credit	612,903	708,302	800,790	878,470	998,469	1,070,573	1,139,699	1,211,779	1,286,024	1,362,781	1,442,890
Central government (net)	78,892	106,365	132,507	167,081	219,423	248,402	267,407	283,348	298,328	311,616	323,225
Other financial and public sector	121,879	188,075	254,647	266,158	294,641	308,477	323,303	339,909	357,440	376,214	396,477
Claims on the private sector[4]	412,132	413,862	413,636	445,231	484,405	513,693	548,989	588,522	630,256	674,951	723,188
o/w Credit to the private sector[5]	450,868	452,729	450,245	486,120	526,483	558,326	596,699	639,680	685,053	733,646	786,091
Other items (net)	-662,969	-836,615	-857,071	-873,475	-1,041,161	-1,062,969	-1,067,912	-1,058,090	-1,037,430	-1,009,126	-985,960
M1	442,612	495,690	514,805	550,020	627,612	667,372	718,425	779,526	845,166	916,369	989,589
Money and quasi-money (M2)	554,951	602,831	627,747	677,008	764,305	813,400	875,004	949,079	1,028,616	1,114,856	1,203,373
M2 plus resident FC deposits and securities other than shares (M3)	703,593	765,847	806,105	864,674	973,261	1,039,529	1,131,143	1,239,146	1,356,839	1,486,252	1,623,623
Memorandum items											
M2	17.7	8.6	4.1	7.8	12.9	6.4	7.6	8.5	8.4	8.4	7.9
M3	16.9	8.8	5.3	7.3	12.6	6.8	8.8	9.5	9.5	9.5	9.2
Deposits	13.5	8.9	7.0	9.1	13.8	6.0	8.6	9.5	9.4	9.5	9.2
Reserve money	58.1	35.4	-5.9	-28.7	2.6	0.9	4.6	5.8	6.1	6.5	5.1
Net domestic credit	7.9	15.6	13.1	9.7	13.7	7.2	6.5	6.3	6.1	6.0	5.9
Government (net)	8.8	34.8	24.6	26.1	31.3	13.2	7.7	6.0	5.3	4.5	3.7
Private Sector Credit	2.7	0.4	-0.5	8.0	8.3	6.0	6.9	7.2	7.1	7.1	7.1
Multiplier (average M3/RM)	3.6	2.9	3.2	4.9	5.4	5.7	5.9	6.1	6.3	6.5	6.7
Velocity (GDP/M3)	0.6	0.6	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.6
	(As percent of GDP)										
M3	156.7	159.9	141.3	135.5	140.2	140.0	142.1	145.2	148.5	151.8	154.8
Deposits	136.5	139.4	125.2	122.0	127.7	126.5	128.2	130.9	133.7	136.7	139.3
Reserve money	43.4	55.1	43.5	27.7	26.1	24.7	24.1	23.7	23.5	23.4	22.9
Net domestic credit	136.5	147.9	140.4	137.6	143.9	144.2	143.2	142.0	140.7	139.2	137.6
Government (net)	17.6	22.2	23.2	26.2	31.6	33.5	33.6	33.2	32.6	31.8	30.8
Private	91.8	86.4	72.5	69.8	69.8	69.2	69.0	69.0	69.0	68.9	69.0
	(in millions USD)										
Deposits excluded from broad money: GBC deposits	11,107	13,143	13,231	12,437	13,708	13,708	13,708	13,708	13,708	13,708	13,708

Sources: Bank of Mauritius; and IMF staff estimates and projections.

Statistics Manual and compilation guide 2016. The revision led to structural breaks in some series, notably in claims on the private sector.

[2] This ammount primarily reflects the ammount of liquidity mopped-up in the BoM instruments, i.e. BoM Bills

[3] Excluding liabilities to the Central Bank.

[4] Includes derivatives and other related financial instruments.

[5/] Credit to the private sector accounts for the financial resources provided to the resident private sector (in domestic and foreign currency) by the Central Bank and by Other Depositary Corporations, such as through loans, purchases of nonequity securities, and trade credits and other accounts receivable, that establish a claim for repayment. The component on Other Depository Corporations excludes the following categories: i) financial derivatives to other non-financial corporations and other resident sectors; ii) shares to non-financial corporations; iii) settlements accounts to other non-financial corporations and other resident sectors, both in national and foreign currency. From 2019-2023, credit to the private sector by OFCs is estimated at 40.500 million of Rs.

Note: The Other Financial Corporations sector in Mauritius is large, with assets amounting to about US$ 765 billion, of which US$755 billion belong to Global Business Companies. The total financial sector assets amount to US$ 835 billion, or 56 percent of GDP.

Table 5. Mauritius: Financial Soundness Indicators for Banks and Non-Bank Deposit-Taking Institutions, 2020–2024 Q3[1]

	2020				2021				2022				2023				2024		
	Mar.	Jun.	Sep.	Dec	Mar.	Jun.	Sep.	Dec	Mar.	Jun.	Sep.	Dec	Mar.	Jun.	Sep	Dec	Mar.	Jun.	Sep.
Capital Adequacy																			
Regulatory capital to risk-weighted assets	19.3	20.4	19.9	19.7	19.8	19.7	20.7	20.7	21.0	20.3	20.2	20.6	21.4	20.9	21.4	22.1	22.3	22.2	22.3
Regulatory Tier 1 capital to risk-weighted assets	18.0	19.0	18.5	18.3	18.4	18.3	19.4	19.4	19.8	19.1	18.9	19.3	19.5	19.0	19.5	20.3	20.4	20.4	20.3
Non-performing loans net of provisions to capital	11.5	12.2	11.1	10.2	10.6	8.2	7.6	8.9	9.2	8.8	8.4	8.3	8.1	10.3	10.1	10.5	8.0	6.4	5.6
Asset Quality																			
Non-performing loans to total loans[2]	5.3	5.8	6.1	6.2	6.2	5.6	5.3	5.8	5.8	5.6	5.2	4.9	4.7	5.6	5.8	5.3	4.7	4.0	3.8
Earnings and Profitability																			
Return on assets	1.2	1.1	1.1	1.0	1.2	1.3	1.3	1.3	1.2	1.3	1.5	1.6	2.5	2.6	2.6	2.5	2.5	2.6	2.6
Return on equity	9.7	8.5	8.6	7.7	10.0	11.1	10.7	10.5	10.4	11.2	12.8	14.0	21.4	22.1	21.6	20.7	19.5	20.7	20.4
Interest margin to gross income	71.7	68.8	68.6	68.7	63.1	66.2	66.3	65.9	66.4	68.6	70.0	70.1	74.4	74.2	74.9	75.3	75.4	76.0	75.5
Non-interest expenses to gross income	41.8	40.9	41.7	42.3	44.0	43.6	44.4	44.6	45.8	45.1	42.5	40.6	35.1	33.0	32.9	34.1	31.3	32.3	32.1
Liquidity																			
Liquid assets to total assets	52.0	53.7	56.5	55.5	58.4	58.5	59.2	48.6	49.8	47.8	47.9	45.5	46.9	47.0	46.9	46.0	48.9	49.7	47.3
Liquid assets to short-term liabilities	58.8	60.5	63.3	62.3	65.2	65.3	66.1	54.3	55.8	53.6	53.3	50.8	52.6	52.8	52.8	66.9	71.5	89.7	85.0
Sensitivity to Market Risk																			
Net open position in foreign exchange to capital	1.6	1.6	1.5	1.5	1.7	2.0	1.6	1.5	1.5	1.8	1.9	1.5	1.5	1.1	1.7	1.2	1.9	1.6	2.1
Encouraged Set of Financial Soundness Indicators																			
Capital to assets	10.0	9.8	9.4	9.6	9.2	9.1	9.2	9.1	9.2	9.1	8.8	9.0	9.2	9.3	9.4	9.7	9.7	9.4	10.0
Value of large exposures to capital *	262.1	276.7	276.6	260.4	254.9	271.3	252.3	284.0	270.8	308.2	322.1	278.5	289.8	280.2	240.6	285.5	262.7	273.4	269.5
Customer deposits to total (non-interbank) loans	179.4	182.7	194.8	197.4	213.0	219.2	230.8	234.3	233.7	228.1	228.8	226.3	229.1	222.0	221.3	220.1	224.7	225.1	201.8
Residential real estate loans to total loans[2]	10.6	10.6	11.3	11.5	12.5	11.3	11.7	11.6	12.3	12.5	12.2	11.9	12.2	12.8	13.4	13.0	13.3	12.7	12.5
Commercial real estate loans to total loans[2]	4.7	5.0	5.1	5.4	5.5	5.5	5.5	5.4	5.9	4.9	4.4	4.3	4.2	4.5	4.6	4.3	4.0	3.9	3.4
Trading income to total income	13.0	14.7	14.3	13.5	17.9	12.7	12.7	12.4	11.3	10.0	10.6	10.7	11.2	10.1	10.2	9.9	9.4	9.9	10.7
Personnel expenses to non-interest expenses	46.5	47.2	46.7	47.8	48.7	48.2	47.2	47.6	49.3	49.1	48.8	50.0	49.0	49.9	49.5	49.3	49.5	50.2	50.0

Source: Bank of Mauritius

[1] FSIs are calculated on a domestic consolidation basis using the Financial Soundness Indicators Compilation Guide (2006) of the International Monetary

[2] Total loans include commercial loans, installment loans, hire-purchase credit, loans to finance trade credit and advances, finance leases, repurchase agreements 'not classified as a

* As from December 2017, the measurement of credit concentration ratio has been revised to aggregate large credit exposure (above 10 per cent of Tier 1 capital) as a

percentage of aggregate Tier 1 capital. Based on previous Guideline, the corresponding ratio for large exposures would have been 171.8 per cent, 178.3 per cent and 186.1 per

Annex I. Risk Assessment Matrix[1]

	Risks	Likelihood	Expected Impact	Policy Recommendation
			Global Risks	
Conjunctural Risks	**Trade policy, uncertainty, and investment shocks.** Higher trade barriers or sanctions reduce external trade, disrupt FDI and supply chains, and trigger further U.S. dollar appreciation, tighter financial conditions, and higher inflation.	High	**High.** Increase in trade barriers, uncertainty, and non-renewal of the AGOA trade agreement could disrupt the current account, FDI, and supply chains affecting Mauritius. Also, an appreciated U.S. dollar and tighter financial conditions, and higher inflation can impact Mauritius.	Outlook-based monetary tightening to address inflationary pressures and prevent de-anchoring inflation expectations. Strengthen external buffers. Monitoring financial sector vulnerabilities.
	Sovereign debt distress. Higher interest rates, stronger U.S. dollar, and shrinking development aid amplified by sovereign-bank feedback result in capital outflows, rising risk premia, loss of market access, abrupt expenditure cuts, and lower growth in highly indebted countries.	High	**Medium.** High interest rates and stronger U.S. dollar could amplify sovereign-bank feedback and result in capital outflows and raise risk premia.	Adopt a front-loaded growth-friendly fiscal consolidation strategy, underpinned by credible measures to contain current spending, increase spending efficiency, delay non-critical capital spending, and foster revenue mobilization, while protecting the poor. Strengthen external buffers. Monitoring financial sector vulnerabilities.
	Commodity price volatility. Supply and demand volatility (due to conflicts, trade restrictions, OPEC +Decisions, AE energy policies, or green transition) increases commodity price volatility.	Medium	**Medium.** Increase in commodity prices leads to real sector volatility and decline in real income globally. Lower external demand for tourism, higher cost of commodity imports, higher untargeted fuel subsidies, accelerating domestic inflation.	Allow fuel prices to adjust in line with fuel price adjustment mechanism. Use targeted transfers to shield most vulnerable households from the impact of higher fuel prices. Outlook-based monetary tightening to address inflationary pressures and prevent de-anchoring inflation expectations. Strengthen external buffers. Monitoring financial sector vulnerabilities.
	Global growth acceleration. Easing of conflicts, positive supply-side surprises (e.g., oil production shocks), productivity gains from AI, or structural reforms raise global demand and trade	Low	**Low.** Higher external demand for export of goods and tourism positively impact the balance of payments and the growth outlook. Less volatility of the exchange rate. More activity in the GBC and banking sectors.	Accelerate the pace of monetary tightening and growth-friendly fiscal consolidation. FX purchases if opportunities arise—and in line with the monetary policy framework—to help bolster foreign reserve buffers to guard against external shocks. Sustain compliance with AML/CFT standards. Monitoring financial sector vulnerabilities.
	Tighter financial conditions and systemic instability. Higher-for-longer interest rates and term premia amid looser financial	Medium	**Medium.** Capital outflows to "safe havens" and sudden stops in FDIs. Slowdown and elevated liquidity and	Adopt measures to ensure financial system FX liquidity (incl. swaps with AEs central banks, FX intervention), while generally allowing for exchange rate flexibility. Monitor prudential risks at macro- and micro-level including through stress testing,

[1] The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path. The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly. The conjunctural shocks and scenarios highlight risks that may materialize over a shorter horizon (between 12 to 18 months) given the current baseline. Structural risks are those that are likely to remain salient over a longer horizon.

	regulation, rising investments in cryptocurrencies, and higher trade barriers trigger asset repricing, market dislocations, weak bank and NBFI distress, and further U.S. dollar appreciation, which widens global imbalances, worsens debt affordability, and increases capital outflow from EMDEs.		rollover risks in GBC and banking sectors.	adopt targeted macroprudential measures. Calibrate fiscal and monetary policies consistent with the medium-term objectives and outlook. Implement structural reforms to support private sector investment. Sustain compliance with AML/CFT standards.
	Regional conflicts. Intensification of conflicts (e.g., in the Middle East, Ukraine, Sahel, and East Africa) or terrorism disrupt trade in energy and food, tourism, supply chains, remittances, FDI and financial flows, payment systems, and increase refugee flows.	**Medium**	**Medium.** Lower demand for exports and tourism, rising cost of external funding, slowdown in FDI inflows and reduction in potential growth.	Implement structural reforms to support private sector investment. Calibrate fiscal and monetary policies consistent with supporting growth while preserving macroeconomic stability.
Structural Risks	**Climate Change.** Extreme climate events driven by rising temperatures cause loss of human lives, severe damage to infrastructure, agriculture, supply disruptions, lower growth, and financial instability.	**Medium**	**High.** Lower external demand, including for tourism and negative impact on the growth outlook. Inflationary pressure. Damage to local infrastructure and agriculture in case of local extreme climate events.	Build resilience to climate change including through climate adaptation investment while preserving debt sustainability. Structural reforms to support private sector investment and boosting potential growth.
Domestic Risks				
Conjunctural Risks	**Political economy setbacks post-election.** Given rising social pressure, the new government could face governance challenges, policy reversals, or political resistance to fiscal reforms. Higher public wages, pension, and social benefits would increase current spending while no new revenue mobilization measures are adopted. Large expenditure from extra-budgetary funds. Findings of government corruption that affect the financial sector.	**Medium**	**High.** Further deterioration of the fiscal position, larger financing needs and worsening debt dynamics. Aggregate demand induces activity above capacity. Potential implications of corruption findings for investor confidence, policy continuity, and public trust.	Adopt a medium-term growth-friendly fiscal consolidation strategy, underpinned by credible measures to foster revenue mobilization, contain current spending, and increase spending efficiency. Reform the pension system to support fiscal sustainability. Strengthen the new debt framework. Strengthen the monetary policy framework and implement a forward-based monetary tightening to contain inflationary pressures. Strengthen governance and anti-corruption policies.
	Incomplete tightening of monetary policy stance by the Bank of Mauritius. The current BOM Act and institutional arrangement do not ensure fiscal backing to protect central bank independence and effective monetary policy. BOM does not tighten monetary policy to address inflationary pressures.	**Medium**	**High.** Inflation returns to above BOM's target range and inflation expectations de-anchor. Larger policy tightening is required to re-anchor expectations down the road with a negative impact on the growth outlook.	Amend the BOM Act, including to ensure fiscal backing, to help protect central bank independence and effective monetary policy. The amendments should reinforce the credibility of BOM's inflation-targeting framework by enabling smooth open market operations to implement its price stability mandate. Ministry of Finance and BOM should strengthen the commitment on their mutual agreement for BOM independence. Strengthen the monetary policy framework and tighten monetary policy guided by the macroeconomic outlook.

Annex II. Sovereign Risk and Debt Sustainability Framework

Figure 1. Mauritius: Risk of Sovereign Stress

Horizon	Mechanical signal	Final assessment	Comments
Overall	…	**High**	The overall risk of sovereign stress is high, reflecting mostly a high level of vulnerability in the medium- and long-term horizons.
Near term 1/			
Medium term	Moderate	**High**	Fiscal backing needs by BOM to support central bank independence, and the large external debt by BOM pose significant contingency liability risks to the central government in the medium term.Uncertainty around baseline debt projections is high and risks are tilted to the upside as show n in the Debt fanchart module.The GFN module points to a higher but moderate level of risk associated w ith a potential natural disaster shock to w hich Mauritius is vulnerable..
Fanchart	Moderate	…	
GFN	Moderate	…	
Stress test	Nat. Disast.	…	
Long term	…	**High**	Long-term risks are high due to population ageing and the high vulnerability to climate shocks. On current policies, pension spending w ould increase over the long term, leading to unsustainable financing needs. A scaling up in climate adaptation investment w ould also push financing needs and the stock of debt above the baseline in the long term.
Sustainability assessment 2/	Not required for surveillance countries	Not required for surveillance countries	
Debt stabilization in the baseline			Yes

Staff commentary: Mauritius is at a high overall risk of sovereign stress. Although debt is projected to decline, it is expected to remain high in the baseline during an extended time horizon following the unanticipated deterioration in the primary balance and gross financing needs over the medium term. Fiscal backing needs and the large external debt by BOM also pose contingent liability needs to the government in the medium term. This risk is mitigated by a favorable currency and maturity composition of debt which make liquidity risks moderate in the medium term. The deep domestic capital markets and banks' excess liquidity further helps mitigating the risks. Implementing a credible medium-term fiscal consolidation would help reduce debt vulnerabilities. Reforms to tackle risks arising from ageing and increase resilience to climate change shocks would support debt sustainability.

Source: Fund staff.
Note: The risk of sovereign stress is a broader concept than debt sustainability. Unsustainable debt can only be resolved through exceptional measures (such as debt restructuring). In contrast, a sovereign can face stress without its debt necessarily being unsustainable, and there can be various measures—that do not involve a debt restructuring—to remedy such a situation, such as fiscal adjustment and new financing.
1/ The near-term assessment is not applicable in cases where there is a disbursing IMF arrangement. In surveillance-only cases or in cases with precautionary IMF arrangements, the near-term assessment is performed but not published.
2/ A debt sustainability assessment is optional for surveillance-only cases and mandatory in cases where there is a Fund arrangement. The mechanical signal of the debt sustainability assessment is deleted before publication. In surveillance-only cases or cases with IMF arrangements with normal access, the qualifier indicating probability of sustainable debt ("with high probability" or "but not with high probability") is deleted before publication.

Figure 2. Mauritius: Debt Coverage and Disclosures

						Comments
1. Debt coverage in the DSA: 1/	CG	GG	NFPS	CPS	Other	
1a. If central government, are non-central government entities insignificant?					n.a.	

2. Subsectors included in the chosen coverage in (1) above:

Sector groups		Subsectors captured in the baseline	Inclusion	Comments
CPS / NFPS / GG: expected / CG	1	Budgetary central government	Yes	
CPS / NFPS / GG: expected / CG	2	Extra budgetary funds (EBFs)	Yes	Includes the National Property Fund.
CPS / NFPS / GG: expected / CG	3	Social security funds (SSFs)	Yes	
CPS / NFPS / GG: expected	4	State governments	Yes	
CPS / NFPS / GG: expected	5	Local governments	Yes	
CPS / NFPS	6	Public nonfinancial corporations	Yes	
CPS	7	Central bank	No	
CPS	8	Other public financial corporations	Yes	Mauritius' Development Bank is included, but not the State Bank of Mauritius.

3. Instrument coverage:	Currency & deposits	Loans	Debt securities	Oth acct. payable 2/	IPSGSs 3/

	Basis of recording		Valuation of debt stock		
4. Accounting principles:	Non-cash basis 4/	Cash basis	Nominal value 5/	Face value 6/	Market value 7/

5. Debt consolidation across sectors:	Consolidated	Non-consolidated

r code: chosen coverage; Missing from recommended coverage; Not applicable

Reporting on intra-government debt holdings

		Issuer \ Holder	Budget. central govt	Extra-budget. funds	Social security funds	State govt.	Local govt.	Nonfin. pub. corp.	Central bank	Oth. pub. fin corp	Total
CPS / NFPS / GG: expected / CG	1	Budget. central govt		9.0	62.9		0.5	3.3	15.0	29.9	120.6
CPS / NFPS / GG: expected / CG	2	Extra-budget. funds									0.0
CPS / NFPS / GG: expected / CG	3	Social security funds									0.0
CPS / NFPS / GG: expected	4	State govt.									0.0
CPS / NFPS / GG: expected	5	Local govt.									0.0
CPS / NFPS	6	Nonfin pub. corp.									0.0
CPS	7	Central bank						4.5		6.6	11.1
CPS	8	Oth. pub. fin. corp									0.0
		Total	0	9.0	62.9	0.0	0.5	7.8	15.0	36.6	131.7

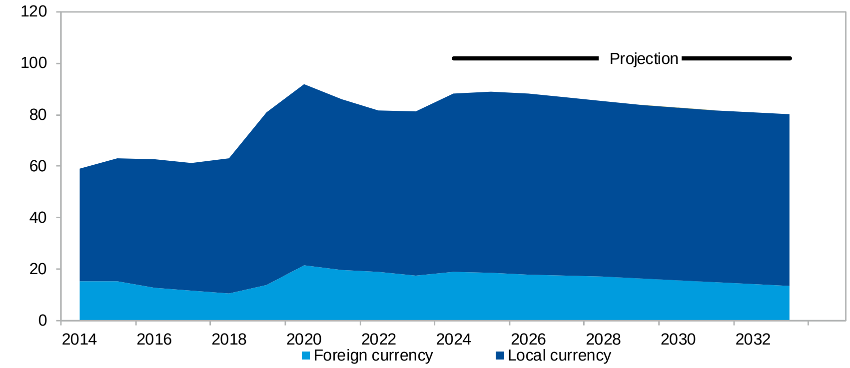
1/ CG=Central government; GG=General government; NFPS=Nonfinancial public sector; PS=Public sector.
2/ Stock of arrears could be used as a proxy in the absence of accrual data on other accounts payable.
3/ Insurance, Pension, and Standardized Guarantee Schemes, typically including government employee pension liabilities.
4/ Includes accrual recording, commitment basis, due for payment, etc.
5/ Nominal value at any moment in time is the amount the debtor owes to the creditor. It reflects the value of the instrument at creation and subsequent economic flows (such as transactions, exchange rate, and other valuation changes other than market price changes, and other volume changes).
6/ The face value of a debt instrument is the undiscounted amount of principal to be paid at (or before) maturity.
7/ Market value of debt instruments is the value as if they were acquired in market transactions on the balance sheet reporting date (reference date). Only traded debt securities have observed market values.

Staff commentary: Public financial corporations exclude public sector commercial banks (i.e., Mauritius' Development Bank is included, but not the State Bank of Mauritius). Local governments may borrow only with the approval and guarantee of the central government, provided that they demonstrate capability to repay. Major social security funds include the National Pensions Fund and the National Savings Fund which have no reported debt but a small amount of payables.

Source: IMF staff.

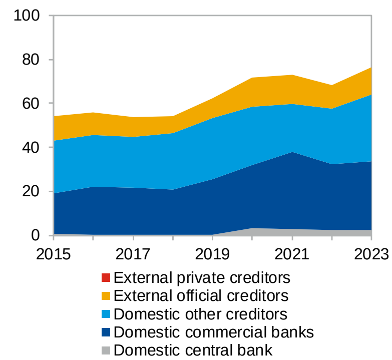
Figure 3. Mauritius: Public Debt Structure Indicators

Debt by Currency (in percent of GDP)



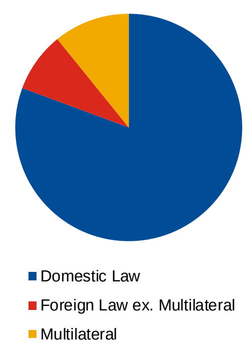
Note: The perimeter shown is nonfinancial public sector.

Public Debt by Holder (in percent of GDP)



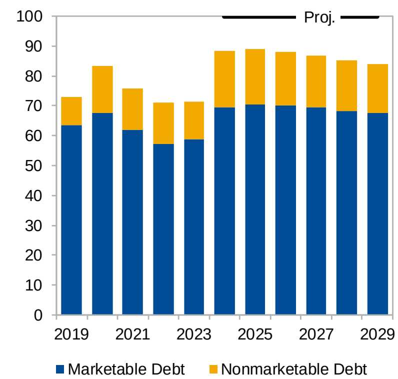
Note: The perimeter shown is general government.

Public Debt by Governing Law, 2023 (in percent)



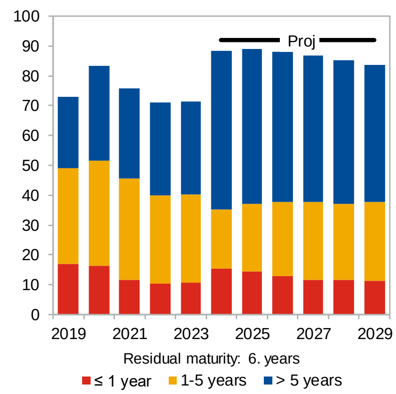
Note: The perimeter shown is general government.

Debt by Instruments (in percent of GDP)



Note: The perimeter shown is general government.

Public Debt by Maturity (in percent of GDP)



Note: The perimeter shown is general government.

Staff commentary: The debt-to-GDP ratio will remain elevated in the medium term. Nevertheless, debt composition is projected to remain relatively favorable as domestic financing and longer maturities will account for most of the debt, and the bulk of debt is potentially marketable.

Source: IMF staff.

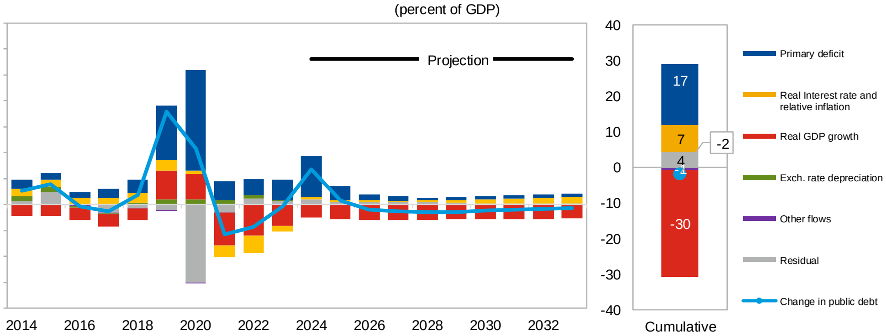
Figure 4. Mauritius: Baseline Scenario

(Percent of GDP unless indicated otherwise)

	Actual	Medium-term projection						Extended projection			
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Public debt	81.5	88.3	89.1	88.1	86.9	85.3	83.9	82.7	81.7	80.8	80.2
Change in public debt	-0.3	6.8	0.8	-1.0	-1.3	-1.5	-1.4	-1.2	-1.0	-0.8	-0.7
Contribution of identified flows	-1.0	5.8	0.3	-1.5	-1.7	-2.0	-1.7	-1.5	-1.3	-1.1	-0.9
Primary deficit	4.0	7.9	2.8	1.2	1.0	0.6	0.6	0.6	0.6	0.6	0.6
Noninterest revenues	24.0	25.7	26.9	27.3	27.4	27.4	27.4	27.4	27.4	27.4	27.4
Noninterest expenditures	28.0	33.6	29.7	28.5	28.4	28.0	28.0	28.0	28.0	28.0	28.0
Automatic debt dynamics	-5.0	-2.0	-2.5	-2.7	-2.7	-2.5	-2.3	-2.0	-1.8	-1.6	-1.4
Real interest rate and relative inflation	-1.1	0.5	0.3	0.2	0.2	0.3	0.5	0.7	0.9	1.1	1.3
Real interest rate	-1.3	0.2	-0.1	-0.1	-0.1	0.1	0.3	0.5	0.7	0.8	1.0
Relative inflation	0.3	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.2	0.2
Real growth rate	-4.1	-2.5	-2.7	-2.9	-2.9	-2.9	-2.8	-2.8	-2.7	-2.7	-2.7
Real exchange rate	0.2	…	…	…	…	…	…	…	…	…	…
Other identified flows	0.0	0.0	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Contingent liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other transactions	0.0	0.0	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Contribution of residual	0.7	1.0	0.5	0.5	0.5	0.4	0.3	0.3	0.2	0.2	0.2
Gross financing needs	14.3	20.6	22.1	20.9	20.3	19.8	19.7	19.4	19.0	18.7	18.4
of which: debt service	10.3	12.7	19.3	19.7	19.4	19.2	19.2	18.9	18.5	18.2	17.9
Local currency	9.8	12.1	18.6	18.9	18.7	18.5	18.5	18.2	17.7	17.4	17.1
Foreign currency	0.5	0.7	0.8	0.8	0.7	0.7	0.7	0.7	0.7	0.7	0.8
Memo:											
Real GDP growth (percent)	5.2	3.1	3.2	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4
Inflation (GDP deflator; percent)	5.2	3.8	3.8	3.7	3.6	3.6	3.6	3.6	3.6	3.6	3.6
Nominal GDP growth (percent)	10.7	7.1	7.1	7.2	7.2	7.1	7.1	7.1	7.1	7.1	7.1
Effective interest rate (percent)	3.4	4.1	3.7	3.6	3.6	3.7	3.9	4.2	4.5	4.7	4.9

Contribution to change in public debt

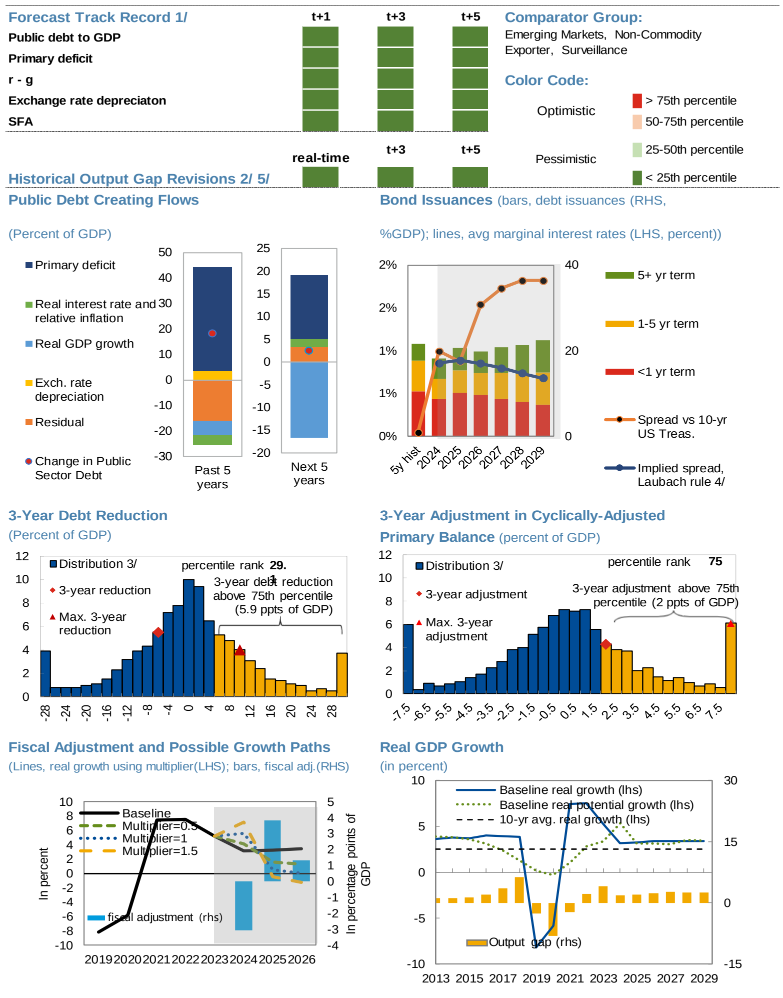
(percent of GDP)



Staff commentary: Public debt will remain high but decline over the projection period driven by the r-g dynamics. The projected real GDP over the period should contribute to reduce debt, despite being partially offset by the effects of a relatively high primary deficit and real interest rate. Gross financing needs will remain elevated, only declining slowly towards the end of the projection horizon. While total public debt in the SRDSF includes SOEs debt, the government budget does not consolidate SOEs. Also, valuation effects are not fully accounted for. Hence the table shows contribution of unidentified residuals to the change in debt.

Source: IMF staff

Figure 5. Mauritius: Realism of Baseline Assumptions



Staff commentary: The forecast track record tool does not show any projection realism issues as all cells are green throughout the table. As the post-pandemic recovery continues, growth will be the major contributor to debt reduction in the projection period. The adjustment to the cyclically adjusted primary balance envisaged in the baseline is very ambitious given that it falls above the 75th percentile of past adjustments observed in other market access countries. The realism tool shows that growth could be negatively impacted by fiscal adjustment. However, the small current expenditure multiplier in Mauritius should lessen the impact of the adjustment on growth. The negative impact on growth could be contained by improving the efficiency of public spending.

Source: IMF staff.

1/ Projections made in the October and April WEO vintage.

2/ Data cover annual observations from 1990 to 2019 for MAC advanced and emerging economies. Percent of sample on vertical axis.

3/ Starting point reflects the team's assessment of the initial overvaluation from EBA (or EBA-Lite).

4/ The Laubach (2009) rule is a linear rule assuming bond spreads increase by about 4 bps in response to a 1 ppt increase in the projected debt-to-GDP ratio.

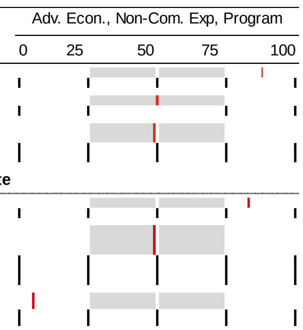
5/ Calculated as the percentile rank of the country's output gap revisions (defined as the difference between real time/period ahead estimates.

Figure 6. Mauritius: Medium-Term Risk Analysis

Debt Fanchart and GFN Financeability Indexes

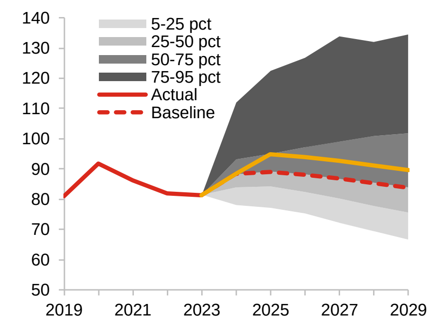
(in percent of GDP unless otherwise indicated)

Module	Indicator	Value	Risk index	Risk signal
Debt fanchart module	Fanchart width	67.6	1.0	…
	Probability of debt not stabilizing (pct)	18.9	0.2	…
	Terminal debt level x institutions index	30.2	0.7	…
	Debt fanchart index	**…**	**1.8**	**Moderate**
GFN finance-ability module	Average GFN in baseline	20.6	7.0	…
	Bank claims on government (pct bank assets)	8.9	2.9	…
	Chg. in claims on govt. in stress (pct bank assets)	1.8	0.6	…
	GFN financeability index	**…**	**10.5**	**Moderate**

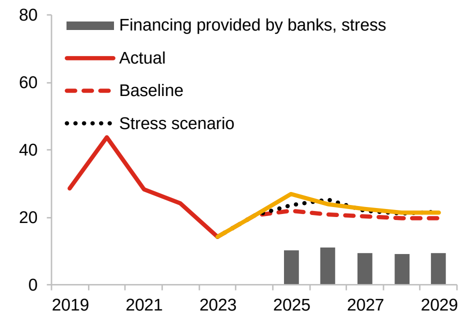


Legend: Interquartile range Mauritius

Final Fanchart (in percent of GDP)



Gross Financing Needs (in percent of GDP)

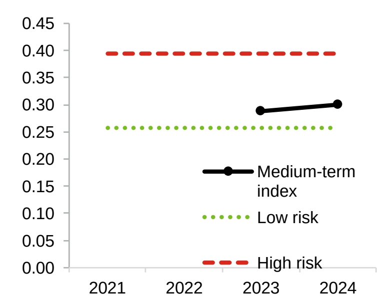


Triggered stress tests (stress tests not activated in gray)

Banking crisis | Commodity prices | Exchange rate | Contingent liab. | Natural disaster

Medium-term Index

(index number)



Medium-term Risk Analysis

	Low risk threshold	High risk threhsold	Weight in MTI	Normalized level
Debt fanchart index	1.1	2.1	0.5	0.4
GFN finaceability index	7.6	17.9	0.5	0.2
Medium-term index (MTI)	0.3	0.4	…	0.3, Moderate

Prob. of missed crisis, 2024-2029 (if stress not predicted): 18.2 pct.

Prob. of false alarm, 2024-2029 (if stress predicted): 27.3 pct.

Staff commentary: The Debt Fanchart and the GFN modules point to a moderate level of risk as the fan chart width and average financing needs fall above the median of the historical cross-country distribution. In the event of natural disaster shocks (to which Mauritius is highly vulnerable), gross financing needs would increase and remain permanently higher than in the baseline projection.

Source: IMF staff.

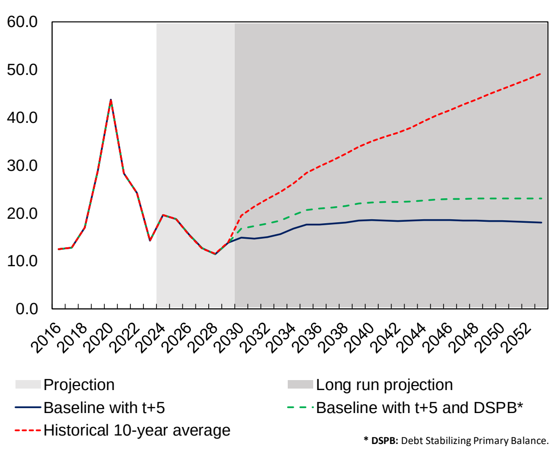
Figure 7. Mauritius: Long-Term Risk Analysis

Large Amortization Trigger

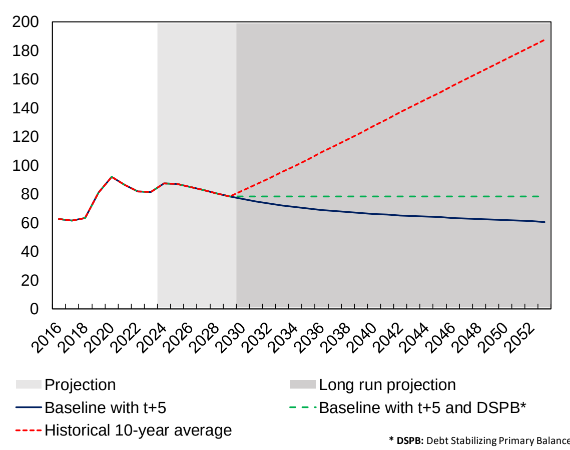
Projection	Variable	Risk Indication
Medium-term extrapolation	GFN-to-GDP ratio	
	Amortization-to-GDP ratio	
	Amortization	
Medium-term extrapolation with debt stabilizing	GFN-to-GDP ratio	
	Amortization-to-GDP ratio	
	Amortization	
Historical average assumptions	GFN-to-GDP ratio	
	Amortization-to-GDP ratio	
	Amortization	
Overall Risk Indication		

Alternative Baseline Long-term Projections

GFN-to-GDP ratio



Total Public Debt-to-GDP Ratio



Staff commentary: The risk from abnormally large debt amortizations over the longer-term horizon is overall low. Under a scenario in which the primary balance and other debt drivers would stay at their 10-year historical average, the risk would be high. Given the large pandemic-induced primary deficits in some historical years, this scenario is unrealistic. Under the baseline scenarios, financing needs and debt would stabilize in the long run, albeit at high levels.

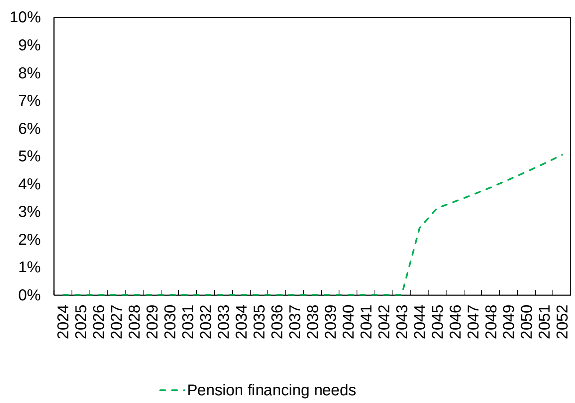
Source: IMF staff.

Figure 8. Mauritius: Long-Term Risk Analysis (continued)

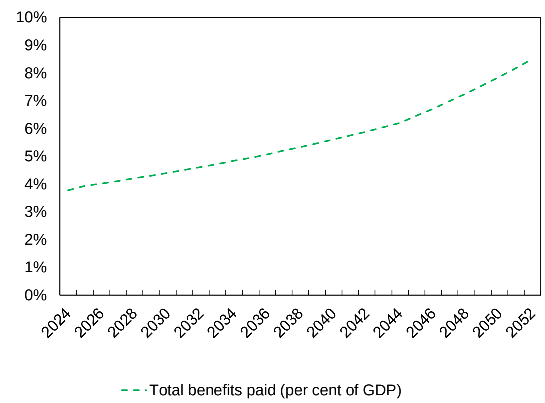
Demographics: Pension

Permanent Adjustment Needed in the Pension System (in percentage points of GDP per year)	To keep pension assets positive for:		
	30 years	50 years	Until 2100
	1.42%	5.22%	17.10%

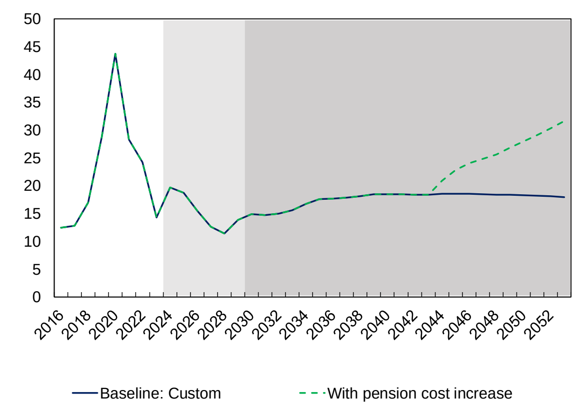
Pension Financing Needs



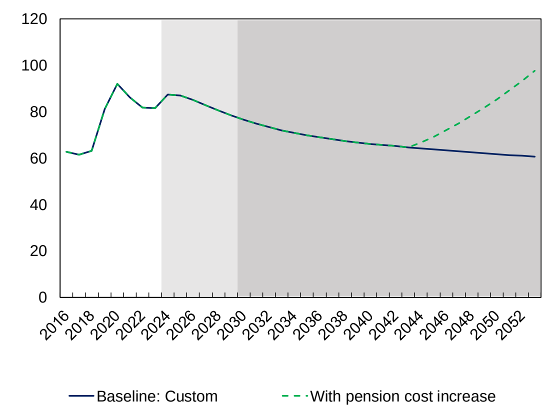
Total Benefits Paid



GFN-to-GDP ratio



Total Public Debt-to-GDP Ratio



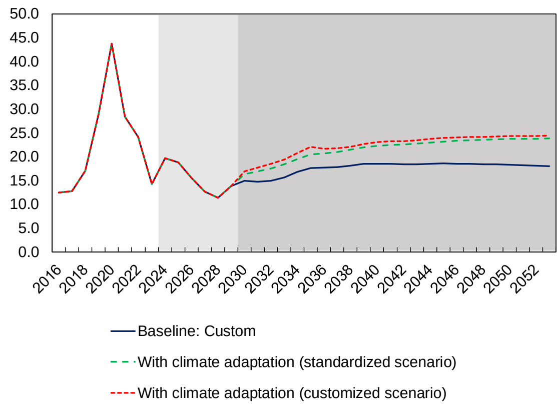
Staff commentary: The Long-Term Risk Analysis suggests that demographic pressures may be a significant source of risk. Mauritius faces significant pension imbalances with benefits paid in FY23/24 estimated at 7.6 percent of GDP and contributions at around 2 percent. Mauritius is already facing a declining population due to ageing, with the dependency ratio projected to worsen over time. Assuming that (i) pension contributions are doubled, and benefits halved in the medium term, (ii) contributions grow at the same rate as GDP per worker over time, and (iii) the labor force participation rate increases gradually over the next 20 years, stabilizing at over 70 percent, pension financing needs would gradually increase starting in 2045 as assets from the National Pension Fund are gradually depleted. This would push gross financing needs on a rising path and above the baseline. An alternative scenario with no policy changes would result in a more adverse path. A more ambitious reform would be needed to ensure pension sustainability. This simple analysis is not based on a detailed actuarial pension study which was not available to staff at the time of the analysis.

Source: IMF staff.

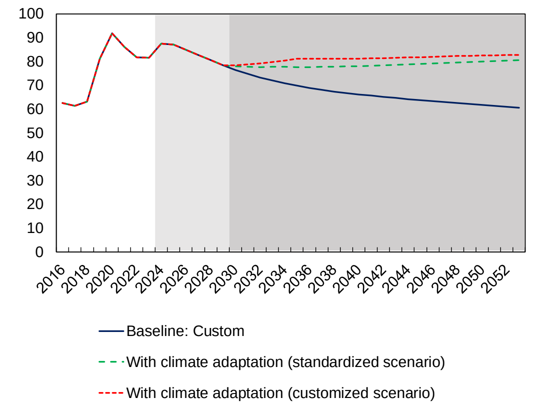
Figure 8. Mauritius: Long-Term Risk Analysis (Concluded)

Climate Change: Adaptation

GFN-to-GDP ratio



Total Public Debt-to-GDP Ratio



Staff commentary: Mauritius is vulnerable to climate shocks, which have caused average damages estimated at 1.5 to 2.3 percent of GDP per year during 1960-2022. Under a scenario in which public investment is scaled up permanently by 1.5 percent of GDP in each year beyond t+5 to finance climate adaptation (standardized scenario), gross financing needs and public debt would increase permanently above the baseline. Financing needs and debt would be higher under a more aggressive scaling up of 2 percent of GDP per year (customized scenario).

Source: IMF staff.

Annex III. External Sector Assessment

Overall Assessment: *The external position of Mauritius at end-2024 was weaker than the level implied by fundamentals and desirable policies. The current account deficit is estimated to have widened to 6.5 percent of GDP in 2024 (from 5.1 percent of GDP in 2023), due to higher imports and freight costs. The reserve adequacy assessment suggests that international reserves at end-2024 were above the lower bound of the advisable range.*

Potential Policy Responses: *Implementing a medium-term growth-friendly fiscal consolidation would help reduce external imbalances. Preserving financial stability and continuing to strengthen the AML/CFT framework would help sustain capital and financial flows. Structural reforms to promote private sector competitiveness through productivity-enhancing labor market regulations and skills upgrade are essential to support investment, innovation, and sustainable financial inflows, including FDI in new productive sectors, and improve resilience to global shocks.*

Foreign Assets and Liabilities: Position and Trajectory

Background. The NIIP is estimated at 210 percent of GDP in 2024, down from 229 percent in 2023. About 51 percent of the 2024 NIIP comes from the volatile Global Business Companies (GBCs) sector while the less volatile domestic economy's NIIP makes up the remaining 49 percent. The decrease in NIIP in 2024 was primarily driven by increases in foreign direct and other investment liabilities of GBCs. FDI and other investment accounted for 67 and 17 percent of total gross liabilities, respectively. Portfolio investments accounted for 29 percent of gross assets and 16 percent of liabilities.

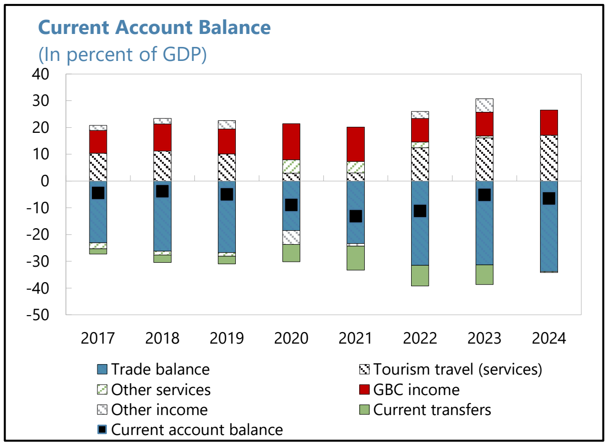
Assessment. Vulnerabilities from large gross liabilities (3944 percent of GDP in 2024) are expected to be mitigated by large external assets (4153 percent of GDP in 2024). However, given Mauritius' financial center status, the complex nature of transactions in the GBC sector and domestic banks' large exposure to GBC deposits, it is important to continue monitoring banks' exposure and credit risks, developments in the GBC sector and the sensitivity of GBCs and non-resident flows to global financial conditions. Closely following changes in foreign legal and taxation frameworks is also important as they may also impact GBC flows.

2024 (% GDP)	NIIP: 210	Gross Assets: 4153	Debt Assets: 153.4	Gross Liab.: 3944	Debt Liab.: 609

Current Account

Background. Mauritius' current account deficit widened from 5.1 percent of GDP in 2023 to 6.5 percent of GDP in 2024, reflecting higher imports and freight costs. Over the medium term, the current account deficit is expected to converge to about 4 percent of GDP, reflecting an improvement in the trade balance supported by slower growth in global food and energy prices.

Assessment. Based on the EBA-lite current account (CA) model, the CA norm is estimated at 4.8 percent of GDP in 2024. Given Mauritius' extremely large NIIP, it is estimated that the current account balance understates income inflows related to retained earnings on portfolio equity investment and overstates income debit on portfolio and other debt instruments (see IMF Working Paper 19/132, "*The Measurement of External Accounts*"). To account for a downward bias in measurement of net income flows, the -6.5 percent of GDP CA balance in 2024 is adjusted upwards (by +7.1 percent of GDP). The CA adjustor is estimated with disaggregated NIIP data.[1] Given the adjusted CA in 2024 (of 0.8 percent of GDP) and the estimated CA norm (of 4.8 percent of GDP), the model delivers a CA gap of -4.0 percent of GDP. The 2024 CA gap is more negative than in 2023, reflecting a higher estimate for the CA norm (due in part to higher reserve accumulation and net IIP) and a higher actual CA deficit.



Mauritius: EBA-lite Model Results, 2024

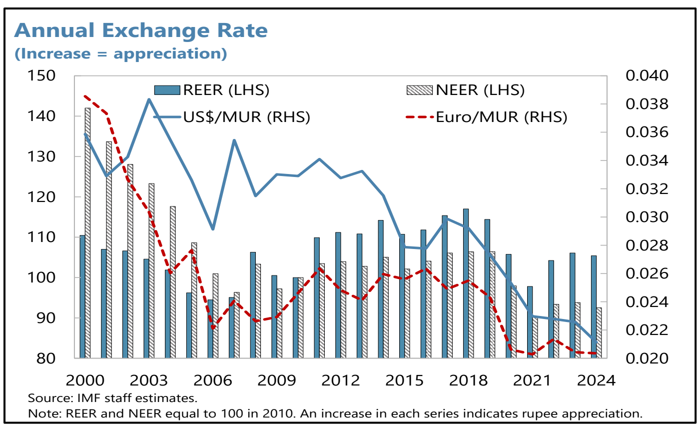
	CA model 1/ (in percent of GDP)
CA-Actual	**-6.5**
Cyclical contributions (from model) (-)	-0.2
Adjustment due to understated net income 2/	7.1
Adjusted CA	**0.8**
CA Norm (from model)	**4.8**
Adjusted to the norm (+)	0.0
Adjusted CA Norm	**4.8**
CA Gap	**-4.0**
o/w Relative policy gap	2.4
Elasticity	-0.3
REER Gap (in percent)	**13.4**

1/ Based on the EBA-lite 3.0 methodology.

2/ Includes adjustor to account for the impact of understated net income in the income account.

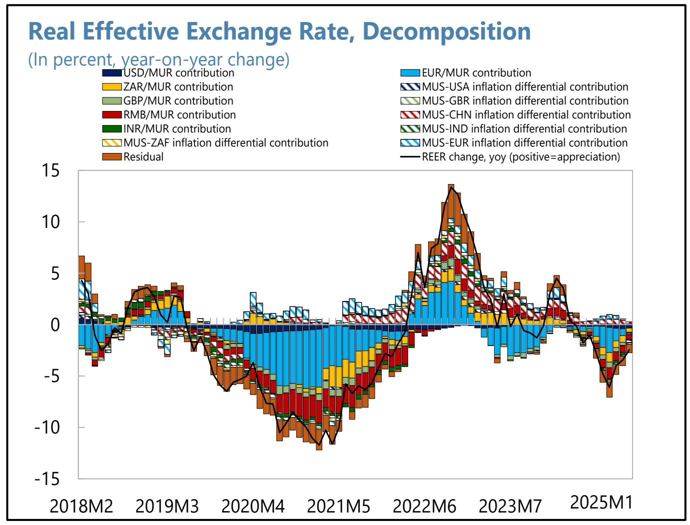
Real Exchange Rate

Background. The year average real effective exchange rate (REER) depreciated by 1.7 percent in 2024, after appreciating by 5.8 and 2.5 percent in 2022 and 2023, respectively. The REER depreciation in 2024 is driven mainly by the depreciation in the nominal effective exchange rate. Between end-December 2024 and end-April 2025, the Mauritian rupee appreciated by 4.0 percent relative to the U.S. dollar.



Source: IMF staff estimates.
Note: REER and NEER equal to 100 in 2010. An increase in each series indicates rupee appreciation.

Assessment. The Index Real Effective Exchange Rate model (IREER) estimates an undervaluation of the REER in 2024 of 0.2 percent. However, the IREER-model results are characterized by large residuals entailing high uncertainty. As a result, staff assesses the REER using instead the staff-assessed 2024 CA gap (of -4.0 percent of GDP) and a staff-estimated elasticity of 0.3, delivering an assessment of overvaluation of the 2024 REER by 13.4 percent.

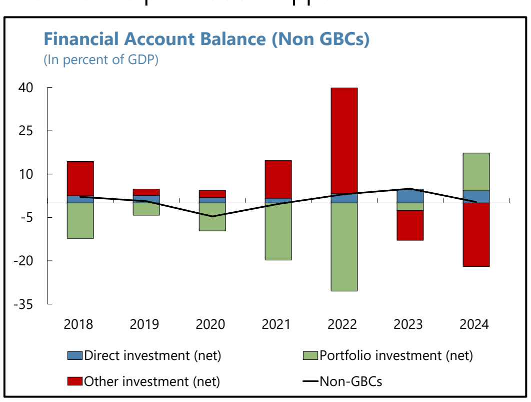


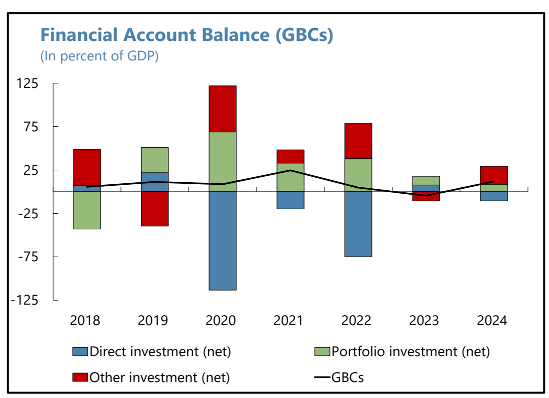
Sources: Country authorities and IMF staff estimates

Capital and Financial Accounts: Flows and Policy Measures

Background. Mauritius' capital account is open.[2] Total net international capital and financial flows increased to about 14.5 percent of GDP in 2024 (against outflows of 0.9 percent in 2023). The GBC sector experienced a net financial inflow of 19.1 percent of GDP in 2024, from 7.2 percent in 2023, reflecting GBCs' large portfolio and other investment inflows. The domestic sector (excluding GBC) recorded net outflows of 4.7 percent of GDP (from net inflows of 8.1 percent of GDP in 2023). Gross FDI inflows in the domestic economy declined to 6.0 percent of GDP in 2024 from 6.6 percent of GDP in 2023 and remain concentrated in the real estate sector. In the medium term, the capital and financial account is expected to record a surplus, with the GBC sector operating as in the pre-pandemic years.

Assessment. Steady net financial inflows in the medium term will depend on the dynamics of the GBC sector, including how to attract new businesses in the sector. The operations of this sector will need to be maintained against the continued implementation of AML/CFT measures. Structural reforms to promote private sector competitiveness would help attract FDI inflows into the domestic economy. High concentration of FDI inflows in real estate should continue to be monitored and regulatory incentive schemes may need to be reviewed if signs of a real estate price boom appear.





Sources: Country authorities and IMF staff estimates.

FX Intervention and Reserves Level

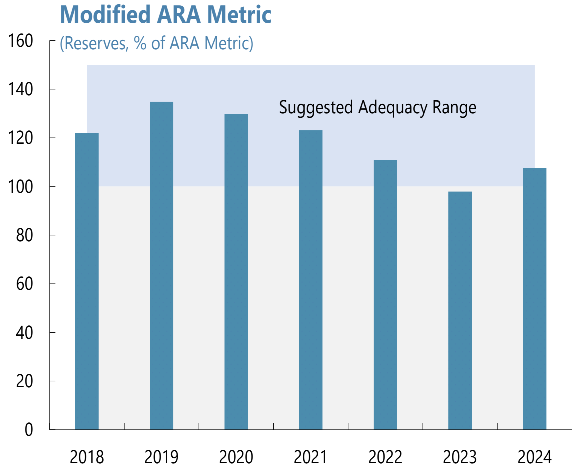
Background. Gross official international reserves (GOIR) stood at US$8.5 billion at end-2024 (up from US$7.3 in 2023)—about 11.9 months of imports, 56.6 percent of GDP, 356.2 percent of exports, and 80 percent of short-term external debt. The increase in GOIR in 2024 relative to 2023 reflects the increase of banks' deposit with BOM. GOIR further increased to US$8.8 billion at end-March 2025. Mauritius' *de jure* and *de facto* exchange rate arrangement is floating. Since December 2023, the exchange rate has gradually gained flexibility against the U.S. dollar—with a 7 percent depreciation between end-2023 and end-2024—warranting reclassification: (1) from "stabilized" to "crawl-like" effective December 15, 2023, and (2) from "crawl-like" to "floating" effective August 2, 2024.

BOM intervened in the foreign exchange market during 2017–19 (with average annual net purchases of US$0.47 billion) to accumulate international reserves reaching US$7.3 billion (equivalent to 16.9 months of imports) at end-2019. During the pandemic period (2020–22), BOM conducted interventions in the foreign exchange market, with net sales averaging US$0.92 billion per year. This took place against the backdrop of a sharp deterioration of the current account including due to the collapse in tourism and high international oil and food prices. Post-pandemic (2023-24), BOM net foreign exchange sales dropped to US$0.36 billion average per year. Over 2020–24, international reserves have been supported by BOM's external borrowing (about US$1.4 billion).

Assessment. Foreign reserve adequacy is assessed with the IMF standard ARA metric methodology, adjusted to reflect Mauritius-specific risks of disruptions to foreign funding of GBCs. The evaluation of reserve adequacy for end-2024 is based on the standard ARA metric augmented with 15 percent of all gross foreign deposits of GBCs.[3] On this basis, the stock of international reserves at end-2024 is estimated to cover 108.2 percent of the ARA metric, above adequacy level.[4]

The large size and complex structure of the GBC sector, the relatively shallow foreign exchange market, and openness to capital and financial flows warrant strong buffers against external shocks. To this end, opportunistic BOM foreign exchange purchases, consistent with inflation targeting, would support further reserve accumulation. Foreign exchange swap arrangements and credit lines with other central banks could provide for additional liquidity insurance mechanisms in a situation of market distress.

Modified ARA Metric
(Reserves, % of ARA Metric)



Sources: Country authorities and IMF staff estimates.

ARA Metric 2024 (billion of US$)

	Adjusted	Unadjusted
ARA metric 1/	7.86	32.34
Reserves	8.51	8.51
in percent of the ARA metric	108.24	26.31

1/ Assessing Reserve Adequacy (ARA) Metric.The unadjusted ARA metric follows the standard methodology applied to emerging markets. It captures the standard emerging market vulnerabilities from the following risks: lower export income, lower rollover rates of short-term debt, non-resident capital outflows proxied by the sum of portfolio liabilities and other liabilities excluding short-term debt, and resident capital flight proxied by broad money. The adjusted ARA metric augments the standard metric to account for the complexity of the interactions of the Mauritian Global Business Company (GBC) sector with the financial sector by including as idiosyncratic factor a portion of gross deposits of the GBCs. It also excludes from other liabilities those from GBCs. The unadjusted ARA metric calculation is updated relative to Country Report 24/139 to include other GBCs' liabilities as part of other liabilities.

[1] The adjustor is calibrated based on a granular CA regression model—applied to the EBA sample only—that substitutes total NIIP with separate components of net FDI, net portfolio equity, net debt, and official reserves. The actual CA balance is then adjusted by the difference between the impact of a single NIIP variable and the impact of NIIP components. To make the estimation of the adjustor consistent with the EBA-lite sample, staff applied the percent deviation of EBA-lite coefficient on aggregate NIIP from that of EBA to adjust the coefficients obtained from the granular CA regression model.

[2] The Financial Account Restriction Index (FARI), a measure of *de jure* capital controls on a scale of 0 to 1, is at 0.14 indicating an open capital account.

[3] The adjusted ARA metric excludes GBCs' other external liabilities from other liabilities, as GBCs' other external liabilities are matched by GBCs' external asset holdings. The adjusted ARA metric also adds an extra term (foreign gross deposits with GBCs), with 15 percent weight, to account for risks of disruptions to foreign currency funding of the GBC sector. The 15 percent weight reflects risks and vulnerabilities of GBCs that are assessed to be comparable to those of other external liabilities. In addition, the Bank of Mauritius has put in place relatively stringent regulations for the banking sector to manage liquidity risk efficiently (including FX liquidity risk), with regular upgrades and in line with international norms.

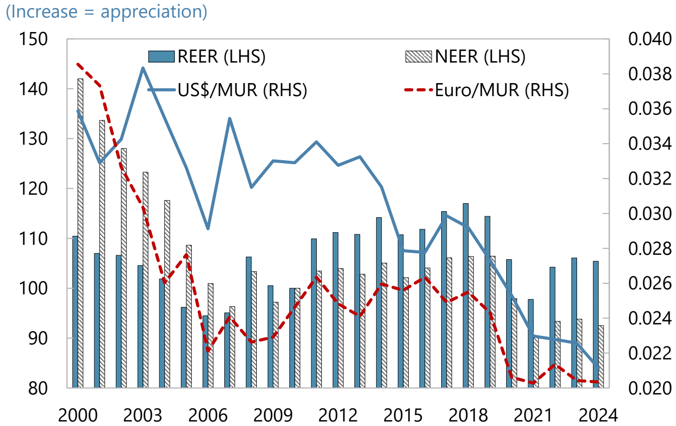
[4] The revised methodology was also motivated by the need to avoid taking out of the components of the metric portions that are considered more liquid, which would go against the spirit of the ARA metric exercise. One of the main intentions of the ARA metric exercise is to estimate the potential FX liquidity needs of a country in adverse scenarios against which reserves could be held as a precautionary buffer. Therefore, the goal is not to accumulate gross reserves to meet the minimum FX liquidity needs but to prepare for tail risk events in case the central bank must play the role of the lender of last resort.

Annex IV. Bank of Mauritius' Policy Framework: Lessons from the IMF Integrated Policy Framework

As a small open economy exposed to global tourism and financial flows shocks, Mauritius' foreign exchange intervention (FXI) policy can benefit from guidance from the IMF Integrated Policy Framework (IPF). The analysis suggests that FXI should be reserved to address acute FX liquidity shortages to facilitate price discovery and lean against sharp exchange rate fluctuations, provided reserves are sufficient, while ensuring an appropriate stance of monetary and fiscal policies.

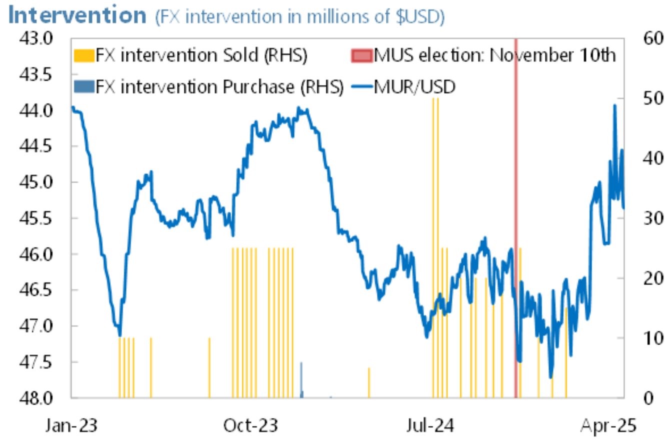
1. In 2023, the Bank of Mauritius (BOM) started implementing a new monetary policy framework under an Inflation Targeting (IT) regime, maintaining a floating exchange rate. Given Mauritius' reliance on tourism exports and financial flows from the Mauritius International Financial Center, the economy is vulnerable to external shocks. On top of the pandemic external shocks, post-pandemic accommodative fiscal policy (that boosted imports and FX demand) contributed to rupee depreciation pressures, while the external position remains weaker than the level implied by fundamentals and desirable policies. FX interventions (net sales) were substantial immediately following the pandemic, averaging US$0.92 billion per year over 2020-22, but they have significantly decreased since 2023, averaging US$0.36 billion over 2023-24. BOM resorts to FXI occasionally, though its FX policy, like many other IT central banks' FX policies, is not well understood by the public.

Figure 1. Annual Exchange Rate
(Increase = appreciation)



Source: IMF staff estimates.
Note: REER and NEER equal to 100 in 2010. An increase in each series indicates rupee appreciation.

Figure 2. Daily Rupee-per-USD Exchange Rate and BOM FX Intervention (FX intervention in millions of $USD)



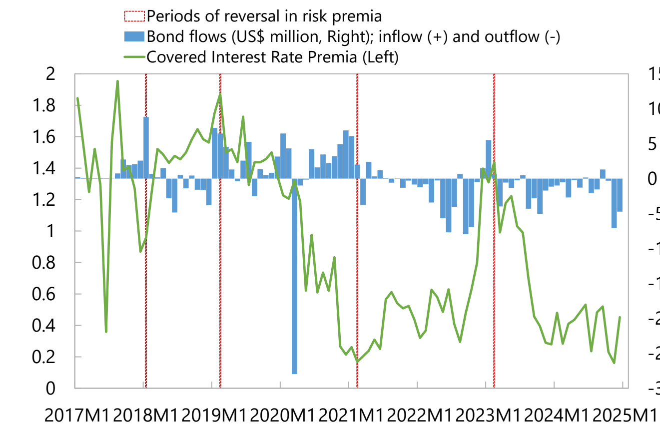
Source: Bank of Mauritius.

2. The IPF can inform BOM policymaking, including regarding FXI. The IMF's IPF guidance cautions against the use of FXI to delay necessary macroeconomic adjustments or deplete reserves to a point where currency pressures could intensify. The IPF contemplates the use of FXI under *three cases of market frictions:*

(Case A) shallow or temporarily illiquid markets; (Case B) unhedged currency exposure of balance sheets; and (Case C) de-anchoring of inflation expectations due to high exchange rate passthrough.[1]

3. The FX market in Mauritius indicated shallowness during late 2022 and early 2023, with significant improvements since 2024. Market shallowness can be proxied by widening risk premia implicit in the covered (CIP) or uncovered interest parity condition (UIP). The shallower the market, the higher the premia, as countries are expected to compensate foreign investors for the risk of holding their local currency debt. Analysis of Mauritius' risk premia does not suggest evidence of market shallowness or temporary illiquidity (*IPF Case A*) since early 2023. While the risk premia increased sharply during the second half of 2022 and early 2023, they have declined since then and remained broadly stable during 2024 (Figure 3).[2]

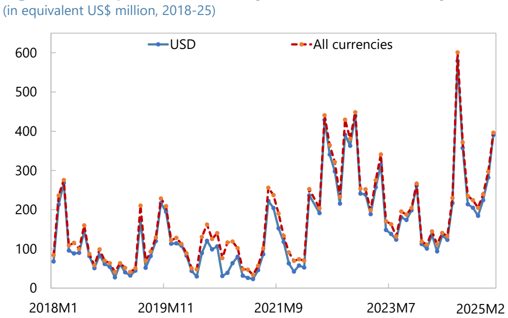
Figure 3. Risk Premia and Capital Flows



Sources: Refinitiv; FDIC National Rates data; Haver; and IMF staff calculations.

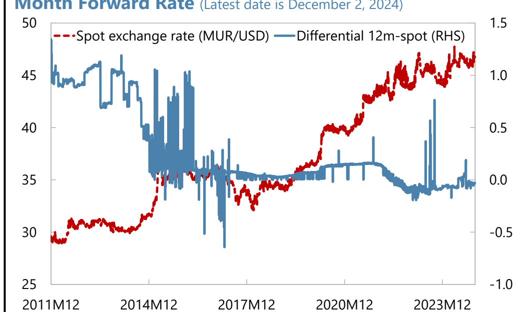
4. Similarly, FX market shallowness is not evident since 2024 in forward/spot rates. Banks' reliance on swap transactions increased since the second half of 2024 (Figure 4), which may reflect banks' hedging against exchange rate risk or other factors. On the other hand, market illiquidity appears to be contained as proxied by the small deviation between spot and forward rates and bid and ask rates. The deviation between the 3-month forward rates and the spot rate has centered

Figure 4. Swap Transactions by Banks in FX Currency
(in equivalent US$ million, 2018-25)



Sources: Bank of Mauritius; and IMF staff calculations.

Figure 5. Spot Exchange Rate and Differential with 3-Month Forward Rate (Latest date is December 2, 2024)



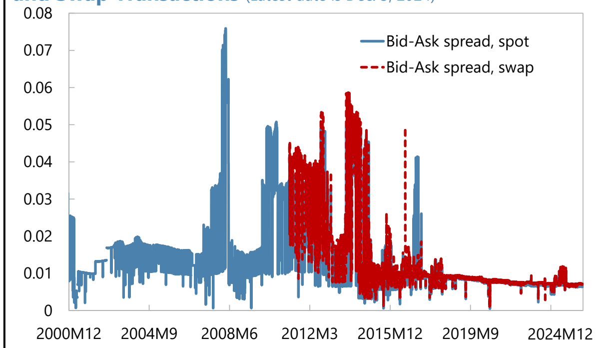
Sources: Refinitiv; and IMF staff calculations.

[1] See IMF (2023) "Integrated Policy Framework—Principles for the Use of Foreign Exchange Intervention." The IPF is a general IMF conceptual and practical framework to help guide policymaking on the joint use of foreign exchange intervention (FXI), macro-prudential measures (MPMs), and capital flow management measures (CFMs), in addition to the standard toolkit of monetary and fiscal policy. Regarding FXI, the IPF offers a structured approach to formulate an FXI strategy considering a country's characteristics and the nature of the shocks, underpinned by an explicit analysis of the frictions that may give rise to financial stress and disruptive movements in the exchange rate.

[2] The risk premium is estimated using the formula $\delta = \frac{i_t - i_t^*}{(1+i_t^*)} + \frac{F_{t,t+1} - S_t}{S_t}$, where i and i^* are the domestic and the U.S. interest rates on deposits, up to 6-month and 3-month maturity, respectively. F is the 3-month forward exchange rate (Rs/US$) and the S is the spot rate, and t is a time subscript.

around zero since 2022, despite some temporary spikes in May-September 2023 (Figure 5), suggesting no sizable depreciation expectations or market illiquidity.[3] Similarly, the bid-ask spread has stayed stable and close to zero since 2018, despite some small spikes in 2023 (Figure 6). Overall, analysis of swap transactions and forward/spot rates does not suggest evidence of market shallowness or temporary illiquidity (*IPF Case A*) in 2024.

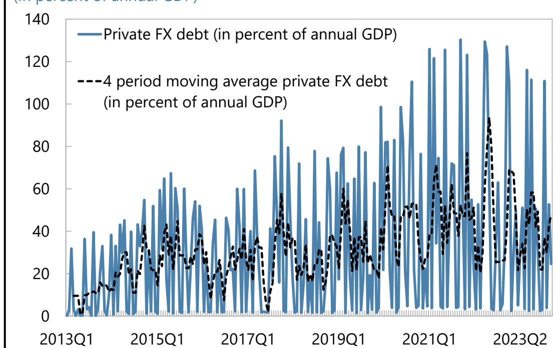
Figure 6. Spreads in the Exchange Rate (MUR/USD) in Spot and Swap Transactions (Latest date is Dec. 3, 2024)



Sources: Refinitv; and IMF staff calculations.

5. Financial stability risks related to unhedged FX exposures appear contained. Private FX debt in Mauritius is around 40 percent of GPD, partly reflecting its large offshore sector dominated by Global Business Companies. However, the financial system hedges FX exposures limiting FX mismatches. Moreover, BOM's stress tests on sudden outflows of non-resident FX deposits suggest sufficient buffers are in place. There is no evidence of unhedged household or corporate mismatches.[4] Available data do not suggest a case of unhedged currency exposures to justify FXI as a way of countering financial stability risks (*IPF Case B*).

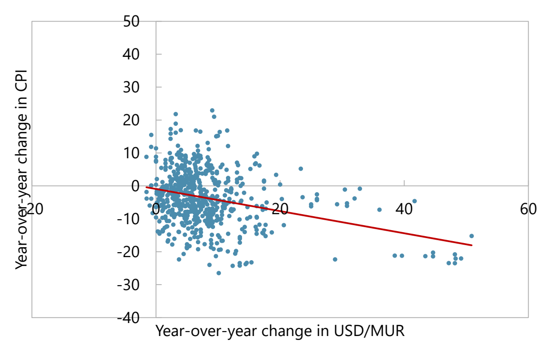
Figure 7. Private FX Debt
(In percent of annual GDP)



Sources: Refinitiv; and IMF staff calculations.

6. Inflation expectations are within BOM's target range. In Mauritius, changes in the exchange rate are correlated with inflation (Figure 8) and with inflation expectations (Figure 9). However, conjuncturally, there seems to be no need for FXI as actual and expected inflation have declined in recent months and are within the 2–5 percent BOM target range. In the event of sharp changes in the exchange rate that risk de-anchoring inflation expectations undermining price stability objectives, when standard

Figure 8. CPI and FX Rates
(In percent change)



Sources: Haver analytics; and IMF staff calculations.

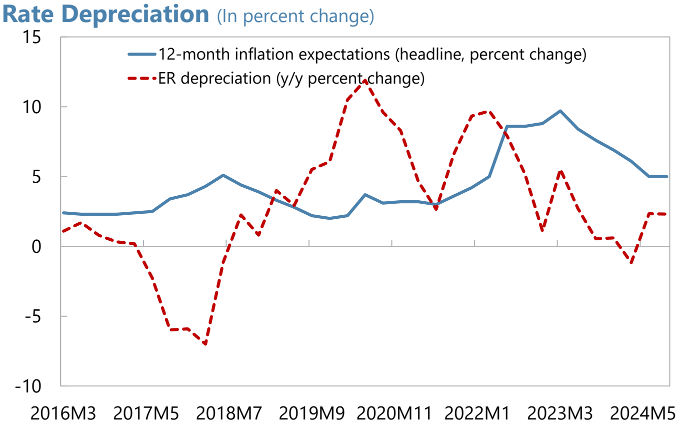
[3] The same pattern emerges when considering the 12-month forward rate.

[4] Regarding households, a balance sheet matrix analysis (Annex VII) shows that near-all households' liabilities to financial corporations, as well as assets, are in local currency, while households' FX assets are much larger than FX liabilities. Corporate indebtedness in FX continues to be low, with a falling share of corporate FX credit in total corporate credit (29 percent in June 2024), with banks mitigating risk by ensuring borrowers have an FX income flow.

monetary policy is insufficient, FXI could be contemplated under the IPF to counter the fluctuations (*IPF Case C*).

7. As a small open economy exposed to global tourism and financial flows shocks, Mauritius should continue to rely on exchange rate flexibility and FX purchases when opportunities arise—and in line with the monetary policy framework—to help further build external reserve buffers to ensure ability to respond to large shocks, while ensuring an appropriate stance of monetary and fiscal policies. Moreover, given the lack of a well-established FXI policy framework, the use of FXI by BOM risks blurring monetary policy objectives. Against this background, FXI should be reserved to address acute FX liquidity shortages to facilitate price discovery and lean against sharp exchange rate fluctuations, provided reserves are sufficient.

Figure 9. Expected Inflation and Actual Exchange Rate Depreciation (In percent change)



Sources: Bank of Mauritius; and IMF staff calculations.

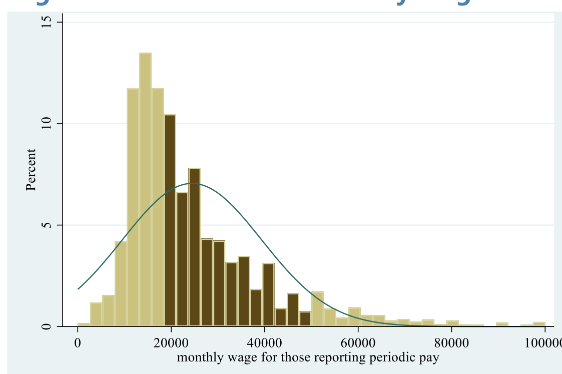
Annex V. Recent Trends in Wages and Productivity[1]

Wage regulations introduced in late 2024 aim to boost wages in light of the higher cost of living. However, absent increases in productivity, higher wages could hinder competitiveness, fuel inflationary pressures, reduce employment, and depress tax revenue. It would be useful to assess whether these potential costs outweigh the benefits.

1. Recent labor market regulations have led to higher wages:

- **In September 2024, regulations for wage increases—previously only applicable to the minimum wage—were extended to higher salaries.** The minimum wage was last increased by 30 percent in January 2024, to Rs 16,500 per month. In September 2024, a *Wage Relativity* adjustment was implemented with the objective of restoring the wage differential for workers earning above the minimum wage. The adjustment covered most workers earning between Rs 20,000 and 50,000 monthly—who account for about 45 percent of employees aged between 16 to 60 years old (Figure 1). The regulation led to a higher government wage bill (+0.2 ppt of GDP) and new government subsidies to help selected SMEs bear the higher labor cost (+0.2 ppt of GDP).

Figure. 1 Distribution of Monthly Wages



Sources: IMF staff estimates based on the 2023 Household Budget Survey.

- **In December 2024, the new government enacted a 14th month salary bonus** for public and private employees. As some SMEs were unable to absorb the additional labor cost, the government had to subsidize them through higher transfers (0.2 percent of GDP).

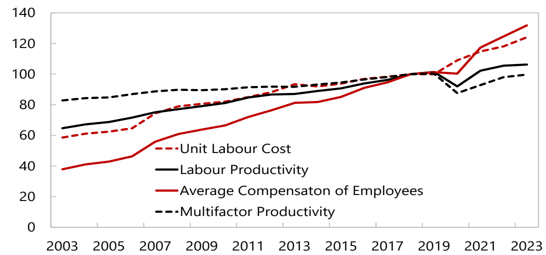
2. These measures could undermine competitiveness. They come at a time when corporate profitability has shrunk. A sustained increase in compensation after the pandemic has increased the labor cost while productivity has lagged (Figure 2). This adversely impacted profits as proxied by gross operating surplus (Figure 3). Going forward, in the absence of increases in productivity, a further increase in wages could hinder competitiveness.

3. The new regulations may bring inflationary pressures and could negatively affect employment. Post-pandemic inflation is highly correlated with wage growth (Figure 4), highlighting an apparent wage-price spiral and inflationary risks. Despite falling profits during the pandemic, employment did not decline as fast (Figure 5). Profitability has remained high enough to sustain some hiring, and the 2020–22 government wage assistance scheme to corporates also helped. However, looking ahead with eroded fiscal buffers and corporate profits, the ability to sustain hiring will be

[1] Prepared by Felix Simione (AFR).

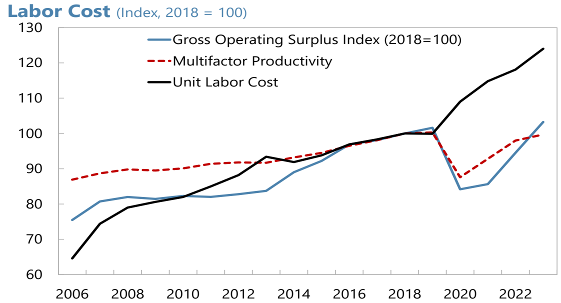
more challenging following the recent regulations—unless productivity increases as well, employment may be negatively impacted.

Figure 2: Average Compensation, Unit Labor Cost, and Labor Productivity (Index, 2018 = 100)



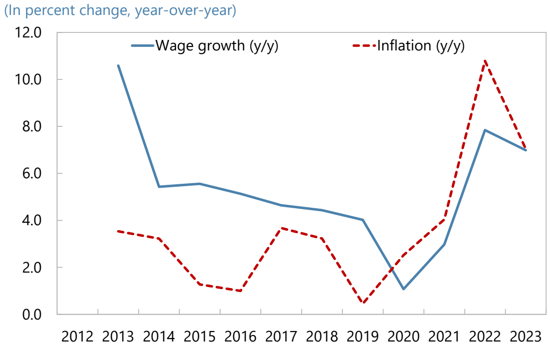
Sources: Statistics Mauritius; and IMF staff calculations.

Figure 3: Gross Surplus, Total Productivity, and Unit Labor Cost (Index, 2018 = 100)



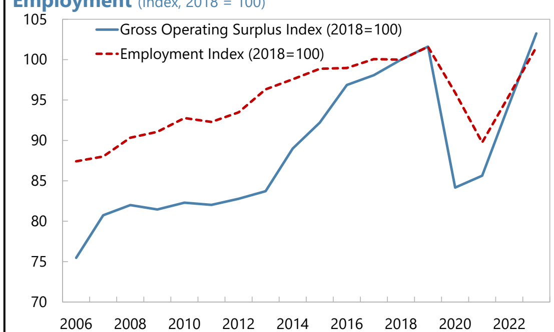
Sources: Statistics Mauritius; and IMF staff calculations.

Figure 4. Wage and CPI Growth
(In percent change, year-over-year)



Sources: Statistics Mauritius; and IMF staff calculations.

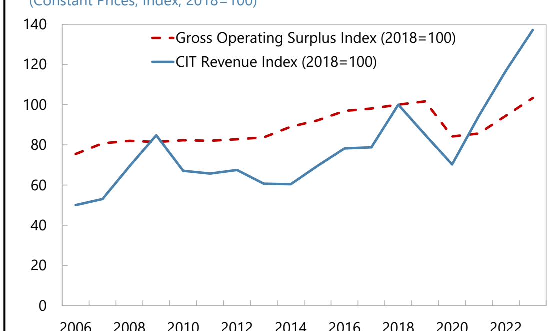
Figure 5. Productivity, Profitability, and Employment (Index, 2018 = 100)



Sources: Statistics Mauritius; and IMF staff calculations.

4. The new regulations could also depress tax revenue if corporate profitability declines. Corporate income tax (CIT) revenue would fall if profitability declines (Figure 6). On the other hand, the impact on personal income tax revenue would depend on the employment response.

Figure 6. Profitablity and CIT Revenue
(Constant Prices; Index, 2018=100)



Sources: Statistics Mauritius; and IMF staff calculations.

5. It would be useful to assess whether the costs of the labor market regulations on firms' productivity, tax revenue, employment, and inflation outweigh potential benefits. Fast-rising wages help address the higher cost of living in the near term. However, given stagnating productivity, they also raise sustainability concerns for the private sector in the medium term. The authorities should consider reversing the above-minimum wage regulations and allowing market wage discovery instead. While a national minimum wage is in line with ILO recommendations, it would be unprecedented to also regulate wages above the minimum. There is also room to build consensus around the new labor market regulations, ensuring an inclusive consultation process with the private sector, as recommended by the ILO.

Annex VI. Macro-Financial Linkages: Global Business Companies[1]

The financial services sector in Mauritius is notably large, with assets managed by the Global Business Companies (GBCs) amounting to around 50 times GDP. This annex discusses the financial structure of the Mauritian economy and covers the interlinkages between the GBCs with a focus on the banking sector, the economy, and the rest of the world using the balance sheet tool approach. It elaborates on how shocks in GBCs can affect onshore bank stability, particularly their liquidity and credit exposures, and explore risk propagation channels, including cross-border capital flows and shifts in investor sentiment, which could expose onshore banks to external shocks. The annex recommends strengthening the regulatory framework and stress testing and proposes data gap prioritization.

1. The financial system of Mauritius is dominated by a very large offshore sector and banks. The Global Business Companies (GBCs) are also known as the offshore sector. GBCs conduct business activities outside Mauritius, such as investment holding, asset management, trading, or financial services.[2] GBCs are not allowed by law to operate primarily within Mauritius—that is the domain of domestic companies or authorized companies (ACs), which are non-resident for tax purposes.

- The GBCs account for 90.4 percent of the total financial sector assets (US$755 billion, 50 times the level of GDP), and 99 percent of the Other Financial Corporations (OFCs) assets. Banks only represented 6.9 percent of total assets of the financial sector assets (383 percent of GDP in 2024) (see Table 1)

- GBCs are substantial and growing in number (13,298) and are tax-resident entities in Mauritius benefiting from tax exemptions on qualifying foreign sourced and other income. GBCs are the preferred gateway for penetrating the Asian and African regions.

Financial Sector Assets (End-2024)

Financial Sector	Percent of Total Assets	Percent of GDP
Bank of Mauritius	1	78
Other Depositary Corporations	7	394
Of which Banks	7	383
Other Financial Corporations	92	5,118
Of which GBCs	90	5,050
Totat Financial Corporations	**100**	**5,590**

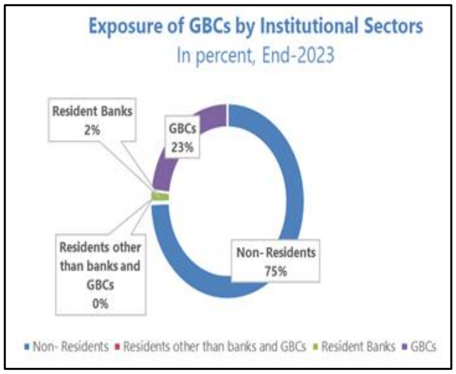
Source: Bank of Mauritius and IMF staff calculations

- The most significant exposures for GBCs are with non-resident entities, accounting for 75 percent of total assets at end-2023. The remaining share is constituted primarily of cross-holding of assets between GBCs, indicating the presence of GBC group structures operating within the sector. Exposures with residents other than GBCs represent only 2 percent of total assets and were fundamentally in the form of deposits held with domestic banking institutions. Main GBC assets

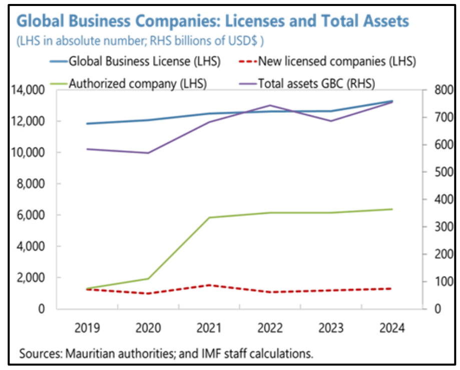
[1] Prepared by Concha Verdugo Yepes (AFR).

[2] GBCs are incorporated under the Companies Act 2001 and licensed by the Financial Service Commission (FSC) under the Financial Services Act 2007. GBCs can provide financial services, but licensing is required. They can engage with Mauritian residents only under specific legal conditions.

are in foreign direct and portfolio investment following by cross-holdings of domestic assets. The main GBCs liabilities are equities and investment fund shares, and loans from non-residents. OFCs, mostly GBCs, hold more foreign currency assets than liabilities, leading to a net positive foreign currency position (see Table 4 for 2023 data).

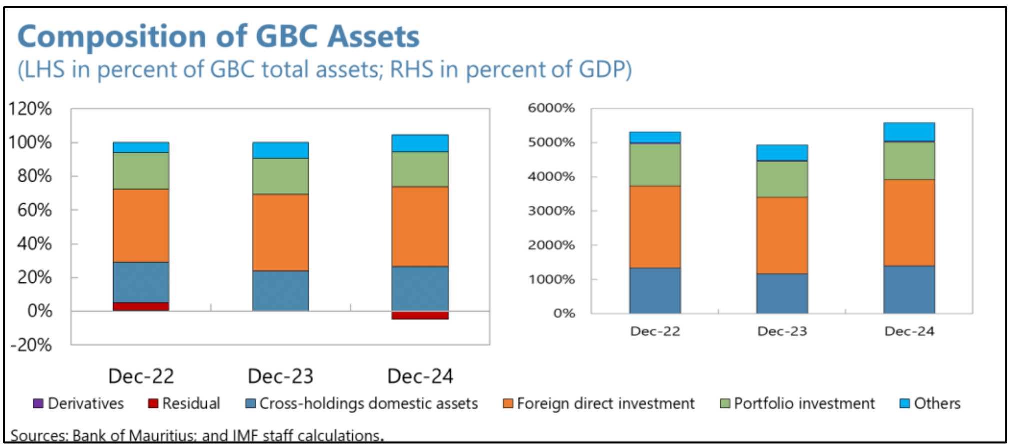


Exposure of GBCs by Institutional Sectors
In percent, End-2023



Global Business Companies: Licenses and Total Assets
(LHS in absolute number; RHS billions of USD$)

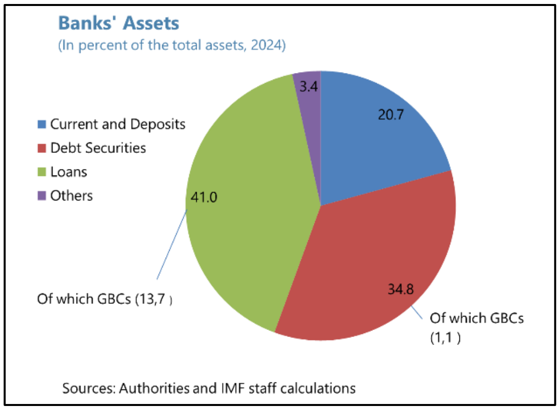
Sources: Mauritian authorities; and IMF staff calculations.

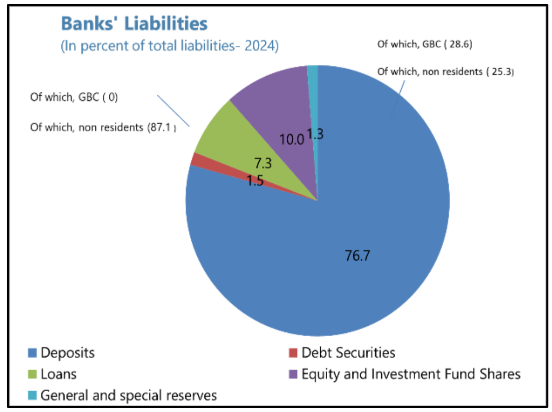


Composition of GBC Assets
(LHS in percent of GBC total assets; RHS in percent of GDP)

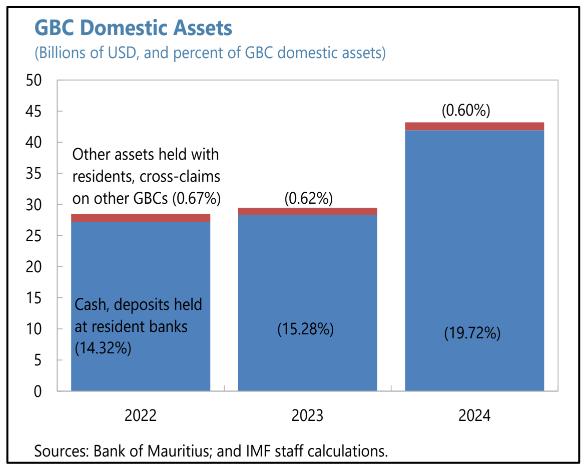
Sources: Bank of Mauritius; and IMF staff calculations.

2. **Shocks to GBCs can affect onshore bank stability, particularly through their liquidity and credit exposures.** The linkages between the GBC sector and the banking system stems primarily from dependencies on GBC deposits (US$12.4 billion), which are generally of short-term structure. GBC deposits account for 28.6 percent of the banking sector balance sheet liabilities, and bank loans to GBCs represent about 13.7 percent of total banks' assets in 2024. GBCs also hold equity stakes in onshore banks. In line with prudential regulations, banks have pursued a cautious approach in managing these risks: the consolidated LCR stood at 299 percent in 2024, and the Net Stable Funding Ratio, which became effective in June 2024 has been implemented by banks. However, given the banks exposures to GBCs, a review of the regulatory framework and a regular stress testing of the financial sector's assets and portfolios remains vital to identify problems early and mitigate macro-financial risks (Table 2).

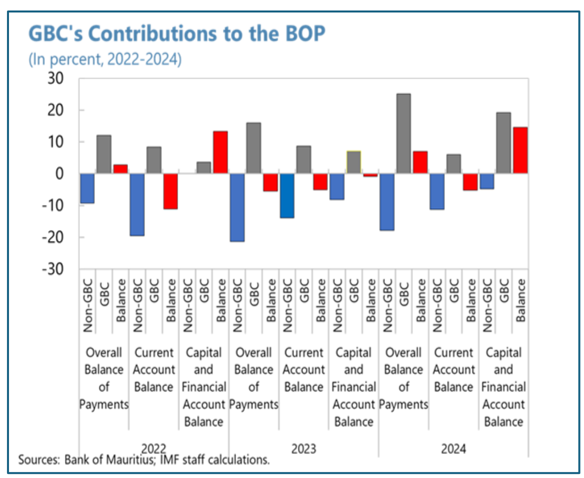




3. The GBC sector also plays a vital role in the domestic economy. While GBCs' domestic assets (US$212.6 billion in 2024) account for a fraction of their massive total assets (most of GBCs' activities are with non-residents (US$525.6 billion)), they still represent close to 1,400 percent of Mauritius' GDP—largely in the form of cash and deposits held with domestic banks. In addition, there are very large cross-holdings within the GBCs' domestic assets (around 1,300 percent of the GDP in 2024). GBCs remained a key contributor to the economy, accounting for 8.2 percent to GDP in 2023. GBCs and related activities contribute about 10 percent to Mauritius Revenue Agency's net tax revenue. GBCs' direct contribution to employment is modest (0.5 percent of total employment).



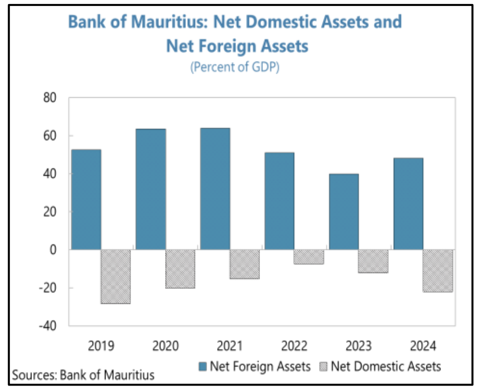
4. The GBC sector plays a vital role in financing the balance of payments, but this financing seems to be volatile. The investment income from GBC investments from the rest of the world (6 percent of GDP) is used to finance the large current account deficit of the non-GBC economy in 2024 (-11 percent of GDP). The net capital inflows became positive in 2024 (14 percent of GDP) compared to -4.6 percent of GDP) in 2023 and the overall balance of payments remained positive at 7 percent of GDP compared to -3.3 percent in 2023.



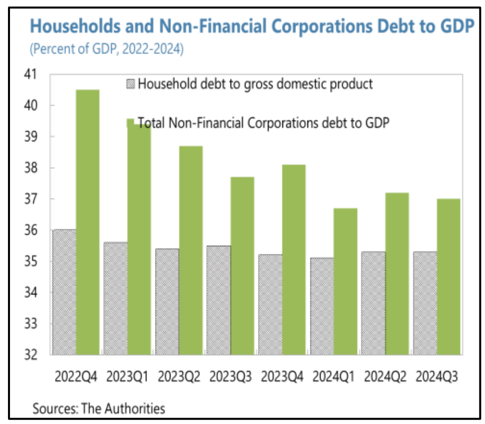
5. Besides the banks' linkages with GBCs and non-residents, the balance sheet of the domestic sectors shows imbalances that need to be closely monitored. Prudent fiscal policy is necessary to contain the government indebtedness.

- *General government*. Based on the BSA[3] analysis the net financial position is negative (259 billion rupees); accumulated debt was a principal concern for the sector in 2023. The government's negative net position of -36 percent of GDP is mainly due to the accumulation of debt. The largest holder of government bonds is the banking sector. A systemic event in the banking sector could significantly exacerbate the net liability position of government.

- *The central bank*. The central bank has net financial assets of about 2 billion rupees due to the highly positive net external assets at 39 percent of GDP in 2023. The net financial asset is supported by the stock of foreign reserves. At the same time, BOM's net domestic liabilities have also increased because of the excess cash holdings of banks under other liabilities to ODCs.



- *Other financial corporations (OFCs)*. The net financial position is negative (representing-96 percent of GDP. The external assets of the sector account for about 73 percent of total assets of the OFC.



- *Non-financial Corporations Sector*. it is estimated that the non-financial sector has a net asset position. However, information on the relations with government, households and other non-financial sector is not available. According to the authorities, the total non-financial sector debt to GDP is estimated at 37 percent in Q32024.

- *Households*. The households' debt to GDP is estimated at 35 percent in Q3 2024 by the authorities.

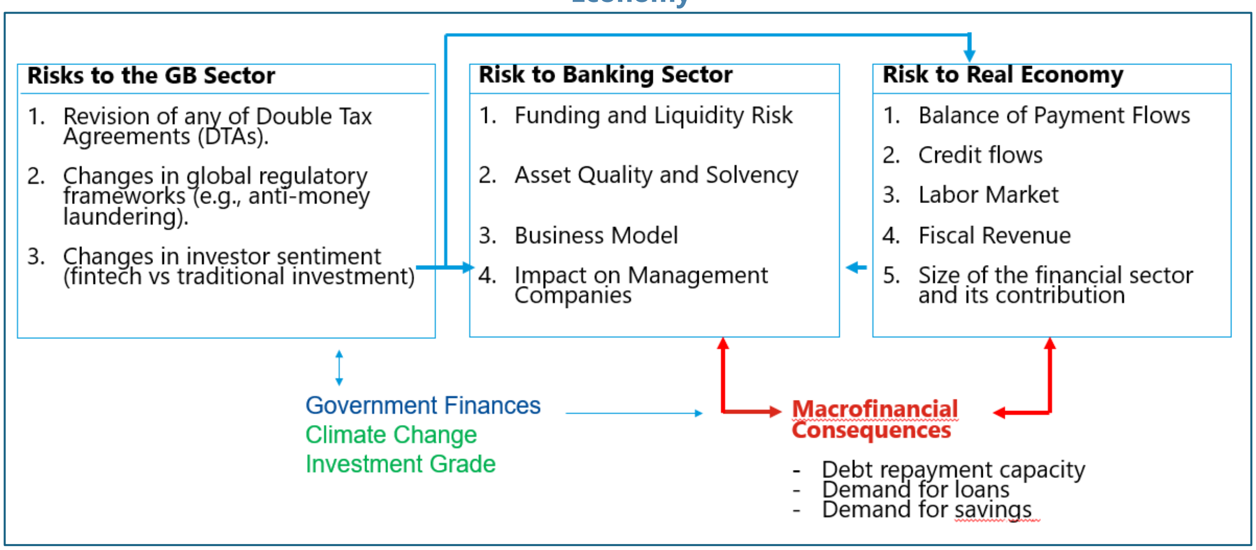
6. Risks to the GBCs and spillovers to the financial sector and real economy could be substantial. Several scenarios could expose onshore banks to a decline in GBCs or non-resident foreign currency bank funding. The resulting funding gap in banks could also trigger a reduction of foreign and domestic credit, which may impact the domestic economy via GDP and employment. Shocks to GBCs could also impact several banks operating within financial groups and holdings or mixed conglomerates. These scenarios include:

[3] BSA is a from-whom-to whom framework which presents total assets and liabilities for all the sectors of an economy by counterpart sector and by currency, showing who finances whom, by how much and in what currency. The BSA for Mauritius has been compiled using balance sheet data from financial corporation sector and external sector (IIP) while imputing data on government, non-financial corporation and households using counterpart financial sector data. Please note that where the balance sheet data on some financial instruments (for the financial sector corporations and for IIP) did not have counterpart sector, assumptions were made to allocate them to specific sectors based on available information. Interpretation of BSA data would require more information relating to allocation of such items whenever they are significant.

- A potential revision of any of the forty-five Double Tax Agreements (DTAs);
- A change in the investment grade of the country;
- An intensification of initiatives against tax base erosion and avoidance or anti-money laundering;
- Changes in investor sentiment (more towards fintech vs traditional investment);

Additionally, the above scenarios could worsen Mauritius' balance of payments position (paragraph 4), may lead to exchange rate pressure, a weakening of reserves, and rising inflation and external debt servicing costs. They could also affect conglomerates with activities in some domestic sectors. Banking distress could worsen the net liability position of the government, which could trigger confidence effects on the economy. There could also be regional spillovers, given Mauritius' role as financial hub for investments in Africa.

Table 1. Mauritius: Risks to the GBC Sector and Spillover Effects to the Banking Sector and Economy



Sources: Mauritian Authorities and IMF staff

7. **The authorities have developed several macroprudential tools and stress testing tools to contain potential spillover effects from the GBCs to the onshore banking.** The authorities often review their regulatory framework and update the macroprudential tools to limit liquidity and funding risks (e.g., LCR, Net Stable Funding Ratio, Stress Testing). A summary of the current macroprudential tools is summarized in Table 2. Additionally, BOM needs to ensure that fundamental banking risks, including corporate governance, are effectively supervised.

Table 2. Mauritius: Macroprudential Tools

	2022	2023	2024
Liquidity Coverage Ratio			
Minimum Consolidated LCR	100	100	100
LCR in Rs	329	368	424
LCR in USD	213	230	213
LCR in EUR	146	361	332
Consolidated LCR	238	299	299
FX High Liquidity Assets			
FX HQLA plus Balance Held with banks/GBC+ Non-Resident Deposits	66%	67%	73%
FX HQLA plus Balance Held with banks/GBC Deposits	108%	119%	128%
Other Capital and Liquidity Measures			
Capital Adequacy		21.0	21.2
Liquid Assets			Cover short-term liabilities (3 months period)
Other Macroprudential Guidelines/ Provisions			
- NSFR			153%*
Stress Testing GBCs			
GBCs Stress Testing**	No	yes	yes

** : Estimate based on average NSFR for all banks.*

** : The Global Business (GB) sector is stress tested for liquidity risk.

For liquidity risk stress testing for GBC, please refer to page 63 of BOM FSR for June 2024 (https://www.bom.mu/sites/default/files/financial_stability_report_june_2024.pdf).

8. Data Gaps Prioritization

- Closing data gaps is critical to improve the ability of the authorities to monitor potential risks and take early action when needed. The list below includes the data gaps that need to be addressed:

- Mauritius needs to compile key basic indicators for Nonbank Financial Institutions, for example, assets to total financial system assets and assets to gross domestic product. Also, Mauritius needs to compile Financial Sound Indicators (FSIs) for pensions, and make publicly available the information for insurance.

- Mauritius needs to better disclose crossholdings within the GBC Sector, which would be very valuable for assessing financial system risks. For instance, if a GBC holds significant equity stakes or other-financial instruments in onshore banks, a failure in one could trigger widespread distress.

- Significant data limitations limit the scope and accuracy of the Balance Sheet Analysis (BSA), particularly in the government, household, non-financial corporation and external sectors.

- The government sector balance sheet misses the government's exposures to households and non-financial sector.
- The non-financial corporations balance sheet is missing non-financial corporations' sectoral data.
- Household sector balance sheet is missing data from government and non-financial corporations.
- The external sector balance sheet is missing the exposures to government in national currency, exposures to households, and to non-financial corporate (in national currency).
- However, irrespective of these data gaps, the balance sheet inter-linkages as analyzed still highlight systemic vulnerabilities, particularly in those sectors with negative financial positions.

Table 3. Mauritius: Net Financial Positions by Sector, end-2023

	General Government	Central Bank	Other Depositary Corporations	Other Financial Corporations including GBCs	Non-financial Sectors	Household	External
(in billions of rupees)							
Assets	107	428	2,352	31,191	2,440	15,875	24,217
Liabilities	346	430	2,330	31,821	15,843	226	26,330
Net Position	-259	2	22	-630	-13,403	15,649	-2,113
(in percent of GDP)							
Assets	16	65	357	4,733	370	2,409	3675
Liabilities	53	65	354	4,829	2,404	34	3996
Net position	-36	0	3	-96	-2,024	2,375	-321

Sources: Fund staff estimates, Mauritius authorities.

Table 4. Mauritius: Balance Sheet Approach Matrix, 2023

2023 - Percent of GDP (659 Billions)

	Government		Central Bank		Other Depository Corporations		Other Financial Corporations		Nonfinancial Corporations		Households		External		Total	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Government			Source: CB		Source: ODCs		Source: OFCs		*(GFS/MFS estimation)*		*(GFS/MFS estimation)*		Source: IIP			
Total			2	8	32	4	8	0	...	...	-	-	11	4	53	16
In domestic currency			2	7	32	4	8	0	...	...	-	-	-	-	42	11
In foreign currency			-	0	-	0	-	-	-	-	-	-	11	4	11	5
Central Bank	*Source: CB*				*Source: CB*		*Source: CB*		*Source: CB*		*Source: CB*		*Source: CB*			
Total	8	2			33	0	5	14	0	0	10	-	10	49	65	65
In domestic currency	7	2			26	0	5	14	0	0	10	0	0	0	48	16
In foreign currency	0	-			7	0	-	-	-	-	0	-	10	49	17	49
Oth. Dep. Corporations	*Source: ODCs*		Source: CB		Source: ODCs		*Source: ODCs*		*Source: ODCs*		*Source: ODCs*		Source: ODCs			
Total	4	32	0	33	11	12	90	24	34	37	117	33	96	188	353	358
In domestic currency	4	32	0	26	5	5	8	9	15	26	107	32	4	1	144	130
In foreign currency	0	-	0	7	5	7	82	15	20	12	10	0	92	187	209	228
Oth. Fin Corporations	*Source: OFCs*		Source: CB		Source: ODCs		Source: OFCs		*Source: OFCs*		*Source: OFCs*		Source: OFCs			
Total	0	8	14	5	24	90	1,176	1,284	4	30	2,282	2	1,222	3,423	4,721	4,841
In domestic currency	0	8	14	5	9	8	6	965	1	6	2,280	1	12	1	2,322	993
In foreign currency	-	-	-	-	15	82	1,170	319	3	24	2	0	1,210	3,422	2,400	3,848
Nonfinancial Corporations	(GFS/MFS estimation)		Source: CB		Source: ODCs		Source: OFCs				(No sectoral data)		Source: IIP			
Total	...	...	0	0	37	34	30	4					2,336	332	2,404	370
In domestic currency	...	...	0	0	26	15	6	1					-	-	32	16
In foreign currency	-	-	-	-	12	20	24	3					2,336	332	2,372	354
Households	(GFS/MFS estimation)		Source: CB		Source: ODCs		Source: OFCs		(No sectoral data)				Source: IIP			
Total	-	-	0	10	33	117	2	2,282					...	...	34	2,409
In domestic currency	-	-	0	10	32	107	1	2,280					...	...	34	2,397
In foreign currency	-	-	-	0	0	10	0	2					...	...	1	12
External	*Source: IIP*		Source: CB		Source: ODCs		Source: OFCs		*Source: IIP*		*Source: IIP*					
Total	4	11	49	10	188	96	3,423	1,222	332	2,336	...	...			3,996	3,675
In domestic currency	-	-	0	0	1	4	1	12	-	-	...	...			2	16
In foreign currency	4	11	49	10	187	92	3,422	1,210	332	2,336	...	...			3,994	3,659
Total	16	53	65	65	357	354	4,733	4,829	370	2,404	2,409	34	3,675	3,996	11,626	11,735
In domestic currency	11	42	16	48	131	143	34	3,280	16	32	2,397	34	16	2	2,622	3,581
In foreign currency	5	11	49	17	226	210	4,699	1,548	354	2,372	12	1	3,659	3,994	9,004	8,154

Sources: IMF staff estimates; and Mauritian authorities.

Annex VII. Assessing Fiscal Risks from Natural Disasters in Mauritius[1]

This annex examines the fiscal risks posed by natural disasters in Mauritius and their implications for public debt. Given its climactic vulnerability, Mauritius incurs substantial fiscal costs from storms, which threaten economic stability. Utilizing the IMF Natural Disaster Debt Dynamic Tool (ND_DDT), it is estimated that a hypothetical storm could raise public debt by approximately 1.5 percent of GDP due to decreased economic activity and increased reconstruction expenses. The findings highlight the critical need for identifying fiscal risks and enhancing infrastructure resilience to address the long-term impact of natural disasters.

1. **Mauritius is highly vulnerable to the effects of natural disasters, and storms have caused significant damage in past years.** Cyclone Belal, which hit the island in January 2024, severely impacted 7.8 percent of the population—the largest share of the population affected among recorded storms. Storm Hollanda, which took place in February 1994, caused the largest recorded physical damage at 3.5 percent of GDP.

2. **Scenario analysis is used to study the impact from natural disaster shocks on macro-fiscal variables using the Fund ND_DDT.** The ND_DDT uses Mauritius' baseline public debt projection scenario, taken from Mauritius' MAC SRDSF (Sovereign Risk and Debt Sustainability for Market Access Countries). To calibrate the impact of a hypothetical storm shock in 2025, the macro-fiscal values of two past storms—one in Mauritius (Belal) and a bigger storm in the similarly small island of Dominica—are used. Pre-disaster and post-disaster projected values for key macro-fiscal variables for the year of both natural disasters are then compared. The difference can be attributed to the impact of the disasters. Pre-disaster forecast values are drawn from the World Economic Outlook (WEO) vintage right before the disaster. Post-disaster values are drawn from the WEO vintage forecast right after the disaster. In addition, an econometric approach is also used to help calibrate the impacts of the storm based on the country and storm characteristics.

3. **For 2025, a hypothetical storm is estimated to increase public debt-to-GDP ratio by 1.5 percent of GDP compared to baseline.** Within ND_DDT, the drivers of the higher public debt-to-GDP ratio (relative to baseline) are declining GDP growth, increasing primary fiscal deficit, and exchange rate depreciation (red, yellow, and purple bars in Figure 1). On the other hand, higher inflation reduces the real interest rate compared to the baseline, which helps reduce the debt-to-GDP ratio (green bar). Overall, the debt-increasing contributing factors outweigh the debt-decreasing factors, delivering the 1.5 percent of GDP increase in public debt-to-GDP ratio in 2025.

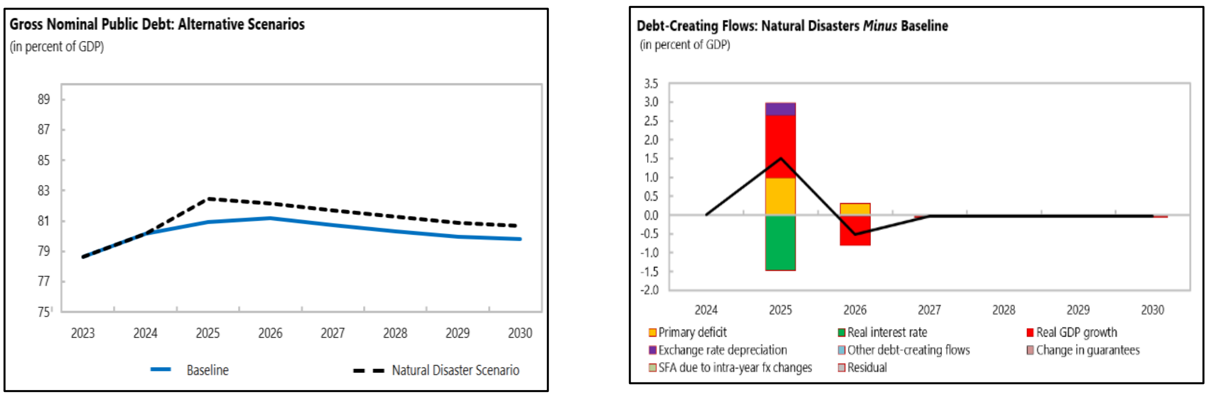
4. **In 2026, the public debt-to-GDP ratio is estimated to decline by about 0.5 percent of GDP compared to baseline due to the 2025 hypothetical storm.** In 2026, predicted higher GDP growth (compared to the baseline forecast) due to partial recovery reduces the debt-to-GDP ratio.

[1] Prepared by Ha Nguyen (ICD) and Concha Verdugo Yepes (AFR).

The resulting increase in GDP more than offsets the debt-increasing impact from the primary deficit, delivering the 0.5 percent of GDP decrease in public debt-to-GDP ratio in 2026.

5. The analysis illustrates the relevance of fiscal risks from storms for Mauritius, and the benefits from preparedness. The accumulated impact of potentially frequent storms on the debt-to-GDP ratio raises significant risks to fiscal sustainability. The preparation of a Fiscal Risk Statement in the budget with an assessment of climate risks would help assess fiscal buffer needs to ensure fiscal sustainability. It is crucial to consider building preparedness and also investing in resilient infrastructure to contain the impact of future storms. The country could build on the Natural Disaster Financing Strategy and insurance schemes to address disaster-related damages and how these can be improved or complemented with other policy options.

Figure 1. Mauritius: Simulation of Public Debt Dynamics following a Natural Disaster in 2025



Source: IMF staff estimates.

Annex VIII. Status of Implementation of Key 2015 FSAP Recommendations

Recommendation	Updated Status for 2025 IMF Staff Report
Banking Supervision and Regulation	
Conduct regular macroprudential solvency and liquidity stress tests.	Solvency and liquidity stress testing exercises are conducted quarterly; results are published bi-annually in the BOM's Financial Stability Report.
Establish a macroprudential body with a clear financial stability objective, and adequate enabling framework.	The BOM has been designated to act as the macroprudential authority in Mauritius. The Bank of Mauritius Act is currently under review with the assistance of the IMF and the BOM Bill will clarify the financial stability objectives and also provide for an enabling framework for the macroprudential authority. The existing Financial Stability Committee includes representatives of the BOM, FSC, and the Ministry of Finance and serves as a forum for discussing financial stability issues.
Improve monitoring and supervision of the GBC sector; seek significant consolidation of the management companies (MC) industry and raise its standards.	Grandfathering provisions for GBC2s ended on June 30, 2021. The GBC sector has undergone a complete structuring overhaul, including a consolidation of the MC industry and supervision of the sector since end-2021.
Implement measures to ensure that banking system liquidity is not adversely affected by developments in the GBC sector and cross-border sectors.	Basel III Liquidity Coverage Ratio (LCR) has been implemented in 2017. Reporting requirements have been enhanced. Stress tests scenarios assess banking sector vulnerability to adverse developments in the GBC sector. Risk assessment of GBC deposits continues to be conducted and published in the Financial Stability Report (last was published December 2024). Oversight of the liquidity risk was enhanced by adopting the risk-based supervision framework and coordinating with the FSC. The risk-based framework gathers information on funding risks, which meets the needs of the Net Stable Funding Ratio that was introduced in December 2023 and became effective in June 2024.
Financial Sector Oversight	
Establish a framework for conglomerate supervision, strengthen consolidated supervision, and develop a supervisory framework for D-SIBs.	The framework for conglomerate and consolidated supervision has been agreed between the BOM and the FSC, and joint on-site examinations are conducted. D-SIB framework is fully operational. Terms of Reference for the Lead Regulator and the list of financial conglomerates (falling under the purview of the BOM and the FSC) were approved by the BOM and the FSC. Joint Co-ordination Committee Working Group on Financial Stability fine-tunes data collection returns.

Annex IX. Status of the 2024 Article IV Consultation Main Recommendations

Key Policy Recommendations	Updated Status for 2025 IMF Staff Report
Fiscal Policy and Debt Sustainability	
Implement fiscal consolidation through credible revenue and expenditure measures. Aim for growth-friendly fiscal consolidation through measures that increase tax revenue and cut current spending.	The fiscal stance turned expansionary in FY23/24 and debt pressures increased as primary revenue (expenditure) declined (increased) due to lower PIT and VAT collection, and the continuous rise in current spending (notably social benefits), respectively. The fiscal position in FY24/25 is expected to remain loose. A new post-election fiscal package announced in December 2024 contributed to the worsening fiscal position.
Reform the pension system to make it more sustainable.	No pension system reforms have been implemented thus far.
Strengthening public financial management (PFM), including by streamlining extrabudgetary special funds (ESFs).	The new government has announced intentions to streamline ESFs and move some of them into the Consolidated Fund, but no practical measures have been implemented thus far. Following up on the recommendation to strengthen financial reporting in line with IPSAS, the authorities published the consolidated statements of the public sector for FY22/23.
Adjusting the escape clauses of the debt ceiling framework for ceiling breaches.	The escape clauses of the debt ceiling have not been revised. However, the authorities announced plans to introduce the Fiscal Responsibility Law as part of strengthening their PFM.
Monetary Policy	
The BOM should remain vigilant and stand ready to tighten monetary conditions should inflationary pressures reemerge.	Inflation decreased in 2024 to BOM's target range of 2-5 percent, as monetary policy accommodation reduced relative to 2023.
The implementation of the new monetary policy framework could be strengthened, including by resuming uncapped issuance of 7-Day BOM bills.	BOM continued to remove excess liquidity from the system through the Overnight Deposit Facility, 7-Day BOM Bills and longer-term BOM securities. With the issuance of 7-Day BOM Bills capped since July 2023, the overnight interbank rate was around 3.1 percent for most of 2024 and declined to around 2.6 following the policy rate cut in September.
Prompt adoption of amendments to the BOM Act, including to ensure fiscal backing, would help protect central bank independence.	The authorities received TA from the Fund to support central bank independence before the November elections.

Key Policy Recommendations	Updated Status for 2025 IMF Staff Report
Monetary policy transmission could be strengthened, including via enhancements in the monetary communication strategy. Rebuilding external buffers would help enhance the resilience of the economy in the face of shocks. The BOM should consider options to gradually phase out its ownership in the Mauritius Investment Corporation (MIC).	BOM improved monetary policy communications by publishing the yearly calendar for Monetary Policy Committee (MPC) meetings in February 2025. Gross foreign reserves at the central bank increased by US$1.3 billion between end-2023 and end-2024. The BOM is considering options to phase out its MIC ownership.
Financial Sector	
Strengthening the resilience of the financial sector and managing macro-financial risks will support financial stability. Recent progress in strengthening the AML/CFT framework is welcome and should be sustained to mitigate non-resident risks.	The banking sector has continued to strengthen its capital and liquidity buffers during 2024, reinforcing the overall financial soundness and stability of the banking system. This was complemented by adherence to the prudential regulatory standards to enhance the fundamentals for a resilient banking system. The authorities carried out banking sector and financial stress testing with more complex scenarios. The authorities have requested technical assistance from the Fund to prepare for the 2027 AML/CFT assessment.
Structural Reforms	
Reducing skill mismatches in the domestic labor market. Increase women's labor force participation would support inclusive and higher growth. Fostering digitalization to support diversification and enhance public services. Increasing adaptation investment to smooth the impact of extreme climate events. Long-term priorities should include greater investment in climate change adaptation and mitigation.	The new government published the 2025-29 program with pledges to embrace a new growth model focused on increasing investment and productivity, accelerating energy transition, and reducing skill mismatches. It highlights plans to (i) improve the parental leave system with the aim to increase female labor force participation, (ii) make higher and technical education more accessible to low-income students, and (iii) lift Mauritius' ITC sector to make the country a regional digital hub. In July 2024, the authorities introduced the Climate Corporate Responsibility Levy, intended to collect revenue to finance climate-related projects.

Annex X. Data Issues

Table 1. Data Adequacy for Surveillance

Data Adequacy Assessment Rating /1

B

Questionnaire Results 2/

Assessment	National Accounts	Prices	Government Finance Statistics	External Sector Statistics	Monetary and Financial Statistics	Inter-sectoral Consistency	Median Rating
	B	B	B	B	C	B	B

Detailed Questionnaire Results

Data Quality Characteristics						
Coverage	B	B	B	B	B	
Granularity 3/	B		A	B	C	
			B		C	
Consistency			B	C		B
Frequency and Timeliness	A	A	B	A	B	

Note: When the questionnaire does not include a question on a specific dimension of data quality for a sector, the corresponding cell is blank.
1/ The overall data adequacy assessment is based on staff's assessment of the adequacy of the country's data for conducting analysis and formulating policy advice, and takes into consideration country-specific characteristics.
2/ The overall questionnaire assessment and the assessments for individual sectors reported in the heatmap are based on a standardized questionnaire and scoring system (see IMF *Review of the Framework for Data Adequacy Assessment for Surveillance* , January 2024, Appendix I).
3/ The top cell for "Granularity" of Government Finance Statistics shows staff's assessment of the granularity of the reported government operations data, while the bottom cell shows that of public debt statistics. The top cell for "Granularity" of Monetary and Financial Statistics shows staff's assessment of the granularity of the reported Monetary and Financial Statistics data, while the bottom cell shows that of the Financial Soundness indicators.

A	The data provided to the Fund are adequate for surveillance.
B	The data provided to the Fund have some shortcomings but are broadly adequate for surveillance.
C	The data provided to the Fund have some shortcomings that somewhat hamper surveillance.
D	The data provided to the Fund have serious shortcomings that significantly hamper surveillance.

Rationale for staff assessment. Data provision is assessed as broadly adequate for surveillance but has some shortcomings. Large discrepancies between the demand- and supply-side GDP persist. The consistency in the measurement of GBCs activities in the national accounts and BOP remain unresolved. There is room to broaden the coverage of the Statement of Government Operations to general government, which would enable a more comprehensive assessment of the fiscal stance by including operations from local governments and public corporations. Substantial revisions to fiscal execution statistics also undermine the credibility of budget execution data. The breakdown of CPI by region, social groups, informal markets, and illegal goods and services is not available. Differences between the national accounts' household consumption expenditure deflator are not explained but have been very small in recent years. A thorough assessment of the governance structure for the compilation and dissemination of official statistics will be prepared as part of the ROSC which was requested by the new government. Mauritius does not compile key FSIs for Nonbank Financial Institutions, even for basic indicators like assets-to-total financial system assets and assets-to-GDP. In addition, FSIs for some sub-sectors of non-banks such as pensions, insurance and money market funds are not compiled. Further, as noted in paragraph 27 of the SR, BOM plans to gradually reduce its ownership of the Mauritius Investment Corporation (MIC). In our view, the MIC and other BOM subsidiary (Mauritius Deposit Insurance Corporation) should be classified as Nonbank Financial Institutions and properly reflected in MFS and FIS data.

Changes since the last Article IV consultation. A new CPI series, based on an updated basket of goods and services derived from the 2023 Household Budget Survey, has been introduced as from April 2024, replacing the 2017 benchmarking year. The consolidation of public debt data has been updated by appropriately netting out the stock of government securities held by non-financial SOEs.

Corrective actions and capacity development priorities. The authorities received in March 2025 IMF assistance to address weaknesses in the national accounts and the external statistics and improve consistency in the recording of GBCs' activities (Annex XI). The ROSC mission commenced virtually in April 2025 and is expected to conclude by the end of 2025. Staff support other potential TA, including to improve the coverage of government finance statistics, support to commence the compilation and dissemination of key FSIs for Nonbank Financial Institutions. SM should advance efforts to increase its data dissemination to reach the Special Data Dissemination Standard Plus level.

Use of data and/or estimates in Article IV consultations in lieu of official statistics available to staff. Staff does not use any data and/or estimates in the staff report in lieu of official statistics. However, to assess the fiscal stance more comprehensively, staff complements the authorities' presentation by also computing the "augmented" fiscal balance which includes net expenditure from extra-budgetary special funds.

Other data gaps. Compilation of high-frequency indicators, including flash GDP estimates, would help strengthen the quality of surveillance. As Mauritius is highly vulnerable to climate change and aspires to become a regional digital hub, availability of more granular data on government spending on climate adaptation and mitigation, and penetration of digital technologies in the economy, would be helpful.

Source: IMF staff.

Table 2. Data Standard Initiatives

Mauritius subscribes to the Special Data Dissemination Standard (SDDS) since February 2012 and publishes the data on its National Summary Data Page. The latest SDDS Annual Observance Report is available on the Dissemination Standards Bulletin Board (https://dsbb.imf.org/).

Source: IMF staff.

Table 3. Table of Common Indicators Required for Surveillance

As of May, 2025

	Data Provision to the Fund				Publication under the Data Standards Initiatives through the National Summary Data Page			
	Date of Latest Observation	Date Received	Frequency of Data[6]	Frequency of Reporting[6]	Expected Frequency[6,7]	Mauritius[8]	Expected Timeliness[6,7]	Mauritius[8]
Exchange Rates	Apr-25	Apr-25	D	D	D	...	...	...
International Reserve Assets and Reserve Liabilities of the Monetary Authorities[1]	Apr-25	May-25	W	W	M	30	1W	30
Reserve/Base Money	Apr-25	May-25	M	M	M	30	2W	14
Broad Money	Mar-25	Apr-25	M	M	M	30	1M	30
Central Bank Balance Sheet	Apr-25	May-25	M	M	M	30	2W	14
Consolidated Balance Sheet of the Banking System	Mar-25	Apr-25	M	M	M	30	1M	30
Interest Rates[2]	Mar-25	Apr-25	M	M	D	...	...	...
Consumer Price Index	Mar-25	Apr-25	M	M	M	30	1M	5
Revenue, Expenditure, Balance and Composition of Financing[3]–General Government[4]	FY23/24	Aug-24	A	A	A	365	2Q	180
Revenue, Expenditure, Balance and Composition of Financing[3]–Central Government	FY23/24	Aug-24	A	A	M	30	1M	30
Stocks of Central Government and Central Government-Guaranteed Debt[5]	Dec-24	Apr-25	Q	A	Q	90	1Q	30
External Current Account Balance	Dec-24	Mar-25	Q	Q	Q	90	1Q	90
Exports and Imports of Goods and Services	Feb-25	Apr-25	M	M	M	30	8W	56
GDP/GNP	Dec-24	Mar-25	Q	Q	Q	90	1Q	90
Gross External Debt	Dec-24	Mar-25	Q	Q	Q	90	1Q	30
International Investment Position	Dec-24	Apr-25	Q	Q	Q	365	1Q	270

[1] Includes reserve assets pledged or otherwise encumbered, as well as net derivative positions.

[2] Both market-based and officially determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.

[3] Foreign, domestic bank, and domestic nonbank financing.

[4] The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.

[5] Including currency and maturity composition.

[6] Frequency and timeliness: ("D") daily; ("W") weekly or with a lag of no more than one week after the reference date; ("M") monthly or with lag of no more than one month after the reference date; ("Q") quarterly or with lag of no more than one quarter after the reference date; ("A") annual.; ("SA") semiannual; ("I") irregular; ("NA") not available or not applicable; and ("NLT") not later than.

[7] Encouraged frequency of data and timeliness of reporting under the e-GDDS and required frequency of data and timeliness of reporting under the SDDS and SDDS Plus. Any flexibility options or transition plans used under the SDDS or SDDS Plus are not reflected. For those countries that do not participate in the IMF Data Standards Initiatives, the required frequency and timeliness under the SDDS are shown for New Zealand, and the encouraged frequency and timeliness under the e-GDDS are shown for Eritrea, Nauru, South Sudan, and Turkmenistan.

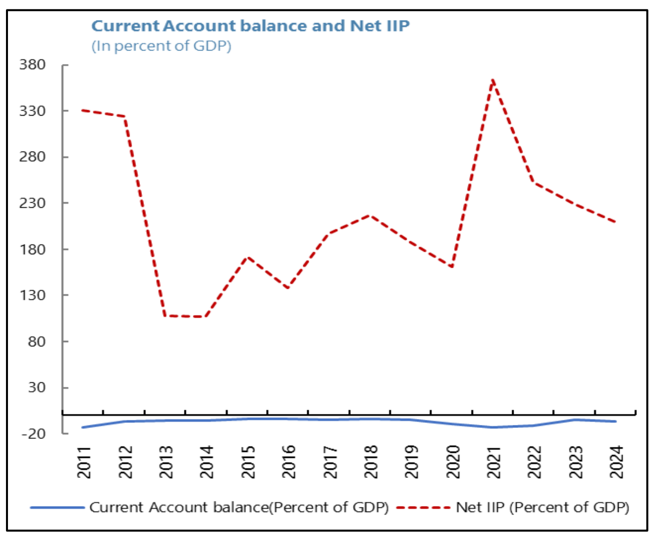
[8] Based on the information from the Summary of Observance for SDDS and SDDS Plus participants, and the Summary of Dissemination Practices for e-GDDS participants, available from the IMF Dissemination Standards Bulletin Board (https://dsbb.imf.org/). For those countries that do not participate in the Data Standards Initiatives, as well as those that do have a National Data Summary Page, the entries are shown as " "

Annex XI. Technical Assistance and Surveillance on Statistical Issues[1]

1. Recent ad-hoc revisions in GBCs' output and services exports brought about a large statistical discrepancy in GDP. Since 2018, SM has been including estimates of GBCs' output and implicit exports of services in the national accounts while BOM did not include these estimates in the balance of payments (BOP), leading to inconsistencies between the two. In 2024, BOM and SM attempted to reconcile both datasets by including ad-hoc estimates in both BOP and SNA (of about 50 percent of SM initial estimates). By keeping overall GDP unchanged, large statistical discrepancies in GDP by expenditure arose. At the request of the authorities, the Fund conducted a Joint National Accounts and External Sector Statistics TA mission in March 2025 to assess the treatment and review the ad-hoc estimates of GBCs' output, services exports, and investment income.

2. The methodology used to estimate GBCs' output could benefit from further refinements. Source data from the External Sector Statistics National Accounts survey had notable inconsistencies, and disaggregated data and further validation are required. Inclusion of imputed services exports associated with GBCs and corresponding dividend payments contributed to the increase in the GDP. However, its impact on the current account and Gross National Income is muted as increased earnings from imputed exports of services are offset by the corresponding dividend payments. Overall, appropriate approaches in line with statistical standards should be used to estimate output of different types of GBCs.

3. In addition, the mismatch between Mauritius' current account balance and the net international investment position should be addressed. The mismatch arises as BOM currently does not include reinvested earnings in the primary income account of the BOP (neither on debits nor credits). Over time, IIP data show that Mauritius is a net lender to the rest of the world while the current account in the BOP shows a sustained current account deficit (inaccurately suggesting that Mauritius would be a net borrower from the rest of the world). To address this mismatch, Mauritius' external sector assessment (Annex III) makes an adjustment to the current account balance. Looking ahead, to address the inconsistency between the BOP current account and the net IIP data at the source, BOM should record reinvested earnings on both assets and liabilities (in the financial account) and debits and credits (in the primary income account) of the BOP, as recommended by the recent TA mission.



[1] Prepared by Wilson Phiri (STA).

4. The authorities have requested a Report on the Observance of Standards and Codes (ROSC) for Mauritius. The last ROSC for Mauritius was finalized in 2008. The new ROSC, expected to be completed by end-2025, will review statistical laws and assess the extent to which the statistical institutions are compliant with international statistical standards and codes, as well as review the structure and governance of SM, skills, data systems, and business processes.

INTERNATIONAL MONETARY FUND

MAURITIUS

STAFF REPORT FOR THE 2025 ARTICLE IV CONSULTATION—INFORMATIONAL ANNEX

May 29, 2025

Prepared By | The African Department

CONTENTS

RELATIONS WITH THE FUND

(As of May 2, 2025)

Membership Status: Joined: September 23, 1968; Article VIII

General Resources Account:	**SDR Million**	**%Quota**
Quota	142.20	100.00
Fund holdings of currency (Exchange Rate)	106.15	74.65
Reserve Tranche Position	36.06	25.36

SDR Department:	**SDR Million**	**%Allocation**
Net cumulative allocation	233.10	100.00
Holdings	220.98	94.80

Outstanding Purchases and Loans: None

Latest Financial Arrangements:

Type	Date of Arrangement	Expiration Date	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
Stand-By	Mar 01, 1985	Aug 31, 1986	49.00	49.00
Stand-By	May 18, 1983	Aug 17, 1984	49.50	49.50
Stand-By	Dec 21, 1981	Dec 20, 1982	30.00	30.00

Overdue Obligations and Projected Payments to Fund [1]

(SDR Million; based on existing use of resources and present holdings of SDRs):

	Forthcoming				
	2025	2026	2027	2028	2029
Principal					
Charges/Interest	0.38	0.38	0.38	0.38	0.38
Total	0.38	0.38	0.38	0.38	0.38

[1] When a member has overdue financial obligations outstanding for more than three months, the amount of such arrears will be shown in this section.

Implementation of HIPC Initiative: Not Applicable

Implementation of Multilateral Debt Relief Initiative (MDRI): Not Applicable

Implementation of Catastrophe Containment and Relief (CCR): Not Applicable

As of February 4, 2015, the Post-Catastrophe Debt Relief Trust has been transformed to the Catastrophe Containment and Relief (CCR) Trust.

Exchange Rate Arrangement

The currency of Mauritius is the Mauritian rupee. Mauritius' *de jure* and *de facto* exchange rate arrangement is floating. Mauritius has accepted the obligations under Article VIII, Section 2(a), 3, and 4 and maintains an exchange system free of multiple currency practices, and restrictions on the making of payments and transfers for current international transactions. Mauritius also maintains an open capital account.

Article IV Consultation

Mauritius is on the standard 12-month cycle. The last Article IV consultation was completed by the Executive Board on May 15, 2024 (Country Report No 24/139, May 24, 2024).

Resident Representative: None.

RELATIONS WITH OTHER INTERNATIONAL FINANCIAL ORGANIZATIONS

As of May 2, 2025, Mauritius collaborates with the World Bank Group and the African Development Bank. Further information may be obtained from the following websites:

http://www.worldbank.org/en/country/mauritius

https://www.afdb.org/en/countries/southern-africa/mauritius/