

MAURITIUS

Key conditions and challenges

	2023
Population, million	1.3
GDP, current US\$ billion	14.8
GDP per capita, current US\$	11665.2
Lower middle-income poverty rate (\$3.65) ^a	1.8
Upper middle-income poverty rate (\$6.85) ^a	13.5
Gini index ^a	36.8
School enrollment, primary (% gross) ^b	102.9
Life expectancy at birth, years ^b	73.7
Total GHG emissions (mtCO2e)	7.6

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2017), 2017 PPPs.
b/ Most recent WDI value (2021).

Mauritius sustained strong growth of nearly 6 percent in 2023, supported by tourism and aggregated demand, particularly household consumption and investment. Medium-term growth is expected to be supported by public infrastructure, social spending, and residential investments. The poverty rate is projected to decline from ten percent in 2023 to seven percent by 2026. However, the outlook faces substantial downside risks, including fiscal pressures related to elections, weather shocks, and a weaker global economic outlook.

Mauritius has experienced a remarkable growth trajectory. The economy transitioned from a low-income monocrop producer of sugar cane to an upper-middle-income investment and tourism hub. Per capita GDP surged from US\$260 in 1968 to US\$9,063 in 2021. After it briefly reached high-income status in 2020, the severe 14.5 percent contraction in real GDP caused by the COVID-19 pandemic pushed the country back into the upper-middle-income category. Yet, Mauritius has demonstrated resilience, recovering strongly after the pandemic and weathering external shocks well, and is on track to return to high-income status.

However, addressing structural challenges and macroeconomic vulnerabilities is needed for Mauritius to achieve and sustain high-income status. Labor and skills shortages have contributed to declines in manufacturing export competitiveness and constrained private sector growth and diversification. Reliance on imported fossil fuels, as well as high exposure to climate shocks, are key sources of vulnerability. An aging population and social spending commitments limit fiscal space to support growth and implement countercyclical policies. Poverty (upper-middle-income country threshold of US\$6.85 a day, 2017 PPP) fell from 19 percent to 11 percent between 2012 and 2019. However, given the dramatic contraction of GDP in 2020,

poverty is projected to have increased by over 5 percentage points (reaching 16 percent) and to have retreated to around nine percent by 2024.

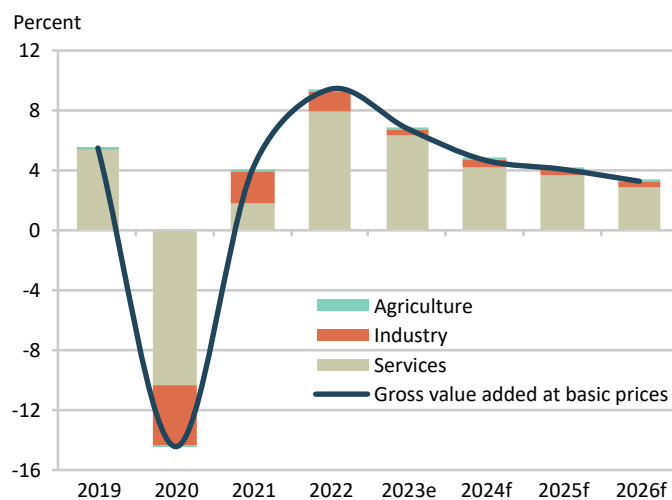
Increasing productivity requires prioritizing skills availability and development, improving labor market institutions, and fostering women's participation. Safeguarding the integrity and trust of the country's financial services is crucial for continuing to attract foreign investments. Additional efforts are needed to further bolster macroeconomic resilience, including rebuilding fiscal buffers, increasing revenue, improving efficiency in social spending, and improving quality in education and innovation. Policies to strengthen resilience against natural hazards and climate change are fundamental to supporting sustained growth.

Recent developments

Real GDP grew by an estimated 6.8 percent in 2023, supported by a strong rebound in tourism, construction activities, and financial services. Gross fixed capital formation increased by 23 percent in 2023Q3 (yoy), supported by social housing and infrastructure programs. Meanwhile, consumption spending grew modestly by 2.2 percent due to a lower government wage bill.

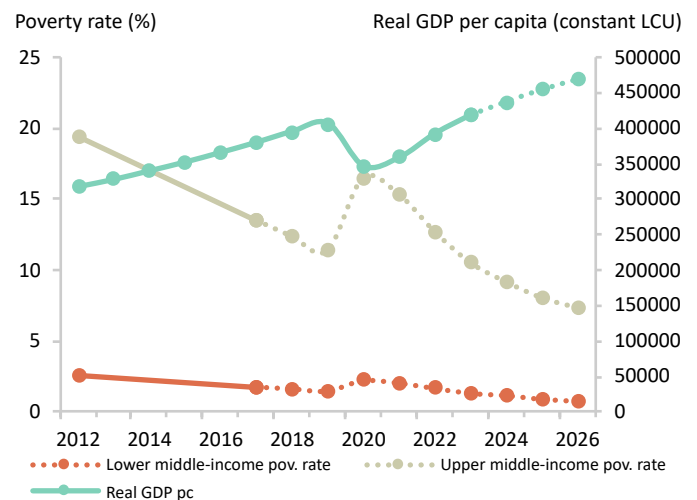
The labor market has recovered significantly, with the unemployment rate declining to 6.3 percent in Q3, below the pre-pandemic level. To meet the high demand for labor and skilled professionals,

FIGURE 1 Mauritius / Real GDP growth and sectoral contributions to real GDP growth



Source: World Bank estimates.

FIGURE 2 Mauritius / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see Table 2.

the government has relaxed rules for hiring foreign workers.

Lower commodity prices, higher agriculture and fisheries exports, a higher net surplus in the service, and net income flow from abroad improved the external position. Along with the net direct investment flow, these developments helped maintain adequate levels of gross official international reserves, with an import coverage of 11 months as of December 2023.

Headline inflation fell from 11.8 percent in January 2023 to 5.2 percent in January 2024, primarily because of lower imported prices. The import price index declined by 5.5 percent in 2023Q3 compared with the same period in 2022 and the Bank of Mauritius (BOM) intervened in the FX market to contain the rupee's depreciation. However, the monetary policy stance is generally accommodative and underpinned by a policy rate that has been unchanged since December 2022 and added by domestic investments of the Mauritius Investment Corporation (MIC), a sovereign wealth fund of the BOM.

Current government expenditures increased by 12.6 percent in the first half of FY23/24 (H1), driven by higher interest payments, subsidies, and social spending. Revenue increased by 11 percent, driven by corporate income tax and

VAT revenues. As a result, the gross operating deficit in H1 widened to 3.6 percent of GDP from 3.2 percent during the same period in 2022. Financing needs were covered by domestic and external borrowing as the new BOM Act prohibits direct transfers to the budget. Public debt decreased from 91 percent of GDP in 2020-21 to an estimated 80 percent in 2023, driven by strong GDP growth and the transfer of Air Mauritius debt to the MIC.

Outlook

Real GDP growth is expected to moderate to 4.7 percent in 2024, reflecting the end of the post-pandemic recovery and leveling off in international travels. Public investments in infrastructure, residential constructions, and tourism are expected to drive growth this year. Average inflation is projected between 4.7 and 5.2 percent in the medium term, driven by stable commodity prices and a cooling economy. Poverty is projected to fall to about seven percent in 2026.

Lower commodity prices, steady tourist arrivals, and earnings repatriation are likely to keep the current account deficit below 6 percent of GDP until 2025, lower than

the 11 percent recorded between 2020 and 2022. High foreign exchange demand for imports could put additional pressure on international reserves, which are projected to decline to eight months of import coverage over the medium term as the BOM is expected to continue to intervene in the foreign exchange market.

Higher universal pension spending and spending to mitigate the impact of Cyclone Belal and the dengue outbreak are expected to contribute to a widening in the primary deficit to 3.3 percent of GDP in FY23/24 (from 2 percent in FY22/23) and further to 3.6 percent in FY24/25. Tax revenue collection is expected to increase moderately over the medium term along with moderating GDP growth. Public debt is expected to remain at about 80 percent of GDP over the medium term, but a gradual fiscal consolidation, including a pension reform, is needed to stabilize it.

Risks to the outlook are mostly to the downside. Higher global freight costs and weather shocks from an intense cyclone season pose a risk for inflation. The softening of global economic growth also represents a downside risk for merchandise exports and tourist arrivals. On the upside, higher social spending and sustained direct investment flows may further support growth.

TABLE 2 Mauritius / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices^a	3.4	8.9	6.8	4.7	4.0	3.3
Private consumption	3.0	3.3	2.0	2.6	2.5	1.7
Government consumption	-2.2	6.4	-1.1	1.2	-0.4	1.8
Gross fixed capital investment	14.0	7.8	9.9	14.4	10.3	8.1
Exports, goods and services	11.5	40.2	1.7	1.6	1.6	1.5
Imports, goods and services	7.3	10.2	7.6	1.2	0.7	0.7
Real GDP growth, at constant factor prices	4.1	9.4	6.8	4.7	4.0	3.4
Agriculture	7.3	5.5	0.8	1.5	1.5	1.5
Industry	10.9	6.8	2.6	2.1	2.1	2.1
Services	2.3	10.3	8.2	5.4	4.5	3.7
Inflation (consumer price index)	4.0	10.8	7.1	5.2	4.7	4.2
Current account balance (% of GDP)	-11.9	-8.6	-4.8	-3.8	-4.4	-4.9
Net foreign direct investment inflow (% of GDP)	21.1	-8.2	-3.2	-4.6	-2.2	-2.9
Fiscal balance (% of GDP)^b	-10.6	-5.1	-5.8	-6.5	-5.4	-5.2
Revenues (% of GDP)	23.3	25.0	22.8	24.5	24.8	25.1
Debt (% of GDP)^b	91.9	85.9	80.9	80.6	81.6	81.5
Primary balance (% of GDP)^b	-6.9	-2.5	-2.9	-3.2	-1.9	-1.8
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{c,d}	2.1	1.7	1.3	1.1	0.9	0.7
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{c,d}	15.3	12.7	10.5	9.2	8.1	7.4
GHG emissions growth (mtCO₂e)	7.4	6.9	3.3	2.5	2.3	2.3
Energy related GHG emissions (% of total)	60.7	62.2	62.3	62.2	62.1	62.0

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Historical demand-side data is being revised due to a consistency problem.

b/ Fiscal balances are reported in fiscal years (July 1st - June30th).

c/ Calculations based on 2017-HBS. Actual data: 2017. Nowcast: 2018-2023. Forecasts are from 2024 to 2026.

d/ Projection using neutral distribution (2017) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.