SBM insights

February 2025 | No. 16

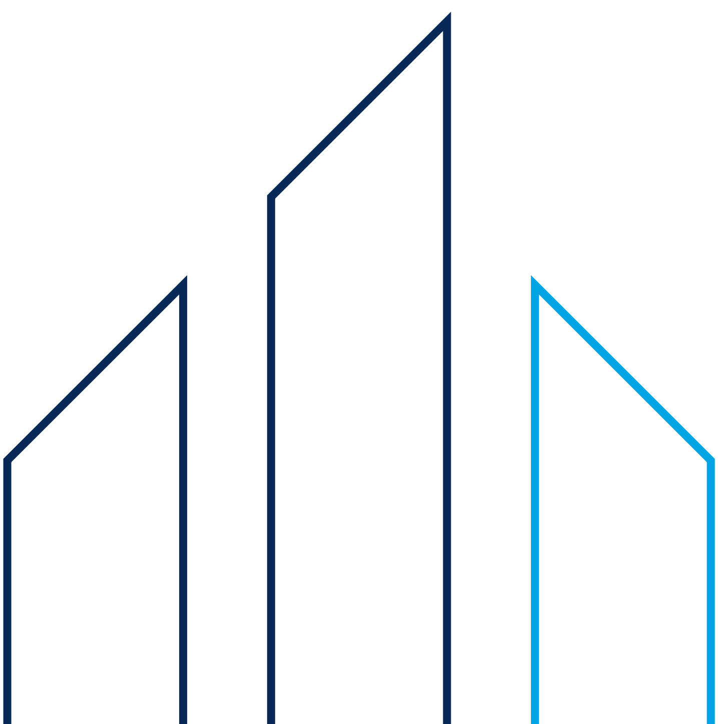


Table of Contents

List of boxes

Outline of the SBM Insights report

This Economic Report (i) undertakes an in-depth appraisal of the country’s macroeconomic performance and positioning, alongside identifying the issues, challenges and constraints faced with respect to the real, financial, fiscal and external sectors; and (ii) suggests possible pathways and structural reforms that can help to promote a sound, inclusive and sustainable growth trajectory.

While factoring in various other considerations, the analyses produced in this Economic Report have, in several respects, been guided by the revised official macroeconomic estimates that were mentioned in the context of the State of the Economy report published by the Government.

Editorial Note

The underlying context

- In recent years, the Mauritian economy has – with the support of the business community and the population at large – pursued its growth path. Along the way, it has capitalised on *inter alia* its socio-political and economic stability, the performances of sectorial pillars, a favourable fiscal regime and its investment grade credit rating status. However, the country has continued to be exposed to challenges and vulnerabilities with regard to its real, financial, fiscal and external sectors.

Shaping up of the SBM Insights report

- Whereas previous official data had, in some respects, already shed light on the economic challenges faced by Mauritius, the State of the Economy report – as delivered by the Honourable Prime Minister at the National Assembly on the 10th of December 2024 – revealed further insights and explanations on the economy's recent performance and the structural constraints faced.
- Thus, while analysing the key imperatives that Mauritius is dealing with and reflecting on the global landscape, this SBM Insights report has, in some respects, been also guided by the revised official macroeconomic figures that have been mentioned in the State of the Economy report. Specifically, this SBM Insights report has explored the main challenges that are confronting the Mauritian economy, alongside suggesting possible pathways that can support its sustained advancement.

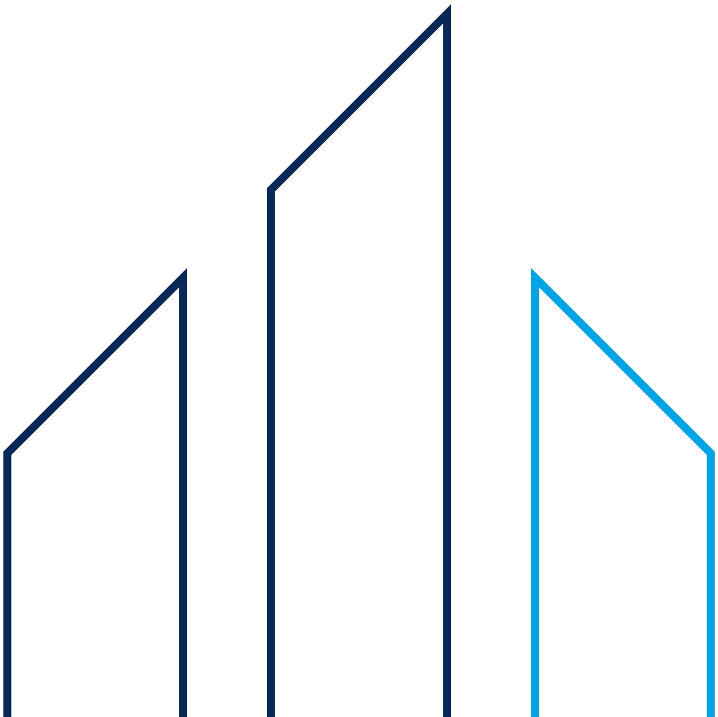
Moving forward: Promoting high, inclusive and sustainable growth

- As it looks at the future with hope and optimism, Mauritius is called upon to further deepen and strengthen its endeavours with a view to achieving high, inclusive and sustainable growth, while generating meaningful social opportunities for the population. This implies tackling the immediate and longer-run challenges requiring close scrutiny, alongside laying emphasis on emerging ones – many of which appearing quite complex – such as, but not limited to, climate change, demographic shifts, technological and digital transformations, and the advent of Artificial Intelligence.
- Encouragingly, the ambitions spelt out by the Government with the objective to combat structural constraints that are hampering growth and to revitalise the economy are a key step in the right direction. Recently, the Government Programme 2025–2029 has set out to chart a new development path for Mauritius and to forge a social pact with the people. While such aspirations already deliver useful hints for future progress, this SBM Insights edition highlights the importance of adopting well-engineered structural reforms that can help to address the structural inefficiencies that are stymieing economic performance, boost investor and business confidence, reinforce the potential growth rate and promote socio-economic development, alongside mobilising the involvement of key stakeholders towards putting in place an effective execution roadmap.
- At the same time, this report recognises that fixing the challenges that are impacting the economy at several levels is a formidable task, which could take time to happen, given its scope and ramifications. The success of structural reform measures would *in fine* depend on (i) the partaking of the business community and social partners; (ii) the endorsement of a pragmatic and responsible mindset at all levels; (iii) implementing a credible medium-term fiscal consolidation programme and garnering ample fiscal space; (iv) shoring up the operational capabilities and strategic decisiveness of public sector bodies; (v) achieving an efficient allocation of labour and capital resources; and (vi) managing the trade-offs that can sometimes be associated with different policymaking options.

Nuvin BALLOO

Group Chief Strategy Officer

05 February 2025



Mauritius:
Economic review

Recent economic performance

Economic growth

- According to latest updated reports from Statistics Mauritius, the country's real GDP growth is forecasted to slow down and attain 5.1% in 2024, compared to 5.6% in 2023. The growth figure for 2024 has been underpinned by improved sectorial outcomes and higher investment levels, notwithstanding lower-than-foreseen investment in public sector projects such as the extension of the Metro Express, the construction of a new runway at the Plaine Corail Airport, the Riviere des Anguilles Dam and infrastructural works in connection with the construction of social housing units.

Illustration 1. Sectorial real growth rates as per Statistics Mauritius

	2022	2023	2024f
	% over previous year		
Agriculture, forestry and fishing	5.5	13.9	5.9
Mining and quarrying	8.9	-6.6	5.7
Manufacturing	9.1	2.1	1.7
Sugar	*-8.4*	*2.5*	*-8.0*
Food (excluding sugar)	*12.1*	*4.2*	*4.7*
Textile	*6.7*	*-9.5*	*-6.5*
Other	*8.1*	*6.7*	*3.0*
Electricity, gas, steam and air conditioning supply	5.7	5.4	4.2
Water supply; sewerage, waste management and remediation activities	3.9	2.6	2.8
Construction	1.3	21.3	25.0
Wholesale & retail trade; repair of motor vehicles and motorcycles	3.0	3.0	3.2
Transportation and storage	5.2	7.3	4.7
Accommodation and food service activities	192.4	25.7	7.4
Information and communication	4.0	4.0	4.4
Financial and insurance activities	4.2	3.9	4.4
Monetary intermediation	*4.5*	*4.3*	*5.0*
Financial leasing and other credit granting	*4.5*	*3.3*	*3.9*
Insurance, reinsurance and pension	*4.1*	*4.6*	*3.8*
Other	*3.8*	*3.0*	*3.6*
Real estate activities	1.6	1.9	1.9
Professional, scientific and technical activities	5.1	4.1	4.0
Administrative and support service activities	4.1	4.0	3.9
Public administration and defence; compulsory social security	5.7	-1.0	3.3
Education	3.5	1.1	2.6
Human health and social work activities	6.2	-1.0	5.0
Arts, entertainment and recreation	7.8	4.3	4.0
Other service activities	9.7	4.3	3.2
Export oriented enterprises	11.8	-11.2	0.0
Seafood	16.0	-1.4	1.8
Freeport	10.0	2.9	3.6
Tourism	250.7	24.7	6.2
ICT	1.8	3.6	3.9
Global business	3.3	3.9	3.3
Gross Domestic Product (GDP) at market prices	**8.7**	**5.6**	**5.1**

Source: National Accounts, Statistics Mauritius

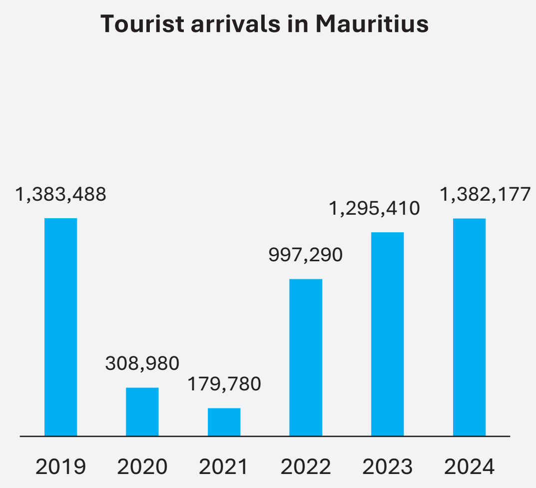
Appraising the country's underlying growth trajectory

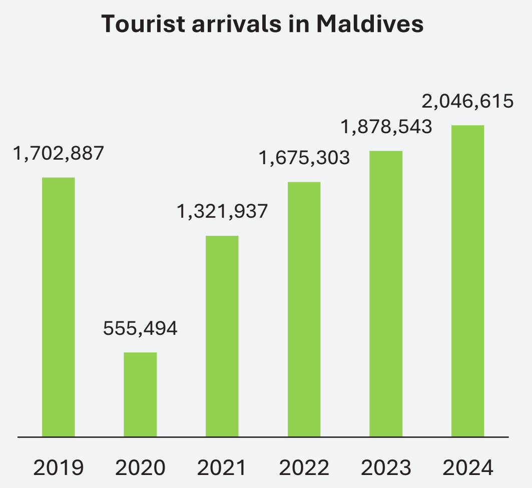
- While the Mauritian economy has further expanded in 2024, this performance should be read in conjunction with the challenges to which the country's real, financial, fiscal and external sectors are exposed. The country's GDP growth performance has been anchored on relatively fragile grounds, with challenges confronting sectors and operators (e.g. entrepreneurs and SMEs on the back of high, albeit abating, inflationary pressures and restrained private demand in some instances), though to varying magnitudes. Specifically, the analysis of national accounts reveals useful insights. For instance, while GDP growth in 2024 has been supported by established sectors such as non-sugar agriculture, construction, tourism, financial and business services as well as transportation and storage, specific areas warrant attention. A case in point is tourism, which continues to face up to hurdles such as labour supply constraints and a demanding market environment. Tellingly, whereas the business models and the specificities of these destinations need to be factored in the analysis, it can, for example, be observed that Maldives is ahead of Mauritius in terms of tourist arrivals. Maldives reached a historic milestone in 2024, with more than 2 million tourists visiting the country, which accounts for a year-on-year growth rate of 8.9%. Comparatively, Mauritius has welcomed 1,382,177 tourists in 2024, which rose compared to 2023, but continue to undershoot (albeit slightly) the pre-pandemic level of 1,383,488 tourists posted back in 2019.

- On the other hand, economic growth in 2024 is estimated to have been hindered by the performances of specific sectors on the back of the tight global context and endogenous challenges, with (i) the textile industry and sugar sector (on both the agricultural and manufacturing fronts) contracting; and (ii) restrained growth rates posted by the seafood, domestic oriented manufacturing and ICT sectors. Amongst the main observations, this situation reflects the difficulties confronting various segments of the export oriented manufacturing industry. Tellingly, total goods exports as a percentage of GDP at market prices evolved at a tempered pace over time and even declined to attain an estimated 15.8% in 2024, when compared to an annual average ratio of 18.5% over the past decade. In a similar light, official data on the performance of Export Oriented Enterprises (EOE) depict subdued trends with regard to key performance indicators such as growth patterns, the share in the national economy, export levels, the number of enterprises and the employment base. When measured as a share of Gross Value Added, the significance of EOE in the Mauritian economy has declined to attain 3.8% in 2023, compared to 6.0% in 2015 and 6.3% in 2010. In fact, while it contracted by 11.2% in 2023 and is estimated to have stagnated in 2024, the EOE sector posted a negative average annual growth rate of 2.8% during the 2013-2023 period, with the contraction for textile establishments being worse at 3.4%. Such observations can be a cause for concern for Mauritius given the importance of exports as a chief growth engine. As per empirical evidence, international trade has, over the past decades, helped developing countries to (i) boost investment and productivity, while allowing for economies of scale and fast innovation spread; (ii) spur growth and poverty alleviation; and (iii) reduce the development gap vis-à-vis advanced economies. Also, the IMF commented that trade openness and global value chain integration are instrumental in generating macroeconomic benefits and invigorating GDP growth.

- In another respect, whilst it has improved lately, the ratio of national investment to GDP at market prices stayed below the 25% mark deemed necessary to markedly bolster the country's socio-economic development, with the corresponding metric for private sector investment – viewed as a robust contributor to productivity and GDP growth – consistently undershooting the 20% threshold.

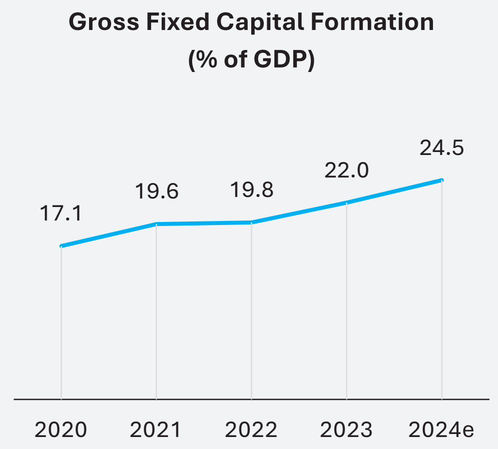
Illustration 2. Tourist arrivals

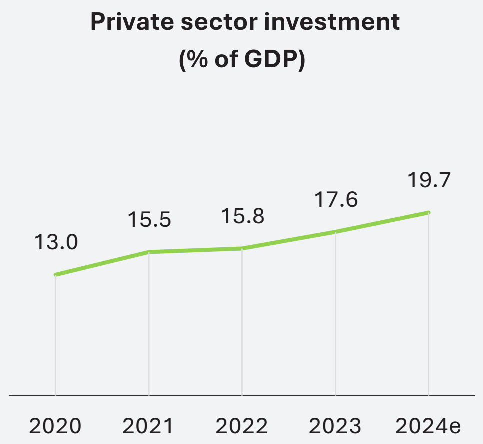




Sources: International Travel & Tourism, Statistics Mauritius; Ministry of Tourism (Republic of Maldives)

Illustration 3. National investment



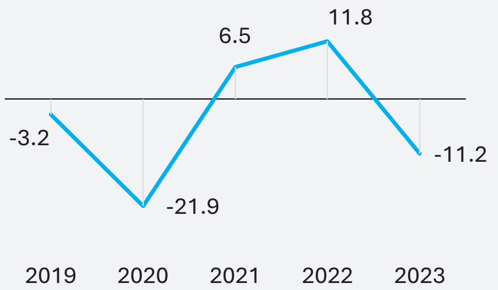


Source: National Accounts, Statistics Mauritius

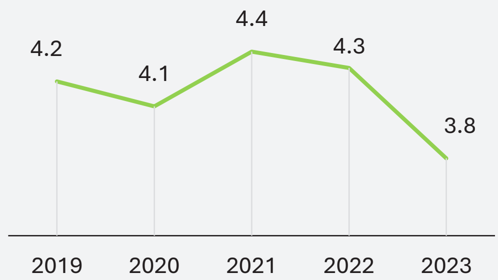
Illustration 4. Export Oriented Enterprises (EOE) sector statistics

The EOE sector has registered subdued real growth rates in recent years, while its relative significance in the Mauritian economy has dwindled by a non-negligible margin over time.

Annual real growth rate (%)

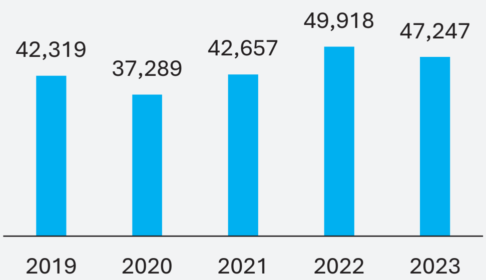


Share of Gross Value Added (%)

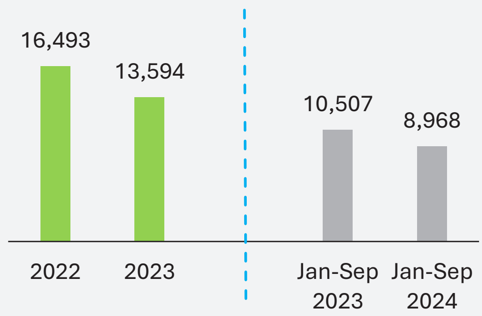


The exports of goods have continued to evolve at a relatively sub-par pace over the years, with major declines being specifically posted by articles of apparel and clothing.

Overall exports* (Rs million)

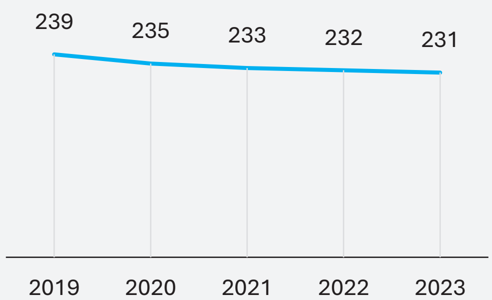


Exports of articles of apparel and clothing (Rs million)

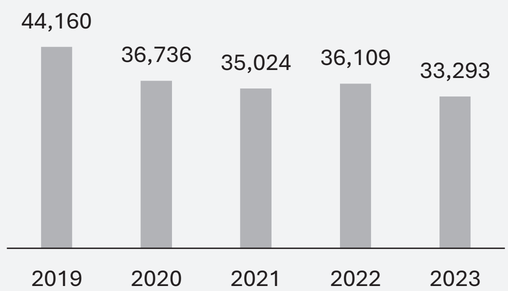


The performance depicted by the EOE sector can, in addition, be reflected by the gradual decline in the number of enterprises and the fall in the employment base.

No. of enterprises as at December



Employment as at December



** f.o.b., excluding sales to Freeport*

Sources: Export Oriented Enterprises (Q3-24) and National Accounts, Statistics Mauritius

Downside risks to growth and potential threats linked to the global context

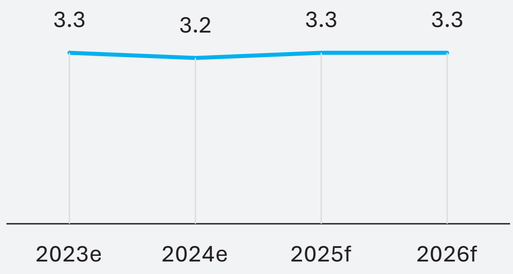
- Over the short to medium term, the expansion of the Mauritian economy could, as the situation stands, be exposed to possible downside risks. On the domestic front, vigilance is called for in light of the increasingly prominent climate change phenomenon – notably illustrated by extreme weather events such as flash floods – owing to possible ramifications on the country's infrastructure setup and key sectors such as tourism and agriculture, coupled with pressures on the prices of food and other consumer goods. Furthermore, the country's growth outlook is exposed to the generally challenging global economic climate. As per the latest IMF World Economic Outlook Update, global growth is, for the periods ahead, expected to remain stable, albeit lacklustre. It is projected to attain 3.3% in both 2025 and 2026, below the historical (2000–19) average of 3.7%. Medium-term risks to this baseline growth outlook are tilted to the downside, with key concerns including an intensification of protectionist trade policies, potentially renewed inflationary pressures amidst policy shifts and geopolitical tensions leading to acute spikes in commodity prices, worries about public debt sustainability and supply-side shocks. Specifically, the key export markets of Mauritius are facing up to a still-subdued economic context, thus impacting the demand for our goods and services. For instance, latest data show that GDP growth in the euro area has stagnated in the fourth quarter of 2024, amidst contractions registered by Germany and France, thus highlighting persistent fragility and vulnerability in the region. Looking ahead, the IMF has mentioned that *"In the euro area, growth is expected to pick up but at a more gradual pace than anticipated in October, with geopolitical tensions continuing to weigh on sentiment."* Of note, while euro area growth is on course to benefit from strong labour markets, declining inflation and rate cuts, economic conditions are still subject to multiple risks, including geopolitical strains and the likelihood of a more protectionist trade policy stance on the part of the US. Worth noting, the significance of the global economy and exogenous dynamics in shaping up the performance of Mauritius is particularly perceptible for the tourism industry. As per the UN World Tourism Organization when assessing the performance of global tourism, *"Despite the generally strong results, several economic, geopolitical and climate challenges remain. The tourism sector is still facing inflation in travel and tourism, namely high transport and accommodation prices, as well as volatile oil prices. Major conflicts and tensions around the world continue to impact consumer confidence, while extreme weather events and staff shortages are also critical challenges for tourism performance."*

- While the possible downside risks to the outlook remain to be scrutinised, the Mauritian economy's short- and medium-term growth would depend on the execution of the new official macroeconomic agenda and reform impetus. Thus, GDP growth could, in the periods ahead, be higher than what the current baseline scenario would suggest on the basis of historical trends, in the event of (i) faster-than-envisioned implementation of public and private sector investments; (ii) the timely and comprehensive execution of structural reform measures, as identified by the Government; (iii) a favourable headline inflation trend; and (iv) quicker recovery in our main export markets.

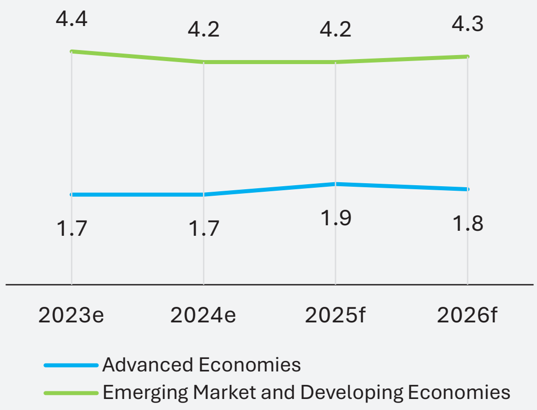
Illustration 5. Performance of the world economy

The global growth outlook remains subdued, with mixed fortunes across countries and regions.

Real GDP growth – World economy (%)



Real GDP growth – Key economies (%)



Source: IMF World Economic Outlook Update (January 2025)

Latest quarterly growth rates data on our key export markets show generally challenging conditions.

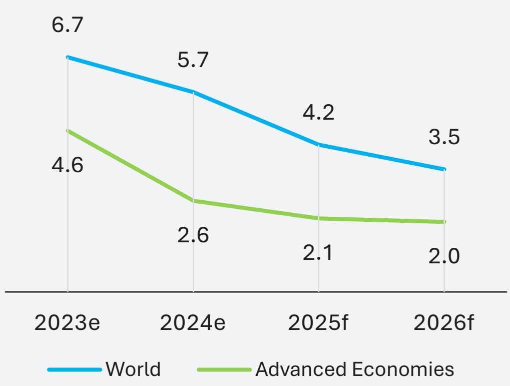
Real GDP growth (quarter-on-quarter % change)

	Q1-22	Q2-22	Q3-22	Q4-22	Q1-23	Q2-23	Q3-23	Q4-23	Q1-24	Q2-24	Q3-24
United States	-1.0	0.3	2.7	3.4	2.8	2.4	4.4	3.2	1.6	3.0	3.1
Euro area	0.5	0.9	0.6	-0.1	0.0	0.1	0.0	0.0	0.3	0.2	0.4
United Kingdom	0.7	0.3	0.1	0.3	0.1	0.0	-0.1	-0.3	0.7	0.4	0.0

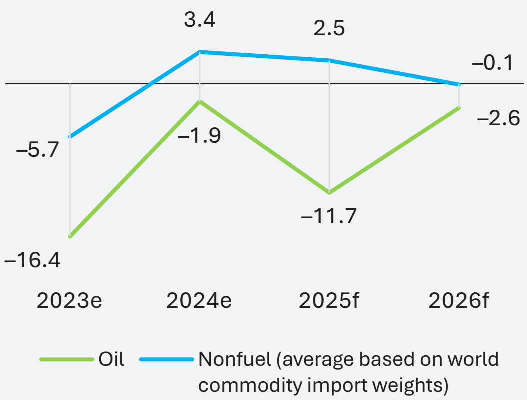
Sources: US Bureau of Economic Analysis; Eurostat; Office for National Statistics (UK)

Inflation globally is on the decline, with broadly favourable trends for commodity prices.

Inflation (%)



Commodity prices (year-on-year % change)

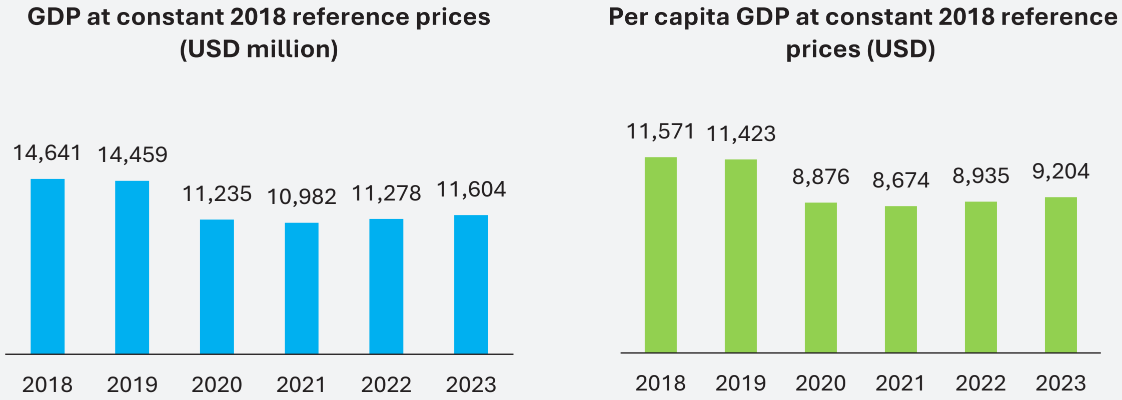


Source: IMF World Economic Outlook Update (January 2025)

The reality of USD comparability and graduating to high-income status

- A country's GDP at market prices can also be computed in USD terms, with the relevant figures being leveraged for international growth comparison and for undertaking a suitable appraisal of the extent to which the population's living standards are evolving over time. In the wake of sustained rupee depreciation, there has been a decline in both real GDP and per capita GDP in recent years, compared to pre-pandemic statistics (with a contraction of 19.7% in USD-denominated GDP in 2023 when compared to 2019). This situation has, thus, been delaying the country's graduation to high-income status. In fact, the World Bank categorises countries in income groups on the basis of their Gross National Income (GNI = GDP + net primary income from abroad) per capita (in USD terms), with Mauritius presently featuring in the upper middle-income group. Based on official figures, the GNI per capita of Mauritius has evolved very marginally over the years, moving from USD 11,631 in 2019 to only USD 11,766 in 2023. This metric, which has been slightly revised to USD 11,590 by the World Bank as per its Atlas methodology, is far from the minimum threshold of USD 14,005 that the latter has, as the situation stands, set for a country to achieve high-income status, thus highlighting the grounds that Mauritius has to cover to graduate thereto.

Illustration 6. Evolution of GDP and per capita GDP in USD terms



Sources: National Accounts, Statistics Mauritius; SBM Staff Estimates

The country's medium-term perspectives

- Over the medium term, the ability of the country to achieve and entrench a high growth path and, by this means, generate meaningful and balanced employment opportunities needs to be closely scrutinised given the prevalence of domestic imbalances and competitiveness-hindering factors. As per the Bank of Mauritius, growth is projected to stand between 3.5% to 4.0% in 2025, with major economic sectors expected to post positive performances this year. The IMF expects GDP growth to stand at around 4% over the medium term. That said, these perspectives should be read with caution and regularly monitored, as we keep track of the extent to which the reform and policy measures being formulated by the authorities are executed in a prompt and extensive way.

Illustration 7. Economic outlook for Mauritius as per international organisations

As per the IMF

	2022	2023	2024f	2025f	2026f	2027f	2028f
Real GDP growth (%)	8.9	7.0	6.1	4.0	4.0	4.0	4.0
Headline inflation - Average for period (%)	10.8	7.0	3.5	3.5	3.5	3.5	3.5
Unemployment rate (%)	6.8	6.3	6.3	6.3	6.3	6.3	6.3
Total investment (% of GDP)	20.4	23.8	23.7	22.2	21.9	21.9	22.1
Current account balance (% of GDP)	-11.1	-3.3	-5.5	-4.6	-4.3	-4.1	-4.1

As per Moody's Investors Service

	2022	2023	2024f	2025f	2026f
Real GDP growth (%)	8.9	7.0	5.9	3.7	3.7

As per the World Bank

	2022	2023	2024e	2025f	2026f
Real GDP growth (%)	8.9	7.0	5.6	4.4	3.8

Sources: IMF World Economic Outlook (October 2024); Moody's Investors Service; World Bank Global Economic Prospects (January 2025)

Productivity and competitiveness

- As per official statistics, the country's multifactor productivity – which shows the rate of change in productive efficiency levels and reflects various influences, including qualitative factors such as better management and improved quality of inputs through training and technology – registered a relatively low annual average growth rate of 0.8% over the 2013-2023 period, on the back of restrained growth rates of 2.0% and 0.0% for labour productivity and capital productivity respectively. With regard specifically to 2023, the growth rates of labour, capital and multifactor productivity have tempered when compared to 2022. Overall, subdued productivity levels, which usually tend to *ceteris paribus* stifle the economy's competitiveness, can be testified by the country's positioning in international performance indices. In particular, the functioning, productivity and competitive appeal of Mauritian port services deserve proper inspection, with the recent Port Market Study of the Competition Commission identifying perceived shortcomings in port functions, structures and processes. As per the World Bank Logistics Performance Index 2023, Mauritius is grouped ranked at the 97th spot worldwide and 11th in sub-Saharan Africa. The World Bank Container Port Performance Index 2023 – which seeks to identify gaps and opportunities for improvement in port operations, efficiency and performance – showed that Port Louis is ranked at the 369th spot internationally out of 405 ports, while it ranked 327th out of 348 ports in the preceding year. Also, Port Louis is ranked at the 27th spot out of a total of 40 ports in sub-Saharan Africa.

Illustration 8. The country's productivity trends

Source: Productivity & Competitiveness Indicators (2013-2023), Statistics Mauritius

Box 1. Positioning of Mauritius in key international indices

2024 Ibrahim Index of African Governance (IIAG)

After having led the IIAG rankings for several years, Mauritius has been overtaken by Seychelles which ranks first in 2023 in Overall Governance. With a composite score of 72.8 (out of 100), Mauritius ranks 2nd out of 54 countries. Mauritius' Overall Governance score has deteriorated over the last decade (2014-2023) and has done so at an accelerated pace over the most recent five years (2019-2023).

Overall Governance Score *(out of 100)*	**72.8**
Ranking *(out of 54)*	**2**

The Overall Governance score is made up of four categories – *Security & Rule of Law; Participation, Rights & Inclusion; Foundations for Economic Opportunity; and Human Development*. Mauritius has deteriorated in all those categories since 2014, the largest deterioration being in the *Participation, Rights & Inclusion* category, driven by declines in the *Participation, Rights and Inclusion* & *Equality* sub-categories.

	2014	**2023**	**Change since 2014**
Overall Governance	76.8	72.8	-4.0
Security & Rule of law	*76.0*	*70.8*	*-5.2*
Participation, Rights & Inclusion	*79.3*	*71.6*	*-7.7*
Foundations for Economic Opportunity	*75.6*	*74.8*	*-0.8*
Human Development	*76.4*	*73.8*	*-2.6*

Each category covers four sub-categories, thus making up a total of 16. Between 2014 and 2023, Mauritius has deteriorated in 11 out of the 16 IIAG sub-categories.

	2023	**10-year change**
Best scoring (2023)		
Education	*85.4*	*-4.3*
Security & Safety	*81.4*	*-5.5*
Women's Equality	*80.7*	*+1.4*
Worst scoring (2023)		
Anti-corruption	*63.8*	*-5.0*
Rights	*64.7*	*-18.1*
Accountability & Transparency	*66.1*	*-5.3*

Source: Mo Ibrahim Foundation

B-READY 2024

First of an annual series that assess the business and investment climate of a large number of countries worldwide, *Business Ready* (B-READY) replaces and improves upon the World Bank Group's earlier *Doing Business* project.

The project divides economies into five equal groupings (quintiles), from highest to lowest performers, based on their scores within 3 pillars (*Regulatory Framework, Public Services, Operational Efficiency*), thus allowing policy makers to readily identify the areas for improvement in their economy.

Pillar	Mauritius score	Quintile	Highest score	Lowest score
Regulatory Framework	64.55	Third	78.23	46.21
Public Services	56.28	Second	73.31	18.35
Operational Efficiency	69.79	Second	87.33	40.36

Beyond the pillar performance of economies, B-READY 2024 also presents information on economic performance at the topic level.

Mauritius score and positioning

Business Entry	Business Location	Utility Services	Labor	Financial Services	International Trade	Taxation	Dispute Resolution	Market Competition	Business Insolvency
75.58	68.64	41.48	76.60	60.17	74.36	69.22	51.32	57.03	61.02

Quintile: Top | Second | Third | Fourth | Bottom

Mauritius scores highest in Labor, Business Entry, and International Trade. Within these areas, the economy is said to have implemented good practices in its labor dispute resolution mechanisms, unique business identifiers for business transactions and regulatory interactions, and a legal framework for international trade in goods and services consistent with good practices.

Mauritius scores lowest in Utility Services, Dispute Resolution, and Market Competition. Within these areas, the economy is said to lack regulations for equal access to internet infrastructure and robust regulations to encourage competition for internet carriers. Mauritius underperforms with regard to public services in mediation and lags in the digitalisation of intellectual property services.

Source: Business Ready 2024, World Bank

The Logistics Performance Index (LPI)

Mauritius is grouped ranked at the 97th place (2018: 78th) worldwide, with an LPI score of 2.5 (2018: 2.7), while it ranks at the 11th spot among its peers in sub-Saharan Africa.

Indicator	LPI score	Customs score	Infrastructure score	International shipments score	Logistics competence and quality score	Timeliness score	Tracking and racing score
Score	2.5	2.4	2.5	1.9	2.5	3.1	2.9
Grouped rank	97	90	80	137	103	76	72

In comparison, the 10 countries with the best logistics performance continued to offer high-calibre logistics and were rated 4.1 (out of 5) on average, as compared to 4.0 in 2018. The average rating of the 10 poorest performers remained at 2.1 (out of 5), as in 2018.

One major policy highlight from the report is that '*improving customs and infrastructure matters most for raising the overall score of bottom performers*', noting that the performance of customs and border agencies as well as the quality of trade- and transport-related infrastructure are particularly weak in the lowest performing countries.

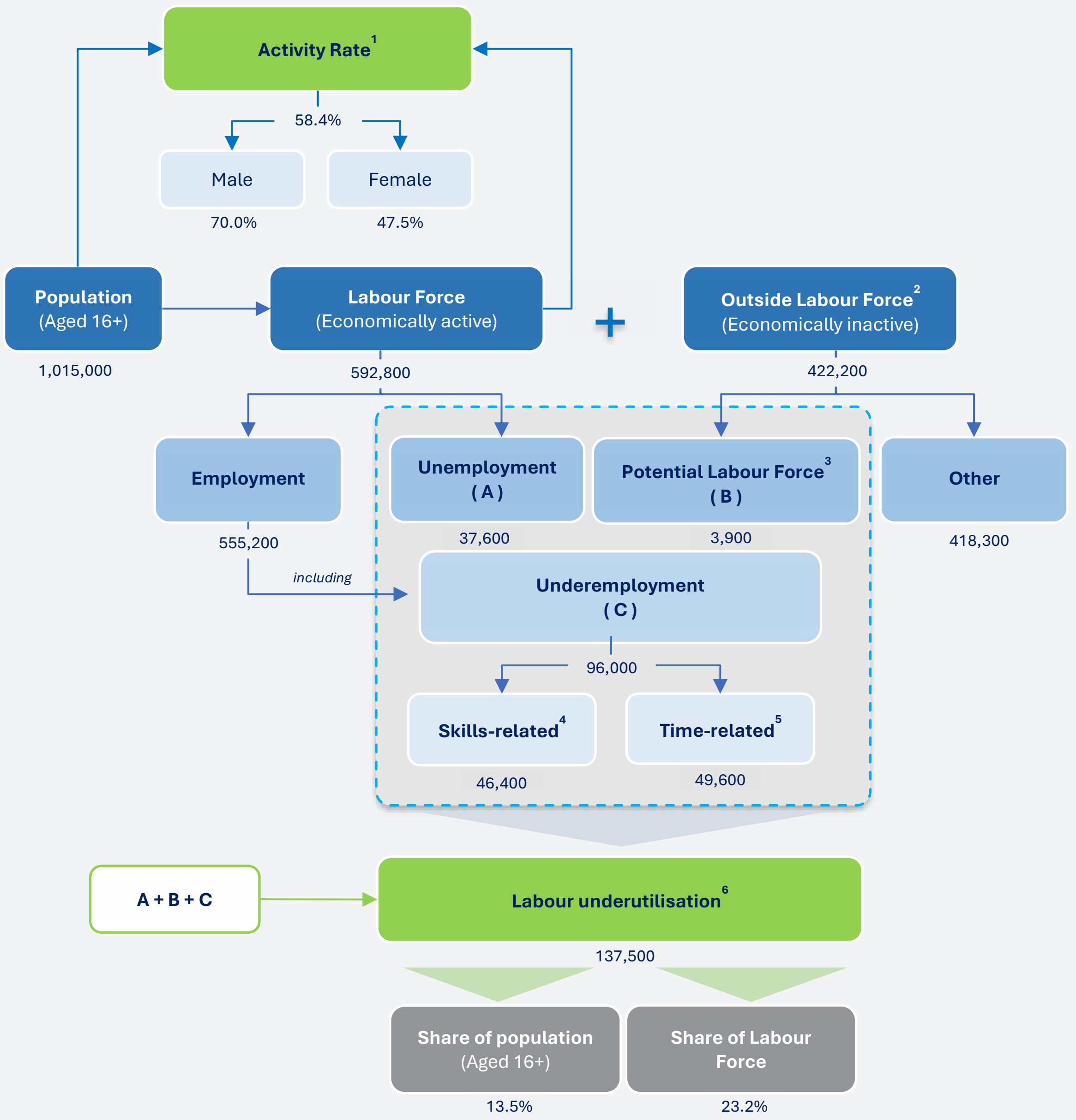
Note: The LPI analyses countries through six components: the efficiency of customs and border management clearance; the quality of trade- and transport-related infrastructure; the ease of arranging competitively priced international shipments; the competence and quality of logistics services; the ability to track and trace consignments; and the frequency with which shipments reach consignees within the scheduled or expected delivery time.

Source: Logistics Performance Index 2023, World Bank

Labour market and unemployment

- As per latest official estimates, the country's unemployment rate attained 5.9% in the third quarter of 2024, compared to 6.3% in the corresponding quarter of 2023. While, to some extent, reflecting market inefficiencies and restrained job creation in specific industries, labour statistics deserve continued scrutiny and call for additional efforts on the part of both public and private stakeholders with a view to boosting employment opportunities and unleashing increased labour supply, in consonance with the country's growth ambitions. Key discussion areas are as follows:
    - The female unemployment rate remained high at 8.2% in the third quarter of 2024. Reflecting limited job avenues, youth unemployment rate stayed elevated at 17.6% during this period, with the rates for male and female standing at 14.9% and 20.9% respectively.
    - The labour activity rate – which is the ratio of the labour force to the population aged 16 years and above – stood at 58.5%, with the corresponding rate for women (at 48.6%) calling for particular attention given the constant need to boost supply of labour in the economy.
    - The level of labour underutilisation in the country warrants analysis, insofar as it is, according to the International Labour Organization, a key measure of the extent to which an economy (i) is fully utilising its available human resources; or (ii) provides opportunities to employ its population to its full potential. Official figures for Mauritius show that this indicator – comprising the unemployed, the potential labour force as well as people found in skills-related and time-related underemployment – stood at 137,500 in 2023, which represents 13.5% of the population aged 16 years and above and 23.2% of the labour force, thus requiring to boost human capital and productivity in favour of GDP growth.
    - The population aged 15 to 64 years – a basic, yet broad, indicator for employment – has declined in recent years and reached 887,314 as at 1 July 2023. It is expected to edge further down in the decades ahead as per projections made by Statistics Mauritius. These trends could *ceteris paribus* be a challenge for Mauritius, to the extent that sustained pressures on labour force participation rates could impact economic output.

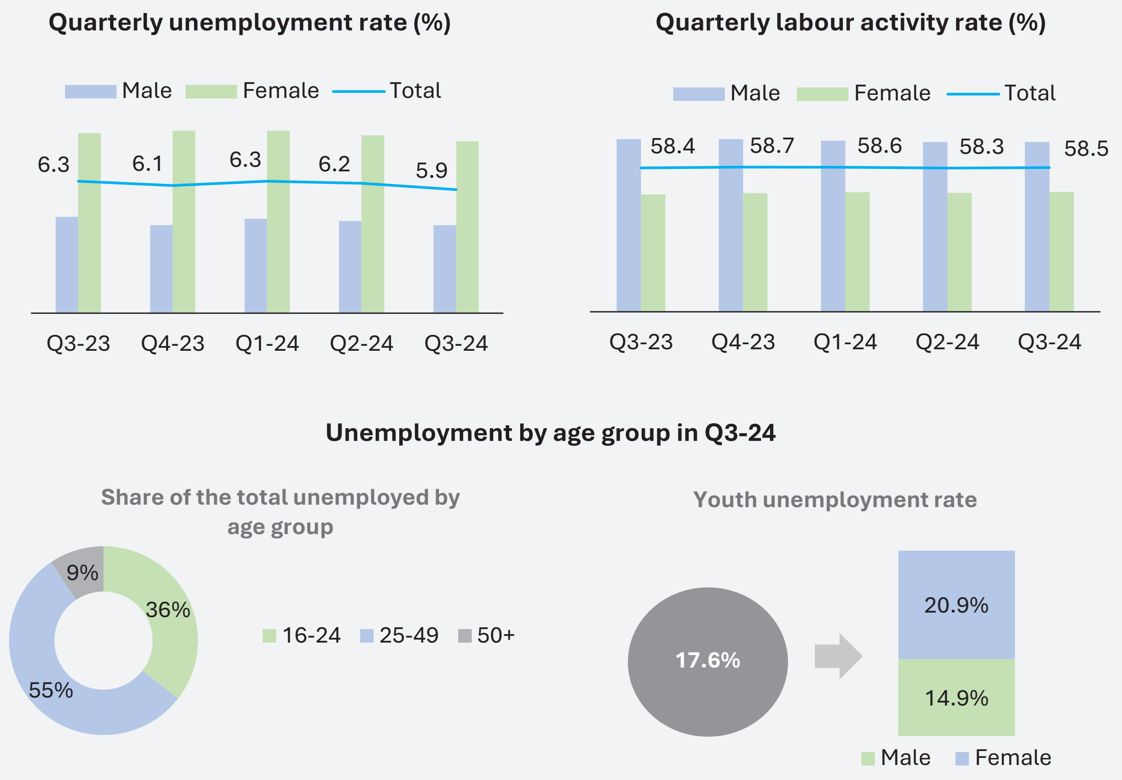
Illustration 9. Labour underemployment and underutilisation statistics for 2023



1 ratio of labour force to population aged 16 years and above
2 includes all Mauritians aged 16 years and above, not forming part of the labour force for reasons such as attendance at educational institutions, engagement in household duties, retirement, old age and infirmity/disablement
3 persons not in employment and who were not actively looking but were available for work, and those who were actively looking but were not available for work
4 those who were in employment and having tertiary qualifications and were engaged in occupations such as clerical support workers, service and sales workers, skilled agricultural workers, plant and machine operators and elementary occupations
5 those who were in employment and were available for extra work
6 refers to mismatches between labour supply and demand, which translate into an unmet need for employment among the population

Sources: Labour Force, Employment & Unemployment, Statistics Mauritius; SBM Staff Estimates

Illustration 10. Selected labour market statistics



Source: Labour Force, Employment & Unemployment, Statistics Mauritius

Inflation

- As per the IMF, inflation has, in most regions of the world, fallen from its 2022 peak, in the midst of unwinding supply-side issues and restrictive monetary policy, while also reflecting the fading of prior energy price shocks and of their pass-through to core inflation as well as the easing in labour market tightness. In the euro area, whilst energy prices edged up slightly, annual inflation is estimated at 2.4% in December 2024, compared to 2.2% in November and 2.9% a year earlier. In the US, inflation stood at 2.9% in December 2024, after rising for the third consecutive month, but remains much lower than the 40-year peak of 9.1% registered in June 2022. In the UK, after attaining a 41-year high of 11.1% in October 2022, inflation declined, but followed an unsteady path. It moved to a lower-than-expected 2.5% in December 2024, which is the first fall in inflation for three months.

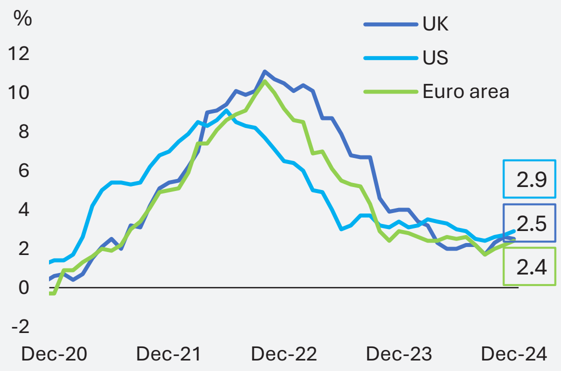
- In Mauritius, headline inflation pursued a sustained downtrend to reach 3.6% in December 2024, from a high of above 11% at the beginning of 2023, on the back of a favourable statistical base effect and domestic price movements. While this trend can be welcomed, discussion areas prevail.
    - As a key determinant of household spending, food prices have remained elevated in recent times, thus affecting the purchasing power of individuals. The prices of food and non-

alcoholic beverages have, on an annual average basis, increased by 8.1% in December 2024. Using the latter as end-period and leveraging figures from Statistics Mauritius, the price index for food and non-alcoholic beverages has, on a point-to-point basis, risen by 11.4% and 29.5% when compared to December 2022 and December 2021 respectively.

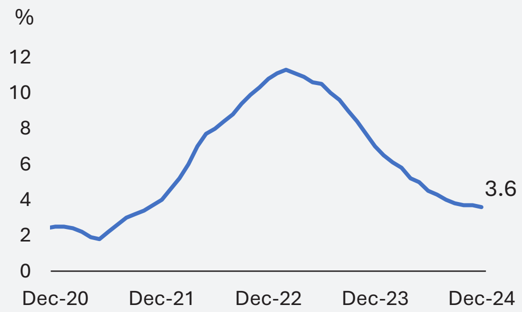
- Looking ahead, inflation in Mauritius is likely to be subject to key pressures amidst risks of accentuating trade wars and increased market volatilities on the global front, in the wake of the intention by the US to impose additional import tariffs on trading partners. Moreover, any exacerbation of geopolitical tensions in specific parts of the world can have unfavourable implications on oil and other commodity prices. Also, inflation could be shaped by various dynamics, including the repercussions of climate change and the evolution of global shipping freight rates given the complex crisis affecting key trade routes. That said, it is worth noting that the Bank of Mauritius has, on 4th February 2025, raised the Key Rate by 50 basis points to 4.50%, given that the risks of imported inflation are deemed as being high and the likelihood of further exchange rate pressures, in a context of uncertainties and several underlying factors gaining prominence on the global scene.

Illustration 11. Evolution of headline inflation

Advanced economies



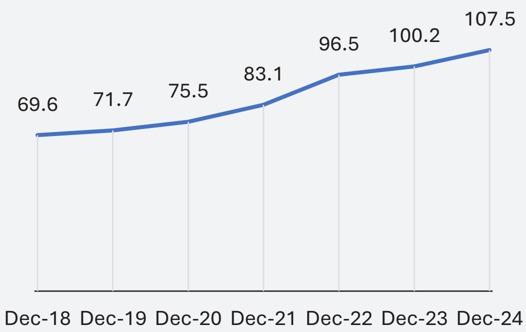
Mauritius



Headline inflation by category (Dec-24)

Food and non-alcoholic beverages	8.1
Alcoholic beverages and tobacco	3.6
Clothing and footwear	3.0
Housing, water, electricity, gas and other fuels	-0.4
Furnishings, household equipment and routine household maintenance	4.3
Health	6.0
Transport	-0.9
Information and Communication	0.4
Recreation, sport and culture	3.8
Education services	2.6
Restaurants and accommodation services	5.1
Insurance and financial services	1.6
Personal care, social protection and miscellaneous goods and services	4.7
Total	**3.6**

Evolution of the price index for the 'Food and non-alcoholic beverages' category (Base: 2023=100)



Sources: Consumer Price Index, Statistics Mauritius; US Bureau of Labor Statistics; Eurostat; Office for National Statistics (UK); SBM Staff Estimates

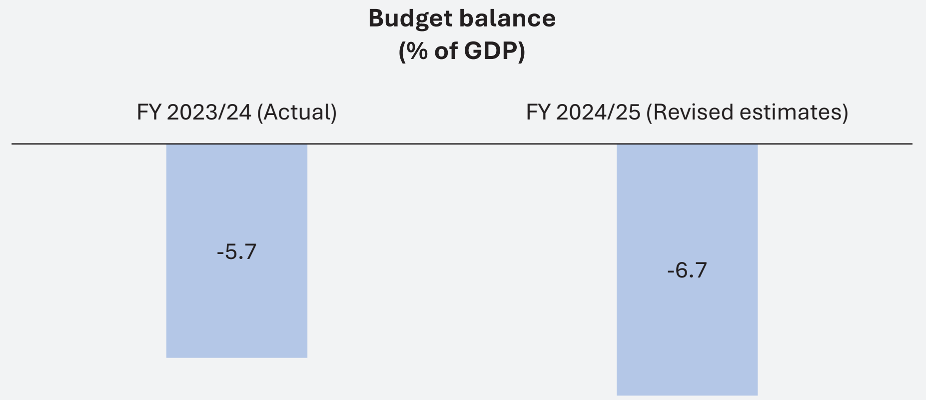
Budget balance and public sector debt

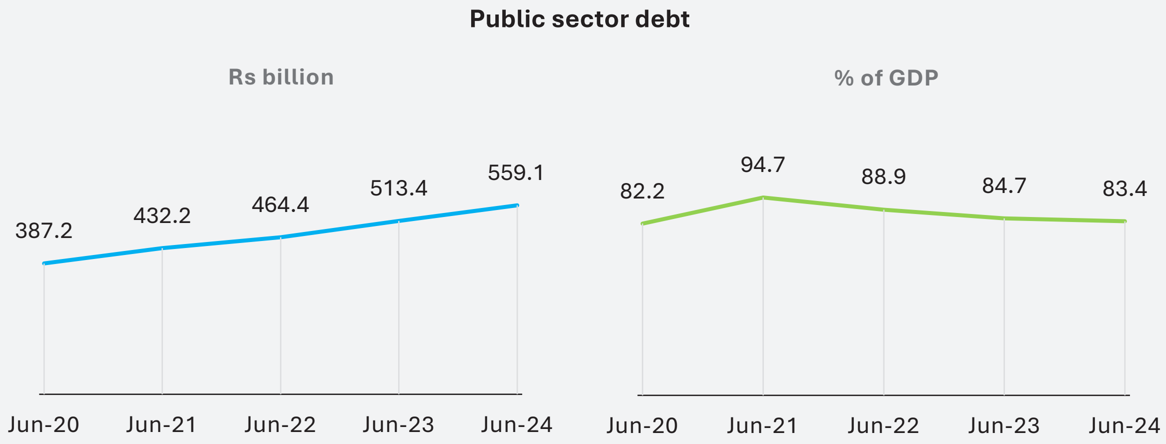
- As per recently-revised official figures, the actual budget deficit for FY 2023/24 is estimated at 5.7% of GDP, which overshoots the previous estimate of 3.9% mentioned in the 2024-2025 Budget Estimates document, on the back partly of the shortfall in tax revenue. Of note also, the authorities expect the budget deficit to deteriorate and attain 6.7% of GDP in FY 2024/25 (compared to the previous figure of 3.4% for this period), on a no-policy change basis. In the same vein, the figures for Government borrowing requirements as a percentage of GDP have lately been revised upward, with the ratio estimated at an elevated 6.1% in FY 2023/24 and being, as things stand, projected to worsen to 8.2% in FY 2024/25, with this movement being mainly triggered by loans extended by the Government to and equity injection in public bodies. Against such a backdrop and as per revised figures released by the Government in the State of the Economy report after ensuring alignment with international best practices, the public sector gross debt as a percentage of GDP is estimated at 83.4% as at end June 2024, which represents a significant worsening from the 59.5% figure depicted as at end December 2014, partly explained by specific spending items and rupee depreciation, to the extent that the latter has engendered a rise in the value of the external debt of the Government. As at end June 2025, the authorities expect the public sector gross debt to, on a no-policy change basis, further worsen to reach 84.5% of GDP. They have, furthermore, guarded against potential contingent liability risks to this fiscal outlook in the wake of the delicate financial situation which is characterising some public sector bodies and Special Purpose Vehicles (SPVs).

- While the above figures and assessments deserve attention, it is worth referring to previous reports of the IMF, which had put into light the need to continuously monitor the evolution of the fiscal deficit and overall borrowing requirement. Based on its Sovereign Risk and Debt Sustainability Framework, the IMF had commented on Mauritius' overall risk of sovereign stress, although adding that public debt is projected to decline further, on account of historical debt shocks, the level of debt projected at the end of the medium-term horizon, projected financing needs, contingent liabilities related to the Bank of Mauritius' potential recapitalisation needs and external debt, and risks from population ageing and climate events. In its Rating Action released in January 2025, Moody's has analysed the likely implications of the audit that had been undertaken in the context of the State of the Economy report published by the Government, with the agency changing our sovereign rating outlook from stable to negative. Moody's has mentioned that *"Mauritius faces significant short-term fiscal deterioration, which, if unaddressed, would lead to a rising debt burden that would diverge further from those of other Baa3-rated sovereigns. The audit also highlighted the weakened financial position of certain SOEs, increasing the risk of requiring budget support."*

- Notwithstanding the above figures and assessments, it is imperative to make allowance for the fact that the Government has expressed its firm intentions to boost growth, achieve sound fiscal consolidation and strengthen macroeconomic fundamentals, which should, plausibly, allow the country to uphold the investment grade credit rating status assigned to it by Moody's, after, concomitantly, giving due attention to the economy's entrenched credentials and historical track record of stable growth, political stability, investment-friendly business environment and sound financial sector. Encouragingly, Moody's has, in its latest Rating Action, observed that *"In response to the deterioration in fiscal metrics, we expect the government to pursue a comprehensive fiscal consolidation plan that includes revenue-enhancing measures and spending cuts aimed at reducing the fiscal deficit and putting government debt on a more sustainable path. Over the next 12 to 18 months, we will assess the implementation of such a plan and the ultimate likelihood of success in reversing the fiscal position and eventually lowering the debt burden."*

Illustration 12. Fiscal sector statistics



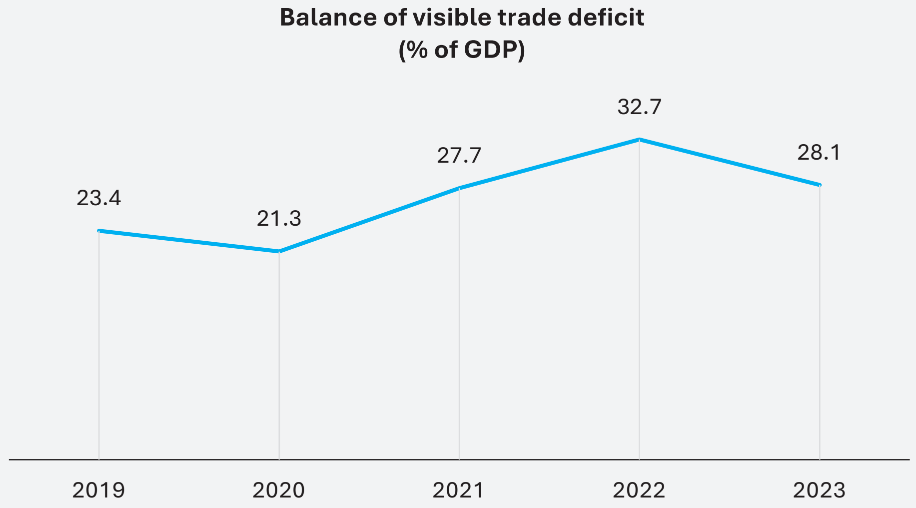


Source: State of the Economy report

External front

- Partly explained by its sub-optimal productivity and competitiveness levels notwithstanding currency dynamics, the country has, over the years, posted an unsteady performance with regard to its exports and recorded significant imbalances on its external accounts. Of note, when computed as a share of GDP at market prices, the balance of visible trade deficit stood at elevated levels of 32.7% and 28.1% in 2022 and 2023 respectively (representing a major deterioration from the 23.4% shown in 2019), while the balance of payments registered significant deficits of Rs 13.9 billion and Rs 31.3 billion in those two years. These depictions can be viewed with concern as they tend to (i) exert downward pressures on the exchange rate of the rupee; and (ii) lead to sustained leakages from the economic system, with money moving out of the country, therefore yielding a dampening impact on GDP, the growth pattern and the job creation impetus. Conspicuously, large external imbalances have, together with domestic factors and the impact of interest rate differentials vis-à-vis other financial centres globally, led to the rupee weakening by significant margins in recent years when measured against the US dollar and other key currencies – despite forex interventions by the Bank of Mauritius – thus, contributing, in some instances, to higher consumer prices.
- Specifically, in the wake of the difficult conditions faced by our key export markets and despite an improvement at the level of re-exports (pertaining mainly to seafood as well as machinery and transport equipment), the country's total exports of goods declined by 1.5% to reach Rs 103.9 billion in 2023. Whereas prominent increases were registered with respect to domestic exports of cane sugar (+18.5%) and live primates (+87.1%) on account, notably, of higher global market prices and market trends, a major decline was posted by textile and apparel (-17.5%). Besides, revenue generated by ship's stores and bunkers fell by 10.1% during the period under review. Overall, this situation can be a cause for concern as it, in some respects, hints about the country's competitiveness profile, notwithstanding the international context. For the first nine months of 2024, domestic exports witnessed a year-on-year decline (with non-negligible decreases registered at the level of seafood as well as articles of apparel and clothing accessories), thus causing – in conjunction with higher import levels and evolving commodity prices – the balance of visible trade deficit to further deteriorate and to attain Rs 144.1 billion for this period, which represents a rise of 8.8% compared to the corresponding period of the preceding year. As per Statistics Mauritius, the overall trade deficit is projected to reach around Rs 195 billion for 2024, from close to Rs 180 billion for 2023. On another note, despite improved trends observed with respect to the current account, notably due to higher gross tourism earnings, the balance of payments recorded a significant deficit of Rs 31.3 billion in 2023, as mentioned before. Though a surplus figure is estimated for the first semester of 2024, the continued volatility of the balance of payments – in the context, particularly, of global business flows – deserves attention, given its expected non-negligible impact on exchange rate stability. Also, whereas the balance of payments position has been supported by gross direct investment flows, the latter have remained largely concentrated in real estate activities, with limited injections being, therefore, witnessed in established and emerging sectors that could have more directly and unequivocally shored up the country's productivity and competitiveness levels.

Illustration 13. Balance of visible trade

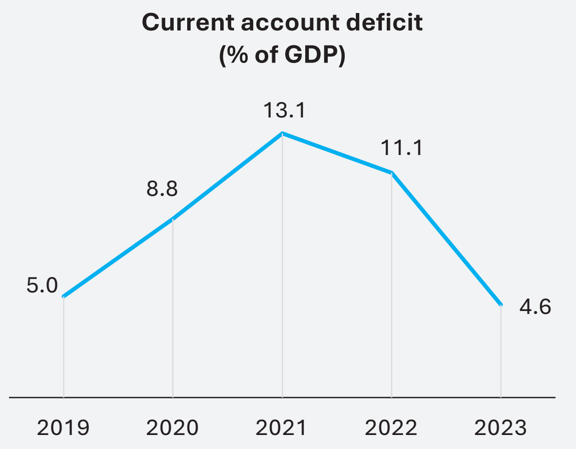


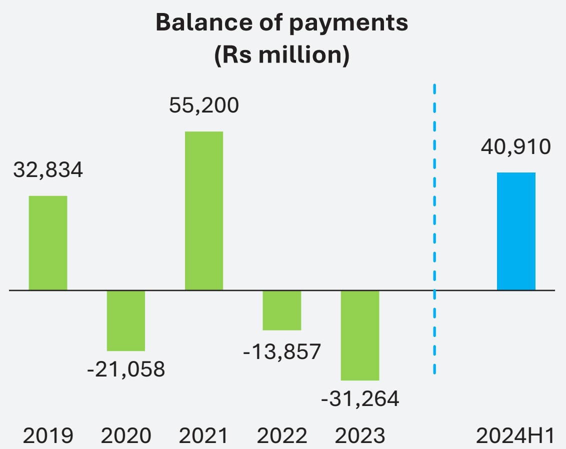
Balance of visible trade
(Rs million)

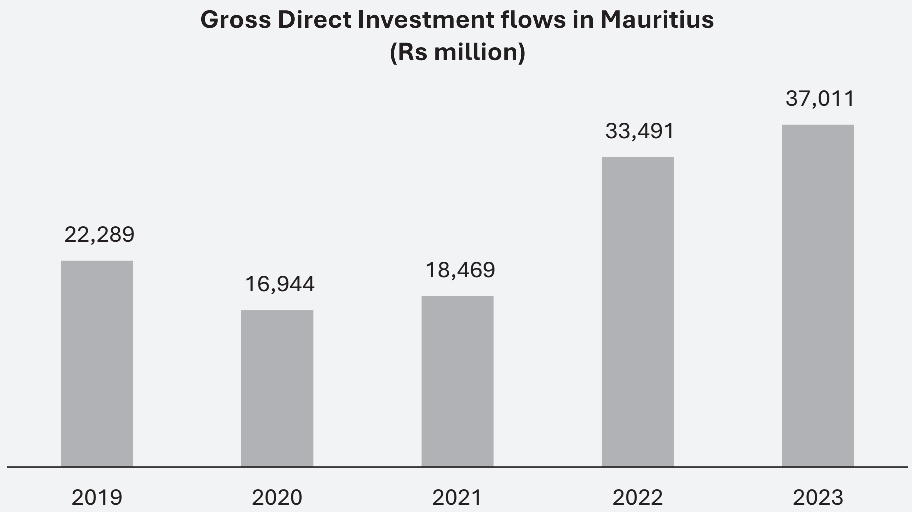
	Jan - Sep 2023	Jan - Sep 2024	% change
Exports of goods	**63,858**	**60,686**	**-5.0%**
Domestic exports	45,865	45,336	-1.2%
of which Food and live animals	*22,075*	*22,368*	*1.3%*
of which Fish and fish preparations	*9,639*	*9,175*	*-4.8%*
Miscellaneous manufactured articles	*15,713*	*13,968*	*-11.1%*
of which Articles of apparel & clothing accessories	*10,983*	*9,333*	*-15.0%*
Manufactured goods classified chiefly by material	*5,218*	*6,266*	*20.1%*
of which Textile yarns, fabrics, made up articles	*3,517*	*4,690*	*33.4%*
Crude materials, inedible, except fuels	*1,282*	*1,109*	*-13.5%*
Chemicals and related products	*897*	*996*	*11.0%*
Re-exports	17,994	15,350	-14.7%
Ship's Stores and Bunkers	**14,209**	**22,758**	**60.2%**
A. Total Exports (f.o.b.)	**78,067**	**83,444**	**6.9%**
B. Total Imports (c.i.f.)	**210,449**	**227,521**	**8.1%**
of which Machinery & transport equipment	*49,631*	*54,152*	*9.1%*
Mineral fuels, lubricants & related products	*43,667*	*51,867*	*18.8%*
Food and live animals	*39,605*	*41,382*	*4.5%*
Manufactured goods classified chiefly by material	*28,374*	*28,700*	*1.1%*
Miscellaneous manufactured articles	*18,674*	*20,091*	*7.6%*
Balance of visible trade (A-B)	**-132,382**	**-144,077**	**8.8%**

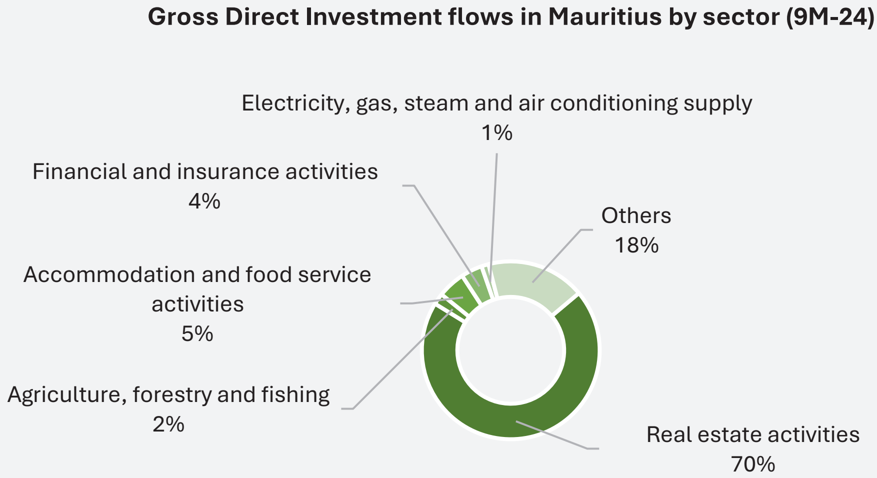
Source: External Trade and National Accounts, Statistics Mauritius

Illustration 14. External sector statistics



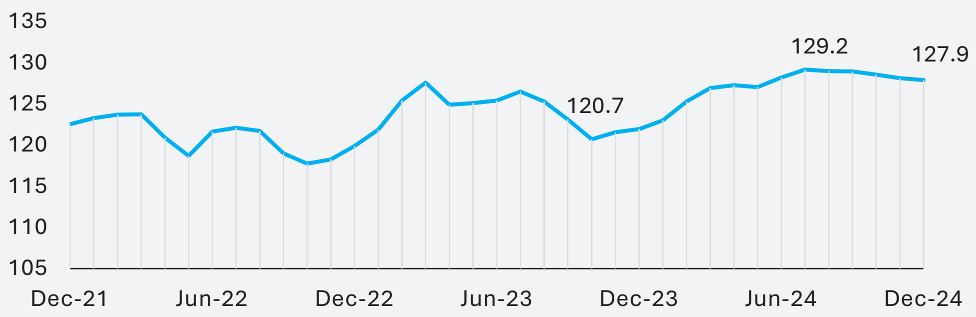






Sources: National Accounts, Statistics Mauritius; Balance of Payments & Direct Investment Flows, Bank of Mauritius

Illustration 15. Effective exchange rate of the Mauritian rupee (MERI2)



Notes:

(i) The Mauritius Exchange Rate Index (MERI), which is a weighted average of bilateral exchange rates for the Mauritian rupee, is a summary measure of the rupee's movements against the currencies of its important trading partners
(ii) MERI2 is based on the currency distribution of merchandise trade and tourism earnings
(iii) The base year of the MERI is January - December 2007 = 100
(iv) An increase (decrease) in the index indicates a depreciation (appreciation) of the rupee

Source: Mauritius Exchange Rate Index, Bank of Mauritius

Illustration 16. Currency evolution

	Value				% point-to-point change		
	31 Jan-25	03 Jan-25	1 yr ago	5 yrs ago	YTD	1 yr ago	5 yrs ago
USDMUR	47.07	48.09	45.40	37.23	-2.1	3.7	26.4
EURMUR	49.13	49.66	49.46	41.04	-1.1	-0.7	19.7
GBPMUR	58.74	60.02	57.98	48.73	-2.1	1.3	20.5

Sources: Consolidated Indicative Exchange Rates, Bank of Mauritius; SBM Staff Estimates

Moving forward:
Key orientations for economic progress

Short-term priorities for the country

Envisioning national policy and reform measures

- While the State of the Economy report produced by the Government is already a key step in the right direction, more granular insights can be garnered by undertaking an even deeper examination of the fiscal and debt positions of the Government, the detailed financial and operational performances of public sector bodies, the socio-economic and environmental challenges facing the country, the effectiveness of currently-unfolding economic policies, and the expectations of key stakeholders. This exercise can prove to be vital as it will provide extensive insights on where the country currently stands – beyond what headline figures portray – and the specific stumbling blocks observed at various echelons, thus putting the cursor on economic remedies to be prioritised.

Pursuing constructive dialogues and conveying the right messages to Moody's, in support of the country's sustained growth

- While affirming the country's investment grade credit rating, Moody's has, in its Rating Action released on 30 January 2025, changed the rating outlook from stable to negative. According to Moody's, *"The outlook change to negative reflects uncertainty about Mauritius' ability to address its challenging fiscal situation, considering the significant and socially and politically difficult fiscal adjustments involved. Following the general elections, the new government released a "State of the Economy" document in December 2024 that revealed a larger fiscal deficit for the fiscal year ending in June 2024 (fiscal 2024), along with a higher debt burden."* That said, it is encouraging to observe that the Moody's report has, notably, acknowledged the country's economic resilience and institutional capacity, while expecting the Government to pursue a comprehensive fiscal consolidation starting from fiscal year 2026, offering the prospect of reversing the fiscal deterioration and maintaining creditworthiness. Therefore, in the aftermath of the Moody's Rating Action, the onus is on Mauritius to strengthen its interactions with the agency and keep on providing reassuring messages that the Government (i) is dedicated to formulating and implementing economic reforms in an opportune and wide-ranging manner, while boosting the investment climate; and (ii) remains intent on achieving comprehensive fiscal consolidation, alongside managing its spending and firmly reducing public debt ratios. Maintaining investment grade credit rating status is vital for Mauritius to realise its economic aspirations, insofar as this should help to further develop its International Financial Centre as well as to preserve the ease and cost of access to foreign capital flows.

Other specific imperatives

- Some endeavours deemed important are as follows:
    - To dynamically tackle the depreciation of the Mauritian rupee, alongside boosting the ready availability of major foreign currencies in the banking and financial industry
    - To ensure appropriate alignment and coordination between monetary policy and fiscal policy – this is likely to create predictable and orderly conditions that should contribute towards sustained growth and consistency in policy design and execution
    - To implement earmarked social and welfare-inducing policies in an effective and inclusive manner, while preserving the soundness of public finances

Broad-based economic reforms

The underlying ambitions spelt out by the Government

- In light of latest macroeconomic estimates and forecasts, the **Government** has stressed on the objective to **improve economic fundamentals and secure a better future for all and for next generations as well, while tackling the challenges and structural issues facing the country**, including climate change, demographic trends, labour market constraints and resource repurposing, education reforms, social upliftment and institutional reconstruction. Among its priorities, a key endeavour of the Government is to implement a credible Medium-Term Fiscal Consolidation Plan, which will help to significantly reduce debt and contingent liabilities so as to minimise the risks to debt sustainability and ensure medium-term macroeconomic stability.

- Lately, it is interesting to take cognizance of the **Government Programme 2025–2029**, which formulated a new economic model for Mauritius, underpinned by innovation and creativity, alongside being, concurrently, supported by economic reforms and fiscal consolidation. Emphasis is being laid on fostering an investment-driven and productivity-based growth strategy, broadening and diversifying the investment space, exploiting the potential of emerging sectors, consolidating established sectors, further diversifying the economic space, transforming Mauritius into a Hi-Tech Intelligent Island, resource repurposing, promoting research and development, reconstructing economic institutions, and restoring sound macroeconomic fundamentals.

Looking ahead: Crafting a change agenda for the country

- In consonance with the ambitions shared by the authorities, this SBM Insights edition has attempted to suggest, across various dimensions, the core elements of a possible **Medium-Term National Economic Transformation Agenda**. While more specific strategic intents and action points remain to be sketched out in due course, the agenda, as explained across the following pages of this report, can contribute to achieve a reengineering of the economy, along with accomplishing the following:
  - ✓ Promoting a high and balanced GDP growth trajectory, with value-adding jobs
  - ✓ Bolstering nationwide economic resilience, helped by an improved external position
  - ✓ Ensuring that Mauritius graduates to the league of High-Income countries
  - ✓ Embedding innovation as the nucleus of the nation’s transformation journey
  - ✓ Enabling sectors to steadily move up the value chain and harness their potential
  - ✓ Achieving healthy social progress, by means of social mobility and inclusion

- In a nutshell, the **Medium-Term National Economic Transformation Agenda** could be propelled by a **seven-pronged reform programme**, encapsulated in the following **strategic focus areas**: (i) gear up the country's productivity and competitiveness via structural reforms, while boosting the investment climate and employment; (ii) spearhead the steady and sustained development of new sectorial pillars, while ushering in economic diversification; (iii) boost the country's exports, while diversifying markets and reinforcing market connectivity; (iv) propel the Mauritius IFC into a superior growth path; (v) achieve a sustainable and 'green' economic development path; (vi) improve the health of public finances and reduce debt ratios, aided by a credible and robust medium-term fiscal consolidation plan; and (vii) anchor growth initiatives on fitting enablers and underpinnings. With these objectives in mind and while being conscious that structural reforms could take time to yield optimal outcomes given the depth and range of challenges facing the economy, the country will gain from the drawing up of a purposeful action plan and roadmap to ensure that the earmarked strategies reap results in an opportune and comprehensive way. In this perspective, **key success factors** for the reform programme to benefit the country could, amongst various considerations, include the following: (i) embracing a sensible and responsible approach; (ii) strengthening synergies and dialogues with the private sector and social partners, while instilling the elements of trust and cooperation; (iii) achieving an efficient mobilisation and allocation of labour and capital resources; (iv) promoting the judicious, albeit, thoughtful, recourse to foreign labour and capital; (v) reinforcing the capabilities and strategic percussions of public sector bodies in specific fields, backed by the notions of accountability, independence and integrity; and (vi) ensuring an effective synchronisation between fiscal and monetary policies. Of note, the above principles are broadly aligned with IMF recommendations to tackle challenges to growth. The IMF has, in its previous reports, called for prudent policies to rebuild fiscal and external buffers and for structural reforms, in view, notably, of climate change and an ageing population. It added that achieving high-income status will require structural reforms, which will be decisive to support private investment, reduce external imbalances, and promote competitiveness and economic diversification.

- Moreover, when strategising for nationwide economic reform and restructuring, Mauritius can, in various instances, learn from **international experiences**, alongside properly contextualising for the country's own realities and specificities. As a case in point, the Dynamic Economy Roadmap that has been devised by the Republic of Korea is a comprehensive set of long-term policy goals and structural reforms unleashed last year to tackle its weakening growth momentum. Of interest to us, the core pillars of this agenda are: (i) strengthening the innovation ecosystem; (ii) ensuring fair opportunities; and (iii) improving social mobility. In this context, the ten policy tasks that have been identified, together with targeted response plans, are as follows: (i) Building a High-Productivity Economic System; (ii) Boosting the Optimization of Production Factors; (iii) Expanding Global Networks; (iv) Equal Opportunities; (v) Fair Rewards; (vi) Promoting Win-Win Growth Environment; (vii) Increasing Household Income and Assets; (viii) Reducing Essential Living Expenses; (ix) Innovating the Education System; and (x) Bolstering Protection and Support for the Vulnerable.

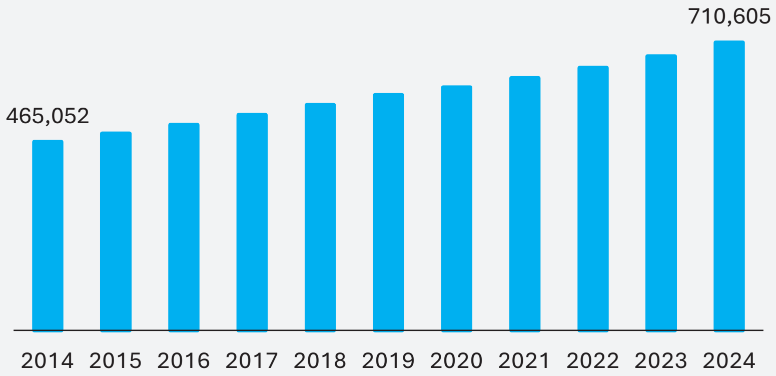
Reform I	Gear up the country's productivity and competitiveness via structural reforms, while boosting the investment climate and employment

- A major priority for Mauritius is to **boost its inherent capabilities, value proposition and credentials**, to successfully compete in an increasingly volatile, uncertain, complex, ambiguous and disruptive global economic landscape, thus supporting employment generation.

- **Structural reform and policy measures** can lead to or take the shape of the following endeavours: (i) further diversifying the country's economic space, while developing nascent industries; (ii) creating propitious conditions aimed at fast-tracking FDI in high-value-generating, climate-resilient and sustainable projects across established and emerging sectors; (iii) harnessing fruitful linkages with foreign strategic partners and Development Finance Institutions to facilitate investment endeavours; (iv) gearing up innovative infrastructure investments to enhance the quality, efficiency and accessibility of services in relation to electricity (reliability, affordability and consistency of supply, sustainable energy mix, robust infrastructures) and water supply (water capture, retention, treatment and distribution), especially given the frequent periods of prolonged droughts faced by Mauritius, digital connectivity (speed and affordability of Internet connectivity, re-imagined services to the public) and the sea port (port governance, services to shippers and shipping lines, competitive logistics and container terminals, improving operational indicators such as average turnaround time, average pre-berthing waiting time and the average percentage of idle time at berth); (v) articulating a full-fledged Masterplan with the aim to firmly improve the suitability of the road and transportation networks across the country while achieving successful decongestion programmes, mindful of the continuous and marked rise in the total number of registered vehicles (reaching 710,605 as at last December, following a point-to-point increase of around 53% during the 2014-2024 decade, while translating into an annualised growth rate of 4.3% for this period); (vi) strengthening the country's connectivity to key markets and boosting the idiosyncratic appeal of goods and services exports; (vii) promoting, as far as possible, food security across the key dimensions that are usually expected to be fulfilled, i.e. availability, access, utilisation and stability, as generally referred to by the UN Food and Agriculture Organization; (viii) nurturing a competent and versatile employment base, alongside upgrading the skills sets and employability of the labour force as well as retaining young talents in the country; (ix) fostering transparent and efficient goods and products markets; (x) endorsing stable and open trade policies; (xi) instilling low, simple and predictable personal and corporate income tax regimes (albeit in consonance with international standards), which should help to attract foreign capital and labour; (xii) managing any risks and vulnerabilities with regard to financial stability, banking sector soundness and currency movements; and (xiii) achieving essential nationwide goals in terms of social inclusion, gender equality and poverty alleviation.

Illustration 17. Evolution of registered vehicles in the country

Total number of registered vehicles (end-December)



Source: National Land Transport Authority

- The country can achieve higher productivity and competitiveness levels by propelling **a strong and trusted institutional framework**, anchored on the principles of transparency, accountability, good governance and integrity. While being led by specialist resources, key public sector bodies can benefit from reforms and restructuring exercises which would go some way in revisiting their strategic intents, tactical positioning and operational efficiency levels, notably institutions mandated to promote the Mauritian destination and jurisdiction, bolster the country's competitiveness and instil a stimulating investment climate. Also, as Mauritius embarks on the journey of furthering productive public sector functioning, it can, in some ways, learn from international experiences. Of note, the Department of Government Efficiency, as established by US President Donald Trump, is expected to serve as a dedicated body aimed at maximising Government efficiency and productivity, while streamlining public spending and combatting bureaucracies where required.

- On another note, it is important to **boost the strategic positioning and competitiveness of key economic pillars**, while ensuring that the good running of businesses is not overburdened by high charges as well as elevated operating and financing costs. As a major engine of growth in Mauritius, it is imperative for the tourism sector to tackle challenges faced, including (i) dealing with staff shortages to keep pace with market demand; (ii) adapting to evolving client needs, which are, to an increasing extent, been geared towards favouring sustainable destinations; (iii) further diversifying and enriching the value proposition of hotels and other operators; (iv) confronting the repercussions of climate change; and (v) smartly capitalising on the national air access strategy.

- **Digitalising the Mauritian economy** is of key importance. As per the IMF, efforts to further improve the quality of digital connectivity and Internet usage should continue, while welcoming ongoing initiatives that are meant to strengthen institutional and technological safeguards on digitalisation. In the same vein, digitalisation is key to enhancing the quality of public services and promoting the good running of business activities, while reinforcing the efficiency of public spending and fiscal transparency. Propelled by innovation and digitalisation, the smoothness and productivity of public sector administration is instrumental in forging a stimulating investment climate.

- **Economic diplomacy** can play a major role in advancing the country's trade, investment and strategic objectives, with the active support of embassies and consulates. This concept can help to forge attractive bilateral and multilateral agreements that are in the best interest of Mauritius.

- In addition to uplifting productivity and competitiveness levels, **nationwide employment creation and labour supply across sectors, gender and age groups** can be achieved by (i) optimising the functioning of labour markets, addressing skills mismatches and reducing the gap between demand and supply, alongside addressing concerns expressed by some industries regarding the relative deficiency of human resources with advocated skills to accompany them in their strategic endeavours; (ii) accelerating efforts geared towards the implementation of national skills development strategies; (iii) addressing apprehensions triggered by the country's ageing population and the shrinking working age group, given pressures on the labour force; (iv) thoughtfully boosting the recourse to specialised foreign labour in targeted areas; and (v) creating generally favourable conditions which can play a key role in retaining young and middle-aged people in Mauritius, instead of seeing them move abroad for taking up employment. As a key focus area, the country can benefit from initiatives meant to **speed up female labour supply and participation**. According to the IMF, *"Increasing women's labor force participation would support inclusive and higher growth and can help mitigate the impact of an ageing population. Female labor force participation (FLFP) and employment in Mauritius are well below that of men, and below that of women in comparator countries. Boosting FLFP to the OECD average could raise potential growth by 0.8 percentage point per year over the medium term. Ongoing efforts should be sustained to foster women's skills and education, notably in science and technology, improving the availability of childcare, and improving maternal and paternal leave policies."* Furthermore, public and private stakeholders are called upon to pay heed to future-ready workplace trends and policy challenges that are gaining prominence globally. In its 'Future of Jobs Report' released in January 2025, the World Economic Forum asserted that "*The landscape of work continues to evolve at a rapid pace. Transformational breakthroughs, particularly in generative artificial intelligence (GenAI), are reshaping industries and tasks across all sectors. Technological change, geoeconomic fragmentation, economic uncertainty, demographic shifts and the green transition - individually and in combination - are among the major drivers expected to shape and transform the global labour market by 2030."* The report underscored that *"AI and big data top the list of fastest-growing skills, followed closely by networks and cybersecurity as well as technology literacy. Complementing these technology-related skills, creative thinking, resilience, flexibility and agility, along with curiosity and lifelong learning, are also expected to continue to rise in importance over the 2025-2030 period.*"

Reform II	Spearhead the steady and sustained development of new sectorial pillars, while ushering in economic diversification

- Alongside shoring up the competitiveness of established industries, the country is called upon to create stimulating conditions for the **emergence and maturity development of new economic sectors**. This should assist to nurture strong conditions for accelerating GDP growth, bolstering the overall resilience of the Mauritian economy to potential external shocks, reducing import levels, boosting gross foreign exchange reserves, and increasing opportunities for sustained job creation and social progress. Amongst key enablers, the country can gain by (i) devoting continuous attention to the good running and competitiveness of SMEs, as a vital contributor to nationwide value creation and broad-based social progress; and (ii) stimulating private investment and FDI in new productive sectors, while attracting high-skilled foreign expertise via dedicated incentives.

Illustration 18. Emerging sectors that can support the growth path
Ocean economy
Medical hub | Pharmaceutical hub
ICT and digital sectors
Green economy
Education hub
Silver economy

Box 2. The oceans economy: Understanding the concept and the likely opportunities

The concept

By virtue of its huge Exclusive Economic Zone of 2.3 million square kilometres, there is enormous potential for Mauritius to tap into the oceans economy in order to accelerate economic growth, job creation and sound social progress.

According to a report by the UN Trade and Development (UNCTAD), the concept of the oceans economy is one that simultaneously promotes economic growth, environmental sustainability, social inclusion and the strengthening of oceans ecosystems.

The oceans economy can contribute to addressing some of the concerns associated with economic and environmental vulnerability, including those linked to remoteness, by fostering international and regional cooperation under an ‘ocean space approach’, which is also expressed in the literature as marine spatial planning. The oceans economy offers significant development opportunities and raises challenges for Small Island Developing States (SIDS) in sectors such as sustainable fisheries and aquaculture, renewable marine energy, marine bio-prospecting, maritime transport as well as marine and coastal tourism.

Potential growth opportunities

Regarding the oceans economy, key industries and growth areas to be tapped into are as follows:

- **Sustainable fishing** (*with initiatives for the conservation, management and development of fisheries and aquaculture (fish farms, algaculture*))
- **Renewable marine energy** (*the generation of renewable energy from tides and waves, wind turbines located in offshore areas, submarine geothermal resources and marine biomass could be viable alternatives for contributing to energy needs and climate change mitigation objectives, while helping to diversify energy portfolios and secure higher levels of energy security)*
- **Offshore wind-generated electricity and use of algae biomass in the production of fuel** *(which offers promising opportunities for future development of the second and third generations of non-food-based biofuels*)
- **Bio-prospecting of marine genetic resources** (*biochemical, pharmaceutical, cosmetics and bioenergy applications as well as food products development*)
- **Maritime transport and open ship registration** (*linking incentives to financial and ship classification services | Ship building and ship repair | Sustainable and resilient regional maritime or multimodal hubs | incidental services (such as port-related storage, insurance and financial services) as well as sustainable and reliable transport services*)
- **Marine and coastal tourism**
- **Desalination**
- **Sanitation and wastewater services**
- **Trade and transportation**

Box 3. The green economy: Understanding the concept and the likely opportunities

The concept

According to the United Nations Environment Programme, *"A green economy is defined as low carbon, resource efficient and socially inclusive. In a green economy, growth in employment and income are driven by public and private investment into such economic activities, infrastructure and assets that allow reduced carbon emissions and pollution, enhanced energy and resource efficiency, and prevention of the loss of biodiversity and ecosystem services."* The Green Economy Coalition (a group of NGOs, trade union groups and others doing grassroots work on the matter) defines green economy as *"A resilient economy that provides a better quality of life for all within the ecological limits of the planet."* Of note, in December 2019, the European Commission issued its European Green Deal communication. The latter highlighted the commitment to tackle climate and environmental challenges and to work towards modern, resource-efficient and competitive economies. The Green Deal aims to make the EU climate-neutral by 2050, boost the economy through green technology, create sustainable industry and transport and reduce pollution.

Potential growth opportunities and policy challenges

Karl Burkart, a renowned scientist, defines a green economy as based on six main sectors, namely renewable energy, green buildings, sustainable transport, water management, waste management and land management. With this in mind and while considering other areas cited by observers and economists, key opportunities and challenges can be delineated as follows:

Renewable energy

- Several empirical studies have established a positive and significant relationship between renewable energy and economic growth, while the energy-led economic growth hypothesis has been mentioned in various instances. According to the UN, the most common sources of renewable energy are solar energy, wind energy, geothermal energy, hydropower, ocean energy and bioenergy. Accelerating the transition to clean energy is the pathway to a healthy, liveable planet today and for generations to come since (i) renewable energy sources are all around us; (ii) renewable energy is cheaper; (iii) renewable energy is healthier; (iv) renewable energy creates jobs; and (v) renewable energy makes economic sense. Notably, efficient and reliable renewable technologies can create a system less prone to market shocks and improve resilience and energy security by diversifying power supply options.

Climate change

- As per the European Central Bank, climate change poses three specific, but interrelated, policy challenges: climate change mitigation, climate change adaptation (which includes building up resilience) and managing transition risks. For its part, the European Union shed light on the reforms that national authorities should implement to support their climate ambitions, such as (i) developing climate policy, strategies and action plans; (ii) fostering land use and forest management, including urban planning, SMART cities and forest accounting and inventory; (iii) enhancing coastal protection as well as flood and coastal erosion risk management; (iv) developing nature-based solutions to address heatwaves, drought, flooding and poor air quality in urban areas; (v) achieving decarbonisation of electricity systems, including design of renewable energy-friendly markets and regulatory frameworks; and (vi) developing market-based support schemes for renewable energy and energy efficiency investments.

Green buildings

- As per the World Green Building Council, a green building is a building that, in its design, construction or operation, reduces or eliminates negative impacts and can create positive impacts on our climate and natural environment. Green buildings prioritise energy efficiency, resource conservation as well as the use of eco-friendly and sustainable materials.

Sustainable transportation

- The US Department of Energy defines sustainable transportation as low- and zero-emission, energy-efficient and affordable modes of transport, including electric and alternative-fuel vehicles, as well as domestic fuels, with key benefits accruing in terms of cost savings on fuel, reduced carbon emissions and improved accessibility to reliable/affordable transportation.

Water management

- The Global Water Partnership mentioned that *"Water and its management is becoming not just a local but a global priority. The UN Rio+20 Declaration emphasises the need to establish a green economy as the means to achieving sustainable development while protecting and improving the world's natural resources."*

Waste management

- A key element of the green economy is to reduce, process, reuse and recycle manufacturing products and solid waste, while minimising the impact on the environment. In the same vein, amongst the UN Sustainable Development Goals, a major objective is to ensure sustainable consumption and production patterns, which entail the need to reduce global consumption rates to fit with the biophysical capacity to produce ecosystem services.

Land management

- The UN defines sustainable land management as the use of land resources, including soils, water, animals and plants, for the production of goods to meet changing human needs, while simultaneously ensuring the long-term productive potential of these resources and the maintenance of their environmental functions.

Circular economy

- As per the United Nations Environment Programme, *"A circular economy is one of the current sustainable economic models, in which products and materials are designed in such a way that they can be reused, remanufactured, recycled or recovered and thus maintained in the economy for as long as possible, along with the resources of which they are made, and the generation of waste, especially hazardous waste, is avoided or minimized, and greenhouse gas emissions are prevented or reduced."*

Green jobs

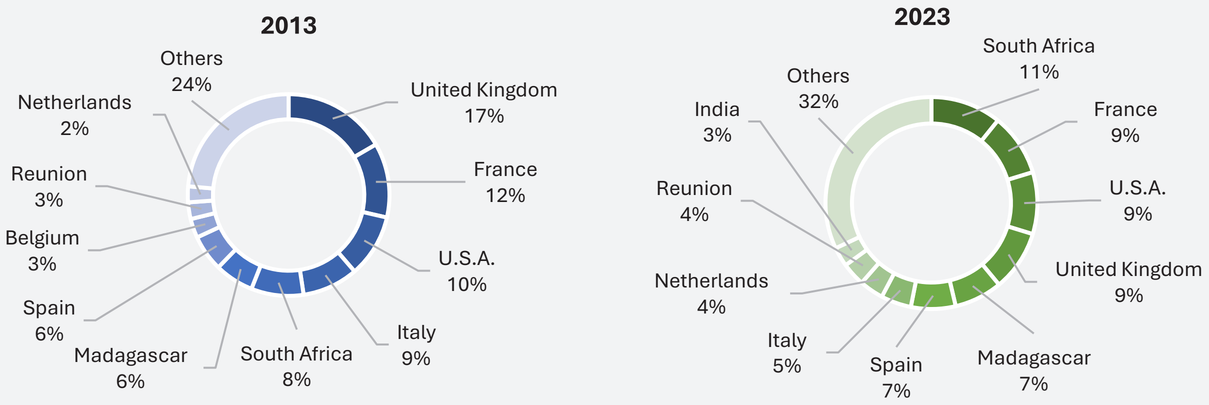
- As per the International Labour Organization, *"Green jobs are decent jobs that contribute to preserve or restore the environment, be they in traditional sectors such as manufacturing and construction, or in new, emerging green sectors such as renewable energy and energy efficiency."*

Reform III	Boost the country's exports, while diversifying markets and reinforcing market connectivity

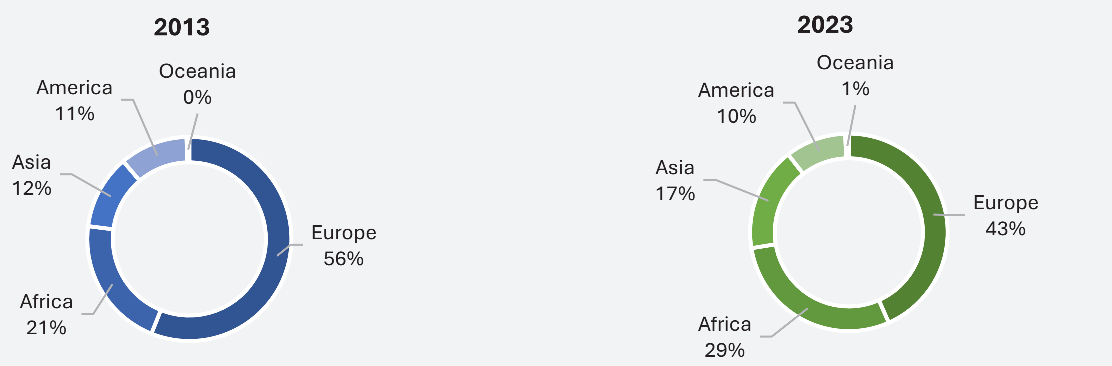
- Economic growth can be underpinned by efforts to **accelerate exports of goods and services**, alongside **diversifying markets**, with focus on opportunities generated by the African continent, notwithstanding its risk profile (with official figures showing that the continent has not been optimally tapped into yet, in spite of some progress). Key measures could include (i) delivery of convenient institutional and fiscal support to SMEs and entrepreneurs; (ii) further investment in Research and Development to help enrich the attractiveness of offerings (e.g. propelling exports of high-end and high-revenue-generating manufacturing products), while being attentive to shifting consumer preferences; and (iii) laying increased focus on effective and smart marketing campaigns for the Mauritian brand. Also, as per the IMF, the new approach to explaining diversification underscores the need to effectively shorten geographic distance by enhancing connectivity between nations.

Illustration 19. Main exports destinations

Distribution of exports markets by country



Distribution of exports markets by continent



Sources: External Trade, Statistics Mauritius; SBM Staff Estimates

- Mauritius is called upon to **smartly capitalise on international trade avenues** associated with the country's adherence to regional trade blocs such as the SADC and COMESA as well as its involvement in the African Continental Free Trade Area, the Mauritius-China Free Trade Agreement, and the Comprehensive Economic Cooperation and Partnership Agreement with India.

Reform IV	Propel the Mauritius IFC into a superior growth path

- Mauritius has harnessed its image as **an IFC of repute and substance**, while positioning itself as a centre of excellence and a reliable hub for structuring and channelling trade and investments into Africa. As per the latest Global Financial Centres Index, Mauritius is ranked first in sub-Saharan Africa with regard to leading financial centres, while standing at the 60th spot globally.

Illustration 20. Key pillars of the Mauritius IFC that can be promoted

- Exports of goods and services
- Cross-border investment and corporate banking, with mounting emphasis on tapping into renewable energy and ESG projects and endeavours, alongside playing a meaningful role in facilitating the achievement of the UN Sustainable Development Goals by African countries
- Private banking and wealth management
- Avenues for operators to structure businesses, for issuers to raise capital and for companies to seek listing
- Development of Mauritius as a Fintech Hub in the region
- Framework for new tools and activities regarding Virtual Assets and Initial Token Offering Services
- Emerging products, e.g. peer-to-peer lending, crowdfunding and Artificial Intelligence-enabled services
- Mediation and Arbitration Centre
- Global Headquarters Administration

- That said, Mauritius can capitalise on initiatives to **further improve the attractiveness of its IFC**, amidst heightened global competitive pressures and evolving international tax standards. This calls for strengthened efforts by the authorities and the business community to uphold the jurisdiction's credentials, while entrenching a stimulating fiscal regime and adhering to advocated international norms and codes (notably in relation to tax and Anti-Money Laundering/Combatting the Financing of Terrorism requirements). This will enable Mauritius to preserve its positioning in the White Lists of the Financial Action Task Force, OECD and European Union, alongside enriching the diversity and depth of its value proposition. Also, Mauritius stands to gain by effectively capitalising on its wide network of Double Taxation Avoidance Agreements (DTAAs) and Investment Promotion and Protection Agreements (IPPAs), which will allow investors to do business while guaranteeing the necessary predictability, certainty and security. Along the way, the Mauritian IFC can benefit by (i) smartly and constantly boosting its international visibility, with involvement across impactful platforms; and (ii) ensuring that clear, coherent and aligned messages are conveyed by public and private stakeholders to investors and market participants regarding the USPs of the jurisdiction.

Reform V	Achieve a sustainable and 'green' economic development path

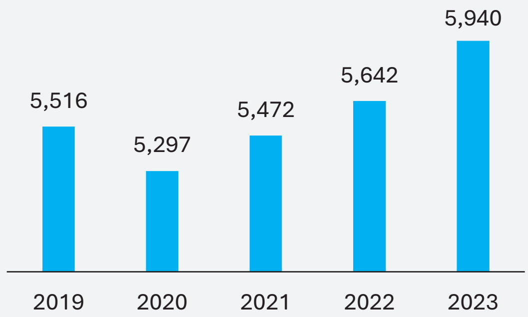
- In line with international trends, Mauritius can position itself as a **Sustainable Nation**, with a view to supporting sound economic progress, inclusive social development and natural environment protection, while underpinning the quality of life of the population, reducing import dependency, managing climate and environmental risks, boosting resource and industry productivities, and laying lasting foundations for the country's long-term prosperity. In this journey, the country is *inter alia* called upon to act upon climate change, alongside firmly increasing investments in renewable energy supply and reducing reliance on imported fuel. In this respect, it is worth observing that the share of electricity supply generated from renewable sources out of the total amount declined to attain 17.6% in 2023, which compares unfavourably to the 23.9% posted in 2020 and remains far from the national ambition of 60% that had been set for 2030.

- Along the way, Mauritius is called upon to **align with the UN Sustainable Development Goals and other international standards and benchmarks**. Amongst key priorities, the country is expected to lay emphasis on clean, efficient and homegrown energy supply, wastewater management, solid waste management, circular economy principles, smart transport systems, sustainable finance, ESG reporting and adaptation to climate change. In view of achieving the UN 2030 Agenda for Sustainable Development, embracing such principles is all the more advocated for, owing to (i) expanding nationwide economic activities; (ii) rising sea levels and the ensuing impact on beaches and the tourism industry; (iii) the country's vulnerability to natural hazards given its geographical location; and (iv) the increasing frequency and intensity of extreme weather events. This would suggest that Mauritius should endorse climate-resilient, low-carbon and energy-efficient models of development, which would support growth ambitions, alongside triggering positive spillover effects on resource productivity, job creation and the well-being of the population. According to the IMF, public investment in adaptation infrastructure would bolster the country's resilience to climate shocks. Increasing public investment would result in higher public debt initially, but it would lower the adverse impact of future climate shocks on output, support post-disaster recovery and reduce reconstruction costs. Financing public investment through a combination of grants, concessional borrowing and domestic fiscal revenue would help maintain debt sustainability.

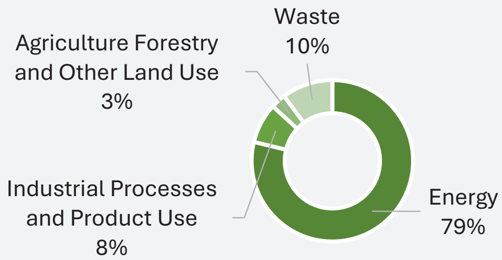
Illustration 21. Selected environment statistics deserving policy scrutiny

In view of the growth in economic activities, the country is witnessing a non-negligible rise in Greenhouse gas emissions, which contribute to global warming, mainly due to the energy sector.

Total Greenhouse gas (GHG) emissions (Gg CO2-eq) (thousand tonnes)

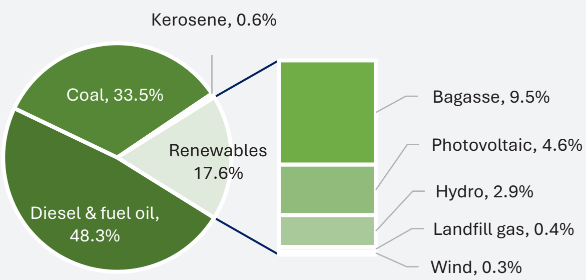


Total GHG emissions by sector (Year 2023)

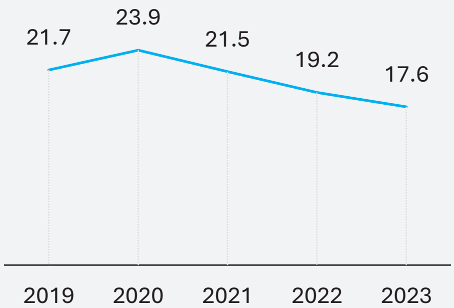


Electricity generation remains mainly driven by imported fossil fuels, whereas the relative contribution of renewable sources of energy has declined in recent years and has stayed relatively low.

Share of energy sources in electricity generation (Year 2023)

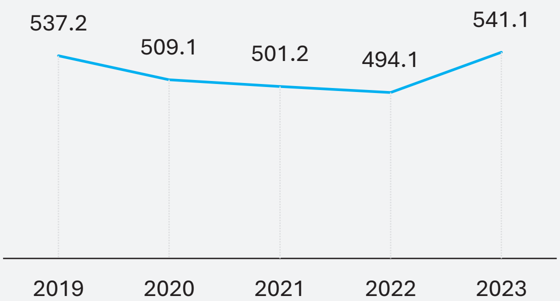


Share of electricity generated by renewables (%)

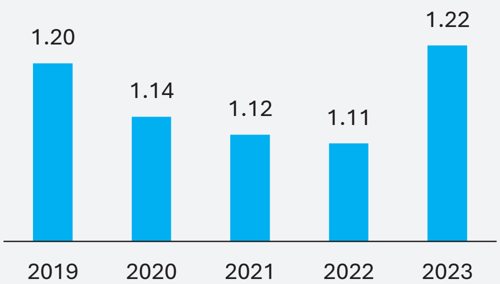


The total amount of solid waste landfilled at Mare Chicose increased by a significant margin in 2023, with a broadly similar trend being observed in terms of per capita solid waste landfilled.

Total solid waste landfilled at Mare Chicose (thousand tonnes)



Per capita total solid waste landfilled per day (kg)



Source: Environment Statistics, Statistics Mauritius

- Holistically, the country can benefit from the rekindling of the former **'Maurice Ile Durable' concept**, which could – after being properly conceptualised in alignment with current socio-economic realities – act as a whole-of-nation approach and impetus to purposefully advance the national agenda on sustainable development. In the same vein, interesting insights can be derived from the Singapore Green Plan 2030, which can, in some respects and with proper scrutiny, be applied to the Mauritian context, while bringing in proper contextualisation to cater for local specificities. The Green Plan charts ambitious and concrete targets over the next 10 years, strengthening Singapore's commitments under the UN 2030 Agenda for Sustainable Development and the Paris Agreement, and positioning the country to achieve its long-term net zero emissions aspiration by 2050. In the process, the country is taking firm actions to confront and manage climate change to build a sustainable future. While these could be of interest to Mauritius, the five key pillars under the Green Plan encompass targets that touch almost every dimension of our lives, as shown hereafter.

City in Nature

- ✓ To create a green, liveable and sustainable home for the population; to build a country where residents will enjoy a liveable, sustainable and climate-resilient environment
- ✓ To execute the following key strategies:
    - Expand the Nature Park Network
    - Intensify nature in gardens and parks
    - Restore nature into the urban landscape
    - Strengthen connectivity between the country's green spaces
    - Enhance veterinary care and animal management

Energy Reset

- ✓ To use cleaner energy sources across all sectors
- ✓ To maximise solar panel deployment on rooftops, reservoirs and open spaces
- ✓ To explore emerging low-carbon alternatives such as hydrogen, geothermal and carbon capture, utilisation and storage
- ✓ To promote Green Transport by allowing all vehicles to run on cleaner-energy by 2040, reducing the sector's emissions by encouraging the use of public transport and active mobility and transitioning to a cleaner-energy vehicle population
- ✓ To foster Green Buildings - Singapore's first Green Building Masterplan was launched in 2006 to encourage developers to embed sustainability in a building's life cycle from the onset. The Building and Construction Authority refreshed the masterplan to expand its reach to target the greening of the larger stock of existing

buildings and engage building occupants to change their energy consumption behaviour

Green Economy

- ✓ To seek green growth to create new jobs, transform the industries and harness sustainability as a competitive advantage
- ✓ To introduce targeted incentives to help companies become amongst the best-in-class globally in terms of energy and carbon efficiency
- ✓ To achieve the transition to a low-carbon economy, which will bring about new opportunities in areas such as green finance, carbon services and trading, and sustainable tourism - the Government to partner businesses and workers, and foster a conducive environment for them to adapt to and take advantage of opportunities
- ✓ To leverage sustainability as an engine of jobs and growth, while achieving or leading the way for the following: (i) a sustainable tourism destination; (ii) a leading centre for green finance and services to facilitate the transition to a low-carbon and sustainable future; (iii) a carbon services and trading regional hub; (iv) a leading regional centre for developing new sustainability solutions; and (v) a strong pool of local enterprises to capture sustainability opportunities

Resilient Future

- ✓ To deal with climate change and build up the national resilience for the future
- ✓ To plan ahead, reimagine the coastlines and strengthen flood defences, to keep shores and people safe, on the back of climate change causing the mean sea level to rise
- ✓ To make food supply more resilient and Grow Local; to build up the agri-food industry's capability and capacity to produce 30% of nutritional needs locally and sustainably by 2030, while partnering with a vibrant agri-food industry and local communities

Sustainable Living

- ✓ To reduce carbon emissions and embrace sustainability by consuming less and recycling more; to become a Zero Waste Nation powered by a circular economy, with 'Reduce, Reuse and Recycle' as a norm for citizens and businesses (with a high rate of recycling so that the precious resources can be used many times over)
- ✓ To reduce the amount of waste to landfill per capita per day
- ✓ To create more avenues and put in place behavioural nudges to encourage all stakeholders to live more sustainably by reducing waste and recycling right

Reform VI	Improve the health of public finances and reduce debt ratios, aided by a credible and robust medium-term fiscal consolidation plan

- While supporting growth imperatives, a key consideration is to **uphold a healthy public finance position, reverse the deterioration in fiscal metrics and devise a roadmap for a continuous decline in the country's debt ratios**. Harnessing fiscal buffers and putting in place a thorough fiscal consolidation package should help Mauritius to preserve its investment grade credit rating, bolster socio-economic advancement and tackle any potential exogenous shocks, especially in the context of the challenging global and domestic environments. Whereas executing fiscal consolidation measures might prove to be a challenging task given potential short-term pressures in terms of socio-political implications, competitiveness-linked considerations and growth-hindering impacts – as explained by Moody's in its latest Rating Action on Mauritius – focus can be laid on the following: (i) undertaking an in-depth review of and effectively unrolling recurrent and capital expenditures – while striking the right balance between the maintenance of social safety nets to protect the vulnerable segments of the population and the imperativeness of growth-enhancing expenditures, notably in physical infrastructures – backed by strengthening public investment management and the recourse to Public Private Partnerships where need be; (ii) preserving the attractiveness of the income tax regime to nurture a conducive investment climate; (iii) reinforcing tax administration and revenue mobilisation mechanisms in view of boosting the buoyancy of the tax system; and (iv) tackling the weakened financial position of specific State-Owned Enterprises.

The paragraphs hereafter shed light on some observations of the IMF, which warrant proper inspection and assessment, after considering the socio-economic specificities of Mauritius:

- The IMF had underscored that **gradual and growth-friendly medium-term fiscal consolidation** is needed to rebuild fiscal buffers. They recommended mobilising tax revenue and containing current spending (while phasing out pandemic-related support), alongside safeguarding critical social spending to protect the most vulnerable (to use targeted transfers through social safety net programs, rather than broad-based subsidies). They called for reforming the pension system and reinforcing public financial management, including by streamlining extra-budgetary special funds. They welcomed the reinstatement of the public debt ceiling framework, which should be further strengthened, thus reducing debt vulnerabilities and allowing for flexibility to address shocks.

- The IMF has observed that measures to **increase tax revenues** (and their expected yield) could include (i) removing zero-rating for VAT and reducing the VAT threshold (0.2% of GDP); (ii) lowering the minimum income tax paying threshold and increasing the top rates (0.8% of GDP); and (iii) streamlining the Chargeable Income Tax (CIT) exemption regime for offshore companies (3.5% of GDP for all tax expenditures in Mauritius, including CIT exemption). The IMF added that, as growth has rebounded, unemployment has fallen and inflation has receded, the authorities should consider a gradual and targeted phasing out of the CSG income allowance scheme (0.6% of GDP). As per the IMF, housing and loan subsidies could also be streamlined to help preserve financial stability, with these measures being informed by appropriate targeting to protect the vulnerable groups.

- While remaining a sensitive matter and requiring an inclusive, transparent and holistic appraisal that appropriately caters for stakeholder expectations, **the thoughtful and well-engineered review of the pension system** can – in the context, especially, of the ageing of the Mauritian population – help to achieve a sound and growth-friendly fiscal position over the longer run, along with upholding social support imperatives. In this context, whilst the applicability, pragmatism and prioritisation of relevant measures need, at the outset, to be cautiously ascertained owing to the Mauritian context and the country's social fabric, the IMF has, in its Article IV Consultation document, called for reforms with a view to improving the sustainability of the pension system.

Box 4. Ageing population: Trends and implications

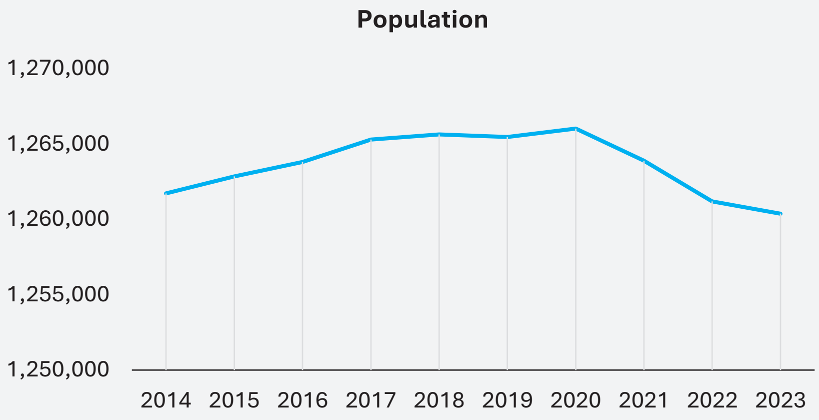
The global ageing phenomenon

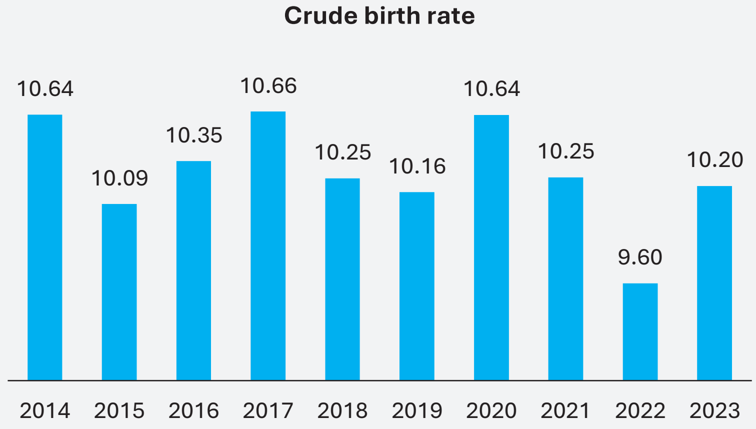
According to the IMF, "*Population aging is the top global demographic trend. Population growth rates vary considerably across countries, income groups, and geographic regions. The world's rate of population growth has slowed appreciably in recent decades and is projected to continue slowing. The rate of growth of the working age population (15-64 years old) has been declining since the 1980s and the dependency ratio, which is defined as the ratio of people 65 and older to those between 15 and 64, has been rising, as the ranks of older people spending more years in retirement has grown relative to the working-age population, with these developments being driven by declining fertility rates and increasing longevity.*" As per the UN in its World Population Prospects, "*The world's population is ageing. Virtually every country in the world is experiencing growth in the number and proportion of older persons in their population. The proportion of people aged 65 years and above is increasing at a faster rate than those below that age. This means that the percentage of the global population aged 65 and above is expected to rise from 10% in 2022 to 16% in 2050. It is projected that by 2050, the number of individuals aged 65 years or above across the world will be twice the number of children under age 5 and almost equivalent to the number of children under 12 years.*"

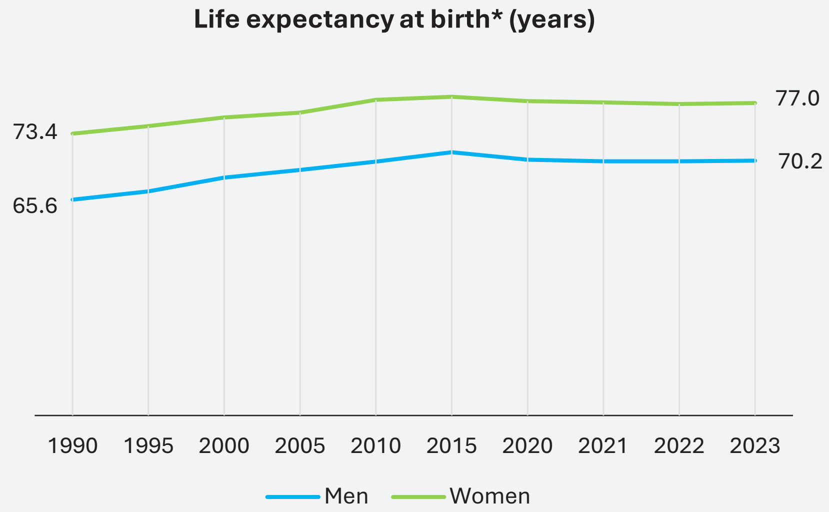
The ageing population dynamics in Mauritius

Recent evolution and main explanations

In Mauritius, the ageing population process warrants our attention given the potential implications in terms of economic growth, productivity levels, social policies and fiscal imperatives over time. This process is, notably, being triggered by declining fertility metrics amidst evolving socio-economic realities, thus resulting in a decreasing share of young people in the total population. Latest figures show that the crude birth rate, which is the number of live births per 1,000 population, declined over time to attain 10.20 in 2023. As per Statistics Mauritius, the number of births per 1,000 population has decreased by 75% over the past 60 years. Of note, this situation contributed to the country's overall population to post negative annual growth rates in 2021, 2022 and 2023. Moreover, the ageing of the population is attributable to increased longevity, which has led to a gradual rise in the proportion of older people in the total population. Rising life expectancy rates have, in general, been spurred by improved living conditions and headway realised in terms of nutrition, healthcare and education.



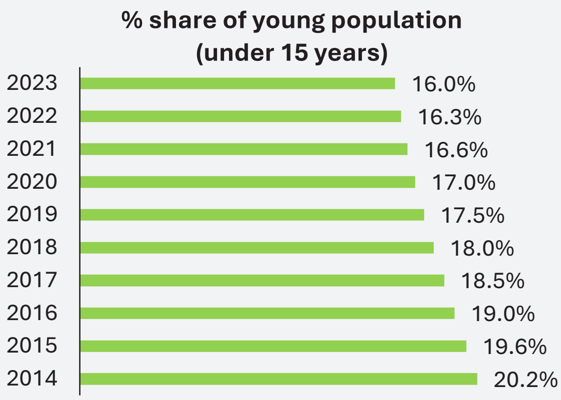


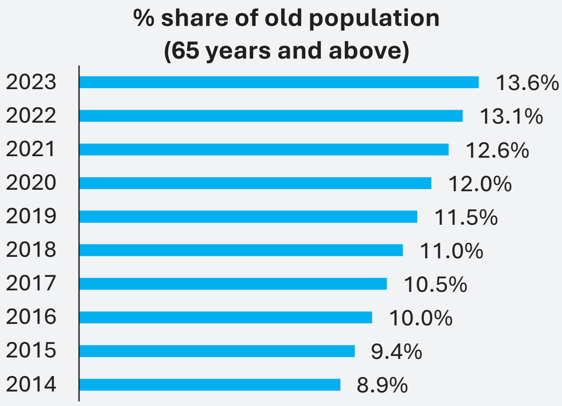


** The average number of years that a newborn child would be expected to live if subjected to the mortality conditions expressed by a particular set of age-specific death rates*

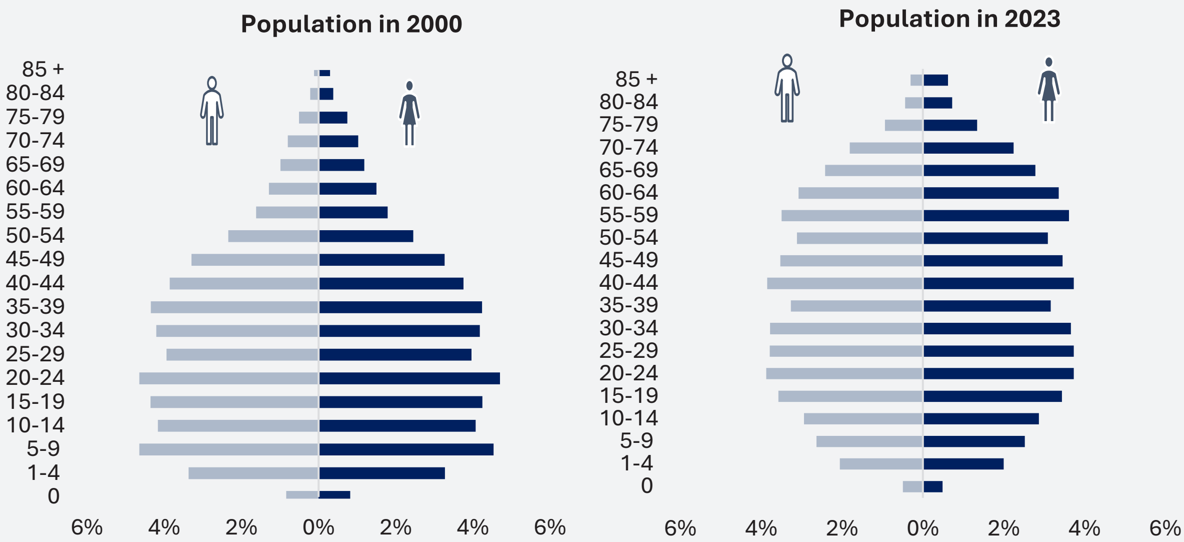
Description of the ageing population process

The ageing population phenomenon can be described and illustrated in several inter-related ways. Firstly, the population age structure, as depicted by a **population pyramid**, has been reshaped. The pyramid has shifted from having a wide base to showing a shrinking base due to falling fertility causing a declining trend observed with respect to the proportion of the population aged 0-14 years, while the thickening of the upper body is explained by the rise in the share of population aged 65 years and above amidst rising longevity. Secondly, reflecting the population ageing process, the **median age** in the country – defined as the age which divides the population into two equal size groups, one of which is younger and the other older than the median – has continuously increased over the past decades, rising from 19.0 years in 1972 to 38.4 years in 2023, following the shifting of the age structure of the population towards the upper end of the age distribution. Thirdly, pursuant to the population pyramid's being reshaped, the country's **dependency ratio** – defined as the combined child population (under 15 years) and population aged 65 years and above per 1,000 population of intermediate age (15-64 years) in a particular year – has risen to 420.9 in 2023, as compared to 410.0 back in 2014. As per empirical reports, this metric warrants targeted policy directions. The United Nations mentioned that "*Dependency ratios indicate the potential effects of changes in population age structures for social and economic development, pointing out broad trends in social support needs.*" Fourthly, there has been a **progressive ageing of the older population** itself. In fact, the 'oldest, old people' (which is defined as the population aged 80 years and above) has been increasing more rapidly than any other age groups within the elderly population. The proportion of 'oldest, old people' increased from 7.9% of the elderly population in 1972 to 10.4% in 2023.

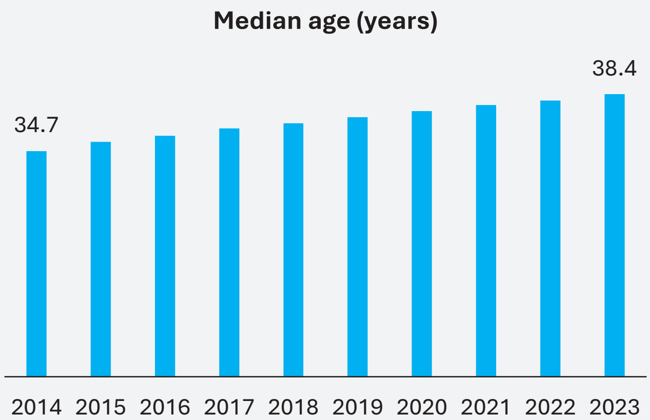


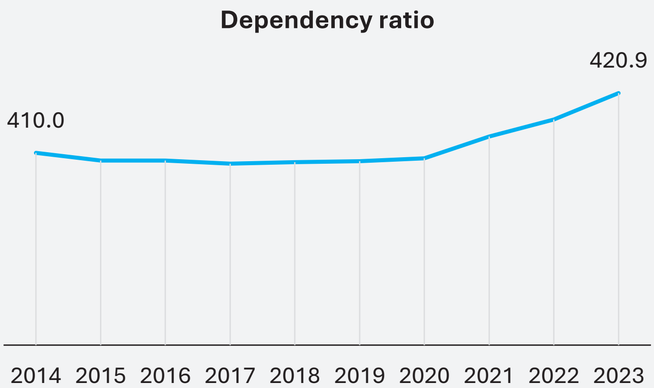


Reshaping of the population pyramid



Key indicators depicting the country's ageing population





Projections by Statistics Mauritius

As per analyses by Statistics Mauritius, the afore-mentioned trends are likely to accentuate in the decades ahead, thus causing a higher share of the old population and the further ageing of the overall population, in view of the expected decline in fertility rates and the foreseen rise in life expectancy.

Indicators	**2023**	**2043**	**2063**
Share of young population (%)	16.0	13.7	12.0
Share of old population (%)	13.6	21.2	27.4
Median age (years)	38.4	45.4	50.7
Dependency ratio	420.9	535.5	650.0

Main implications and challenges linked to population ageing

For Mauritius, like for other countries worldwide, population ageing has both short- and longer-run implications in terms of the scope, range and depth of socio-economic policies, fiscal management, pension schemes and social security benefits, health care facilities and services, public infrastructures as well as housing and transportation. As per the IMF, "*Population aging can have significant macroeconomic implications. For those countries where fewer workers are available and labour force participation rates drop, economic output is bound to fall. However, the size of the decline depends, among other things, on how households and firms react to the changing demographic landscape. The prospect of a declining labour force could induce firms to invest in new, productivity-enhancing, technologies. Aging would also exert pressure on public finances as outlays for pensions and health care increase*." The IMF added that "*Policymakers can deploy a set of policies to address the challenges posed by aging, with an emphasis on raising labour market participation and productivity. Labor market reforms to increase participation by older workers and women can directly counter the decline in the workforce*." As per the United Nations Department of Economic and Social Affairs, "*As fertility begins to decline, the size of the working-age population will increase in relative terms. This temporary shift towards a more favourable age structure can result in accelerated economic growth, a process referred to as the demographic dividend. Whether a country is able to harness this demographic window of opportunity depends on its ability to provide quality education and employment for its growing labour force, and to make productive investments*."

Sources: Population and Vital Statistics & Digest of Demographic Statistics, Statistics Mauritius; SBM Staff Estimates

Reform VII | Anchor growth initiatives on fitting enablers and underpinnings

- While structural reforms are necessary to spearhead Mauritius into a renewed and strengthened growth path, the country will benefit from **key enablers and success factors**.

- Alongside enabling or facilitating trend analysis and policy formulation, **quality official statistics** are a sine qua non to underpin economic growth. It is worth stressing that GDP statistics (i) act as a crucial lever with respect to national economic policy envisioning; and (ii) are used as the denominator to calculate core macroeconomic ratios, mainly those pertaining to investment, budget balance, public debt, balance of trade and current account balance. Lately, the State of the Economy report unveiled by the Government has, on the back of a thorough review of the situation, unveiled revisited macroeconomic figures for the country, notably in terms of sectorial growth, exports, GDP growth, current account balance items, budget balance and public sector debt. The report has also highlighted that additional technical assistance will be sought from the IMF in order to further improve the compilation of statistics at specific levels. Overall, dependable official statistics are a powerful tool for competent analysis and well-versed decision making by the public sector and the business community, assuming that the figures adhere strictly to the principles of relevance, accuracy, timeliness, accessibility, interpretability, coherence and equal access. According to the UN, high-quality official statistical information (i) have a critical role in analysis and informed policy decision-making in support of sustainable development, peace and security, as well as for mutual knowledge and trade among the States and peoples of an increasingly connected world, demanding openness and transparency; and (ii) have to be guaranteed by legal and institutional frameworks and be respected at all political levels and by all stakeholders in national statistical systems, in order to be effective. In an article by Gordon Brackstone and titled 'Managing data quality in a statistical agency', the following imperatives were highlighted: *"Confidence in the quality of the information it produces is a survival issue for a statistical agency. If its information becomes suspect, the credibility of the agency is called into question and its reputation as an independent, objective source of trustworthy information is undermined. Therefore attention to quality is a central preoccupation for the management of a National Statistical Office."*

- **Regular and well-calibrated public-private sector dialogue** can unleash open communication channels that will allow stakeholders to share insights and agree on objectives and priorities going forward, while delivering ideas to address risks, opportunities and challenges with regard to business development imperatives and the country's economic development thrust. Strengthened synergies, which are based on mutual trust and clear roadmaps for the future, can be decisive in achieving impactful collaborations, accelerating investments and boosting private sector innovation.

- The country will benefit from a **robust, pragmatic and flexible monetary policy stance**. The following observations – which need to be cautiously appraised and thoroughly examined by means of a multidisciplinary approach involving key stakeholders – have been made by the IMF.
    - The new monetary policy framework helped contain inflationary pressures. The Bank of Mauritius should stand ready to tighten monetary policy if inflationary pressures re-emerge.
    - The implementation of the monetary policy framework could be strengthened, by resuming uncapped issuance of 7-Day BOM bills to better align the interbank rate with the Key Rate.
    - Monetary policy transmission could be strengthened, including via enhancements in the monetary policy communication strategy, for example by announcing the schedule for monetary policy committee meetings. Deeper analysis of the various channels of monetary policy transmission in Mauritius – including via the interest rate, credit, exchange rate, and expectations – could help to fine tune BOM's policy framework.
    - There is a need to promptly adopt amendments to the Bank of Mauritius Act to protect central bank independence and reinforce the credibility of the monetary policy framework. With the Mauritius Investment Corporation (MIC) transitioning from a pandemic support initiative to a longer-term development function, amending the BOM Act for the central bank to gradually phase out its ownership of MIC needs to be considered. To help preserve BOM's independence to fulfill its price stability mandate and related conduct of monetary policy, alternative institutional arrangements for MIC might include MIC being placed (and funded) under a separate government entity from BOM, or with the private sector.
    - Exchange rate flexibility and opportunistic foreign exchange purchases are called for, consistent with the monetary policy framework, to help bolster foreign reserves buffers.

References

Bank of Mauritius, Various Publications

Competition Commission, Port Market Study Report

European Central Bank, Various Publications

European Commission, Eurostat, Various Publications

Global Water Partnership, Various Publications

Gordon Brackstone, ‘Managing data quality in a statistical agency’

Government of Mauritius, State of the Economy report

Green Economy Coalition, Various Publications

Ibrahim Index of African Governance (IIAG) – Index Report 2024

International Labour Organization, Various Publications

International Monetary Fund, Various Publications

Karl Burkart, ‘Green Economy’

Ministry of Economy and Finance, Republic of Korea, ‘Dynamic Economy Roadmap’

Ministry of Tourism, Republic of Maldives, Various Publications

Moody's Investors Service, Various Publications

National Land Transport Authority, Various Publications

Office for National Statistics (United Kingdom), Various Publications

Organisation for Economic Co-operation and Development, Various Publications

Singapore Green Plan 2030

Statistics Mauritius, Various Publications

The World Economic Forum, Future of Jobs report, January 2025

US Bureau of Economic Analysis, Various Publications

US Bureau of Labor Statistics, Various Publications

United Nations, Various Publications

United Nations Department of Economic and Social Affairs, Various Publications

United Nations Environment Programme, Various Publications

United Nations Trade and Development, Various Publications

United Nations World Tourism Organization, Various Publications

World Bank, Various Publications

World Green Building Council, Various Publications

US Department of Energy, Various Publications

Z/Yen and the China Development Institute, The Global Financial Centres Index 36, September 2024

Credits

Chief Editor

Nuvin BALLOO

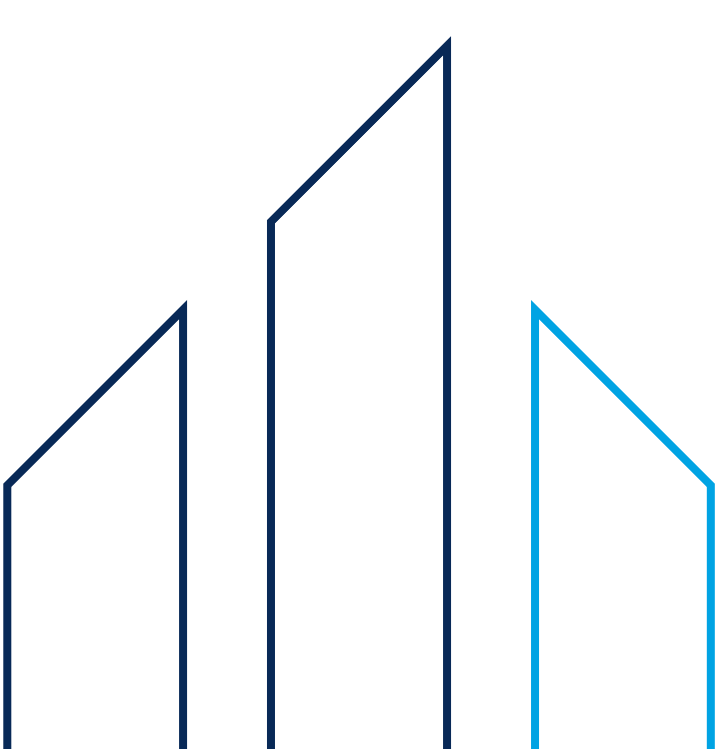
Contributors

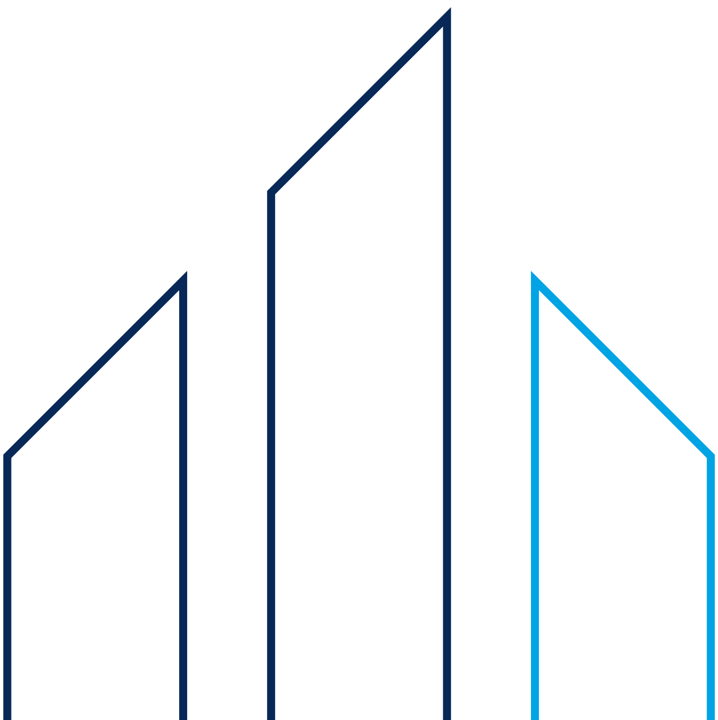
Strategy and Research team

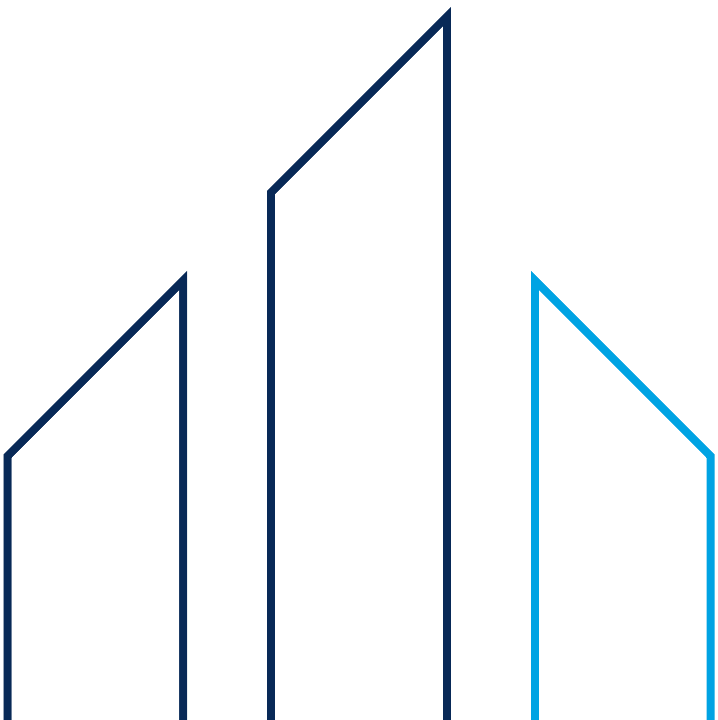
Contact Us

We will be delighted to hear from you at
research@sbmgroup.mu
for any queries or comments

Disclaimer







SBM