	2023/24	2024/25	2025/26	2026/27
WORLD ECONOMY[1]				
World Output Growth Rate (%)	3.2	3.2	3.2	3.1
Euro Area Output Growth Rate (%)	0.8	1.5	1.4	1.3
MAURITIAN ECONOMY				
Output and Prices				
Gross Domestic Product - current market prices (Rs bn)	704.0	798.5	880.3	970.6
Real GDP Growth Rate - constant market prices (%)	7.0	7.0	5.0	5.0
GDP Deflator (% change)	6.5	6.0	5.0	5.0
Investment Rate (%)	23.0	23.5	23.7	23.9
Public Finance (as % of GDP)				
Recurrent Revenue	24.6	25.9	25.6	25.0
o/w Taxes	*21.8*	*22.9*	*22.9*	*22.4*
Non-Tax Revenue	*2.8*	*3.0*	*2.7*	*2.6*
Recurrent Expenditure	26.2	26.3	25.5	24.5
o/w Interest	*2.6*	*2.5*	*2.5*	*2.4*
Recurrent Balance - Surplus (+)/Deficit (-)	**-1.6**	**-0.4**	**0.1**	**0.5**
Capital Revenue	0.2	0.5	0.5	0.2
o/w Capital Grants	*0.1*	*0.3*	*0.5*	*0.2*
Capital Expenditure	2.5	3.4	3.7	3.4
o/w Acquisition of Non-Financial Assets	*1.3*	*1.4*	*1.5*	*1.7*
Capital Balance - Surplus (+)/Deficit (-)	**-2.3**	**-2.9**	**-3.2**	**-3.2**
Total Expenditure	**28.7**	**29.7**	**29.2**	**27.9**
Budget Balance - Surplus (+)/Deficit (-)	**-3.9**	**-3.4**	**-3.1**	**-2.7**
Primary Balance - Surplus (+)/Deficit (-)	**-1.3**	**-0.8**	**-0.6**	**-0.3**
Government Borrowing Requirements	**4.4**	**4.8**	**3.4**	**3.2**
Public Debt (as % of GDP)				
Budgetary Central Government Debt	**65.4**	**63.0**	**60.4**	**57.9**
Public Sector Gross Debt	**74.5**	**71.1**	**67.7**	**64.1**
Public Sector Net Debt	**68.9**	**67.0**	**64.0**	**60.2**
External Sector (as % of GDP)				
Current Account - Surplus (+)/Deficit (-)	-4.1	-3.4	-3.3	-3.2
Exports of Goods and Services[2]	53.2	49.8	47.8	45.9
Imports of Goods and Services[2]	56.6	53.2	51.2	49.3
Gross Official International Reserves (Rs bn)	341.2	355.1	368.7	382.9
Gross Official International Reserves (USD m)[3]	7,390	7,690	7,980	8,290

1 World Economic Outlook, IMF - April 2024. Figures for 2024/25 refer to calendar year 2025.

2 Exports and imports of services are as per National Accounts, i.e. Bank of Mauritius figures adjusted for Financial Intermediation Services Indirectly Measured (FISIM).

3 Estimations in USD are based on exchange rate of Rs 46.2/US$ - average buying and selling for the month of May 2024.

MACROECONOMIC FRAMEWORK

The formulation of the Macroeconomic Framework is guided by the objectives of Government to sustain the post-pandemic growth momentum, enhance economic and social resilience to external shocks, further modernise the physical infrastructure, promote greater social inclusiveness and improve the living conditions of the population. In addition, the Framework incorporates Government policies and strategies to further diversify the economy, expand exports, boost investments, create more jobs and reduce the debt to GDP ratio. Moreover, the Framework takes into account recent global and domestic developments and prospects for the coming years.

Recent Developments

2. On the international front, global economic growth was slightly lower in 2023 at 3.2% against 3.5% in 2022. This slowdown was mainly driven by lower GDP growth in Advanced Economies, except the US, a consequence of, among others, monetary policy tightening, the ongoing war in Ukraine and the evolving conflicts in the Middle East. Emerging Market and Developing Economies maintained their high growth momentum in 2023. World trade growth was subdued at 0.3% in 2023 compared to 5.6% in 2022. Global inflation declined from 8.7% in 2022 to 6.8% in 2023.

3. Domestically, the Mauritian economy bounced back strongly from the setbacks of the pandemic and the international geopolitical conflicts. Real GDP grew by 8.9% in 2022, the fastest in over 35 years, and by 7% in 2023. The recovery was broad-based underpinned by a significant rebound in tourism and entertainment activities, transportation and the construction sector. Other sectors that contributed positively to the growth were financial services, retail trade and the manufacturing sector.

4. On the demand side, growth was driven by a substantial increase in investment and sustained expansion of consumption expenditure:

(a) total investment in 2023 went up by 31% in real terms, driven by a surge in both public and private investment. Private investment, which accounts for almost 75% of total investment, grew by 20% in real terms. The investment rate rose to 23.5% from 19.7% in 2022;

(b) FDI inflows reached record levels at Rs 33.5 billion in 2022 and Rs 37 billion in 2023. Besides real estate development, significant investments were also made in other sectors of the economy such as agriculture, tourism, education, manufacturing, ICT, financial services, retail trade and health; and

(c) real consumption expenditure grew by 1.5% in 2023, supported by the positive effects of higher tourism activities and the rise in income.

5. The rebound in economic activities locally and favourable global commodity price developments were reflected in a constant improvement in labour market conditions and an easing of inflationary pressures:

(a) the unemployment rate dropped to 6.3% in 2023 from 7.7% in 2022. It is the lowest unemployment rate registered in more than 25 years. From 2022 to 2023, male unemployment rate decreased from 6% to 4.6% and female unemployment rate from 10.2% to 8.7%. Female and youth unemployment rates reached an all-time low in the fourth quarter of 2023; and

(b) the inflation rate declined to 7% in 2023 against 10.8% in 2022. It maintained its downward trajectory to reach 5.2% in April 2024.

6. External balances improved as exports of goods and services increased to above pre-pandemic levels, mainly on the back of higher tourism earnings:

(a) exports of goods and services amounted to Rs 347 billion in 2023, up by some Rs 31 billion compared to 2022. Tourism earnings reached a record Rs 86 billion in 2023, with average expenditure per tourist rising to around Rs 66,400 compared to Rs 45,600 in 2019;

(b) the deficit in the current account of the balance of payments narrowed significantly in 2023 to 4.5% of GDP compared to 11.1% in 2022 resulting from higher tourism earnings, better net income from portfolio investment, and lower imports of goods; and

(c) the gross official international reserves of the country increased to USD 7.2 billion as at end April 2024 from USD 6.5 billion a year earlier. The foreign reserve position, therefore, remains at a comfortable level and provides enough buffers against external shocks.

7. The Key Rate of the Bank of Mauritius was unchanged at 4.5% during 2023, underpinned by a balanced view of the Bank on risks to growth and to the inflation outlook.

<u>Prospects and Forecasts</u>

8. According to the IMF, the world economy is projected to sustain the growth momentum of 3.2% in 2024 and 2025. Growth in Advanced Economies is expected to be slightly higher, driven by a pick-up in the Euro Area and buoyant growth in the US, but will be offset by a slowdown in Emerging Market and Developing Economies. World trade is forecast to grow at a higher rate of 3% in 2024 and 3.3% in 2025, supported by a rebound in trade in Advanced Economies. Global inflation is projected to decline steadily from 6.8% in 2023 to 5.9% in 2024 and further to 4.5% in 2025.

9. Latest figures available indicate that the growth momentum of the Mauritian economy will be sustained in 2024 and over the medium term. From 1st January to 15th May 2024, total tourist arrivals by air increased by 7.3%. Tourism earnings were up by 7.6% during the first quarter of 2024. The tourism sector is expected to remain a key contributor to economic growth. With strong demand for leisure travel and increased flight connectivity, coupled with more resources for the promotion of the Mauritius destination, it is projected that the number of tourist arrivals in 2024 will exceed the pre-pandemic level and reach around 1.4 million. Tourism earnings are projected to increase to a new high in 2024.

10. The construction sector will also be an important driver of economic growth in 2024 and the medium term. Growth in the construction sector is expected to be buoyant in view of the implementation of major public projects such as the construction of social housing, expansion of the road network and the metro line, and the implementation of major drain projects. It is planned that the construction of the 8,000 social housing units will be completed during 2024 and 2025. The second phase of the project consists of the construction of an additional 4,000 housing units. Moreover, there will be a boost in private sector investment in projects such as property development, renovation of hotels, and renewable energy.

11. The financial services sector has shown remarkable resilience during and after the pandemic period. Going forward, the sector is expected to maintain the robust performance and contribute significantly to economic growth. The Mauritius International Financial Centre continues to draw strong financial inflows resulting mainly from the resilience of global cross-border investment activities. The manufacturing sector is also expected to perform well over the medium term with sustained growth in the food processing and other manufacturing sectors. As for the textile sector, growth is projected to pick up gradually depending on the international market situation.

12. The growth dynamism in the tourism sector is expected to give a boost to other related sectors such as transportation, administrative and support services, retail trade and the entertainment industry. Moreover, emerging sectors such as renewable energy and pharmaceuticals are expected to make significant progress this year and over the medium term, buoyed by a significant increase in private investments in these sectors.

13. The economy will be bolstered by higher private sector investment, particularly in the renewable energy sector, real estate development, the education hub, and the pharmaceutical and health care services. Additional measures are being taken to enhance the ease of doing business and address current constraints. Moreover, public investment will remain high in view of Government's objective to implement more flood protection infrastructure projects such as drains and dredging of rivers, improve water supply with the construction of the Riviere des Anguilles dam, extend the road network for greater mobility, and modernise the health and education infrastructure.

14. Consumption expenditure growth is also expected to remain strong on the back of better labour market conditions and the rise in income, coupled with the support being provided by Government to lift the standard of living of workers and the population in general. Growth in exports of goods and services will be sustained

with higher tourism receipts and new exports opportunities in view of harnessing the potential of the different free trade agreements with the African continent, India and China.

15. Taking into account the projected performance of the different economic sectors and the likely impact of the measures announced in the Budget Speech, it is projected that real GDP would grow by 7% in FY 2024-2025, and 5% during the following two financial years.

16. The outlook for the medium term is favourable, as highlighted by the IMF in the recent Article IV Consultation Staff Report. Risks to the outlook may emanate from a deterioration in global growth, a rise in fuel and food prices, and the effects of climate change. Conversely, an uptick to the outlook may result from monetary policy easing in major markets as inflationary pressures are abated more swiftly than expected and a significant recovery is recorded in the Euro Zone.

Fiscal Performance in FY 2023-2024

17. With the robust growth in economic activities, public finances continued to improve in FY 2023-2024 with a further decline in the budget deficit and public sector debt to GDP ratio. Total revenue is estimated at Rs 174.8 billion, while Government expenditure will be around Rs 202.1 billion. The budget deficit would, therefore, amount to Rs 27.4 billion, equivalent to 3.9% of GDP.

18. After taking into account net transactions in financial assets, Government borrowing requirements will amount to 4.4% of GDP. Budgetary Central Government debt as at end June 2024 is estimated at Rs 460.2 billion, which represents a drop from 69.7% of GDP as at end-June 2023 to 65.4% as at end June 2024.

19. The level of debt of public enterprises would be slightly lower at Rs 64 billion as at end June 2024 compared to end June 2023. Total public sector gross debt would work out to around Rs 524.3 billion. The public sector debt to GDP ratio would maintain its downward path, declining from 86.1% as at end June 2022 to 80.2% as at end June 2023 and further to 74.5% as at end June 2024.

FISCAL STRATEGY

20. The medium term fiscal strategy of Government is geared towards continuing to build up fiscal buffers, following the negative impact of the pandemic on public finances, to better face external shocks. The objective is to reduce the budget deficit and maintain the public sector debt to GDP ratio on the downward path, while supporting economic growth and social development. Adequate resources will be allocated to key priority sectors, to invest in resilient infrastructure and to strengthen social safety nets for the vulnerable and low-income households and workers.

21. Striking a balance between increasing revenue and optimising spending is crucial in pursuing the development agenda of Government while achieving long-term fiscal sustainability. On the revenue side, new measures are being taken to enhance revenue mobilisation. Tax compliance is being improved through the use of advanced IT tools. In addition, the incentives under the Tax Arrears Settlement Scheme, which is being reconducted for another year, will increase collection of arrears.

22. On the expenditure side, priority will being given to projects and schemes that are in line with the Government Programme and address pertinent issues such as adapting to, and mitigating the effects of climate change, improving the road network and providing modern medical and education infrastructure. In parallel, Government will continue monitoring the implementation of measures to address the shortcomings highlighted in the Director of Audit report with a view to improving the efficiency and outcomes of spending. The Project Implementation and Monitoring Agency is deploying an Executive Management System in Ministries, Departments and other Implementing Agencies to allow for real time monitoring of implementation of projects and budgetary measures, and addressing bottlenecks to improve implementation rate and service delivery.

Fiscal Balances and Debt Targets

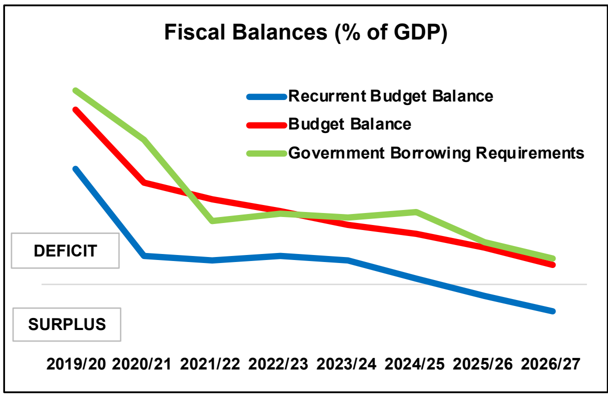
23. Based on the macroeconomic framework and fiscal strategy, total revenue for FY 2024-2025 is projected at Rs 210.5 billion, equivalent to 26.4% of GDP. On the other hand, total expenditure would

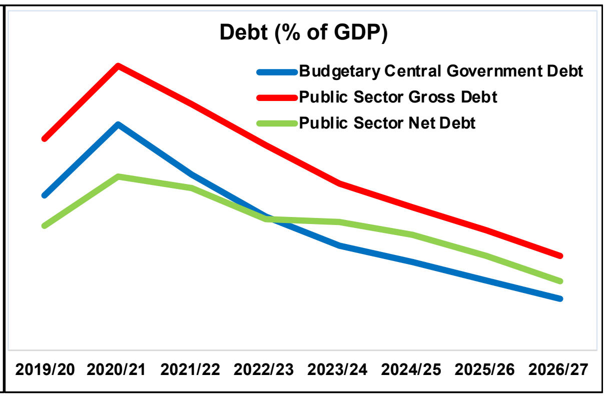
amount to Rs 237.3 billion. Consequently, the budget deficit for FY 2024-2025 would be around Rs 26.8 billion, i.e., 3.4% of GDP. The budget deficit is projected to decline further over the medium term to 2.7% in FY 2026-2027. The primary balance is expected to improve from -1.3% of GDP in FY 2023-2024 to -0.3% by the end of FY2026-2027.

24. After taking into account financial transactions, Government borrowing requirements would be 4.8% of GDP in FY 2024-2025 and would decline to 3.2% by FY 2026-2027. Budgetary Central Government debt as a percentage of GDP would continue to decline to 63% as at end June 2025 and further to reach 57.9% by end June 2027.

25. Public enterprise debt as a percentage of GDP is expected to decline over the medium term from 9.1% as at end June 2024 to 8.1% by end June 2025 and further to 6.2% by end June 2027. Thus, public sector gross debt would drop to 71.1% of GDP as at end-June 2025. It is projected to go down further to 64.1% by end-June 2027.

26. After netting out cash and cash equivalent and equity investment held by Government and non-financial public sector bodies in private entities from the gross debt figure, public sector net debt would decline to 67% of GDP as at end-June 2025 and further to 60.2% by end June 2027.





DEBT MANAGEMENT STRATEGY

27. The debt management strategy, which is in line with the macroeconomic framework in the Budget, aims at minimising the cost of public sector debt while maintaining risks at a prudent level. This will be achieved through an appropriate borrowing mix to meet government cash flow requirements while attaining the desirable trade-off between costs and risks.

28. In this respect, foreign exchange risks will be contained by meeting the majority of Government financing needs from domestic sources. Accordingly, the share of external debt in Government debt portfolio is planned to be maintained at 19% over the medium term well below the benchmark of 20%. In the same vein, the share of external debt in the public sector debt portfolio will be kept below the benchmark of 24%, with domestic debt set at 76%.

29. As regards the currency composition of public sector debt, it is planned to bring it more in line with the composition of the foreign exchange reserves of the country. Thus, over the medium term, the share of USD will be raised from about 41% at present to 49%, while that of EURO will be reduced from around 33% to 29%, and the share of other currencies from 26% to 22%. Similarly, the share of USD in Government external debt is envisaged to be increased from around 20% at present to 33% by reducing those of EURO and other currencies to 38% and 29%, respectively.

30. Refinancing risks would be reduced by lengthening the maturity profile of Government debt from around 5.6 years at present to 6 years over the medium term. Simultaneously, the share of interest falling due for payment on Government debt within 1 year is planned to be reduced from 23.2% to around 18%. These will be achieved by bringing down the share of short term debt in Government domestic debt portfolio from around 11% at present to 9.8%. The share of medium term debt will be increased to around 18.4% and

that of long term to 71.9%. The maturity profile of external Government debt is set to be maintained at around 8 years.

31. Interest rate risks are envisaged to be reduced by raising the average time for fixing of interest rate from around 4.9 years at present to about 5.1 years over the medium term. This will be achieved by resorting to long term foreign loans from bilateral and multilateral sources, and increasing issuance of medium and long term Government securities at fixed interest rates. In addition, proposed reforms in the domestic debt market are expected to lower the cost of borrowings in the short to medium term.

32. Taking into account interest rate trends on the international market, the interest rate mix of public sector external debt will be slightly tilted in favour of variable interest rates. Thus, the share of variable interest rate loans of the public sector is planned to be increased to around 55% and that of fixed interest loans reduced to 44.5%, with 0.5% comprising interest free loans. Similarly, the share of variable interest rate loans in Government foreign debt portfolio will be raised to 62.5% and fixed interest rate loans reduced to 36.8%. Interest free loans will account for 0.7%.

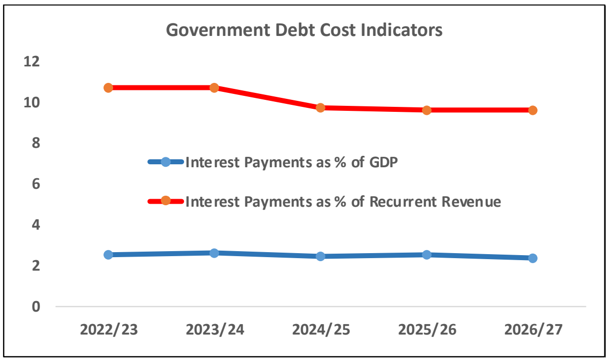
33. While planning to reduce exchange rate, refinancing and interest rate risks, it is also envisaged to contain costs. Interest payments as a ratio to GDP is set to be reduced from their present level of 2.6% to 2.4% over the medium term. This is well below the limit of 3.5%. As regards the ratio of interest payments to recurrent revenue, it is aimed to bring it down from around 10.7% to 9.6%.

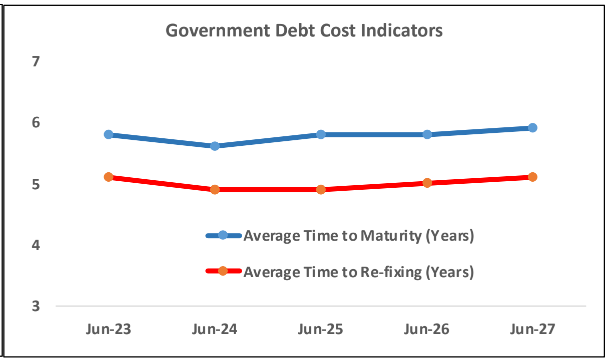
34. At the country level, total external debt is expected to go down to around 23% of GDP over the medium term from about 29% at present. This is to be achieved through improvement of debt levels as a ratio to GDP for all category of debt holders. Furthermore, the debt service ratio over the medium term is scheduled to be contained at its present level of 3%, well below the set limit of 6%.

35. In addition to enhancing the public sector debt profile, foreign debt sustainability is planned to be further improved. Thus, the foreign exchange reserves cover of external debt is designed to go up from around 168% at present to 171.4% by end June 2027. This is expected to be achieved both by containing the level of total external debt and increasing the level of gross foreign exchange reserves of the country.

36. In regard to development of the market for Government securities, benchmark instruments of various maturities will continue to be issued at regular intervals and the market will be duly informed through an issuance calendar based on the financing plan in the Budget documents.

37. The prime objective of the debt management strategy is to enhance public sector debt sustainability by further improving public sector debt profile while at the same time reducing costs, as shown in the charts below. The strategy represents the desirable trade-off between costs and risks after assessment of alternative strategies.





Medium Term Cost and Risk Indicators

	End Jun-23 Actual	End Jun-24 Rev. Est.	End Jun-27 Estimates	Benchmarks/ Limits	Tolerance Level %
Government Debt					
As % of GDP (End of Period)	70.3	65.4	57.9	60.0	+/-5
Cost Indicators (Financial Year)					
Interest Payments as % of GDP	2.5	2.6	2.4	< or = 3.5	-
Interest Payments as % of Recurrent Revenue	10.7	10.7	9.6	10.0	+/-10
Average Interest on Debt (%)	3.9	4.2	4.3	5.0	+/-10
Composition (%) (End of Period)					
Foreign	19.5	18.4	19.1	20.0	+/-5
Domestic	80.5	81.6	80.9	80.0	+/-5
Currency Composition of External Debt (%)					
USD	19.5	19.7	33.0	32.0	+/-5
EURO	43.5	44.9	38.2	39.0	+/-5
YEN	11.9	10.7	6.8	7.0	+/-5
Others	25.1	24.7	22.0	22.0	+/-5
Refinancing Risks					
Average Time to Maturity (Years)					
Total Debt	5.8	5.6	5.9	6.0	+/-10
External Debt	8.6	8.3	7.8	8.0	+/-10
Domestic Debt	5.3	5.1	5.5	5.5	+/-10
Due Within 1 year (%)					
Total Debt	18.6	23.2	18.1	20.0	+/-10
External Debt	4.8	4.7	5.0	5.0	+/-10
Domestic Debt	21.3	26.5	20.7	22.0	+/-10
Interest Rate Risk					
Average Time to Re-Fixing (Years)					
Total Debt	5.1	4.9	5.1	5.3	+/-10
External Debt	5.0	4.5	3.3	3.5	+/-10
Domestic Debt	5.1	5.0	5.4	5.5	+/-10
Share with Re-fixing in 1 Year (%)					
Total Debt	27.7	32.2	28.0	30.0	+/-10
External Debt	48.1	50.8	59.4	60.0	+/-10
Domestic Debt	23.9	28.9	22.0	24.0	+/-10
Interest Rate Mix of External Debt (%)					
Fixed Interest Loans	44.4	41.9	36.8	35.0	+/-10
Variable Interest Rate Loans	54.4	57.0	62.5	64.0	+/-10
Interest Free Loans	1.2	1.1	0.7	1.0	+/-10
Public Sector Debt					
As % of GDP (Gross)	80.9	74.5	64.1	65.0	+/-5
As % of GDP (Net)	69.8	68.9	60.2	60.0	+/-5
Composition (%)					
Foreign	23.3	21.9	22.4	24.0	+/-5
Domestic	76.7	78.1	77.6	76.0	+/-5
Currency Composition of External Debt (%)					
USD	41.5	40.8	48.8	48.0	+/-5
EURO	31.6	33.1	29.1	30.0	+/-5
YEN	8.6	7.9	5.2	5.5	+/-5
Others	18.3	18.2	17.0	16.5	+/-5
Interest Rate Mix of External Debt (%)					
Fixed Interest Loans	52.4	50.3	44.6	44.5	+/-5
Variable Interest Rate Loans	46.7	48.9	54.9	55.0	+/-5
Interest Free Loans	0.9	0.8	0.5	0.5	+/-5
National External Debt [1]					
As % of GDP	34.8	28.8	23.0	25.0	+/-10
FX Reserves as % of External Debt	143.3	168.1	171.4	175.0	+/-10
Debt Service Ratio (%) (Financial Year)[2]	6.2	2.8	3.0	< or = 6	-

1 - Excludes Deposit Taking Institutions and Global Business.

2 - Includes debt servicing of a short term loan of USD 250 million in FY 2022/23 .
Excluding that servicing, the debt service ratio would be 2.8% for FY 2022/23.