

MAURITIUS

Table 1	2023
Population, million	1.3
GDP, current US\$ billion	14.6
GDP per capita, current US\$	11553.5
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	73.5
Total GHG emissions (mtCO ₂ e)	7.2

Source: WDI, Macro Poverty Outlook, and official data.
 a/ Most recent value (2017), 2017 PPPs.
 b/ WDI for School enrollment (2021); Life expectancy (2022).

Mauritius' economy is expected to grow by 5.6 percent in 2024, supported by a pick-up in tourism and investment in response to easing labor regulations for foreigners. Inflation is projected to fall to 4.9 percent by year-end, aided by lower commodity prices. The poverty rate is projected to decline from 10 percent in 2023 to 8 percent by 2025. Export challenges and fiscal pressures pose downside risks to growth and fiscal sustainability.

Key conditions and challenges

Over the past 50 years, the island archipelago of Mauritius has transitioned from a low-income to an upper-middle-income country. Sustained average growth of 4–6 percent in the decades before the COVID-19 pandemic allowed it to reach high-income status in 2020 briefly. Strong growth and the focus on social programs helped the country reduce poverty rates from 19 percent to 11 percent between 2012 and 2019. More recently, the swift post-pandemic economic rebound demonstrated the country's resilience, made possible by decisive health and fiscal responses amid a supportive business environment. Poverty is projected to have fallen to around 9 percent by 2024 after a dramatic increase to 16 percent during COVID-19 in 2020.

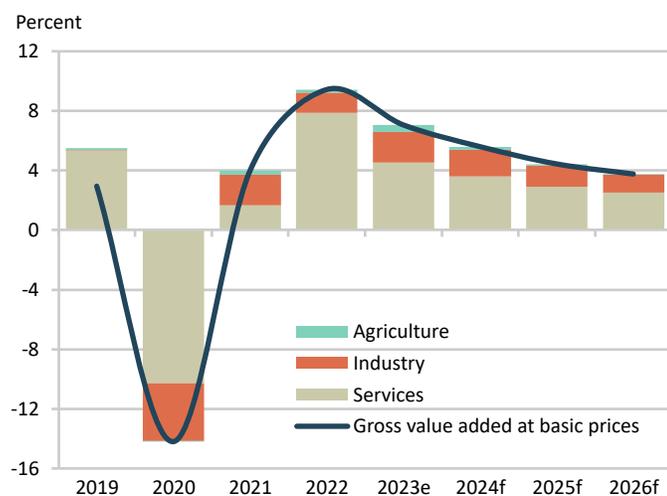
To achieve high-income status, Mauritius must overcome its structural challenges, such as an aging population and labor shortages, which have weakened export competitiveness. As an island economy, Mauritius is also increasingly vulnerable to climate shocks, particularly droughts and tropical cyclones. Social spending commitments amidst an aging demographic are straining fiscal resources, limiting the fiscal space to invest in productive capital projects, supporting climate adaptation efforts, and deploying countercyclical policies to mitigate shocks.

To surmount these challenges, Mauritius would need to prioritize productivity-enhancing reforms, foster women's participation in the workforce, and bolster macroeconomic resilience. This includes building fiscal buffers by enhancing revenue collection and optimizing social spending, improving the quality of education, and fostering private sector-led innovation.

Recent developments

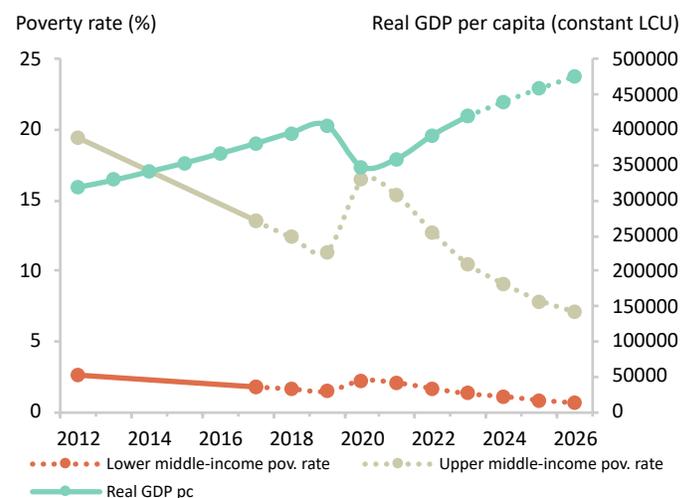
Real GDP grew by 6.4 percent in 2024Q1, driven by residential investments and financial services, which grew by 60 percent and 6.1 percent, respectively, while higher international tourist arrivals supported demand for transport and accommodation services. However, lower purchase orders due to external competition and labor shortages led to declining goods exports. Higher labor demand from tourism, construction, and the financial sectors resulted in a decline in unemployment to 6.3 percent in 2024Q1. Youth unemployment has declined 10 percentage points to 18.8 percent between 2022Q1 and 2024Q1, while female labor participation has increased from 41.9 to 48.5 percent in the same period. Recent policies to foster women participation in the labor force include the extension of maternal and paternal leave by two weeks and three weeks, respectively. Inflation has declined despite the temporary spike in the aftermath of Cyclone Belal in January 2024, due to moderation in global commodity prices and lower inflation in key trading partners.

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



Sources: National Bureau of Statistics and World Bank staff calculations.

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



Source: World Bank. Notes: see Table 2.

Consequently, headline and core inflation fell to 4.3 and 3.7 percent in July 2024, down from 10.5 and 6.7 percent last year. Recently the BOM reduced the policy rate from 4.5 percent to 4 percent.

The decrease in goods exports led to the widening of the current account deficit to USD 179 million in 2024Q1, up from USD 89 million in the same period last year. The re-routing of funds by global business companies to other countries also contributed to net foreign direct investment outflows of USD 320 million in 2024Q1. These factors contributed to a 4.9 percent rupee depreciation against the US dollar in the first half of 2024, with the BOM intervening to stabilize the foreign exchange market. Nevertheless, the central bank maintained adequate reserves, with gross official reserves standing at USD 7.9 billion in July 2024, equivalent to 12 months of import cover.

As the general election approaches, fiscal policy is expected to remain expansionary. In FY23/24, spending rose by 12.9 percent and is expected to increase by 17 percent in FY24/25. Underperformance in taxes on income, profits, and capital

gains contributed to a lower overall tax revenue growth of 8.7 percent, almost half of the target of the FY23/24 Budget (15.6 percent). As a result, the budget deficit rose to 5.5 percent of GDP, exceeding the target by 1.2 percentage points. Consequently, the public debt-to-GDP ratio increased to 77.6 percent from an anticipated 74.5 percent.

Outlook

The near-term outlook is generally positive, with real GDP expected to reach 5.6 percent in 2024. Growth is expected to be supported by higher international tourist arrivals, sustained public investments, and social spending despite lower exports of goods. The more relaxed requirements for foreign professionals to work in Mauritius are expected to narrow the skills gap over the medium term and support private investments. Annual inflation is projected to settle at 4.2 percent in 2024, supported by a softening in global commodity prices. However, the ongoing fiscal expansion is

expected to cause the government budget deficit to remain around 5 percent of GDP. In 2025, real GDP growth is expected to gradually converge to the long-term trend and ease to about 4.4 percent, with inflation expected to reach 4.2 percent. With growth expected to be sustained, the poverty rate is projected to fall to about 7 percent by 2026.

Risks to the outlook are balanced. The easing of global financing conditions could lead to higher financing flows. Fair and transparent elections can strengthen stability and further support private-sector investment. On the downside, sluggish global economic growth could affect the demand for Mauritius' exports. Weather shocks would weaken growth and generate inflationary and fiscal pressures.

Enhancing the investment climate and bolstering financial service integrity, including by strengthening currency convertibility and the anti-money laundering framework, could attract private capital for climate adaptation and energy transitions. Additionally, gradual fiscal consolidation is necessary to build fiscal buffers for macroeconomic resilience.

TABLE 2 Mauritius / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices^a	3.3	8.9	7.0	5.6	4.4	3.8
Private consumption	3.0	3.3	3.2	3.7	3.5	4.0
Government consumption	-2.2	6.4	-4.7	3.4	4.1	4.9
Gross fixed capital investment	13.9	7.8	31.0	14.1	9.0	6.1
Exports, goods and services	11.5	40.2	-1.3	1.7	3.8	1.1
Imports, goods and services	7.3	10.2	1.8	2.1	4.8	3.0
Real GDP growth, at constant factor prices	4.0	9.4	7.0	5.6	4.4	3.8
Agriculture	7.3	5.5	13.6	6.3	3.1	1.6
Industry	10.9	6.8	10.5	8.7	6.7	5.5
Services	2.2	10.3	5.9	4.7	3.9	3.4
Inflation (consumer price index)	4.0	10.8	7.0	4.2	3.5	3.8
Current account balance (% of GDP)	-13.0	-11.1	-5.5	-5.3	-4.3	-4.1
Net foreign direct investment inflow (% of GDP)	-21.1	-72.3	-2.9	-2.0	-1.3	-1.3
Fiscal balance (% of GDP)^b	-9.4	-5.2	-5.2	-5.6	-5.4	-5.3
Revenues (% of GDP)	24.9	24.9	23.7	24.5	24.5	24.4
Debt (% of GDP)^b	88.0	80.9	78.5	79.1	76.4	74.7
Primary balance (% of GDP)^b	-6.7	-2.7	-2.5	-2.7	-2.6	-2.5
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{c,d}	2.1	1.7	1.3	1.1	0.8	0.7
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{c,d}	15.3	12.7	10.4	9.0	7.9	7.0
GHG emissions growth (mtCO₂e)	4.6	4.3	3.1	4.0	3.3	4.3
Energy related GHG emissions (% of total)	59.8	60.7	60.8	61.2	61.3	61.7

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 - June 30th). For the purpose of this report, the fiscal year data has been converted to calendar year data.

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.