INTERNATIONAL MONETARY FUND

IMF Country Report No. 26/178

MAURITIUS

July 2026

2026 ARTICLE IV CONSULTATION—PRESS RELEASE; STAFF REPORT; STAFF SUPPLEMENT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR MAURITIUS

Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. In the context of the 2026 Article IV consultation with Mauritius, the following documents have been released and are included in this package:

- A **Press Release** summarizing the views of the Executive Board as expressed during its July 8, 2026 consideration of the staff report that concluded the Article IV consultation with Mauritius.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on July 8, 2026, following discussions that ended on May 4, 2026, with the officials of Mauritius on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on June 18, 2026.
- An **Informational Annex** prepared by the IMF staff.
- A **Staff Supplement** updating information on recent developments.
- A **Statement by the Executive Director** for Mauritius.

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

Selected Issues

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

Copies of this report are available to the public from

International Monetary Fund • Publication Services
PO Box 92780 • Washington, D.C. 20090
Telephone: (202) 623-7430 • Fax: (202) 623-7201
E-mail: publications@imf.org Web: http://www.imf.org

International Monetary Fund
Washington, D.C.

PRESS RELEASE

PR26/246

IMF Executive Board Concludes 2026 Article IV Consultation with Mauritius

FOR IMMEDIATE RELEASE

- *The Mauritian economy remains resilient, with growth of 3.2 percent in 2025 and easing inflation in early 2026. However, the near-term outlook has weakened amid heightened global uncertainty and the war in the Middle East.*
- *Mauritius needs to advance reforms to rebuild fiscal space. The monetary policy framework needs to be strengthened, and macro-financial risks monitored to safeguard financial stability.*
- *Reforms to boost productivity, support private investment, and strengthen climate resilience are critical to sustain growth in the face of demographic headwinds and help reduce external imbalances.*

Washington, DC – July 15, 2026: The Executive Board of the International Monetary Fund (IMF) completed the Article IV Consultation for Mauritius.[1]

Mauritius' economy remains resilient, but macroeconomic conditions have weakened amid a more adverse external environment. Real GDP grew by 3.2 percent in 2025, supported by continued strength in services—including tourism and financial services—and moderated by a contraction in construction. Inflation picked up in 2025 partly due to policy-related price increases, and eased in early 2026 before beginning to increase on the back of the war to 3.6 percent in April 2026. The external current account deficit widened to 7.1 percent of GDP in 2025, while gross international reserves increased to US$10.3 billion, remaining within the advisable range of the IMF's reserve adequacy metric. Public debt reached 86 percent of GDP at end-June 2025 reflecting a significant fiscal loosening in FY24/25 driven by higher current spending, and is estimated to remain elevated at end-June 2026.

The outlook has softened and risks are tilted to the downside. Real GDP growth is projected to slow to 2.8 percent in 2026, reflecting adverse spillovers from the war—via weaker tourism and higher commodity prices—before recovering gradually to 3.2 percent over the medium term as higher investment offsets demographic headwinds. Inflation is projected to increase significantly in 2026, reaching about 6.4 percent (year-on-year) by end-2026, before moderating toward the midpoint of the Bank of Mauritius' 2-5 target range over the medium term. The external current account deficit is projected to widen to 7.4 percent of GDP in 2026, before narrowing gradually over the medium term.

---

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

Fiscal consolidation is underway. While the primary deficit narrowed in FY25/26, public debt is expected to remain elevated over the medium term under unchanged policies. Risks to the outlook are tilted to the downside—including from heightened global uncertainty, higher energy and food prices, and delays in recalibrating the macroeconomic policy mix—while upside risks stem from a Chagos-related revenue windfall and eased geopolitical tensions.

Executive Board Assessment[3]

Executive Directors noted that Mauritius' economic activity remains resilient, although macroeconomic conditions are weakening amid a more adverse external environment. With risks tilted to the downside, Directors highlighted the importance of recalibrating the macroeconomic policy mix to rebuild buffers and strengthen macroeconomic resilience.

Directors underscored the need to step up fiscal consolidation to place public debt on a declining path and rebuild fiscal buffers. They emphasized the importance of containing current spending, including through pension reforms, while protecting the most vulnerable through temporary and well-targeted support. Directors encouraged efforts to increase domestic revenue mobilization and agreed that any windfall revenues should be primarily used for public debt reduction. Strengthening public financial management and anchoring policy in a rules-based fiscal framework would also help reinforce fiscal discipline.

Directors agreed that monetary policy should remain forward-looking and stand ready for further tightening if risks of expectations de-anchoring intensify. They emphasized the need to strengthen the implementation of the monetary policy framework and of a more forward-looking communication to enhance policy effectiveness and credibility. Directors encouraged the Bank Of Mauritius (BOM) to continue to rely on exchange rate flexibility as a key shock absorber and to use foreign exchange interventions in a limited and targeted manner. They underscored the importance of safeguarding central bank independence, including through the swift adoption of amendments to the BOM Act and through reducing the central bank's involvement in non-core activities.

Directors noted that while financial sector risks appear contained, close monitoring is necessary, including on real estate exposures, the bank-sovereign nexus, and non-resident and global business companies' flows as well as the adoption of virtual assets. Directors welcomed steady progress in strengthening the AML/CFT framework and encouraged the authorities to sustain it.

Directors agreed that structural reforms are needed to enhance competitiveness and reduce external imbalances. Priorities include mobilizing under-utilized labor resources, strengthening the skills and training framework, as well as reviving productivity growth by improving the business climate, reducing structural bottlenecks, and advancing climate adaptation efforts. Directors welcomed the adherence to the Special Data Dissemination Standard Plus and encouraged continued efforts to further strengthen data quality and support informed policymaking.

---

[3] At the conclusion of the discussion, the Managing Director, as Chair of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here: http://www.IMF.org/external/np/sec/misc/qualifiers.htm

Mauritius: Selected Economic Indicators, 2024–28

Social and Demographic Indicators

GDP		**Poverty (percent of population)**	
Nominal GDP (2024, $ billion)	14.94	Below poverty line (3.65$/day, 2023)	8.34
GDP per capita (2024, current $)	11,994	Undernourishment (2023)	9
Population characteristics		**Inequality**	
Total (2024, million)	1.258	Gini coefficient (2017)	36.8
Life expectancy at birth (2024, number of years)	74		

Economic Indicators

Indicator	**2024**	**2025**	**2026**	**2027**	**2028**
		Est.	Proj.	Proj.	Proj.
National Income and Prices (Annual Percentage Change)					
Real GDP (annual percentage change)	4.9	3.2	2.8	3.2	3.3
CPI (annual average, annual percentage change)	3.6	3.7	4.7	5.5	3.7
GDP deflator	3.7	3.9	4.8	5.3	3.7
Money and Credit					
Broad money (annual percentage change)	12.9	8.3	6.7	9.5	8.4
Credit to non-government sector (annual percentage change)	7.8	8.8	5.6	6.3	6.7
Labor Market					
Unemployment rate (percent of labor force)	5.7	5.7	6.0	5.9	5.9
Savings and Investment (Percent of GDP)					
Gross national saving	21.1	20.1	21.1	21.4	22.2
Gross domestic investment	21.0	19.7	21.2	21.6	21.7
Fiscal Position (Percent of GDP) 1/					
Overall balance	-10.6	-7.1	-6.7	-5.4	-4.9
Primary balance	-6.5	-3.5	-3.3	-2.2	-1.8
Public sector debt 2/	86.3	87.8	88.4	88.1	88.0
Balance of Payments (Percent of GDP)					
Current account balance	-6.6	-7.1	-7.4	-5.9	-5.0
Gross international reserves (millions of U.S. dollars)	8,510	10,294	10,294	10,501	10,833
In months of imports	8.5	9.6	9.1	8.8	8.7
In months of imports (excluding GBCs)	11.5	12.9	12.3	11.9	11.8
Total external debt	140.9	142.4	135.3	128.6	122.3
Exchange Rates					
Real effective exchange rate (percent change)	-1.1	0.4	...	...	...
Nominal effective exchange rate (percent change)	-1.4	-0.8	...	...	...
Memorandum Items					
Nominal GDP (billions of Mauritian rupees)	693.3	743.2	800.8	870.7	932.9
Nominal GDP (millions of U.S. dollars)	14,938	16,073	16,982	18,182	19,237
GDP per capita (U.S. dollars)	11,994	12,935	13,701	14,709	15,607

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

[1] Fiscal data reported for fiscal years (e.g, 2020=2020/21).

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

INTERNATIONAL MONETARY FUND

MAURITIUS

STAFF REPORT FOR THE 2026 ARTICLE IV CONSULTATION

June 18, 2026

KEY ISSUES

Weaker Macroeconomic Conditions and Policy Challenges. Mauritius continues to benefit from resilient economic activity, supported by tourism and financial services, but is now operating under weaker macroeconomic conditions amid a more adverse and uncertain external environment. High public debt, widening external imbalances, rising age-related spending pressures, substantial climate-adaptation and infrastructure needs, and weak productivity underscore the need to recalibrate the macroeconomic policy mix to rebuild buffers and strengthen macroeconomic resilience.

Outlook and Risks. The outlook has softened and risks are tilted to the downside. Real GDP growth is projected to slow to 2.8 percent in 2026, reflecting adverse spillovers from the war in the Middle East—via subdued tourism and higher commodity prices—before recovering gradually to around 3.2 percent over the medium term amid demographic headwinds. Inflation is projected to rise significantly in 2026, driven by higher energy prices and administered price adjustments, before moderating toward the midpoint of the Bank of Mauritius's (BOM) target range over the medium term. Downside risks stem from heightened global uncertainty, further increases in energy and food prices, and delays in policy recalibration, with upside risks from a Chagos-related revenue windfall and eased geopolitical tensions.

Policy Advice. Recalibrate the macroeconomic policy mix to rebuild fiscal space and put public debt on a downward path, reduce external imbalances, and safeguard financial stability, while protecting the most vulnerable. Advance reforms to foster productivity, competitiveness, and resilience—particularly in the face of demographic and climate challenges—to sustain growth and contain macro imbalances. Key recommendations include:

- **Rebuild fiscal space and reduce public debt** through sustained fiscal consolidation anchored in a credible, rules-based framework, combining expenditure rationalization (notably pension reform) and revenue mobilization, while strengthening social safety nets and directing any windfall revenues primarily toward debt reduction.
- **Maintain a forward-looking monetary policy** and stand ready to tighten further, should inflationary pressures intensify and expectations de-anchor. Strengthen the implementation of the monetary policy framework and forward-looking communication, safeguard central bank independence through fiscal backing, adopt amendments to the BOM Act swiftly, and start unwinding BOM investments in

Mauritius Investment Corporation (MIC), including the prompt return of undisbursed MIC funds to the BOM.

- **Continue to closely monitor financial sector risks**, including those related to real estate, cross-border exposures, Global Business Companies (GBC), and emerging risks from virtual assets, while further strengthening macroprudential oversight, crisis-management frameworks and sustaining AML/CFT compliance.
- **Advance structural reforms** to support private-sector-led growth and external competitiveness, including measures to raise labor force participation, address skills mismatches, enhance digitalization, improve the business environment, and scale up climate-resilient infrastructure investment.

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

Discussions took place in Mauritius between April 22 and May 4, 2026. The team comprised Ms. Mariana Colacelli (Head), Mr. Leandro Medina, Mses. Hasnae El Idrissi and Athene Laws (all AFR), and Mr. Wilson Phiri (STA). Mr. Linda Hlophe (OED) also joined the meetings. The mission met with Prime Minister and Minister of Finance Dr. Navin Ramgoolam, Junior Minister of Finance Mr. Dhaneshwar Damry, Chief Economic Advisor to the Prime Minister Mr. Gilbert Gnany, Governor of the Bank of Mauritius Dr. Priscilla Muthoora Thakoor, other senior government officials, as well as representatives of the private sector, opposition leadership, civil society, and international development partners. Ms. Danielle Bieleu and Messrs. Christopher Ajavon and Abdou Bob (all AFR) assisted in the preparation of this report.

CONTENTS

TABLES

ANNEXES

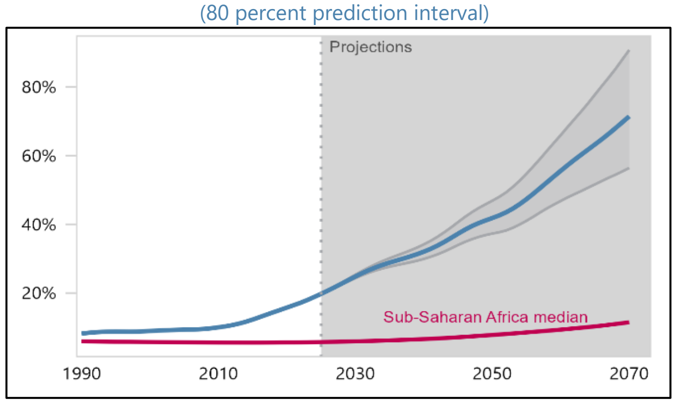
CONTEXT AND RECENT ECONOMIC DEVELOPMENTS

1. A decisive electoral victory in late 2024 gave Mauritius's new administration a strong mandate to implement their policy proposals. The authorities articulated an ambitious medium-term development strategy to restore macroeconomic buffers, strengthen policy credibility, and boost productivity, with a focus on financial services, IT and digitalization, tourism, and renewable energy. In 2026, the focus is on further translating these commitments into action and maintaining reform momentum, despite slower near-term growth and tight fiscal constraints.

2. Policy challenges have intensified and the war in the Middle East has weakened the outlook. Public debt is high and pressures from population ageing, climate adaptation, and infrastructure investment continue to weigh on the outlook. The authorities face heightened expectations to address cost-of-living concerns while preserving macroeconomic stability. Against this backdrop, the challenge is to recalibrate the policy mix to rebuild buffers, sustain fiscal consolidation, safeguard financial stability, and lay the foundations for more durable, productivity-driven growth, amid a less favorable and highly uncertain external environment.

Text Figure 1. Old Age Dependency Ratio

Population aged 65+ as a share of population aged 15–64 (80 percent prediction interval)



Sources: United Nations, World Population Prospects (Data Portal), and IMF Staff Calculations

3. Economic activity moderated from its post-pandemic peak, with growth at 3.2 percent in 2025 amid a contraction in construction related to fiscal consolidation, and continued strength in services, including financial services and tourism. Inflation picked up in 2025 from tax and administrative price increases, with headline reaching 4.5 percent (year-on-year) in December 2025 and core reaching 7.2 percent. Inflation eased through early 2026, down to 2.7 percent (year-on-year) in March 2026, before beginning to increase on the back of the war to 3.6 percent in April 2026, while core recorded 6.1 percent. Administered retail pump prices were increased by 10 percent (petrol) and 21 percent (diesel) between the start of the war and May. The unemployment rate remained broadly stable, averaging 5.7 percent in 2025, with latest poverty measure at 8.4 percent in 2023.

4. The fiscal stance was loosened significantly in FY24/25. The primary deficit (excluding grants) widened by 3.4 percentage points (ppts) to 6.5 percent of GDP, significantly exceeding the 1.3 percent of GDP budget target. This reflected a pronounced rise in current spending—notably on pensions and transfers to extra-budgetary funds (EBFs), including the National Resilience Fund, the National Environment Fund, and the Poverty Reduction Fund—even as revenue performance strengthened. Public debt reached 86 percent of GDP at end-June 2025—up 5 ppts of GDP from a year earlier—while sovereign bond yields continued to trend upward.[1] Mauritius sovereign credit rating was affirmed by Moody's at investment grade (Baa3) in January 2025.

5. Fiscal consolidation in FY25/26 is projected to be significant in line with staff advice (Annex VII). The primary deficit (excluding grants) is projected to have narrowed to 3.5 percent of GDP in FY25/26, from 6.5 percent of GDP in FY24/25, but to remain above the budget target of 1.7 percent of GDP. The shortfall primarily reflects weaker-than-expected revenue mobilization, including the scaling back or delayed implementation of certain measures, as well as the assumed non-materialization of Chagos-related revenue embedded in the budget.[2,3] The improvement relative to FY24/25 reflects expenditure containment—reflecting the phased implementation of public-sector wage adjustments and the rationalization of selected social support—reducing primary spending by 3 ppts of GDP. Revenue is estimated to have remained broadly stable.[4]

[1] The public debt definition aligns with the authorities' measure of public debt that incorporates a consolidation adjustment for central government securities held by non-financial public corporations, consistent with IMF statistical methodology.

[2] The Fair Share Contribution for individuals was revised to apply only to chargeable income exceeding Rs 12 million, thereby narrowing its yield relative to the budget. The Qualified Domestic Minimum Top-Up Tax remains pending implementation, while property-related taxes targeting non-citizens have been deferred. In addition, behavioral responses have dampened expected gains from indirect tax measures, as evidenced by front-loaded imports ahead of announced increases in excise and customs duties on imported vehicles.

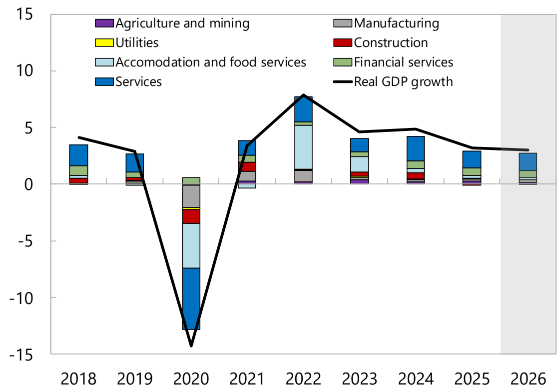
[3] The realization and timing of Chagos-related revenues remain uncertain. Under the May 2025 agreement, which is pending ratification, the U.K. would pay Mauritius £165 million annually for the first three years (around 1.1 percent of GDP), then £120 million annually from year 4 (UK inflation-indexed from year 14) over 99 years for the leaseback of Diego Garcia Island in the Chagos archipelago.

[4] In April, the authorities introduced a package of measures aimed at cushioning the impact of the war. The response includes temporary income support for vulnerable households, liquidity measures for SMEs, and targeted assistance to the tourism sector. In addition, the authorities adopted initiatives to enhance energy security and reduce the economy's exposure to future external shocks.

Figure 1. Mauritius: Recent Economic Developments

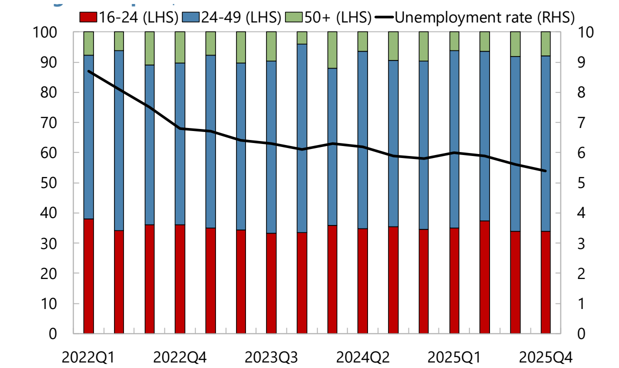
Contribution to real GDP Growth: Industry

(Contribution to growth in percent)



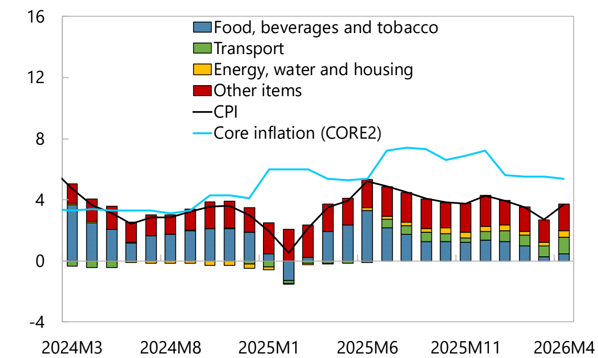
Unemployed Rate and Share of Unemployed by Age Group

(In percent)



Headline and Core Inflation, Contributions by Category

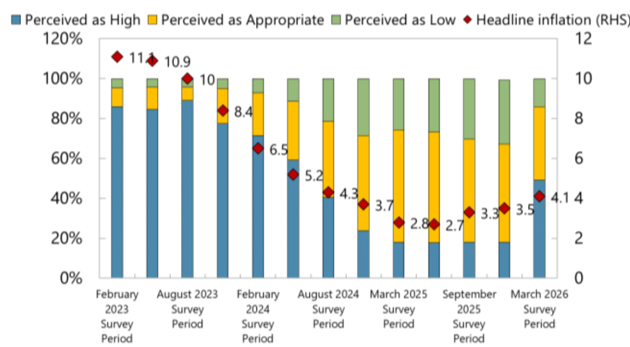
(In percent, year on year)



Note: CORE2 excludes food, beverages and tobacco, mortgage interest on housing loan, electricity, gas, other fuels and items whose prices are controlled from headline inflation.

Perceptions of Headline Inflation

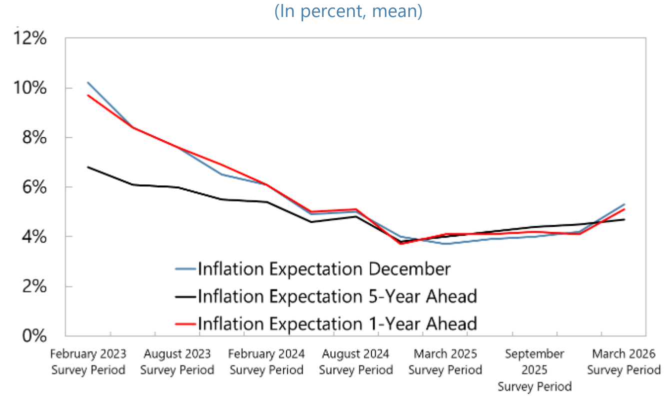
(In percent)



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

Inflation Expectations Survey

(In percent, mean)

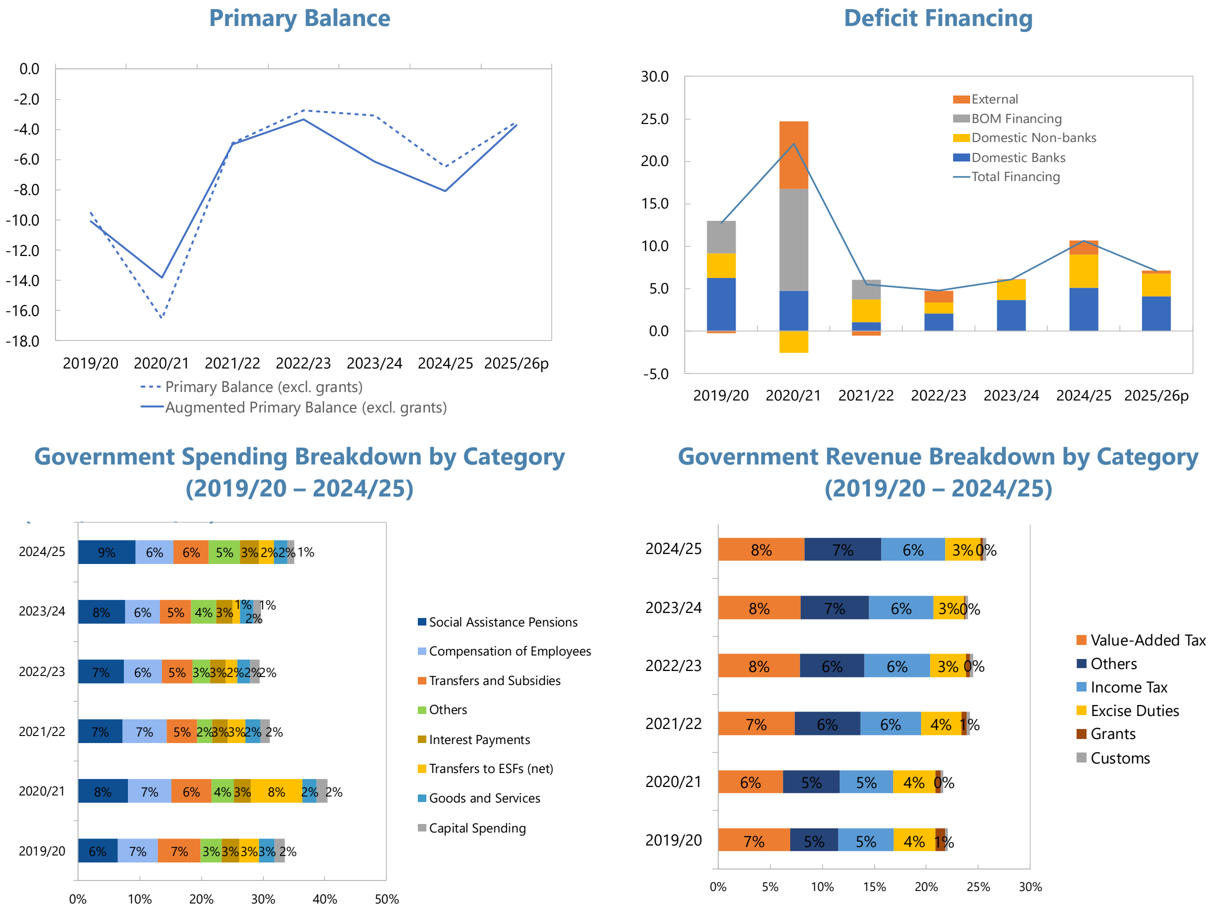


Note: The Inflation Expectation Survey is conducted on a quarterly basis by BoM, and invites responses through mail from 50 stakeholders of the financial and real sectors of the economy.

Sources: Mauritian authorities, and IMF staff calculations

Text Figure 2. Fiscal Developments

(In Percent of Fiscal Year GDP)



Sources: Mauritian authorities; and IMF staff calculations.

Note: The augmented primary balance includes net expenditure from extrabudgetary special funds.

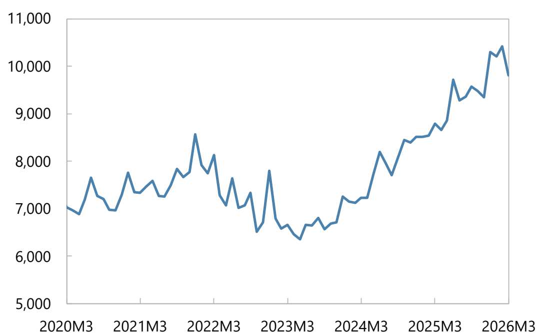
6. The monetary policy stance remains broadly appropriate. The key monetary policy rate was increased by 50 bps in February 2025, to 4.5 percent. In subsequent MPC meetings, the BOM pointed to continued inflation risks. Monetary policy accommodation (measured by using actual inflation and simple natural rate estimate) increased over 2025, mostly as a result of higher inflation. In May 2026, BOM appropriately raised the key policy rate by 25 basis points to 4.75 percent, reflecting persistent inflationary pressures and rising inflation expectations in a context of dynamic global financial conditions. While medium-term expectations remain within the target range, they have been trending upwards and latest near-term expectations are above the 2–5 percent target range (the March 2026 inflation expectations survey reports 5.3 percent for December 2026). With Fund's TA support, BOM has continued to upgrade its monetary policy framework.

7. While the external current account deficit widened in 2025, gross international reserves increased. The current account deficit widening (to 7.1 percent of GDP) largely reflected higher capital gains taxes paid abroad by Global Business Companies (GBCs), and weaker exports. The rupee appreciated by 0.4 percent against the U.S. dollar during the year, and by the same margin in real effective terms. Mauritius' external position at end-2025 is assessed as substantially weaker than the level implied by fundamentals and desirable policies (Annex III). BOM's gross international reserves rose to US$10.3 billion at end-2025—equivalent to 9.6 months of imports cover including GBC imports, and 12.9 months of imports cover excluding GBC imports—and remained within the recommended range of the IMF's reserve adequacy metric (ARA).[5]

Text Figure 3. International Reserves and Exchange Rate Developments

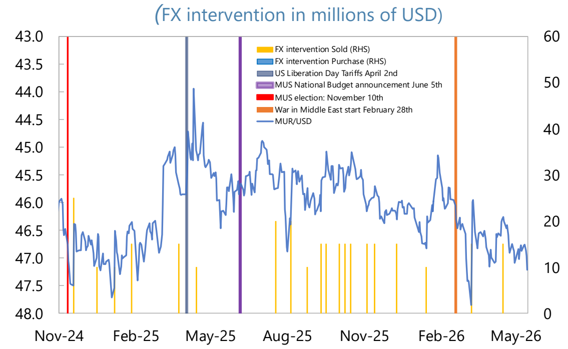
Gross International Reserves

(In millions of USD)



Daily Rupee-per-USD Exchange Rate and BOM FX Intervention

(FX intervention in millions of USD)



Sources: Mauritian authorities, and IMF staff calculations

8. **Financial sector risks remain contained.** Growth in private sector credit picked up to around 9 percent in 2025 as inflation picked up. Housing loan growth eased in late 2025 and residential real estate prices stopped increasing in Q3—in line with the 2025 discontinuation of homeownership fiscal schemes. The macroprudential stance in 2025 was appropriate. Banks' liquidity and funding positions remain strong. Nonperforming loans slightly decreased in 2025. Stress tests conducted by BOM in December 2025 continue to show resilience in the banking system. Corporate sector balance sheets have strengthened further, while household sector leverage has remained broadly stable as a share of GDP. Ongoing investigations—including on BOM's Mauritius Investment Corporation (MIC)—and the revocation of Silver Bank license demonstrate active financial sector oversight, while also highlighting challenges and risks to financial sector confidence; in this context, the planned audit of MIC is welcome. Financial sector developments are consistent with recent moderate growth and contained inflation, with no evidence of a credit-driven boom-bust dynamic.

Authorities' Views

9. **The authorities assessed economic growth in 2025 as moderate** following the post-pandemic rebound. On inflation, they noted that price pressures eased markedly in early 2025, before rising gradually later in the year due to budget-related excise increases and higher services inflation. The economy was viewed as operating close to potential, supported by domestic demand.

[5] Reserve accumulation was supported by favorable gold valuation effects, return on non-gold investments, and higher foreign exchange deposits by commercial banks at BOM.

The authorities agree that financial risks remain contained. They also generally concurred with staff's assessment of the external sector. The authorities commented on the efforts behind the ongoing fiscal consolidation, reiterating their commitment to fiscal sustainability. They noted that some fiscal measures in the FY25/26 budget were adjusted owing to the need to support the most vulnerable, and protect growth and investment.

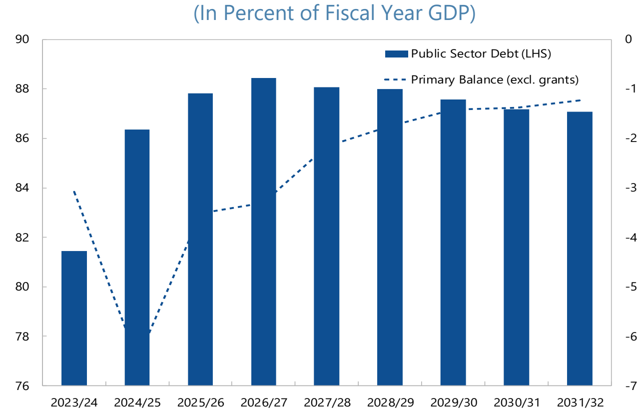
OUTLOOK AND RISKS

10. Real GDP growth is projected to slow to 2.8 percent in 2026 due to adverse spillovers from the war in the Middle East—via subdued tourism and higher commodity prices—although some counterweights include an increase in ship bunkering and strong agriculture.[6] Growth is expected to recover over the medium term to 3.2 percent as higher investment offsets demographic headwinds from an ageing and shrinking population. Inflation is expected to rise significantly, reaching 6.4 percent (year-on-year) by December 2026, reflecting higher imported energy and food prices and administered price adjustments. Inflation is expected to moderate through 2027, reaching the midpoint of the BOM's target range over the medium term.

11. The external current account deficit is projected to widen to 7.4 percent of GDP in 2026, reflecting a weaker trade balance, due in part to higher oil and food prices. Over the medium term, the current account deficit is projected to narrow gradually to about 4 percent of GDP, supported by stronger tourism earnings, and moderated import growth from fiscal consolidation.

12. Fiscal consolidation in FY26/27 is projected to be relatively modest. Under currently announced policies, the primary deficit (excluding grants) is projected to narrow to 3.3 percent of GDP, from 3.5 percent of GDP in FY25/26. Over the medium term, the public debt-to-GDP ratio is projected to remain at around 87-88 percent of GDP, well above the 80 percent of GDP debt anchor, and higher than the projections in the 2025 Article IV due to lower revenue projections (from scaled back or delayed implementation of some measures) and higher projected primary spending—particularly social spending.[7]

Text Figure 4. Fiscal Primary Balance and Public Sector Debt
(In Percent of Fiscal Year GDP)



Sources: Mauritian authorities; and IMF staff projections.

[6] The baseline projections are based on the Global Assumptions from the April 2026 WEO reference scenario.

[7] This report retains the debt anchor of 80 percent of GDP throughout the forecast horizon, consistent with staff's assessment of Mauritius's debt-carrying capacity and reflecting a prudent level below the estimated debt limit (IMF, 2022). The Finance Act 2025 introduced a multi-stage convergence framework (75 percent by end-June 2031 and 60

(continued)

13. Budget financing needs are expected to be met predominantly through domestic resources, with the banking sector absorbing, on average, about 51 percent of gross financing requirements. External financing is projected to remain limited, below 1 percent of GDP. Mauritius' overall risk of sovereign stress remains assessed as high (Annex II). This assessment reflects elevated debt, sizable contingent liabilities, and long-term pressures from population ageing.

14. Financial stability risks are expected to remain contained. While banks are well capitalized and liquid, risks may increasingly stem from non-bank financial institutions and cross-border activities.[8] The GBC sector remains a key source of funding and FX inflows, but sudden shifts in global financial conditions could heighten funding and liquidity pressures.

15. Risks to the outlook are titled to the downside (Annex I). Global uncertainty could weigh on the tourism sector. Trade tensions and higher global energy and food prices may add to inflationary pressures and increase inflation expectations, and weaken the external position. Delays in recalibrating the macroeconomic policy mix to rebuild buffers could hamper the reform momentum and affect investor confidence. Further deterioration in state owned enterprises' balance sheets could add pressures on public finances. Risks from macro financial vulnerabilities remain, such as financial sector exposures to the booming real estate sector, and risks associated with cross-border flows including those related to virtual assets. In addition, adverse climate-related shocks could damage infrastructure and weigh on tourism and growth. On the upside, the ratification of the Chagos agreement would deliver a revenue windfall and allow for faster debt reduction, while an easing of geopolitical tensions could support a recovery in tourism and help lower inflation.

16. Under a downside scenario with a prolonged Middle East war, the economy would be impacted significantly, making a swift policy response calibrated with existing buffers advisable. An extended conflict is assumed to entail further increases in commodity prices (particularly oil), higher increases in inflation expectations, lower global growth, and tighter international financial conditions—with a more aggressive monetary policy response (text table, in line with April 2026 WEO severe scenario). Under this scenario, Mauritius' growth is projected at 1.9 percent in 2026 (2.8 percent under the baseline) reflecting a contraction in tourism, weakened external and domestic demand, and spillovers from higher oil prices. Inflation would rise to 8.5 percent by December 2026 (year-on-year)—increasing inflation expectations—before moderating through 2027, while BOM is assumed to increase its policy rate in line with expected monetary policy tightening in major advanced economies over 2026-2027. The current account deficit is projected to widen markedly in 2026, to 10.1 percent of GDP. The primary fiscal deficit would rise relative to baseline in both FY26/27 and FY27/28, largely driven by higher social benefit

percent by end-June 2036), which relies in part on exceptional revenue assumptions—notably Chagos-related receipts—not incorporated in staff baseline projections.

[8] Sizable market and foreign-currency exposures of insurers and pension funds increase sensitivity to asset price and exchange rate shocks, while credit expansion by non-bank lenders—especially to households—could amplify vulnerabilities if macroeconomic conditions weaken.

payments indexed to inflation and subsidies, pushing the public debt-to-GDP ratio to about 91 percent by end-June 2028.

Text Table 1. Downside Scenario: Prolonged Conflict

	Baseline		Downside Scenario Under Prolonged Conflict	
	2026	2027	2026	2027
External Environment				
Oil price (USD per barrel)	82.2	76.0	124.3	124.3
World Growth	3.1	3.2	1.8	2.2
Key Macro Variables				
Real GDP Growth	2.8	3.2	1.9	2.6
Inflation (end of period)	6.4	3.8	8.5	4.1
Inflation (period average)	4.7	5.5	5.8	6.5
Primary Balance (excluding grants, percent of GDP)	-3.3	-2.2	-5.7	-2.9
Public Debt (percent of GDP)	88.4	88.1	91.3	91.4
Current account balance (percent of GDP)	-7.4	-5.9	-10.1	-9.6
Gross International Reserves (months of import cover)	9.1	8.8	8.3	8.1
Memorandum items				
Tourist arrivals (percent change)	0.0	3.0	-8.0	3.0

Source: IMF Staff projections.
Note: Fiscal data reported for fiscal years (e.g., 2026= FY2026/27).

Policy advice under downside scenario**.** Given already high public debt, fiscal support should be carefully deployed, while protecting BOM independence and avoiding monetary financing. The impact on the most vulnerable households should be mitigated through well-targeted support measures (rather than broad-based subsidies), while any financial support to viable enterprises should be targeted and temporary (with lessons from the extensive support provided during COVID-19 duly considered). BOM should pursue outlook-based monetary tightening, while closely monitoring financial sector vulnerabilities and FX markets. Given adequate reserve buffers, BOM may consider FXI to lean against a sharp depreciation or to address acute FX liquidity shortages.

Authorities' Views

17. The authorities emphasized that the near-term outlook remains uncertain and dependent on the evolution of the war. To assist policy making, they are considering multiple war-related scenarios. While they broadly shared staff's growth outlook, they expected somewhat higher inflation, driven by stronger food price pressures and second-round effects. Over the medium term, the authorities forecast potential growth slightly higher than staff, at around 3.5 percent, though acknowledge that the demographic drag and weak productivity remain constraints. They consider that higher investment and productivity-enhancing reforms will be key to lifting medium-term growth. The authorities broadly concurred with staff's fiscal projections, but expressed strong commitment to continued fiscal consolidation and fiscal sustainability. They agreed with risks of further inflationary pressures, and downside risks to growth, while highlighting upside fiscal risks from Chagos.

POLICY DISCUSSION

The policy mix should be recalibrated decisively to address fiscal and external macroeconomic imbalances, and maintain financial stability, while protecting the most vulnerable—in a context of high public debt, elevated social expectations, and a more adverse external environment. Rebuilding fiscal space and putting public debt on a downward path will require continued consolidation in the FY26/27 budget and over the medium term, with a focus on expenditure measures. Over the longer term, structural reforms to promote private sector competitiveness are essential to support investment and innovation, amid demographic headwinds.

A. Rebuilding Fiscal Space: Preserving Fiscal and Debt Sustainability while Protecting the Vulnerable

18. Significant past increases in welfare-related spending, including pensions, have created structural pressures on the budget and weakened long-term fiscal sustainability. Primary expenditure rose from about 22 percent of GDP in FY15/16 to 32 percent in FY24/25, driven mainly by higher pension outlays and transfers to EBFs supporting local firms, COVID-19-related projects, and poverty-reduction initiatives. With revenue, excluding grants, increasing by less (from 20 percent of GDP to 26 percent), public debt rose from 63 percent of GDP to 86 percent over the same period.

19. The authorities initiated fiscal consolidation in FY25/26 and are committed to continuing these efforts in FY26/27 and the medium term. The authorities' objective of reducing public debt to 75 percent of GDP by end-June 2031 (as set out in the Finance Act 2025) would require significant fiscal consolidation, and would be difficult if Chagos-related revenues do not materialize. The FY26/27 budget, expected in June 2026, will provide a critical opportunity for setting out the authorities' medium-term consolidation strategy.

20. Staff's baseline outlook (under unchanged policies) entails gradual fiscal consolidation and broadly constant public debt over the medium term. The primary deficit (excluding grants) is projected to improve only gradually, narrowing by 0.2 ppt of GDP to 3.3 percent of GDP in FY26/27 and a further 2.1 ppts of GDP through FY31/32, reaching 1.2 percent of GDP. Public debt broadly remains around 87-88 percent of GDP through end-June 2032—above the 80 percent debt anchor—constraining fiscal space to absorb shocks.

21. Additional measures are needed to rebuild fiscal buffers and allow public debt to return below the 80 percent of GDP debt anchor over the medium term. Compared to the baseline fiscal outlook, staff recommended an additional fiscal consolidation of around 2 ppts of GDP through FY31/32, with a frontloaded adjustment to reduce debt-related vulnerabilities. The composition of measures should also reflect distributional considerations, while safeguarding growth-enhancing capital spending and preserving the foundations for durable and inclusive growth.[9]

Text Table 2. Fiscal Projections under the Recommended Consolidation Path

(In Percent of Fiscal Year GDP)

	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32
Primary expenditure	**29.3**	**28.7**	**27.2**	**26.7**	**26.3**	**26.3**	**26.1**
Of which: Compensation of employees	5.8	5.6	5.7	5.5	5.4	5.4	5.4
Transfers and subsidies	5.6	5.2	4.9	4.7	4.7	4.7	4.7
Social benefits	10.8	9.9	9.3	9.3	9.0	8.9	8.7
Revenue (excl. grants)	**25.7**	**27.2**	**27.1**	**26.9**	**26.8**	**26.9**	**26.8**
Of which: Tax revenue	22.9	24.4	24.3	24.1	24.0	24.1	24.0
Primary balance (excl. grants)	**-3.5**	**-1.5**	**-0.2**	**0.2**	**0.5**	**0.6**	**0.7**
Public debt	**87.8**	**86.7**	**84.3**	**82.3**	**80.0**	**77.7**	**75.8**

Source: IMF staff projections.

22. Sustained expenditure restraint, focused on improving efficiency and better targeting of spending while protecting the most vulnerable. Key measures include:

- Pension system reform. Pension spending has roughly tripled over the past decade—from about 3 percent of GDP in the early 2010s to around 9 percent in FY24/25, largely reflecting successive increases in Basic Retirement Pension (BRP) benefits—and is high relative to emerging market peers (Annex IV). The decision to gradually increase BRP eligibility age from 60 to 65 (by 2034) will strengthen sustainability, and may generate savings of 0.3–1.6 percent of GDP, with the range reflecting gradual implementation and savings rising to their full effect as the reform is fully phased in. However, additional pension reforms are needed to fully secure long-term sustainability. A targeted recalibration should be considered, including through temporary nominal benefit freezes (expected savings of 0.3–1.5 percent of GDP, with the range reflecting rising number of beneficiaries over time). Concurrently, replacing the Contribution Sociale Généralisée (CSG) with a dedicated employer-employee contribution to the National Pension Fund would reinforce actuarial discipline and align financing more transparently with

Text Table 3. Suggested Additional Fiscal Measures[1/]

(In Percent of GDP)

Measures	Estimated Yields/Savings
Revenue	
Further rationalization of VAT zero-ratings[2/]	1.2
Expenditure	
Temporary nominal freeze of pension benefits	0.3-1.5
Phase-out of wage and income support to export enterprises[2/]	0.2

Source: IMF staff estimates.
1/ Not incorporated in the staff baseline projections.
2/ Estimated impact after full implementation.

[9] International Monetary Fund (2025), Mauritius: Selected Issues—Distributional Impact of Fiscal Policy, IMF Country Report No. 25/137.

contributory benefits. The ongoing work of the Commission of Experts on pension reform is welcome, including its forthcoming report.

- Rationalizing non-pension social protection. Broad-based non-pension social support measures are being rationalized, including discontinuation of the Home Ownership and Home Loan Payment Schemes and phasing out of certain employment support programs, such as the Prime à l'Emploi scheme (estimated saving of around 0.4 percent of GDP in FY25/26). Strengthening eligibility verification and periodic recertification should be considered, to enhance the fiscal efficiency of social assistance. In parallel, continued progress in gradually unwinding wage and income support mechanisms—particularly assistance provided to export-oriented enterprises to meet minimum wage and salary compensation obligations—would help limit the risk of structurally high fiscal commitments while facilitating private sector adjustment (expected saving of 0.2 percent of GDP).

- Targeted mitigation of fuel price increases. The authorities' prompt policy response to mitigate fiscal spillovers from the war is welcome, including energy price adjustments, electricity consumption restrictions, strengthened energy-security and targeted support to vulnerable households. In the context of heightened exposure to global energy price shocks, it remains important to maintain the fuel price adjustment mechanism to limit fiscal risks. To protect vulnerable households from higher living costs, support should be temporary and targeted, and preferably delivered through existing social safety net mechanisms, rather than broad-based subsidies that are costly and difficult to unwind.

23. A balanced consolidation also requires revenue mobilization grounded in base-broadening and compliance improvements. Mauritius's estimated tax gap—at about 5.6 percent of GDP—remains high relative to peers, reflecting extensive exemptions, preferential regimes, and investment-related tax expenditures, alongside compliance challenges.[10] Further rationalization of VAT zero-ratings not aligned with clearly defined social objectives—such as non-essential goods and services that disproportionally benefit higher income households—should be considered (expected yield of 1.2 percent of GDP) as well as selected tax expenditure, alongside continued strengthening of tax administration.

24. Strengthening public financial management and a rules-based framework are critical to reinforce fiscal discipline. The reintroduction of performance-based budgeting in the 2025/26 budget and the progressive adoption of International Public Sector Accounting Standards are welcome. To further strengthen public financial management and anchor these reforms in a credible medium-term framework, adoption of a Fiscal Responsibility Law (FRL) should be considered to help reinforce discipline, including by establishing an operational fiscal rule consistent with the medium-term debt anchor. In particular, expenditure-based operational rules could help contain spending pressures, including those arising from EBFs, and enhance policy predictability while allowing automatic stabilizers to operate during economic fluctuations. In this context, streamlining and

[10] International Monetary Fund (2024), Mauritius: Selected Issues—Improving Revenue Mobilization in Mauritius: Assessing the Potential and Reform Options, IMF Country Report No. 24/140.

consolidating EBFs into the budget framework would strengthen oversight and fiscal discipline. Government transfers accounted for 93-99 percent of total receipts in three of the sixth EBFs in FY24/25 (¶4), indicating that these entities are largely sustained by public resources and that their financing structure may give rise to future fiscal pressures if additional budgetary support becomes necessary. In parallel, given elevated public debt levels, potential windfall revenues (e.g., Chagos) should be primarily directed toward debt reduction, while selective, high-return investment can be targeted to support long-term growth without compromising fiscal sustainability. Establishing a transparent framework for managing such windfalls would help prevent procyclical spending, enhance intergenerational equity, and protect temporary gains from political-economy pressures, while allowing savings to support resilience-enhancing investments such as climate adaptation, health, and human capital.

25. Reducing fiscal risks from SOE and strengthening communication—particularly to enhance transparency and build public support for reforms—are key to sustaining fiscal consolidation efforts:

- Strengthening SOE oversight and transparency is recommended, alongside gradual operational reforms to improve financial performance and cost efficiency. SOE reforms would help contain contingent liabilities, with SOE debt estimated at around 9 percent of GDP, while rationalizing the state's footprint in non-strategic commercial activities to help reduce fiscal exposure.

- Strategic communication should be placed at the center of the fiscal reform agenda. Resistance to reforms can reflect misperceptions about policy needs and effects; recent IMF cross-country research has found that beliefs and perceptions account for roughly 80 percent of the variation in support for reforms.[11] To build broader buy-in, it is advisable to clearly explain to the public the fiscal challenges and the long-term benefits of reform, further engage the public and key stakeholders in dialogues on design and sequencing, and outline targeted mitigation measures for affected groups. For pension reform in particular, cross-country examples of good practice in communication strategies could provide useful guidelines.[12]

Authorities' Views

26. The authorities agreed with the need for continued fiscal consolidation to ensure fiscal sustainability and set out their policy priorities:

- They reiterated their strong commitment to reforms and fiscal consolidation, while emphasizing that implementation entails a challenging balancing act in a highly constrained political and social environment. They noted that fiscal efforts have been further complicated by the repercussions of the war, which have intensified social pressures and heightened the political cost of adjustment. Against this backdrop, the authorities concurred with staff's assessment that

[11] International Monetary Fund. 2024. World Economic Outlook: Policy Pivot, Rising Threats. Chapter 3, ''Understanding the Social Acceptability of Structural Reforms.'' Washington, DC.

[12] "Pension Reform: Political Economy Insights," Fiscal Affairs Department, International Monetary Fund, 2026.

additional policy measures are required to place public debt firmly on a declining path over the medium term, and broadly agreed with the recommended size and frontloaded path of fiscal consolidation.

- While planning to incorporate potential Chagos-related revenues in the budget and medium-term forecast, the authorities reaffirmed their commitment to using any such windfall primarily to repay public debt for the first three years. They agreed with the importance of effective communication in sustaining reform momentum.

- The authorities reaffirmed their commitment to strengthening the fiscal policy framework, including by advancing PFM reforms and considering reform options to adopt a FRL in line with Fund TA recommendations, as well as improving the management of assets and liabilities of the consolidated public sector.

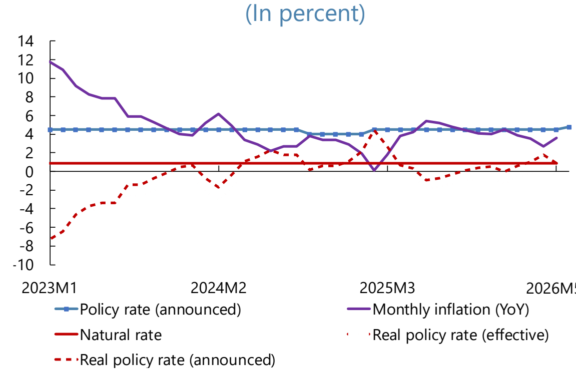
- Finally, the authorities agreed that any support to mitigate the impact of reforms on vulnerable households should be well targeted, transparent, and temporary. In this context, they emphasized ongoing efforts to strengthen the social registry, with a view to improving beneficiary identification and enhancing efficiency of social support.

B. Strengthening the Monetary Policy Framework and Safeguarding BOM Independence

27. Monetary policy should remain forward-looking, with readiness to tighten further if inflationary pressures intensify and expectations de-anchor including from the commodity price shock. BOM should be ready to adjust the stance if forward-looking inflation indicators show deviations of medium-term inflation from the target range.[13]

Text Figure 5. Inflation and Interest Rates

(In percent)



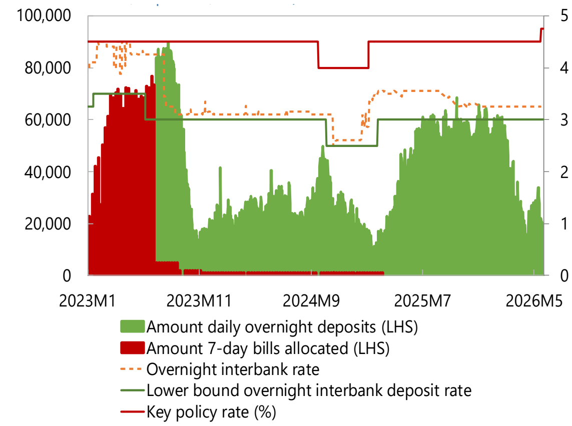
Sources: Bank of Mauritius and IMF Staff Calculations

28. The implementation of the 2023 monetary policy framework should be strengthened. Capped issuance of 7-day BOM bills (at the key policy rate) has sustained excess liquidity, weakened alignment between the interbank rate and the key policy rate, and diluted the policy signal from the key rate. Resuming uncapped, fixed-rate (at the key policy rate) full-allotment operations would realign the effective stance with the announced key rate, enhancing monetary policy credibility.

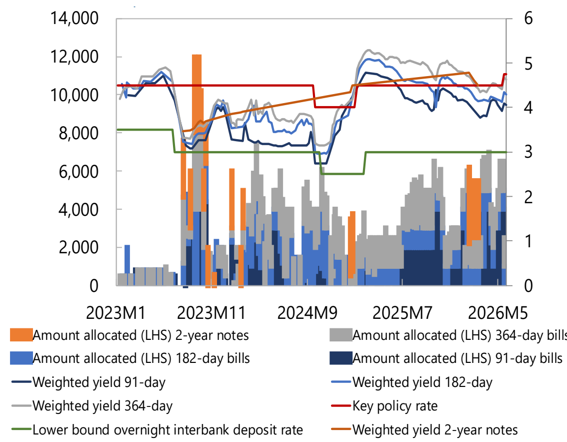
[13] The real policy rate is defined as the key policy rate announced minus inflation, while the effective real policy rate is defined as the interbank (market) rate minus inflation.

Text Figure 6. Bank of Mauritius' Operations and Banks' Interest Rates

7 Days Bills vs. Overnight Deposits Facility
(In millions of MUR; in percent, 2023-2026)



Long Term Bills
(In Rs million)/ in percent, 2023 – 2026)



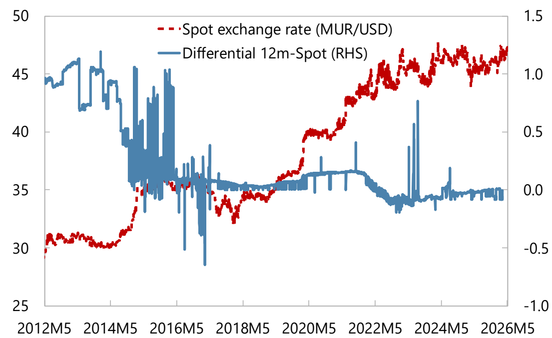
Sources: Bank of Mauritius, and IMF staff calculations.

29. Strengthening forward-looking communication would further enhance policy effectiveness and credibility. BOM's analytical framework has improved steadily in recent years, including through the Forecasting and Policy Analysis System (FPAS) that has been implemented since 2021 with Fund TA support. These advances could be complemented by further improving external communication of key central bank messages. Clearer articulation of the outlook, balance of risks, policy contingencies, and the link between operations and the effective stance would help anchor expectations and reinforce independence (SIP "Modernizing Monetary Policy in Mauritius: Implementation, Analytics, and Communication at the Bank of Mauritius").

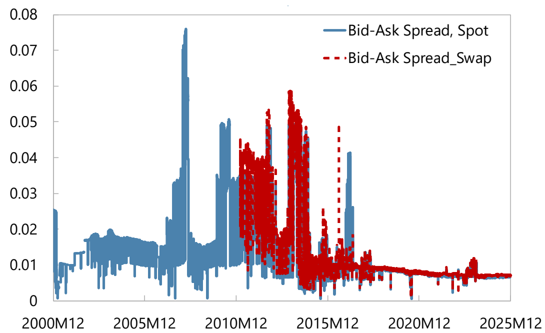
30. As a small open economy exposed to global tourism and financial flows shocks, Mauritius should continue to rely on exchange rate flexibility and FX purchases when opportunities arise, in line with the monetary policy framework. BOM's FX interventions (net sales) eased to US$0.2 billion in 2025 from US$0.4 billion in 2024, while the rupee appreciated relative to the U.S. dollar on account of broad-based dollar weakness. A well-established FXI policy framework is needed to help strengthen the monetary policy framework implementation and the credibility of its price stability objective. FXI should be reserved to address acute FX liquidity shortages to facilitate price discovery, and lean against sharp exchange rate fluctuations, provided reserves are sufficient and monetary/fiscal policy stances are appropriate.

Text Figure 7. Recent Foreign Exchange Market Developments Do Not Suggest Market Frictions from Shallowness or Illiquidity

Spot Exchange Rate and Differential with12M Forward Rate *(Last data point: May 19, 2026)*



Spreads in the Exchange Rate in Spot and Swap Transactions(In MUR/USD; Last data point: December 31, 2025)



Sources: Refinitiv, and IMF staff calculations.

31. Important amendments to the BOM Act remain pending; they are vital to help protect central bank independence and facilitate the implementation of an effective monetary policy. The authorities are pursuing a broad reform of the legal framework for both the central bank and the banking sector, to strengthen financial stability and the autonomy and governance of BOM, in line with international good practices. Amendments to the BOM Act aim to clarify and prioritize its mandate—anchoring price stability as the primary objective—while reinforcing governance arrangements, safeguards for institutional and personal independence, robust profit-distribution framework and limits on monetary financing. In parallel, revisions to the Banking Act aim to modernize the supervisory architecture, including its licensing framework, consolidated and conglomerate supervision, and an enhanced framework for financial innovation and payment services. The authorities also plan a comprehensive overhaul of the bank resolution and crisis-management regime, alongside recent targeted amendments to the deposit insurance framework, to enable the orderly resolution of failing institutions while minimizing fiscal risks and preserving financial stability. BOM and MOF's mutual agreement and commitment to BOM independence with MOF fiscal backing should be maintained.

32. BOM's decision to promptly return undisbursed funds from Mauritius Investment Corporation (MIC) to the BOM, and plans to gradually phase out the rest of BOM's investment in MIC, are critical to reduce the central bank's involvement in non-core activities and protect its independence. Next steps entail the prompt return of around 30 billion rupees in undisbursed funds from MIC to BOM in 2026.[14]

[14] MIC plans to keep 3 billion rupees for pre-committed investments in private equity funds and Rodrigues Public Utilities Corporation water project.

Authorities' Views

33. The authorities agreed with staff recommendations to further tighten the monetary policy stance if inflationary pressures intensify and expectations de-anchor, strengthen the monetary policy framework, and gradually phase out BOM's investment in MIC.

- BOM agreed that the monetary policy framework can be strengthened, and emphasized the role of Fund's TA. BOM appreciated lessons from staff's analysis on modernizing monetary policy in Mauritius, which linked analytics, monetary policy framework implementation and communication.
- The authorities affirmed their commitment to a floating exchange rate regime and agreed with the importance of conserving external buffers.
- BOM expressed commitment to its plan to gradually phase out its investment in MIC, while noting legal constraints that are delaying the prompt return of undisbursed funds to BOM. BOM highlighted their commitment to transparency exemplified by the recognition of losses in MIC balance sheet. BOM and MOF agree that fiscal backing by MOF is key to safeguard BOM independence.

C. Strengthening the Resilience of the Financial Sector and Managing Macro-Financial Risks

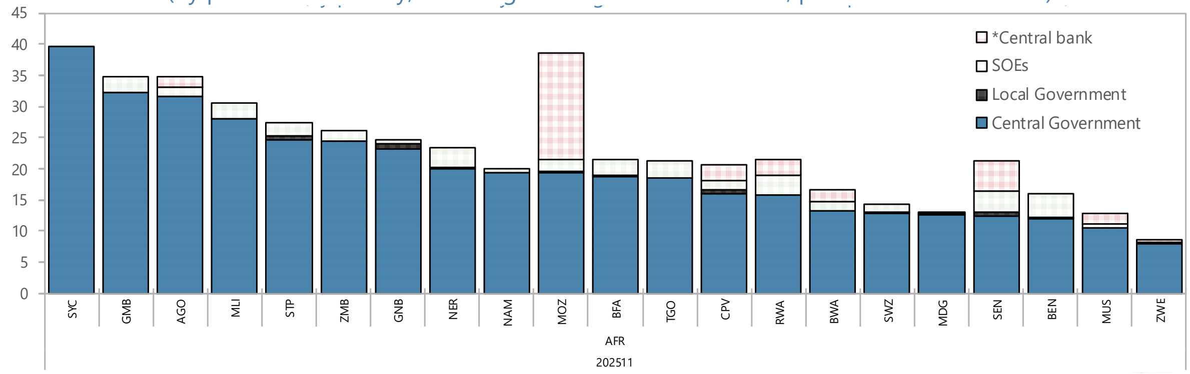
34. Financial sector resilience and management of macro-financial risks help support financial stability. Key macro-financial risks include:

- *Real estate*. The recent reduction in housing credit growth and residential property prices signals containment of macro-financial risks but residential property prices continue to suggest overheating in the sector—with a growing share of emerging markets and developing economies moving to expansion and boom stages in their housing cycle since 2022.[15] Loan-to-value and debt service-to-income ratios are unchanged since 2021.
- *FX exposures*. Financial stability risks related to unhedged FX exposures appear contained.
- *Bank-sovereign nexus*. Although public sector exposure to banks appears contained when compared with countries in the region—with banks' claims on public sector below 13 percent of banks' assets—projected continued high public debt issuance requires continued close monitoring of the bank-sovereign nexus.

[15] International Monetary Fund (2025), Mauritius: Selected Issues—Residential Real Estate Sector Developments, IMF Country Report No. 25/137, and most recent data through 2025Q3.

Text Figure 8. Public Sector Bank Nexus

(by public sector entity, including loans and debt securities, percent of banks assets)



Source: IMF MFS and Barrail, Dehmej, and Wezel (forthcoming).

- *GBCs and non-residents*. Large exposure of banks to non-residents and the GBC sector exposes them to external shocks including from changes in cross-border capital flows and shifts in investor sentiment.

- *Stablecoin adoption*. Stablecoins have been associated with potential efficiency gains in settlement and cross border payments, but their growing use also poses emerging risks. In particular, large and volatile crypto-asset flows—often routed across borders and outside traditional financial intermediaries—could amplify capital flow volatility, complicate liquidity conditions, weaken the monitoring of external sector developments, and may carry implications for financial integrity and affect the reputation of the Mauritius International Financial Centre. While supervisory authorities in Mauritius collect entity-level information through licensing, reporting, and risk-based oversight of virtual asset service providers, comprehensive macro-level data on crypto-asset and stablecoin transactions are not yet fully reflected in official statistics.

Building on the recommendations of the 2015 Financial Sector Assessment Program (Annex VI), further enhancing the macroprudential and crisis management and resolution frameworks would strengthen resilience of the large financial sector (assets are 55 times GDP). Addressing data gaps and regular stress testing of the financial sector's assets and portfolios remain vital to identify problems early and mitigate macro-financial risks. In the context of substantial cross-border flows and non-resident exposures, efforts should be sustained to strengthen risk-based AML/CFT supervision of cross-border financial activity. Stablecoin adoption should be carefully monitored to mitigate key risks while preserving potential benefits. Key actions could include continued improvement in data collection, monitoring and supervision with respect to existing virtual asset regulation and AML/CFT considerations through closer inter-agency and cross-coordination as well as ensuring that any prudential and conduct regulation and supervision of the sector is aligned with global standards and recommendations. Effective implementation of the AML/CFT standards will be key ahead of the upcoming 2027 FATF assessment. The next FSAP, planned to start in FY2028, will provide an opportunity to take stock of progress in addressing financial sector vulnerabilities, strengthening regulatory and supervisory frameworks, and enhancing crisis preparedness.

Authorities' Views

35. The authorities agreed that financial stability risks remain contained and emphasized the robustness of the macroprudential and supervisory frameworks. They reaffirmed their commitment to closely monitoring evolving risks—including through regular stress testing and continued use of the macroprudential toolkit. They noted:

- **AML/CFT and beneficial ownership framework.** The AML/CFT risk-based supervision framework, implemented since 2018, captures risks arising from cross-border activity and non-resident exposure. Beneficial ownership (BO) information for all resident companies, including GBCs, is maintained by the Registrar of Companies and is accessible online to all competent authorities. In addition, the recent establishment of a Central Account Registry at the BOM strengthens BO transparency for deposit accounts held with financial institutions, including accounts related to foreign trusts. Efforts to reinforce AML/CFT effectiveness are being sustained ahead of the 2027 FATF mutual evaluation, supported by major legislative amendments enacted in April 2026, publication of the National Risk Assessment in May 2025 and the Non-Profit Organizations Risk Assessment in March 2026. Progress is also being made toward establishing a BO Trust Register.

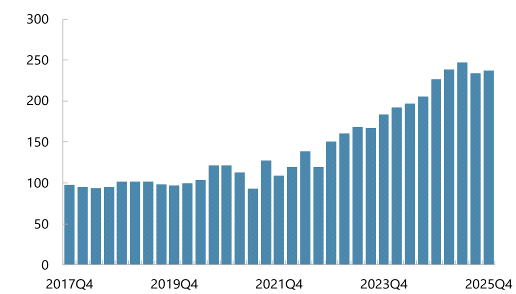
- **Supervision of virtual assets and emerging risks.** They highlighted the adoption of a regulated and progressive framework for virtual assets under the Virtual Asset and Initial Token Offering Services (VAITOS) Act of 2021 and the BOM Guideline for Virtual Asset Related Activities. The Financial Services Commission (FSC) applies comprehensive risk-based supervision, with enhanced scrutiny of higher-risk entities. Recent onsite inspections conducted in 2026 identified only minor deficiencies, primarily related to AML/CFT controls and business conduct, which are being addressed through corrective action plans.

- **Inter-agency coordination and innovation.** They indicated that supervisory coordination is ensured through close cooperation between FSC and BOM, including for dual-licensed entities, and through national coordination platforms such as the National Observatory on Virtual Assets. Tokenization activities remain limited and are supervised within the existing regulatory perimeter. The authorities highlighted ongoing work on the stablecoins framework.

Figure 2. Mauritius: Macro-Financial Risks

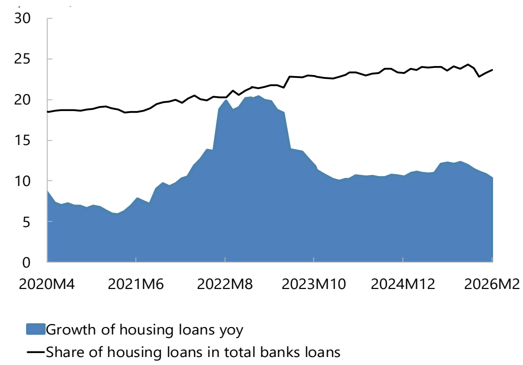
Residential property prices stopped increasing in Q3…

Residential Property price Index
(Index, 2019-100)



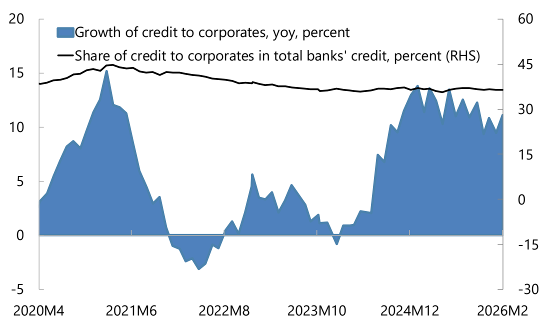
…while housing credit growth somewhat moderated

Housing Credit
(In percent)



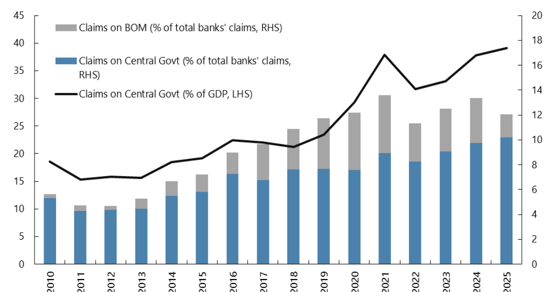
Growth in banks' credit to corporates stabilized in 2025…

Banks Credit to Private Non-Financial Corporation
(In percent)



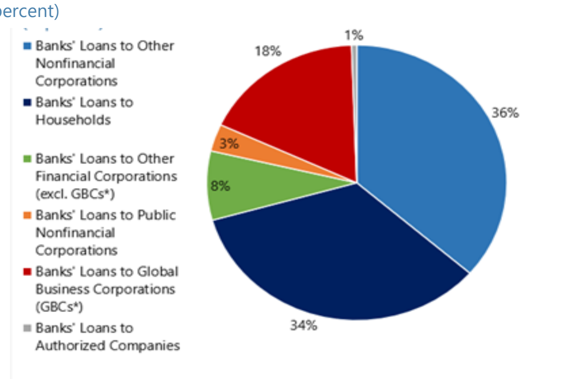
and the share of banks' claims on consolidated government declined

Exposure of Banks to the Consolidated Government
(In percent)



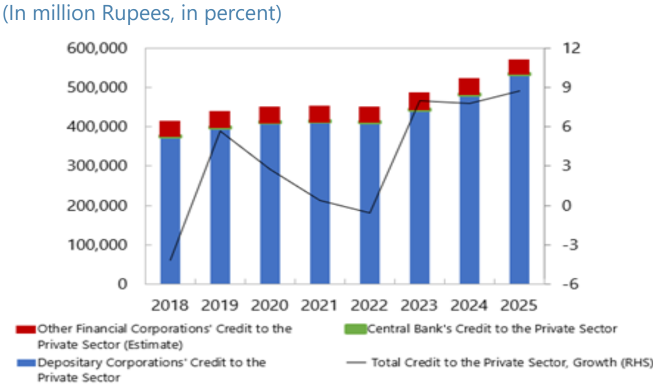
Banks's loans to corporates and households represent 70 percent of total bank loans in 2025.

Distribution of Banks Loans
(In percent)



Credit growth to the private sector somewhat increased in 2025 as inflation picked up.

Components of Credit to the Private Sector[1]
(In million Rupees, in percent)



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

D. Structural Policies to Strengthen Growth, Competitiveness, and Resilience

36. **An ageing and declining population is expected to weigh increasingly on labor supply and growth, underscoring the need to mobilize under-utilized labor.** Population dynamics are expected to reduce growth by 2 percentage points per year by 2070 (SIP "Demographic Headwinds: the Growth Impacts of Population Ageing in Mauritius"). In order to enhance labor supply and skills, measures should be considered to raise youth, women's and older workers' labor market participation rates, through improving school-to-work transitions, improving the availability of affordable childcare, promoting flexible work, combating age discrimination and investing in healthy ageing. Additionally, strengthening the skills and training framework and ensuring it aligns with labor market needs would boost human capital and employability across the life cycle. Continuing to implement the National Employment Plan, which prioritizes addressing skills mismatches, is a strategic priority. Additionally, higher-tier wage regulations for above-minimum-wage roles should be reversed to reduce labor market distortions and improve competitiveness.

37. **Reviving broader productivity growth is needed to boost Mauritius' growth outlook, enhance external competitiveness and foster a more dynamic business environment, in line with the authorities' growth and diversification plans.** Productivity growth in Mauritius has been tepid over recent years, with labor productivity growth averaging 2.4 percent per year since 2010, well below the 4.2 percent average for upper-middle income countries. Export-oriented enterprises have faced particularly strong headwinds due to rising competition from regional peers, particularly in manufacturing and textiles. Key policies are to support private investment and innovation, including by streamlining permitting and regulations to reduce administrative frictions, strengthening digitalization, and facilitating diversification into higher-value sectors. Reducing structural bottlenecks, including by encouraging investment in energy infrastructure and tackling port inefficiencies, will help support broad-based growth. Safeguarding the contribution of the GBC sector while managing associated macro-financial and external risks is a competitiveness priority (Annex V).

38. **Mauritius is highly exposed to climate shocks, with rising risks from droughts, floods and cyclones affecting infrastructure, tourism, water availability and public finances.** Priorities are to scale up climate-resilient infrastructure, deepen the property insurance sector, enhance energy security, and strengthen resilience through water resource management, disaster risk preparedness and more systematically integrating climate risks into public investment and fiscal planning, in line with World Bank CCDR recommendations. These reforms would reduce the economic and fiscal costs of climate shocks while supporting private investment and long-term competitiveness.

Authorities' Views

39. **The authorities agreed that advancing structural reforms is essential to boost competitiveness and growth, which in turn will help address external imbalances.** They

acknowledged the growth challenges associated with demographics and lackluster productivity growth. They agreed that addressing labor market bottlenecks—including by reducing skill mismatches, strengthening participation, and leveraging foreign labor—is important to support medium-term growth, and noted that these objectives are being advanced under the National Employment Plan. The authorities also highlighted efforts to attract skills and expertise from the Mauritian diaspora. They emphasized that their broader diversification strategy—including efforts to expand higher-value activities in financial services under the Financial Services Strategy 2025–30, as well as in digital sectors, renewable energy, tourism, and the blue economy—is aligned with their broader long-term objectives, including under Vision 2050. They also stressed that climate adaptation and mitigation remain essential to safeguarding Mauritius's outlook.

E. Statistics and Capacity Development Issues

40. While data provision to the Fund is broadly adequate for surveillance, there is scope to improve the quality, timeliness and coverage of macroeconomic statistics (Annex VIII). Priority should be given to ensuring the full independence of official statistics producers, addressing outstanding weaknesses in the national accounts, government finance statistics, external sector statistics, monetary and financial statistics, and FSIs, and improving coverage and ensuring consistency in the recording of GBCs' activities. In March, Mauritius adhered to the Fund Special Data Dissemination Standard Plus (SDDS Plus), underscoring the authorities' commitment to data quality and transparency (Box 1).

Box 1. Progress on Statistical Standards, Adherence to SDDS Plus, and Data Revisions

Mauritius adhered to SDDS Plus on March 16, 2026, becoming the first country in Africa to meet the highest tier of IMF data dissemination standards. The authorities have committed to a transition plan to achieve full compliance within five years in the remaining areas of sectoral balance sheets, quarterly general government operations, general government debt, and debt securities.

The 2025 Report on the Observance of Standards and Codes (ROSC) assessed Mauritius' statistical system as generally sound, and recommended reforms to strengthen institutional independence, data sharing, and inter-agency coordination. Progress has been made in advancing legal and governance reforms and improving coordination with the National Statistical System, including via better alignment of revision cycles and reduced discrepancies across datasets.

Some key ROSC recommendations remain outstanding. In particular, measures to strengthen the independence of Statistics Mauritius are yet to be fully implemented, including revising the reporting line of the Director and discontinuing macroeconomic forecasting activities. While implementation across statistical domains remains uneven, the authorities reaffirmed their commitment to strengthening institutional independence and enhancing the overall statistical framework.

Recent revisions to national accounts and external sector statistics have focused on improving the treatment of the large GBC sector, especially in the estimation of its output, services trade, and related primary income flows. The revisions have enhanced consistency between national accounts and the balance of payments (BOP).

- **Revised GDP statistics published in 2025 better capture GBC activity**, resulting in about 1 percent increase in the level of real GDP for the whole series. Expenditure-side GDP discrepancies remain sizable and pending revisions.

Box 1. Progress on Statistical Standards, Adherence to SDDS Plus, and Data Revisions (Concluded)

- **In external sector statistics, revisions published in 2025 to services trade and primary income data—particularly for GBCs—have improved coverage** with limited net impact on the external current account and trade balance. As a result, total (goods and services) exports and imports have increased for the period 2018–25 by an average of 57 and 37 percent, respectively, due to newly-captured GBC services trade flows, with limited net impact on the external current account and trade balance. However, yet-to-be recorded reinvested earnings of GBCs in the BOP primary income and financial accounts continues to contribute to discrepancies between the current account and the net international investment position (IIP).

Continued progress with external sector statistics is planned under the upcoming broader methodological upgrade for the planned migration to the new standards under the Balance of Payments Manual 7. Upcoming revisions, including measuring merchanting, are expected to further improve external current account measurement and reduce inconsistencies with the IIP, with limited impact on GDP but potential implications for Gross National Disposable Income (GNDI).

Overall, data provision to the Fund is broadly adequate for surveillance. Continued implementation of the SDDS Plus transition plan and outstanding ROSC recommendations will be critical to further strengthen data quality and support informed policymaking.

Source: Mauritius 2025 Report on the Observance of Standards and Codes.

41. **Capacity development and technical assistance (TA) has focused on strengthening the fiscal framework, enhancing the monetary policy framework, and statistics.** TA will help address data shortcomings, including gaps identified in the SDDS Plus transition plan. Ongoing TA on upgrading BOM's FPAS is critical to strengthen capacity for model-based forecasting, structured policy analysis, and transparent communication, thus supporting BOM's forward-looking monetary policy framework. BOM has requested TA on stablecoins, including on regulatory framework and legal enablers, prudential oversight, operational standards, AML/CFT, systemic risk assessment and crisis preparedness, BOM reorganization, and the payment system legislation. The authorities have also requested TA to support fiscal reforms, including a comprehensive review of the tax system, and TA on government assets/liabilities management.

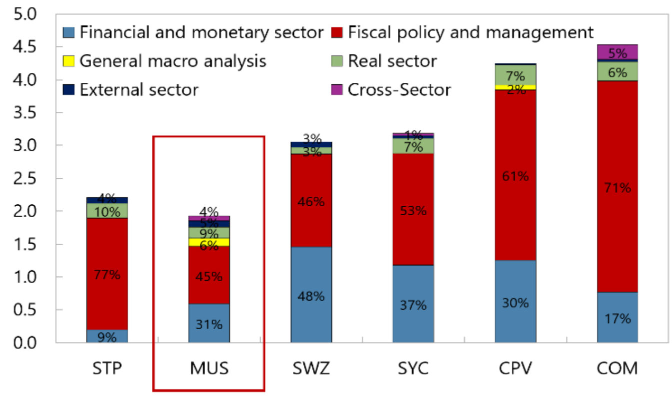
Authorities' Views

42. **The authorities expressed appreciation for Fund TA and reaffirmed their commitment to further strengthening the overall statistical framework.** They highlighted progress in advancing data transparency, as well as revisions to BOP and GDP statistics in line with Fund TA, while acknowledging the importance of addressing some remaining weaknesses. They welcomed continued Fund TA, underscoring its importance for strengthening institutional capacity, enhancing statistical methodologies, and supporting evidence-based policymaking.

Text Figure 9. TA to Mauritius has Recently Focused on Fiscal Issues

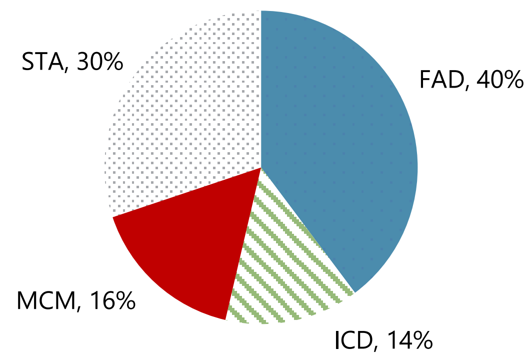
Small States: CD Spending by Sector

(Spending in millions of USD$, FY24-26 total)



CD Spending by Delivery Department

(Spending in Millions of USD$, FY24-26 total)



Source: AFR Customized Capacity Development Dashboard.

Notes: 1) Includes projects in "Approval", "Execution", and "Complete" stages and Single CD Country. 2) Sector was defined by CD departments, each CD workstream was categorized into Economic and Financial Topic.

STAFF APPRAISAL

43. Mauritius continues to benefit from resilient economic activity but is now operating under weaker macroeconomic conditions amid a more adverse external environment while fiscal and structural challenges remain. The services sector remains resilient—particularly tourism and financial services—but high public debt, widening external imbalances, rising age-related spending pressures, substantial climate-adaptation and infrastructure needs, and weak productivity weigh on the outlook. Risks are tilted to the downside, notably related to weaker global growth, commodity price shocks, and delays in policy adjustment, underscoring the importance of recalibrating the macroeconomic policy mix to rebuild buffers and strengthen macroeconomic resilience.

44. Fiscal consolidation needs to be stepped up to place public debt on a declining path and rebuild fiscal buffers. Current spending—particularly on pensions and extra-budgetary transfers—should be contained, even while protecting the most vulnerable through well-targeted support, including temporary measures to deal with the effects of the war. Revenue can be increased through base-broadening and compliance improvements. Any windfall revenues should be primarily used for public debt reduction. Enhanced public financial management and a rules-based framework are critical to reinforce fiscal discipline. Strengthening communication—particularly to boost transparency and public support for reforms—would facilitate reform efforts.

45. Monetary policy should remain forward-looking and ready to tighten further, should inflationary pressures intensify and de-anchor expectations, while continued efforts are needed to strengthen the monetary policy framework and safeguard central bank independence. The implementation of the monetary policy framework should be strengthened by resuming uncapped issuance of 7-day BOM bills (at the key policy rate). Strengthening BOM's forward-looking communication would further enhance policy effectiveness and credibility. Mauritius should continue to rely on exchange rate flexibility and FX purchases when opportunities arise, in line with the monetary policy framework. Swift adoption of amendments to the BOM Act remains important to protect central bank independence and safeguard against monetary financing—supported by MOF and BOM' continued mutual agreement and commitment to BOM independence and fiscal backing. MIC should promptly return undisbursed funds to BOM, and BOM should gradually phase out the rest of its investment in MIC.

46. Mauritius' external position at end-2025 is assessed as substantially weaker than the level implied by fundamentals and desirable policies, and structural reforms to enhance competitiveness are needed to reduce external imbalances. Steady progress in strengthening the AML/CFT framework is welcome and should be sustained. Financial sector risks appear contained, but close monitoring is warranted, including of real estate exposures, the bank-sovereign nexus, and non-resident and GBC-related flows. Stablecoin adoption should be carefully monitored to mitigate key risks while preserving potential benefits. Continued implementation of the SDDS Plus transition plan and outstanding ROSC recommendations will be critical to further strengthen data quality and support informed policymaking.

47. Mauritius should advance structural reforms to boost productivity, support private investment and strengthen climate resilience. Amid demographic headwinds from an ageing and declining population, priorities include mobilizing under-utilized labor resources, strengthening the skills and training framework, as well as reviving productivity growth by improving the business climate, reducing structural bottlenecks, and advancing climate adaptation efforts.

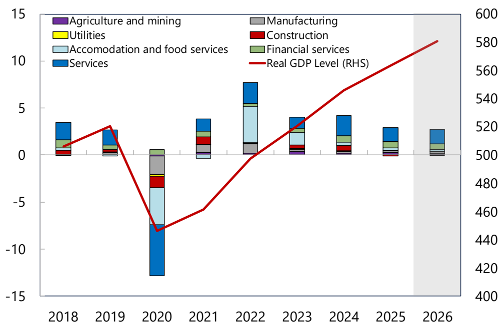
48. Staff recommends that the next Article IV consultation takes place on the standard 12-month cycle.

Figure 3. Mauritius: Real Sector Developments

Real GDP growth has been resilient.

Real GDP Now Exceeds Its Pre-Pandemic Level[1]

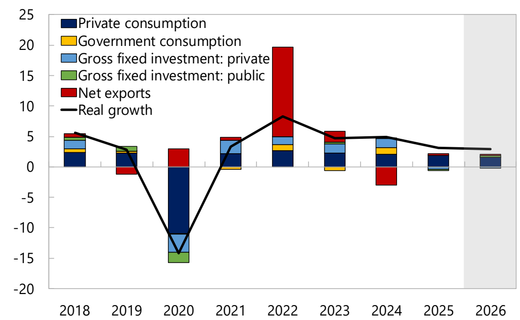
(Contribution to Growth in percent (LHS); GDP in billions of Rupees (RHS)



On the demand side, private consumption underpinned growth in 2025.

Contributions to Real GDP Growth Demand Side[3]

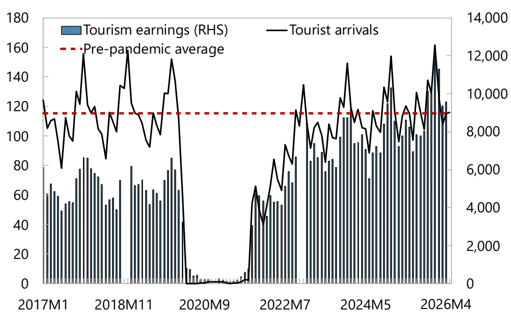
(In percent)



Tourist arrivals registered record numbers in 2025.

Tourism Arrivals and Earnings

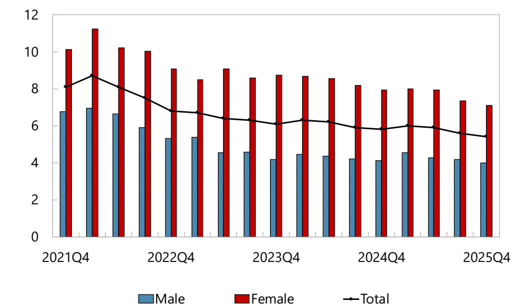
(Arrivals in Thousands; earnings in millions of Rupees)



Unemployment has receded to the lowest level in decades.

Unemployment Rate

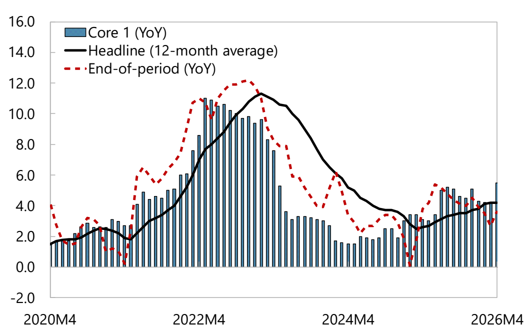
(In percent)



Inflation is within the target range of 2-5 percent.

Monthly Inflation[2]

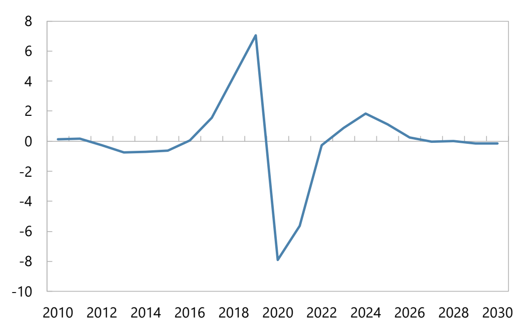
(In percent)



The output gap is nearly closed.

Output Gap

(In percent of potential GDP)



Sources: Mauritian authorities, and IMF staff estimates.

1/ The services sector includes wholesale and retail trade, information and communication, and other services.

2/ Core 1 excludes food, beverages and tobacco components and mortgage interest on housing loan from headline inflation.

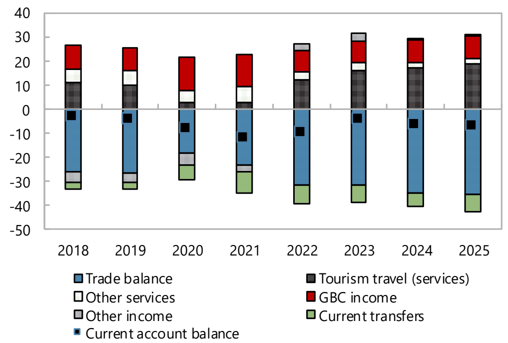
3/ Statistical discrepancy GDP component excluded for clarity.

Figure 4. Mauritius: External Sector Developments

The current account deficit widened in 2025 …

Current Account Balance

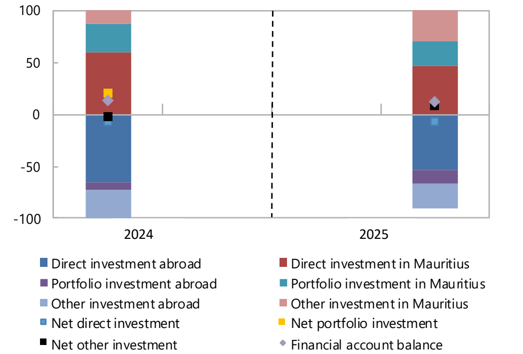
(In percent of GDP)



…while the financial account surplus reduced.

Financial Flows

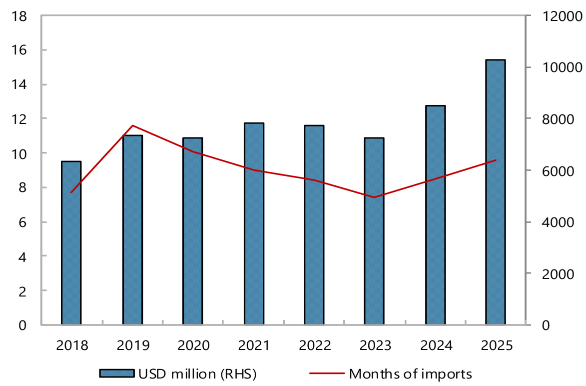
(In percent of GDP)



Gross international reserves increased in 2025…

Gross International Reserves

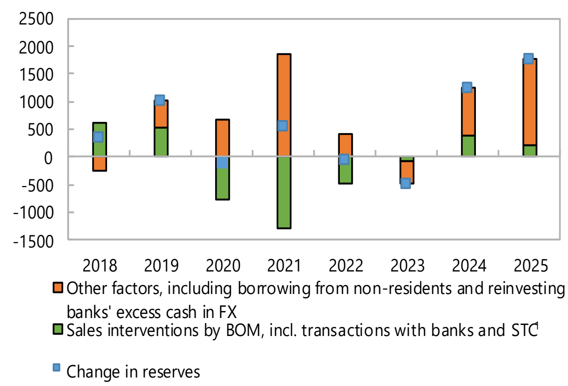
(USD million and months of imports)



…helped by gold valuation effects.

Changes in Reserves

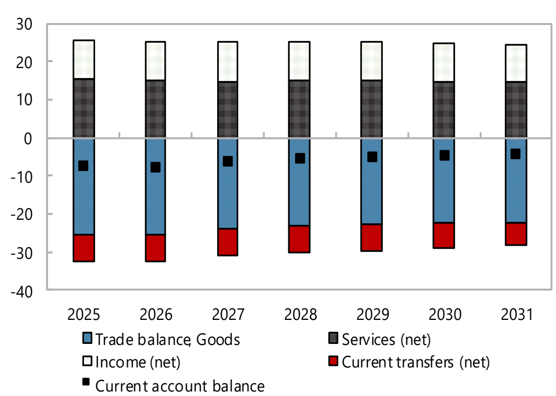
(In millions of US Dollars)



Current account deficit is expected to increase in 2026 and narrow over the medium term

Current Account Projections

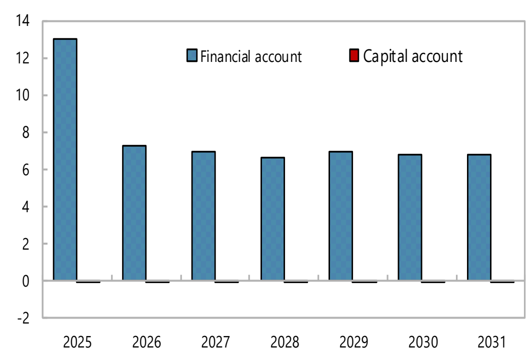
(In percent of GDP)



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

Financial and Capital Account Projections

(In percent of GDP)

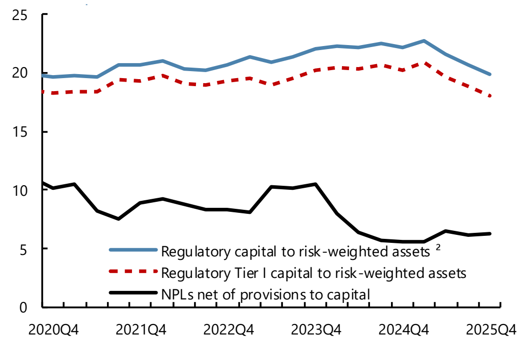


Sources: Mauritian authorities, and IMF staff estimates.

Figure 5. Mauritius: Financial Sector Developments, 2020–2025Q4

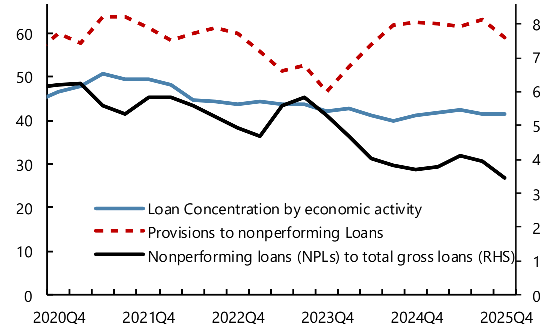
Capital ratios of the banking system remain substantially above benchmarks

Capital Adequacy
(In percent)



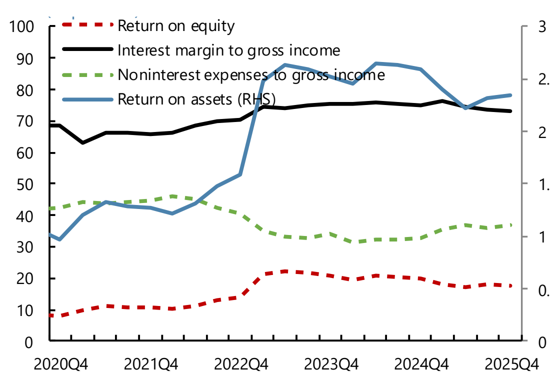
....while the NPL ratio slightly decreased in 2025.

Asset Quality
(In percent)



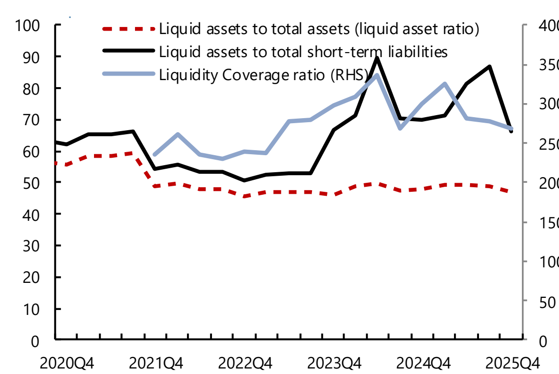
Banks' profitability stabilized in 2025...

Earnings and Profitability
(In Percent)



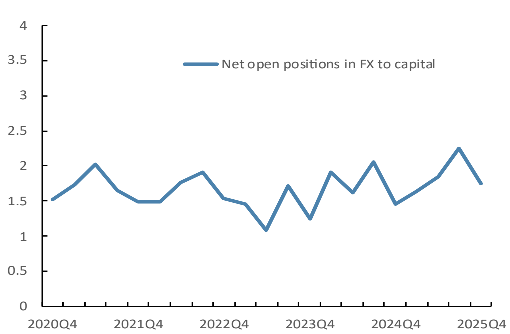
...while the consolidated Liquidity Coverage Ratio remained above the regulatory limit of 100 percent.

Liquidity
(In percent)



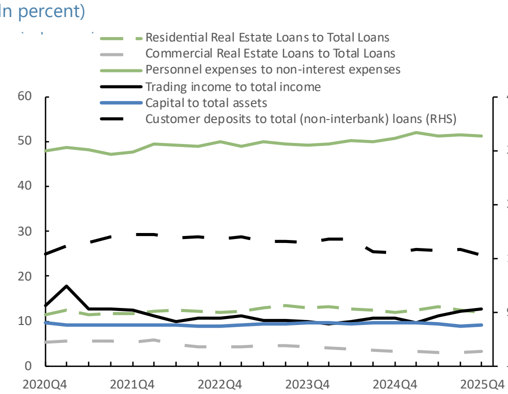
The Net FX position of banks was stable in 2025

Sensitivity: Net opening position in Foreign Exchange to Capital
(In percent)



...and the banking sector continues to demonstrate resilience

Encouraged Set of Financial Soundness Indicators
(In percent)

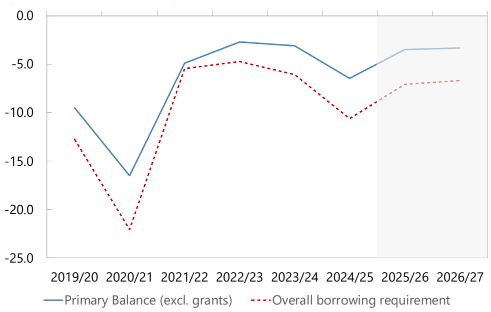


Sources: Mauritian authorities, and IMF staff estimates.

Figure 6. Mauritius: Fiscal Sector Developments

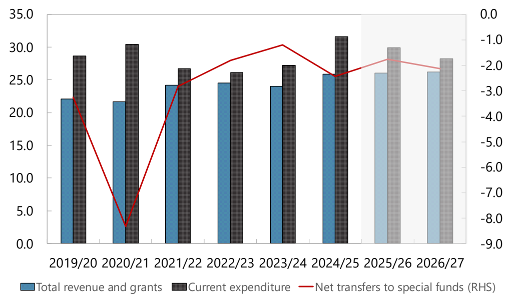
Under unchanged policies, the primary deficit is projected to narrow modestly in FY26/27, resulting in a limited easing of borrowing requirements.

Fiscal Balances
(In Percent of Fiscal Year GDP)



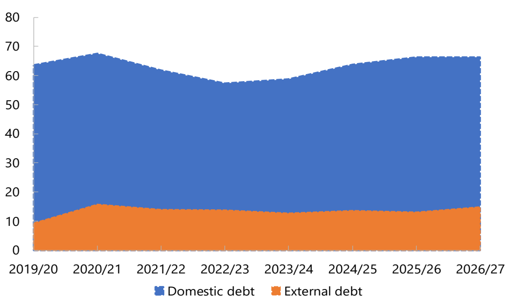
Primary spending is projected to moderate while revenues remain broadly unchanged.

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



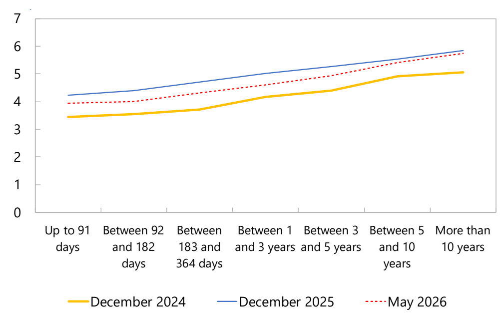
The central government debt is expected to remain elevated.

Central Government Debt
(In Percent of Fiscal Year GDP)



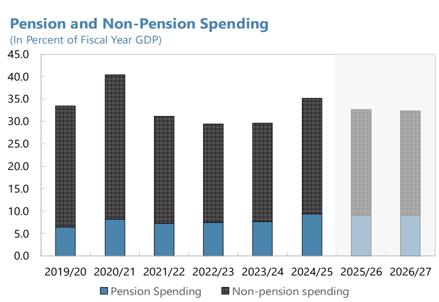
Bond yields remain elevated, indicating some tightening in financing conditions

Yield on Government Treasury Bills and Bonds
(In Percent)



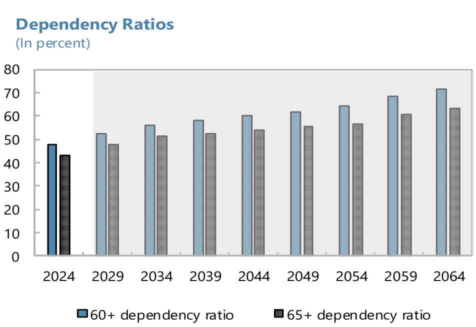
Absent further reforms, pension spending is expected to remain a persistent source of fiscal pressures in the near term…

Pension and Non-Pension Spending
(In Percent of Fiscal Year GDP)



….and demographic trends are expected to intensify fiscal strains over the longer term.

Dependency Ratios
(In Percent)



Sources: Mauritian authorities; and IMF staff projections and calculations.
Note: Shaded areas denote projections.

Table 1. Mauritius: Selected Economic and Financial Indicators, 2020–2031

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
						Est.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
	(Annual percent change, unless otherwise indicated)											
National income, prices and employment												
Real GDP	-14.2	3.3	8.3	4.7	4.9	3.2	2.8	3.2	3.3	3.2	3.2	3.2
Real GDP per capita	-14.2	3.4	8.7	4.9	5.2	3.4	3.1	3.5	3.6	3.5	3.5	3.6
GDP per capita (in U.S. dollars)	9,083	9,146	10,317	11,273	11,994	12,935	13,701	14,709	15,607	16,498	17,454	18,474
GDP deflator	2.2	3.2	9.9	6.7	3.7	3.9	4.8	5.3	3.7	3.6	3.6	3.6
Consumer prices inflation (period average)	2.5	4.0	10.8	7.0	3.6	3.7	4.7	5.5	3.7	3.5	3.5	3.5
Consumer prices inflation (end of period)	2.7	6.8	12.2	3.9	2.9	4.5	6.4	3.8	3.6	3.5	3.5	3.5
Unemployment rate (percent)	9.2	9.1	6.8	6.1	5.7	5.7	6.0	5.9	5.9	5.9	5.9	5.9
	(Annual percent change)											
External sector												
Exports of goods and services, f.o.b.	-27.5	10.1	22.9	12.1	3.3	4.1	6.3	7.3	6.3	5.0	4.8	5.0
Of which: tourism receipts	-73.8	-23.8	313.1	29.7	6.0	10.8	1.7	4.8	6.8	7.9	7.9	7.9
Imports of goods and services, f.o.b.	-23.0	13.4	20.8	6.0	6.2	2.6	7.1	5.5	5.1	4.3	4.4	5.3
Nominal effective exchange rate (annual average)	-8.0	-8.0	3.6	0.5	-1.4	…	…	…	…	…	…	…
Real effective exchange rate (annual average)	-7.6	-7.5	6.3	1.6	-1.1	…	…	…	…	…	…	…
Terms of trade	5.2	-11.7	-5.2	8.2	-0.3	2.1	-4.5	2.2	1.2	-0.7	0.3	0.4
Money and credit												
Net foreign assets	16.4	18.6	-3.6	-0.3	18.3	3.7	1.5	1.8	1.3	1.7	2.7	3.0
Domestic credit	7.9	15.6	13.1	9.7	13.7	8.3	6.4	6.4	6.7	6.7	6.7	6.6
Net claims on government	8.8	34.8	24.6	26.1	31.3	10.8	11.2	8.7	8.4	7.7	6.9	6.4
Credit to non-government sector	2.7	0.4	-0.6	8.0	7.8	8.8	5.6	6.3	6.7	7.0	7.3	7.3
Broad money	17.7	8.6	4.1	7.8	12.9	8.3	6.7	9.5	8.4	8.2	7.7	7.7
Income velocity of broad money (M2)	0.8	0.8	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9
	(Percent of GDP, unless otherwise indicated)											
Central government finances [1]												
Overall borrowing requirement [2]	-22.1	-5.5	-4.8	-6.1	-10.6	-7.1	-6.7	-5.4	-4.9	-4.2	-4.0	-3.6
Primary balance (excluding grants)	-16.5	-4.9	-2.7	-3.1	-6.5	-3.5	-3.3	-2.2	-1.8	-1.4	-1.4	-1.2
Revenues (incl. grants)	21.6	24.2	24.5	24.0	25.8	26.0	26.2	26.1	25.9	25.8	25.9	25.8
Expenditure, excl. special funds	32.1	28.3	27.6	28.5	32.7	30.9	30.2	29.6	28.9	28.2	28.1	27.6
Domestic debt of central government	67.5	61.9	57.3	58.7	63.9	66.3	66.3	66.6	67.2	67.3	67.7	68.4
External debt of central government	15.8	14.0	13.8	12.7	13.5	13.1	14.9	15.2	15.4	15.5	15.2	14.8
Investment and saving												
Gross domestic investment	18.2	19.8	19.8	20.3	21.0	19.7	21.2	21.6	21.7	21.7	21.7	21.7
Public	4.1	4.1	3.9	3.9	3.8	3.5	4.0	4.5	4.5	4.5	4.5	4.5
Private [3]	14.1	15.7	15.8	16.3	17.2	16.3	17.3	17.1	17.2	17.2	17.2	17.2
Gross national savings	12.2	11.1	16.9	20.7	21.1	20.1	21.1	21.4	22.2	22.7	23.7	24.7
Public	-7.9	-5.6	-2.0	-2.5	-4.5	-4.8	-3.0	-1.8	-1.3	-0.8	-0.3	0.0
Private	20.1	16.7	19.0	23.2	25.6	24.9	24.0	23.2	23.6	23.5	24.0	24.7
External sector												
Balance of goods and services	-10.6	-13.7	-13.6	-9.5	-11.4	-9.9	-10.5	-9.2	-8.4	-7.9	-7.6	-7.8
Exports of goods and services, f.o.b.	56.2	61.5	67.2	69.0	67.2	65.0	65.4	65.6	65.8	65.6	65.1	64.8
Imports of goods and services, f.o.b.	-66.8	-75.2	-80.8	-78.5	-78.6	-74.9	-75.9	-74.8	-74.3	-73.5	-72.8	-72.6
Current account balance	-8.2	-12.3	-10.1	-4.4	-6.6	-7.1	-7.4	-5.9	-5.0	-4.8	-4.3	-4.1
Capital and financial account	3.3	23.3	13.4	-0.9	14.2	13.1	7.4	7.1	6.8	7.1	6.9	6.9
Overall balance	-3.8	11.0	2.7	-5.8	7.2	5.7	0.0	1.1	1.7	2.3	2.6	2.8
Total external debt	110.7	134.0	132.2	132.9	140.9	142.4	135.3	128.6	122.3	116.6	112.1	107.9
Gross international reserves (millions of U.S. dollars)	7,242	7,805	7,740	7,254	8,510	10,294	10,294	10,501	10,833	11,299	11,865	12,500
In months of imports of goods and services, f.o.b.	10.1	9.0	8.4	7.4	8.5	9.6	9.1	8.8	8.7	8.7	8.7	8.7
In months of imports of goods and services, f.o.b.(excluding GBCs)	14.0	11.5	11.3	9.9	11.5	12.9	12.3	11.9	11.8	11.8	11.7	11.7
Memorandum items:												
GDP at current market prices (billions of Mauritian rupees)	448.9	478.8	570.3	637.0	693.3	743.2	800.8	870.7	932.9	997.8	1,067.2	1,141.4
GDP at current market prices (millions of U.S. dollars)	11,408	11,484	12,908	14,072	14,938	16,073	16,982	18,182	19,237	20,275	21,384	22,560
Public sector debt-after consolidation-, fiscal year (percent of GDP)[4]	91.9	86.1	81.8	81.5	86.3	87.8	88.4	88.1	88.0	87.6	87.2	87.1
Foreign and local currency long-term debt rating (Moody's)	Baa1	Baa2	Baa3	Baa3	Baa3	Baa3	…	…	…	…	…	…

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

[1] Fiscal data reported for fiscal years (e.g, 2020=2020/21).

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

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

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

Table 2a. Mauritius: Summary of Central Government Finances, 2020/21–31/32[1]

(Millions of Rupees; unless otherwise indicated)

	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/2029	2029/2030	2030/2031	2031/2032
						Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Total revenue and grants (1)	**98,711**	**126,244**	**148,360**	**160,998**	**185,621**	**201,003**	**218,780**	**234,965**	**250,195**	**266,734**	**286,119**	**304,900**
Domestic revenue	96,494	123,364	146,238	160,415	184,060	198,762	217,329	233,399	248,519	264,941	284,202	302,849
Tax revenue	86,028	107,720	129,787	141,132	163,511	177,013	193,784	207,993	221,323	235,853	253,093	269,576
Income tax - Individuals	11,450	13,944	15,632	13,385	14,304	16,500	17,862	19,274	20,633	22,068	23,838	25,495
Income tax - Corporations	11,760	16,446	22,542	28,422	29,807	37,000	40,055	43,221	46,268	49,485	53,454	57,171
Value added tax (VAT)	28,490	38,273	47,759	53,155	59,987	62,000	67,120	72,425	76,755	81,271	87,790	93,893
Excise duties	18,680	20,144	21,055	19,662	24,744	24,014	28,018	29,294	30,946	33,195	34,762	36,217
Customs	1,180	1,528	1,825	1,841	2,243	2,223	2,540	2,571	2,610	2,655	2,721	2,760
Other taxes	14,467	17,385	20,974	24,668	32,426	35,276	38,189	41,207	44,112	47,179	50,527	54,040
Social contributions	6,548	9,803	10,896	12,393	14,056	15,005	16,244	17,528	18,763	20,068	21,463	22,956
Nontax revenue	3,918	5,840	5,554	6,891	6,494	6,744	7,301	7,878	8,433	9,019	9,646	10,317
Grants	2,217	2,880	2,122	583	1,561	2,241	1,451	1,566	1,676	1,793	1,917	2,051
Total expense (current spending) (2)	**138,792**	**139,521**	**158,276**	**182,535**	**226,933**	**230,962**	**236,283**	**249,465**	**260,633**	**271,452**	**288,721**	**303,159**
Expenditures on goods and services	42,997	49,882	50,010	52,454	60,352	60,433	64,137	69,361	73,157	77,098	82,457	88,190
Compensation of employees	32,034	37,217	37,143	38,235	44,793	44,774	47,185	51,069	53,575	56,155	60,058	64,234
Use of goods and services	10,963	12,665	12,867	14,219	15,559	15,659	16,952	18,292	19,581	20,943	22,399	23,956
Interest payments	12,415	13,250	15,609	17,910	21,813	25,902	25,037	27,154	27,854	26,807	26,709	25,739
Domestic interest	12,095	12,975	14,532	16,810	19,835	24,012	23,227	25,424	26,231	25,302	25,323	24,484
External interest	320	275	1,077	1,100	1,978	1,890	1,810	1,730	1,623	1,505	1,387	1,255
Transfers and subsidies	29,540	26,215	30,090	33,565	40,725	43,234	44,934	46,160	47,242	50,527	54,040	57,797
Subsidies	7,904	1,815	1,890	2,410	3,592	5,594	5,178	5,587	5,981	6,397	6,842	7,317
Grants and transfers	21,636	24,400	28,200	31,155	37,133	37,640	39,756	40,573	41,261	44,130	47,198	50,480
Social benefits	45,655	47,308	54,593	63,460	83,660	83,660	85,959	89,291	95,175	98,692	105,317	109,192
Social assistance pensions	37,061	37,678	45,083	51,221	67,176	69,593	75,311	78,250	83,742	86,859	93,071	96,522
Other	8,594	9,630	9,510	12,240	16,484	14,067	10,647	11,041	11,433	11,833	12,245	12,671
Other expense	8,185	2,866	7,974	15,146	20,383	17,733	16,216	17,498	17,205	18,328	20,199	22,240
Contingencies	0	0	0	0	0	0	0	0	0	0	0	0
Gross operating balance ((3)=(1)-(2))	**-40,080**	**-13,276**	**-9,916**	**-21,537**	**-41,312**	**-29,960**	**-17,503**	**-14,500**	**-10,437**	**-4,719**	**-2,602**	**1,741**
Net acquisition of non-financial assets (capital	**7,609**	**8,027**	**9,143**	**8,495**	**7,975**	**7,313**	**15,928**	**17,187**	**18,398**	**19,678**	**21,046**	**22,509**
Budget balance	**-47,689**	**-21,303**	**-19,059**	**-30,032**	**-49,287**	**-37,273**	**-33,431**	**-31,687**	**-28,836**	**-24,397**	**-23,647**	**-20,768**
Net lending / borrowing (special funds)	**-37,935**	**-14,714**	**-10,918**	**-7,983**	**-17,491**	**-13,562**	**-17,807**	**-13,347**	**-14,288**	**-15,281**	**-16,344**	**-17,480**
CONSOLIDATED BALANCE	**-85,624**	**-36,017**	**-29,977**	**-38,015**	**-66,778**	**-50,835**	**-51,238**	**-45,034**	**-43,124**	**-39,678**	**-39,991**	**-38,248**
Transactions in financial assets/liabilities	**15,152**	**-7,503**	**-1,191**	**2,686**	**9,604**	**3,991**	**4,646**	**4,057**	**4,033**	**4,008**	**3,980**	**3,951**
Net acquisition of financial assets	15,143	-6,725	1,347	3,929	11,364	4,891	5,746	5,257	5,318	5,381	5,450	5,523
Of which: net lending	489	459	181	132	864	-1,383	-86	-130	-71	-8	58	130
Adjustment for non-cash transactions	0	0	-1,047	0	0	0	0	0	0	0	0	0
Adjustment for difference in cash and accrual	9	-778	-1,491	-1,243	-1,760	-900	-1,100	-1,200	-1,285	-1,374	-1,469	-1,572
OVERALL BORROWING REQUIREMENT	**-100,776**	**-28,514**	**-28,786**	**-40,701**	**-76,382**	**-54,826**	**-55,884**	**-49,091**	**-47,157**	**-43,686**	**-43,971**	**-42,200**
FINANCING	**100,776**	**28,514**	**28,786**	**40,701**	**76,382**	**54,826**	**55,884**	**49,091**	**47,157**	**43,686**	**43,971**	**42,200**
Domestic	64,732	31,491	20,410	40,569	64,714	52,243	38,440	40,226	42,360	39,416	39,702	38,597
Banks	21,577	5,461	12,246	24,341	36,748	31,346	23,064	24,136	25,416	23,649	23,821	23,158
Nonbanks	-11,845	13,880	8,164	16,228	27,966	20,897	15,376	16,090	16,944	15,766	15,881	15,439
BOM transfers[2]	55,000											
Foreign	36,044	-2,977	8,376	132	11,668	2,583	17,444	8,865	4,797	4,270	4,269	3,603
Memorandum items:												
Central government debt	**379,851**	**396,055**	**430,943**	**479,048**	**555,962**	**613,641**	**678,855**	**737,993**	**797,500**	**855,067**	**916,122**	**983,579**
Public sector debt-after consolidation[3]	**419,358**	**449,294**	**495,567**	**546,149**	**620,214**	**677,971**	**739,149**	**794,167**	**849,546**	**904,117**	**962,651**	**1,028,320**
GDP at current market prices (FY, in billions of Rupees)	456	522	606	671	718	772	836	902	965	1,033	1,104	1,181
Expenditure, excluding net lending	184,336	162,262	178,337	199,014	252,399	251,837	270,018	279,999	293,319	306,411	326,110	343,148
Primary balance (incl. grants)	-73,210	-22,767	-14,368	-20,105	-44,965	-24,932	-26,201	-17,880	-15,270	-12,871	-13,282	-12,509
Primary balance (excl. grants)	-75,427	-25,648	-16,491	-20,688	-46,526	-27,173	-27,652	-19,445	-16,946	-14,664	-15,199	-14,560
Quasi-fiscal net expenditure from extra-budgetary special funds[4]	-12,306	341	3,670	20,455	11,503	1,466	…	…	…	…	…	…

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

[1] *GFSM 2001* presentation.

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

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

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

Table 2b. Mauritius: Summary of Central Government Finances, 2020/21–31/32[1]

(Percent of GDP; unless otherwise indicated)

	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
						Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Total revenue and grants (1)	**21.6**	**24.2**	**24.5**	**24.0**	**25.8**	**26.0**	**26.2**	**26.1**	**25.9**	**25.8**	**25.9**	**25.8**
Domestic revenue	**21.1**	**23.6**	**24.1**	**23.9**	**25.6**	**25.7**	**26.0**	**25.9**	**25.7**	**25.7**	**25.7**	**25.6**
Tax revenue	18.9	20.7	21.4	21.0	22.8	22.9	23.2	23.1	22.9	22.8	22.9	22.8
Income tax - Individuals	2.5	2.7	2.6	2.0	2.0	2.1	2.1	2.1	2.1	2.1	2.2	2.2
Income tax - Corporations	2.6	3.2	3.7	4.2	4.1	4.8	4.8	4.8	4.8	4.8	4.8	4.8
Value added tax (VAT)	6.2	7.3	7.9	7.9	8.4	8.0	8.0	8.0	8.0	7.9	7.9	7.9
Excise duties	4.1	3.9	3.5	2.9	3.4	3.1	3.4	3.2	3.2	3.2	3.1	3.1
Customs	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.2	0.2
Other taxes	3.2	3.3	3.5	3.7	4.5	4.6	4.6	4.6	4.6	4.6	4.6	4.6
Social contributions	1.4	1.9	1.8	1.8	2.0	1.9	1.9	1.9	1.9	1.9	1.9	1.9
Nontax revenue	0.9	1.1	0.9	1.0	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9
Grants	0.5	0.6	0.4	0.1	0.2	0.3	0.2	0.2	0.2	0.2	0.2	0.2
Total expense (current spending) (2)	**30.4**	**26.7**	**26.1**	**27.2**	**31.6**	**29.9**	**28.3**	**27.7**	**27.0**	**26.3**	**26.1**	**25.7**
Expenditures on goods and services	9.4	9.6	8.3	7.8	8.4	7.8	7.7	7.7	7.6	7.5	7.5	7.5
Compensation of employees	7.0	7.1	6.1	5.7	6.2	5.8	5.6	5.7	5.5	5.4	5.4	5.4
Use of goods and services	2.4	2.4	2.1	2.1	2.2	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Interest payments	2.7	2.5	2.6	2.7	3.0	3.4	3.0	3.0	2.9	2.6	2.4	2.2
Domestic interest	2.7	2.5	2.4	2.5	2.8	3.1	2.8	2.8	2.7	2.5	2.3	2.1
External interest	0.1	0.1	0.2	0.2	0.3	0.2	0.2	0.2	0.2	0.1	0.1	0.1
Transfers and subsidies	6.5	5.0	5.0	5.0	5.7	5.6	5.4	5.1	4.9	4.9	4.9	4.9
Subsidies	1.7	0.3	0.3	0.4	0.5	0.7	0.6	0.6	0.6	0.6	0.6	0.6
Grants and transfers	4.7	4.7	4.7	4.6	5.2	4.9	4.8	4.5	4.3	4.3	4.3	4.3
Social benefits	10.0	9.1	9.0	9.5	11.6	10.8	10.3	9.9	9.9	9.6	9.5	9.2
Social assistance pensions	8.1	7.2	7.4	7.6	9.4	9.0	9.0	8.7	8.7	8.4	8.4	8.2
Other	1.9	1.8	1.6	1.8	2.3	1.8	1.3	1.2	1.2	1.1	1.1	1.1
Other expense	1.8	0.5	1.3	2.3	2.8	2.3	1.9	1.9	1.8	1.8	1.8	1.9
Contingencies	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gross operating balance ((3)=(1)-(2))	-8.8	-2.5	-1.6	-3.2	-5.8	-3.9	-2.1	-1.6	-1.1	-0.5	-0.2	0.1
Net acquisition of non-financial assets (capital spending)	1.7	1.5	1.5	1.3	1.1	0.9	1.9	1.9	1.9	1.9	1.9	1.9
Budget balance	-10.5	-4.1	-3.1	-4.5	-6.9	-4.8	-4.0	-3.5	-3.0	-2.4	-2.1	-1.8
Net lending / borrowing (special funds)	-8.3	-2.8	-1.8	-1.2	-2.4	-1.8	-2.1	-1.5	-1.5	-1.5	-1.5	-1.5
CONSOLIDATED BALANCE	**-18.8**	**-6.9**	**-4.9**	**-5.7**	**-9.3**	**-6.6**	**-6.1**	**-5.0**	**-4.5**	**-3.8**	**-3.6**	**-3.2**
Transactions in financial assets/liabilities	3.3	-1.4	-0.2	0.4	1.3	0.5	0.6	0.4	0.4	0.4	0.4	0.3
Net acquisition of financial assets	3.3	-1.3	0.2	0.6	1.6	0.6	0.7	0.6	0.6	0.5	0.5	0.5
Of which: net lending	0.1	0.1	0.0	0.0	0.1	-0.2	0.0	0.0	0.0	0.0	0.0	0.0
Adjustment for non-cash transactions	0.0	0.0	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Adjustment for difference in cash and accrual	0.0	-0.1	-0.2	-0.2	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
OVERALL BORROWING REQUIREMENT	**-22.1**	**-5.5**	**-4.8**	**-6.1**	**-10.6**	**-7.1**	**-6.7**	**-5.4**	**-4.9**	**-4.2**	**-4.0**	**-3.6**
FINANCING	**22.1**	**5.5**	**4.8**	**6.1**	**10.6**	**7.1**	**6.7**	**5.4**	**4.9**	**4.2**	**4.0**	**3.6**
Domestic	14.2	6.0	3.4	6.1	9.0	6.8	4.6	4.5	4.4	3.8	3.6	3.3
Banks	4.7	1.0	2.0	3.6	5.1	4.1	2.8	2.7	2.6	2.3	2.2	2.0
Nonbanks	-2.6	2.7	1.3	2.4	3.9	2.7	1.8	1.8	1.8	1.5	1.4	1.3
BOM transfers[2]	12.1											
Foreign	7.9	-0.6	1.4	0.0	1.6	0.3	2.1	1.0	0.5	0.4	0.4	0.3
Memorandum items:												
Central government debt	83.2	75.9	71.1	71.4	77.4	79.5	81.2	81.8	82.6	82.8	83.0	83.3
Public sector debt-after consolidation[3]	91.9	86.1	81.8	81.5	86.3	87.8	88.4	88.1	88.0	87.6	87.2	87.1
Central government expenditure, excluding net lending	40.4	31.1	29.4	29.7	35.1	32.6	32.3	31.0	30.4	29.7	29.5	29.1
Central government primary balance (incl. grants)	-16.0	-4.4	-2.4	-3.0	-6.3	-3.2	-3.1	-2.0	-1.6	-1.2	-1.2	-1.1
Central government primary balance (excl. grants)	-16.5	-4.9	-2.7	-3.1	-6.5	-3.5	-3.3	-2.2	-1.8	-1.4	-1.4	-1.2
Quasi-fiscal net expenditure from extra-budgetary special funds[4]	-2.7	0.1	0.6	3.1	1.6	0.2	…	…	…	…	…	…

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

[1] *GFSM 2001* presentation.

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

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

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

Table 3. Mauritius: Balance of Payments, 2020–2031

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
						Est.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
	(Millions of US dollars)											
Current account balance	**-938**	**-1,413**	**-1,306**	**-626**	**-984**	**-1,147**	**-1,254**	**-1,076**	**-971**	**-966**	**-913**	**-923**
Trade balance	**-2,126**	**-2,683**	**-3,618**	**-3,636**	**-4,006**	**-4,085**	**-4,349**	**-4,379**	**-4,480**	**-4,638**	**-4,792**	**-5,063**
Exports of goods, f.o.b.	1,789	1,962	2,388	2,295	2,381	2,329	2,667	2,798	2,910	2,964	3,079	3,145
Imports of goods, f.o.b.	-3,915	-4,644	-6,005	-5,931	-6,387	-6,414	-7,016	-7,177	-7,390	-7,601	-7,871	-8,208
Of which: Oil Imports	-633	-889	-1,510	-1,283	-1,294	-1,579	-1,717	-1,694	-1,755	-1,840	-1,925	-2,011
Services (net)	**918**	**1,107**	**1,859**	**2,298**	**2,307**	**2,498**	**2,565**	**2,700**	**2,859**	**3,034**	**3,160**	**3,304**
Exports of servces	4,618	5,096	6,283	7,420	7,656	8,122	8,442	9,121	9,756	10,331	10,848	11,483
Of which Travel	466	355	1,466	1,902	2,016	2,235	2,274	2,383	2,546	2,746	2,962	3,194
Of which GBCs	3,126	3,620	3,374	3,869	3,964	4,215	4,394	4,747	5,077	5,377	5,646	5,976
Imports of servces	-3,700	-3,989	-4,424	-5,122	-5,349	-5,624	-5,877	-6,420	-6,898	-7,297	-7,689	-8,179
Of Which GBCs	-2,236	-2,445	-2,279	-2,840	-2,938	-3,160	-3,333	-3,515	-3,694	-3,852	-4,022	-4,236
Income (net)	**1,006**	**1,185**	**1,449**	**1,749**	**1,530**	**1,590**	**1,694**	**1,880**	**1,975**	**2,049**	**2,162**	**2,160**
Of which: GBCs	679	931	1,056	1,020	903	1,196	1,191	1,404	1,527	1,628	1,763	1,784
Current transfers (net)	**-736**	**-1,022**	**-997**	**-1,037**	**-816**	**-1,150**	**-1,164**	**-1,277**	**-1,326**	**-1,412**	**-1,443**	**-1,325**
Capital and financial accounts	**382**	**2,671**	**1,725**	**-132**	**2,124**	**2,111**	**1,254**	**1,284**	**1,303**	**1,431**	**1,478**	**1,559**
Capital account	**0**	**0**	**47**	**11**	**20**	**19**	**20**	**21**	**23**	**24**	**25**	**27**
Financial account	**382**	**2,671**	**1,678**	**-143**	**2,104**	**2,092**	**1,234**	**1,262**	**1,280**	**1,407**	**1,453**	**1,532**
Non-GBCs	-600	-580	1,208	1,379	-1,157	801	686	399	667	642	545	587
Direct investment (net)	209	192	415	681	643	779	549	595	638	689	741	807
Abroad	-16	-68	-128	-115	2	-22	-77	-87	-88	-89	-95	-105
In Mauritius	226	260	544	797	640	800	626	682	727	778	836	912
Portfolio investment (net)	-1,101	-2,266	-3,934	-375	1,883	-19	-611	-633	-623	-705	-698	-725
Other investment (net)	292	1,494	4,727	1,072	-3,683	41	748	437	652	657	501	504
Government (net)	384	1,115	576	312	112	108	449	501	386	378	387	396
Other (net)	-92	380	4,150	760	-3,795	-68	299	-64	266	279	114	109
GBCs	982	3,251	470	-1,522	3,261	1,291	548	863	613	766	909	946
Direct investment (net)	-12,943	-2,282	-9,674	1,097	-1,602	-1,751	2,153	1,586	1,678	1,769	1,865	1,968
Portfolio and other investment (net)	13,925	5,533	10,144	-2,619	4,863	3,042	-1,605	-723	-1,065	-1,003	-957	-1,022
Errors and omissions	**127**	**0**	**-67**	**-61**	**-58**	**-55**	**0**	**0**	**0**	**0**	**0**	**0**
Overall balance	**-429**	**1,258**	**352**	**-819**	**1,082**	**909**	**0**	**208**	**332**	**466**	**566**	**635**
Change in official reserves (- = increase)	**429**	**-1,258**	**-352**	**819**	**-1,082**	**-909**	**0**	**-208**	**-332**	**-466**	**-566**	**-635**
	(Percent of GDP)											
Current account balance	**-8.2**	**-12.3**	**-10.1**	**-4.4**	**-6.6**	**-7.1**	**-7.4**	**-5.9**	**-5.0**	**-4.8**	**-4.3**	**-4.1**
Trade balance	**-18.6**	**-23.4**	**-28.0**	**-25.8**	**-26.8**	**-25.4**	**-25.6**	**-24.1**	**-23.3**	**-22.9**	**-22.4**	**-22.4**
Exports of goods, f.o.b.	15.7	17.1	18.5	16.3	15.9	14.5	15.7	15.4	15.1	14.6	14.4	13.9
Imports of goods, f.o.b.	-34.3	-40.4	-46.5	-42.1	-42.8	-39.9	-41.3	-39.5	-38.4	-37.5	-36.8	-36.4
Services (net)	**8.0**	**9.6**	**14.4**	**16.3**	**15.4**	**15.5**	**15.1**	**14.9**	**14.9**	**15.0**	**14.8**	**14.6**
Of which: tourism travel	-19.6	-21.3	-17.7	-20.2	-19.7	-19.7	-19.6	-19.3	-19.2	-19.0	-18.8	-18.8
Income (net)	**8.8**	**10.3**	**11.2**	**12.4**	**10.2**	**9.9**	**10.0**	**10.3**	**10.3**	**10.1**	**10.1**	**9.6**
Of which: GBCs	5.9	8.1	8.2	7.2	6.0	7.4	7.0	7.7	7.9	8.0	8.2	7.9
Current transfers (net)	**-6.5**	**-8.9**	**-7.7**	**-7.4**	**-5.5**	**-7.2**	**-6.9**	**-7.0**	**-6.9**	**-7.0**	**-6.7**	**-5.9**
Capital and financial accounts	**3.3**	**23.3**	**13.4**	**-0.9**	**14.2**	**13.1**	**7.4**	**7.1**	**6.8**	**7.1**	**6.9**	**6.9**
Capital account	**0.0**	**0.0**	**0.4**	**0.1**	**0.1**	**0.1**	**0.1**	**0.1**	**0.1**	**0.1**	**0.1**	**0.1**
Financial account	**3.3**	**23.3**	**13.0**	**-1.0**	**14.1**	**13.0**	**7.3**	**6.9**	**6.7**	**6.9**	**6.8**	**6.8**
Non-GBCs	-5.3	-5.1	9.4	9.8	-7.7	5.0	4.0	2.2	3.5	3.2	2.5	2.6
GBCs	8.6	28.3	3.6	-10.8	21.8	8.0	3.2	4.7	3.2	3.8	4.2	4.2
Errors and omissions	**1.1**	**0.0**	**-0.5**	**-0.4**	**-0.4**	**-0.3**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Overall balance	**-3.8**	**11.0**	**2.7**	**-5.8**	**7.2**	**5.7**	**0.0**	**1.1**	**1.7**	**2.3**	**2.6**	**2.8**
Memorandum items:												
Gross international reserves, BOM, (mill. of U.S. dollars)	7,242	7,805	7,740	7,254	8,510	10,294	10,294	10,501	10,833	11,299	11,865	12,500
In months of imports of goods and services, f.o.b./1	10.1	9.0	8.4	7.4	8.5	9.6	9.1	8.8	8.7	8.7	8.7	8.7
In months of imports of goods and services, f.o.b.(excluding GBCs)	14.0	11.5	11.3	9.9	11.5	12.9	12.3	11.9	11.8	11.8	11.7	11.7
Percent of external short term debt	1.2	1.1	0.9	0.8	0.8	0.9	0.9	0.9	0.9	0.9	1.0	1.0
Total external debt	110.7	134.0	132.2	132.9	140.9	142.4	135.3	128.6	122.3	116.6	112.1	107.9
Exports of G&S, percentage change	-27.5	10.1	22.9	12.1	3.3	4.1	6.3	7.3	6.3	5.0	4.8	5.0
Imports of G&S, percentage change	-23.0	13.4	20.8	6.0	6.2	2.6	7.1	5.5	5.1	4.3	4.4	5.3
Mauritian rupees per U.S. dollar (period average)	39.3	41.7	44.2	45.3	46.4	46.0						
Mauritian rupees per U.S. dollar (end of period)	39.5	43.5	43.9	44.3	47.3	46.5						
GDP (millions of U.S. dollars)	11,408	11,484	12,908	14,072	14,938	16,073	16,982	18,182	19,237	20,275	21,384	22,560

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

* The BOP estimates have been revised beginning 2018 to include GBCs imports and exports of services and primary income credits and debits

1/month of imports coverage of GIR has been revised following the inclussion of GBCs imports of services

Table 4. Mauritius: Monetary Survey, 2020–2031

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
		Actual				Est.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
	(Millions of rupees, end of period; unless otherwise indicated)											
Central Bank of Mauritius												
Net foreign assets	284,981	306,242	290,734	255,938	336,500	406,548	418,948	425,287	439,314	459,390	483,977	512,227
(in millions of US dollars)	7,210	7,035	6,624	5,777	7,114	8,712	8,793	8,836	8,991	9,268	9,632	10,055
Net domestic assets	-90,266	-73,480	-42,570	-79,039	-154,164	-203,483	-211,421	-205,543	-209,279	-218,241	-234,498	-254,133
Net domestic credit	15,120	57,510	71,987	74,446	74,642	61,217	61,195	61,195	61,195	61,195	61,196	61,196
Government (net)	-27,033	-32,087	-18,478	-16,877	-18,489	-23,418	-23,440	-23,441	-23,441	-23,441	-23,441	-23,441
Commercial banks	2,053	88	117	44	3	2	2	2	2	2	3	3
Other sectors	40,101	89,509	90,348	91,278	93,128	84,634	84,634	84,634	84,634	84,634	84,634	84,634
Other items (net)	-105,386	-130,989	-114,557	-153,485	-228,806	-264,700	-272,616	-266,738	-270,474	-279,437	-295,694	-315,329
Reserve money	194,716	263,584	248,164	176,899	181,428	202,208	207,527	219,744	230,036	241,149	249,479	258,094
Currency outside banks	46,561	50,200	54,642	59,911	68,006	72,860	68,021	71,803	79,315	87,455	96,428	106,320
Bank reserves	148,154	213,383	193,522	116,988	113,422	129,348	139,507	147,941	150,721	153,694	153,051	151,774
Banks												
Net foreign assets	468,678	557,097	571,652	603,741	680,361	647,616	650,892	663,689	663,780	662,683	668,651	674,665
(in millions of US dollars)	11,857	12,798	13,023	13,628	14,383	13,878	13,661	13,789	13,585	13,369	13,308	13,244
Net domestic assets	143,989	110,371	142,599	175,212	205,719	311,264	371,291	456,349	545,674	641,011	731,654	829,401
Net domestic credit	810,715	927,141	982,692	1,019,379	1,187,674	1,289,931	1,390,639	1,463,567	1,546,852	1,641,781	1,746,474	1,858,421
Credit to BoM	210,880	276,261	253,772	215,311	263,844	270,293	301,605	300,835	302,288	309,294	320,043	333,187
o/w Other Claims on BoM[2]	79,745	95,470	67,796	81,718	97,989	52,956	72,505	62,640	60,329	63,297	73,607	86,849
Central Government (net)	105,925	138,452	150,985	183,957	237,911	266,615	293,843	317,442	342,218	366,751	390,486	413,976
Other financial and public sector[3]	81,893	98,702	164,521	175,205	201,816	217,916	230,120	244,617	261,129	279,473	299,791	321,586
Claims on private sector[4]	412,018	413,726	413,413	444,906	484,102	535,106	565,072	600,672	641,217	686,263	736,154	789,672
Other items (net)	-666,726	-816,770	-840,092	-844,167	-981,955	-978,667	-1,019,348	-1,007,217	-1,001,178	-1,000,770	-1,014,819	-1,029,020
o/w Deposits excluded from broad money: GBC deposits	-439,048	-572,122	-580,753	-550,965	-648,433	-636,206	-653,112	-659,784	-669,790	-679,474	-688,744	-698,308
Total deposits, securities and liabilities to BoM	612,667	667,468	714,251	778,953	886,080	958,880	1,022,183	1,120,038	1,209,454	1,303,693	1,400,305	1,504,066
Monetary Survey												
Net foreign assets	753,659	894,161	862,386	859,679	1,016,861	1,054,164	1,069,840	1,088,976	1,103,095	1,122,073	1,152,628	1,186,892
(in millions of US dollars)	19,066	20,542	19,647	19,405	21,496	22,589	22,454	22,625	22,576	22,637	22,940	23,299
Net domestic assets	-50,066	-128,313	-56,281	4,995	-42,692	3,584	56,451	142,757	228,547	315,064	393,209	475,912
Net domestic credit	612,903	708,302	800,790	878,470	998,469	1,080,854	1,150,228	1,223,924	1,305,757	1,393,679	1,487,624	1,586,427
Central government (net)	78,892	106,365	132,507	167,081	219,423	243,197	270,402	294,002	318,777	343,310	367,045	390,535
Other financial and public sector	121,879	188,075	254,647	266,158	294,641	302,301	314,504	329,002	345,514	363,858	384,176	405,970
Claims on the private sector[4]	412,132	413,862	413,636	445,231	484,405	535,355	565,321	600,921	641,466	686,512	736,403	789,921
o/w Credit to the private sector[5]	450,868	452,729	450,245	486,120	524,004	569,972	601,881	639,789	682,964	730,930	784,056	841,045
Other items (net)	-662,969	-836,615	-857,071	-873,475	-1,041,161	-1,077,269	-1,093,777	-1,081,168	-1,077,210	-1,078,615	-1,094,415	-1,110,515
M1	442,612	495,690	514,805	550,020	627,612	683,322	722,350	790,779	857,266	927,708	999,775	1,077,478
Money and quasi-money (M2)	554,951	602,831	627,747	677,008	764,305	827,460	882,546	966,715	1,047,681	1,133,425	1,221,010	1,315,400
M2 plus resident FC deposits and securities other than shares (	703,593	765,847	806,105	864,674	973,261	1,056,891	1,126,291	1,231,732	1,331,642	1,437,137	1,545,837	1,662,803
Memorandum items												
M2	17.7	8.6	4.1	7.8	12.9	8.3	6.7	9.5	8.4	8.2	7.7	7.7
M3	16.9	8.8	5.3	7.3	12.6	8.6	6.6	9.4	8.1	7.9	7.6	7.6
Deposits	13.5	8.9	7.0	9.1	13.8	8.2	6.6	9.6	8.0	7.8	7.4	7.4
Reserve money	58.1	35.4	-5.9	-28.7	2.6	11.5	2.6	5.9	4.7	4.8	3.5	3.5
Net domestic credit	7.9	15.6	13.1	9.7	13.7	8.3	6.4	6.4	6.7	6.7	6.7	6.6
Government (net)	8.8	34.8	24.6	26.1	31.3	10.8	11.2	8.7	8.4	7.7	6.9	6.4
Private Sector Credit	2.7	0.4	-0.5	8.0	7.8	8.8	5.6	6.3	6.7	7.0	7.3	7.3
Multiplier (average M3/RM)	3.6	2.9	3.2	4.9	5.4	5.2	5.4	5.6	5.8	6.0	6.2	6.4
Velocity (GDP/M3)	0.6	0.6	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
	(As percent of GDP)											
M3	156.7	159.9	141.3	135.7	140.4	142.2	140.6	141.5	142.7	144.0	144.8	145.7
Deposits	136.5	139.4	125.2	122.3	127.8	129.0	127.6	128.6	129.6	130.7	131.2	131.8
Reserve money	43.4	55.1	43.5	27.8	26.2	27.2	25.9	25.2	24.7	24.2	23.4	22.6
Net domestic credit	136.5	147.9	140.4	137.9	144.0	145.4	143.6	140.6	140.0	139.7	139.4	139.0
Government (net)	17.6	22.2	23.2	26.2	31.6	32.7	33.8	33.8	34.2	34.4	34.4	34.2
Private	91.8	86.4	72.5	69.9	69.9	72.0	70.6	69.0	68.8	68.8	69.0	69.2
	(in millions USD)											
Deposits excluded from broad money: GBC deposits	11,107	13,143	13,231	12,437	13,708	13,633	13,708	13,708	13,708	13,708	13,708	13,708

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

[1] In October 2018, the methodology used to construct monetary accounts was revised to be better aligned with the IMF Financial Statistics Manual and compilation guide 2016. The revision led to structural breaks in some series, notably in claims on the private sector.

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

[3] Excluding liabilities to the Central Bank.

[4] Includes derivatives and other related financial instruments.

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

Table 5. Mauritius: Financial Soundness Indicators for Banks and Non-Bank Deposit-Taking Institutions, 2022–2025 Q4

	2022				2023				2024				2025			
	Mar.	Jun.	Sep.	Dec	Mar.	Jun.	Sep	Dec	Mar.	Jun.	Sep.	Dec	Mar.	Jun.	Sep	Dec
Capital Adequacy																
Regulatory capital to risk-weighted assets	21.0	20.3	20.2	20.6	21.4	20.9	21.4	22.1	22.3	22.2	22.5	22.2	22.8	21.5	20.6	19.9
Regulatory Tier 1 capital to risk-weighted assets	19.8	19.1	18.9	19.3	19.5	19.0	19.5	20.3	20.4	20.4	20.7	20.3	20.9	19.7	18.8	18.1
Non-performing loans net of provisions to capital	9.2	8.8	8.4	8.3	8.1	10.3	10.1	10.5	8.0	6.4	5.7	5.6	5.6	6.5	6.2	6.2
Asset Quality																
Non-performing loans to total loans[2]	5.8	5.6	5.2	4.9	4.7	5.6	5.8	5.3	4.7	4.0	3.8	3.7	3.8	4.1	3.9	3.5
Earnings and Profitability																
Return on assets	1.2	1.3	1.5	1.6	2.5	2.6	2.6	2.5	2.5	2.6	2.6	2.6	2.4	2.2	2.3	2.3
Return on equity	10.4	11.2	12.8	14.0	21.4	22.1	21.6	20.7	19.5	20.7	20.4	20.0	18.1	17.2	17.8	17.8
Interest margin to gross income	66.4	68.6	70.0	70.1	74.4	74.2	74.9	75.3	75.4	76.0	75.5	75.0	76.5	74.3	73.4	72.9
Non-interest expenses to gross income	45.8	45.1	42.5	40.6	35.1	33.0	32.9	34.1	31.3	32.3	32.1	32.7	35.6	37.1	35.9	36.6
Liquidity																
Liquid assets to total assets	49.8	47.8	47.9	45.5	46.9	47.0	46.9	46.0	48.9	49.7	47.3	47.8	49.1	49.0	48.8	47.1
Liquid assets to short-term liabilities	55.8	53.6	53.3	50.8	52.6	52.8	52.8	66.9	71.5	89.7	70.3	69.8	71.1	81.4	86.7	66.3
Sensitivity to Market Risk																
Net open position in foreign exchange to capital	1.5	1.8	1.9	1.5	1.5	1.1	1.7	1.2	1.9	1.6	2.1	1.5	1.6	1.8	2.2	1.7
Encouraged Set of Financial Soundness Indicators [1]																
Capital to assets	9.2	9.1	8.8	9.0	9.2	9.3	9.4	9.7	9.7	9.4	9.7	9.5	9.8	9.3	9.0	9.1
Value of large exposures to capital *	270.8	308.2	322.1	278.5	289.8	280.2	240.6	285.5	262.7	273.4	276.1	223.1	233.2	260.8	205.8	278.6
Customer deposits to total (non-interbank) loans	233.7	228.1	228.8	226.3	229.1	222.0	221.3	220.1	224.7	225.1	201.8	199.8	207.1	204.5	206.9	195.2
Residential real estate loans to total loans[2]	12.3	12.5	12.2	11.9	12.2	12.8	13.4	13.0	13.3	12.7	12.5	11.9	12.4	13.1	12.4	11.9
Commercial real estate loans to total loans[2]	5.9	4.9	4.4	4.3	4.2	4.5	4.6	4.3	4.0	3.9	3.4	3.2	3.2	2.9	3.1	3.2
Trading income to total income	11.3	10.0	10.6	10.7	11.2	10.1	10.2	9.9	9.4	9.9	10.7	10.6	9.8	11.2	12.1	12.6
Personnel expenses to non-interest expenses	49.3	49.1	48.8	50.0	49.0	49.9	49.5	49.3	49.5	50.2	50.0	50.8	52.0	51.3	51.6	51.3

Source: Bank of Mauritius

[1] FSIs are calculated on a domestic consolidation basis using the Financial

[2] Total loans include commercial loans, installment loans, hire-purchase credit, loans to finance trade

* As from December 2017, the measurement of credit concentration ratio has been revised to aggregate large credit exposure (above 10 per cent of Tier 1 capital) as a percentage of aggregate Tier 1 capital. Based on previous Guideline, the corresponding ratio for large exposures would have been 171.8 per cent, 178.3 per cent and 186.1 per cent for the quarters ended December 2017, March 2018 and June 2018, respectively.

Annex I. Risk Assessment Matrix[1]

	Risks	Likelihood	Expected Impact	Policy Recommendation
			Global Risks	
	Geopolitical Tensions and Intensification of Conflicts. Rising geopolitical tensions, and a weakening of multilateralism, raise the risk of an escalation in military conflicts, accompanied by damage to key physical and financial infrastructure, disruptions in major transit routes and supply chains, higher migration pressures, additional financial frictions and market volatility.	High	Medium. Lower demand for exports and tourism, rising cost of external funding, slowdown in FDI inflows and reduction in potential growth. Possible upside impacts include potential rerouting of shipping traffic to Mauritius (bunkering) and incoming relocation of businesses and skilled professionals.	Implement structural reforms to support private sector investment. Calibrate fiscal and monetary policies consistent with supporting growth while preserving macroeconomic stability.
Conjunctural Risks	**Trade-related Risks** **Protectionism and Trade Disruptions.** Tariff and nontariff measures disrupt global supply chains, weighing on activity while increasing inflation. Trade diversion triggers broader protectionism. **New Trade Agreements.** Tangible progress in trade talks reduces uncertainty and trade barriers. Wider cooperation on services, FDI, and taxation boosts investment and bolsters public finances.	High Low	High. Increase in trade barriers and non-renewal of the AGOA trade agreement could disrupt the current account, FDI, and supply chains affecting Mauritius. Also, an appreciated U.S. dollar and tighter financial conditions, and higher inflation can impact Mauritius.	Outlook-based monetary tightening to address inflationary pressures that de-anchor inflation expectations. Strengthen external buffers. Monitoring financial sector vulnerabilities.
	Commodity price volatility. Supply and demand imbalances—triggered by geopolitical tensions, coordinated production decisions, shifts in investor preferences, or structural changes in demand—fuel commodity price swings, amplifying external and fiscal pressures, social unrest, and macro instability.	High	Medium. Increase in commodity prices leads to real sector volatility and decline in real income globally. Lower external demand for tourism, higher cost of commodity imports, higher untargeted fuel subsidies, accelerating domestic inflation.	Allow fuel prices to adjust in line with fuel price adjustment mechanism. Use targeted transfers to shield most vulnerable households from the impact of higher fuel prices. Outlook-based monetary tightening to address inflationary pressures that de-anchor inflation expectations. Strengthen external buffers. Monitoring financial sector vulnerabilities.

[1]The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path. The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities.

	Risks	Likelihood	Expected Impact	Policy Recommendation
Global Risks				
	Disorderly AI Correction. An abrupt revision in expectations of strong AI-led productivity gains causes a sharp market correction, investment decline, and wealth loss, which suppress demand and tighten financial conditions globally.	**High**	**Medium.** Capital outflows to "safe havens" and sudden stops in FDIs. Slowdown and elevated liquidity and rollover risks in GBC and banking sectors. Reduced demand for tourism.	Adopt measures to ensure financial system FX liquidity (incl. swaps with AEs central banks, FX intervention), while generally allowing for exchange rate flexibility. Monitor prudential risks at macro- and micro-level including through stress testing, adopt targeted macroprudential measures. Calibrate fiscal and monetary policies consistent with the medium-term objectives and outlook. Implement structural reforms to support private sector investment. Sustain compliance with AML/CFT standards.
	Fiscal Vulnerabilities and Higher Interest Rates. Higher public debt and deficit levels put further upward pressure on long-term interest rates, sharply tightening global financial conditions, amplifying currency volatility, and reducing consumption and investment that exacerbate adverse debt dynamics. Disruptions are amplified by increased role of price-sensitive investors and leveraged NBFIs in sovereign debt markets, limited market absorption capacity when NBFIs offload debt securities, higher roll-over needs on shorter sovereign debt maturities, and strong sovereign-financial nexus. Concurrently, capital outflows from emerging and developing economies elicit a sharp increase in short-term rates.	**High**	**High.** Mauritius's high public debt and ongoing fiscal deficits constrain its capacity to absorb shocks from rising global interest rates and capital outflows. Tighter global conditions can raise borrowing costs, put pressure on the currency, and tighten credit, which, coupled with the strong sovereign-financial sector nexus, could slow growth and exacerbate debt vulnerabilities.	Ongoing fiscal consolidation should be sustained to strengthen debt sustainability, while debt management should focus on extending maturities and diversifying the investor base to reduce rollover risks. Reinforcing financial sector resilience through adequate liquidity buffers and stress testing can help absorb external shocks. Policies that support export diversification and maintain adequate foreign exchange reserves will further support macroeconomic stability amid global volatility.
	Policy Uncertainty. Elevated and wide-ranging policy uncertainty weighs on sentiment and holds back consumption and investment. Political interference in independent economic institutions erodes public confidence and trust and raises the risk of policy mistakes.	**High**	**Medium.** Lower demand for exports and, rising costs of external funding, slowdown of FDI inflows and negative impact on the growth outlook.	Implement structural reforms to support private sector investment. Calibrate fiscal and monetary policies consistent with supporting growth while preserving macroeconomic stability.
	Social Discontent. Persistently high living costs, youth unemployment and inequality, amid an erosion in governance standards and pressures from geoeconomic realignments, trigger social unrest, political repression and instability, affecting countries' capacity to pursue economic reforms.	**Medium**	**Medium.** Delays in fiscal adjustment. Heightened political instability. Supply disruptions and weaker confidence.	Better prioritize public spending toward the most vulnerable households. Mobilize additional resources from development partners.

	Risks	Likelihood	Expected Impact	Policy Recommendation
	Global Risks			
Structural Risks	**Labor Shortages and Remittances.** Tighter immigration policies exacerbate labor shortages in aging destination economies, reducing potential output, fueling inflation, and straining fiscal balances through lower revenues. Origin countries see depressed remittances and incomes, and worsening external balances, though a larger labor force could partly offset the remittance decline over the medium term.	**High**	**High.** Exacerbated skill and worker shortages generating negative supply shocks, lower growth, weaker government revenues and increased pressure on aging related public finances.	Labor market reforms to increase labor force participation of women, youths and older workers. Better align higher education, training, and skills development with labor market needs, and invest in life-long learning.
	Climate Change. Extreme climate events and rising temperatures could cause loss of life, damage to infrastructure, food insecurity, supply disruptions, and heighten economic and financial instability.	**Medium**	**High.** Lower external demand, including for tourism and negative impact on the growth outlook. Inflationary pressure. Damage to local infrastructure in case of local extreme climate events.	Build resilience to climate change including through climate adaptation investment while preserving debt sustainability. Structural reforms to support private sector investment and boosting potential growth.
	AI Acceleration. Rapid AI adoption significantly improves productivity, boosts growth, and revives business dynamism. Realizing these gains requires complementary policies to manage energy constraints, scale critical inputs, and support labor market transitions.	**Medium**	**Medium.** AI acceleration could significantly raise productivity, lift medium-term growth, and strengthen business dynamism.	Develop complementary policies to address energy supply constraints, scale up critical digital and human capital inputs, and facilitate labor market transitions through reskilling and social protection.
	Domestic Risks			
Conjunctural Risks	**Reform fatigue and political-economy constraints on fiscal adjustment.** Mauritius extensive welfare system has created a strong social contract that is politically sensitive. Difficulty with reforms due to public resistance to trimming benefits, posing a significant risk to fiscal sustainability.	**High**	**High.** Resistance to fiscal reforms can delay deficit reduction and keep public debt elevated, weakening fiscal buffers. Persistent reform fatigue may undermine policy credibility, raising borrowing costs and discouraging private investment. Over time, postponed adjustments increase the scale and social costs of future fiscal consolidation, heightening economic vulnerability to shocks.	To mitigate reform fatigue, the government should clearly communicate fiscal challenges and the long-term benefits of reforms to build public trust and support. Reforms should be phased and targeted, protecting vulnerable while gradually improving fiscal balances. Strengthening institutional framework, such as medium-term fiscal plans, FRL, and independent oversight, can help maintain credibility and sustain reform momentum.

	Risks	Likelihood	Expected Impact	Policy Recommendation
			Domestic Risks	
	Incomplete tightening of monetary policy stance by the Bank of Mauritius. The current BOM Act does not ensure fiscal backing to protect central bank independence and effective monetary policy. BOM does not tighten monetary policy to address inflationary pressures.	**Medium**	**High.** Inflation returns to above BOM's target range and inflation expectations de-anchor. Larger policy tightening is required to re-anchor expectations down the road with a negative impact on the growth outlook.	Amend the BOM Act, including to ensure fiscal backing, to help protect central bank independence and effective monetary policy. The amendments should reinforce the credibility of BOM's inflation-targeting framework by enabling smooth open market operations to implement its price stability mandate. Ministry of Finance and BOM should strengthen the fiscal backing commitment to BOM for their mutual agreement for BOM independence. Strengthen the monetary policy framework and tighten monetary policy guided by the macroeconomic outlook.

Annex II. Sovereign Risk and Debt Sustainability Framework

Figure 1. Mauritius: Risk of Sovereign Stress

Horizon	Mechanical signal	Final assessment	Comments
Overall	…	High	Mauritius's public debt is expected to remain broadly stable at elevated levels, and the overall risk of sovereign stress remains high, reflecting persistent fiscal vulnerabilities over the medium and long term.
Near term 1/	…	…	
Medium term	Moderate	High	Staff's assessment of the medium-term risk of sovereign stress remains high. Contingent liabilities represent a significant source of fiscal risk, including potential support to public sector institutions, such as the central bank, and exposures to SOE. Debt projections are subject to considerable uncertainty, with risks skewed to the upside, as reflected in the Fanchart, while vulnerabilities to natural disasters could further weigh on the outlook over the medium term.
Fanchart	High	…	
GFN	Moderate	…	
Stress test	Nat. Disast.	…	
Long term	…	High	Long-term risks remain high, reflecting demographic pressures and Mauritius' structural exposure to climate-related shocks. The recent pension reform, which introduced a gradually higher BRP eligibility age, is a positive step but further measures are likely needed to ensure long-term sustainability.
Sustainability assessment 2/	Not required for surveillance countries	Not required for surveillance countries	
Debt stabilization in the baseline			Yes

DSA summary assessment

Commentary: Mauritius faces a high overall risk of sovereign stress, with public debt expected to remain broadly stable and elevated over an extended period in the baseline. While the 2025 Article IV projected a declining public debt path over the medium term, lower revenue projections (from scaled back or delayed implementation of some measures) and higher projected primary spending (particularly social spending) deliver a broadly stable public debt-to-GDP ratio. The less favorable fiscal trajectory contributes to a high-risk signal in the fanchart module. The high risk of sovereign stress is partially mitigated by a favorable currency and maturity profile, which helps keep liquidity risks moderate in the medium term, as reflected in the GFN module. Implementing a credible medium-term fiscal consolidation will be critical to reducing debt vulnerabilities. Recent reforms, including a gradually higher BRP eligibility age, are important progress, but additional measures will be needed to ensure long-term sustainability. Strengthening resilience to climate shocks through targeted adaptation investment would also support debt sustainability.

Source: IMF Staff.

Note: The risk of sovereign stress is a broader concept than debt sustainability. Unsustainable debt can only be resolved through exceptional measures (such as debt restructuring). In contrast, a sovereign can face stress without its debt necessarily being unsustainable, and there can be various measures—that do not involve a debt restructuring—to remedy such a situation, such as fiscal adjustment and new financing.

1/ The near-term assessment is not applicable in cases where there is a disbursing IMF arrangement. In surveillance-only cases or in cases with precautionary IMF arrangements, the near-term assessment is performed but not published.

2/ A debt sustainability assessment is optional for surveillance-only cases and mandatory in cases where there is a Fund arrangement. The mechanical signal of the debt sustainability assessment is deleted before publication. In surveillance-only cases or cases with IMF arrangements with normal access, the qualifier indicating probability of sustainable debt ("with high probability" or "but not with high probability") is deleted before publication.

Figure 2. Mauritius: Debt Coverage and Disclosures

1. Debt coverage in the DSA: 1/

CG	GG	NFPS	CPS	Other
		✓ (chosen)		

1a. If central government, are non-central government entities insignificant? n.a.

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

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

(Groupings: CG = 1–2; GG: expected = 1–5; NFPS = 1–6; CPS = 1–8)

3. Instrument coverage:

Currency & deposits	Loans	Debt securities	Oth acct. payable 2/	IPSGSs 3/
Missing	Chosen	Chosen	Missing	Missing

4. Accounting principles:

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

5. Debt consolidation across sectors:

Consolidated	Non-consolidated
Chosen	

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

Reporting on intra-government debt holdings

	Issuer \ Holder	Budget. central govt	Extra-budget. funds	Social security funds	State govt.	Local govt.	Nonfin. pub. corp.	Central bank	Oth. pub. fin corp	Total
1	Budget. central govt		5.0	71.6		0.4	9.1		34.9	121.0
2	Extra-budget. funds									0.0
3	Social security funds									0.0
4	State govt.									0.0
5	Local govt.									0.0
6	Nonfin pub. corp.									0.0
7	Central bank						4.5		6.6	11.1
8	Oth. pub. fin. corp									0.0
	Total	0	5.0	71.6	0.0	0.4	13.6	0.0	41.5	132.1

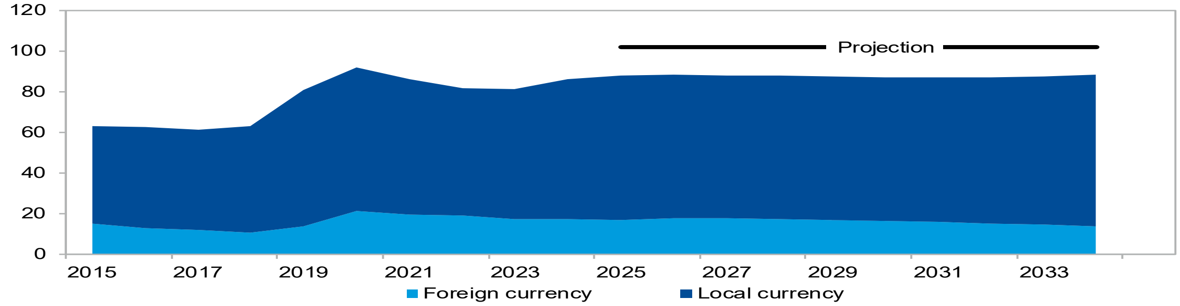
1/ CG=Central government; GG=General government; NFPS=Nonfinancial public sector; PS=Public sector.
2/ Stock of arrears could be used as a proxy in the absence of accrual data on other accounts payable.
3/ Insurance, Pension, and Standardized Guarantee Schemes, typically including government employee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

Commentary: Public financial corporations exclude public sector commercial banks (e.g., Mauritius' Development Bank is included, whereas the State Bank of Mauritius is not). Local governments may borrow only with the central government's approval and guarantee, if they can demonstrate repayment capacity. Major social security funds, such as the National Pensions Fund and the National Savings Fund, report no debt with only minimal payables.

Source: IMF Staff.

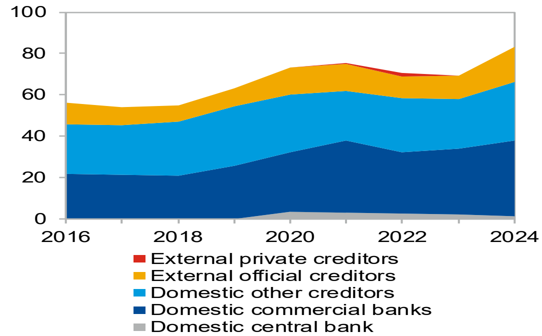
Figure 3. Mauritius: Public Debt Structure Indicators

Debt by Currency (in percent of GDP)



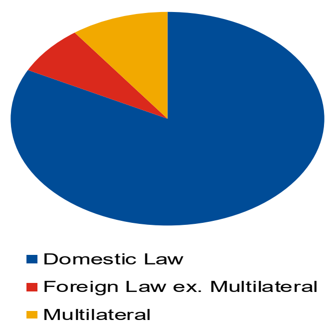
Note: The perimeter shown is nonfinancial public sector.

Public Debt by Holder (in percent of GDP)



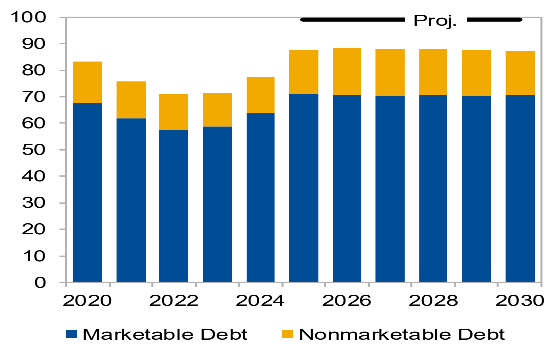
Note: The perimeter shown is general government.

Public Debt by Governing Law, 2024 (in percent)



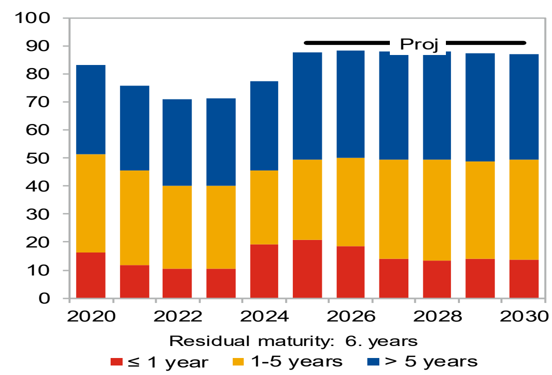
Note: The perimeter shown is general government.

Debt by Instruments (in percent of GDP)



Note: The perimeter shown is general government for historical data, while projections are based on public debt.

Public Debt by Maturity (in percent of GDP)



Note: The perimeter shown is general government for historical data, while projections are based on public debt.

Commentary: Public debt is expected to remain broadly stable at elevated levels over the medium term. Debt-related risks are partly mitigated by a relatively favorable composition, with financing relying predominantly on domestic sources and at longer maturities, helping to contain rollover and exchange rate risks. Moreover, the significant share of marketable instruments supports active debt management.

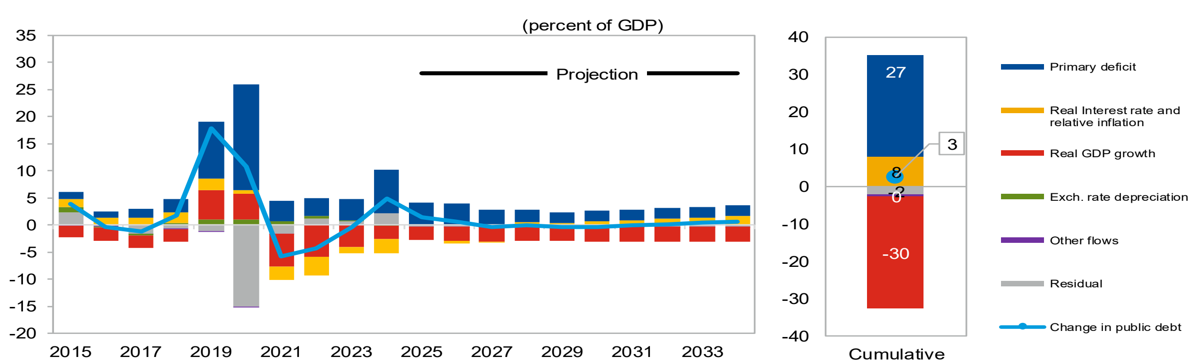
Source: IMF Staff.

Figure 4. Mauritius: Baseline Scenario

(Percent of GDP unless indicated otherwise)

	Actual	Medium-term projection						Extended projection				
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Public debt	86.3	87.8	88.4	88.1	88.0	87.6	87.2	87.1	87.2	87.6	88.2	89.1
Change in public debt	4.9	1.5	0.6	-0.4	-0.1	-0.4	-0.4	-0.1	0.2	0.4	0.6	0.8
Contribution of identified flows	2.7	1.7	0.8	-0.1	0.0	-0.4	-0.1	0.1	0.4	0.6	0.9	1.1
Primary deficit	7.9	4.1	4.0	2.8	2.3	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Noninterest revenues	25.8	26.0	26.1	26.0	25.9	25.8	25.8	25.8	25.8	25.8	25.8	25.8
Noninterest expenditures	33.7	30.1	30.2	28.8	28.2	27.8	27.8	27.8	27.8	27.8	27.8	27.8
Automatic debt dynamics	-5.2	-2.4	-3.1	-2.9	-2.3	-2.3	-2.1	-1.8	-1.5	-1.3	-1.1	-0.9
Real interest rate and relative inflation	-2.7	0.1	-0.6	-0.1	0.5	0.4	0.7	0.9	1.2	1.4	1.7	1.9
Real interest rate	-2.9	-0.1	-1.0	-0.5	0.2	0.1	0.4	0.7	0.9	1.2	1.4	1.7
Relative inflation	0.2	0.3	0.5	0.5	0.3	0.3	0.3	0.3	0.2	0.2	0.2	0.2
Real growth rate	-2.5	-2.5	-2.6	-2.8	-2.8	-2.7	-2.7 .	-2.7	-2.7	-2.7	-2.7	-2.8
Real exchange rate	0.0	…	…	…	…	…	… .	…	…	…	…	…
Other identified flows	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contingent liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other transactions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contribution of residual	2.2	-0.2	-0.2	-0.2	-0.1	0.0	-0.3	-0.3	-0.2	-0.2	-0.2	-0.2
Gross financing needs	28.4	27.2	27.2	26.0	23.4	23.8	24.6	24.2	23.9	23.7	23.5	23.6
of which: debt service	20.5	23.2	23.2	23.3	21.1	21.9	22.7	22.3	22.0	21.7	21.5	21.7
Local currency	20.0	22.3	22.4	22.5	20.2	20.9	21.7	21.3	21.0	20.7	20.5	20.6
Foreign currency	0.5	0.8	0.8	0.8	0.9	0.9	0.9	1.0	1.0	1.0	1.0	1.1
Memo:												
Real GDP growth (percent)	3.2	3.0	3.0	3.3	3.3	3.2	3.2	3.2	3.2	3.2	3.2	3.2
Inflation (GDP deflator; percent)	3.8	4.4	5.1	4.5	3.7	3.6	3.6	3.6	3.6	3.6	3.6	3.6
Nominal GDP growth (percent)	7.1	7.5	8.3	7.9	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Effective interest rate (percent)	0.0	4.2	3.8	3.8	3.9	3.8	4.1	4.4	4.8	5.1	5.4	5.6

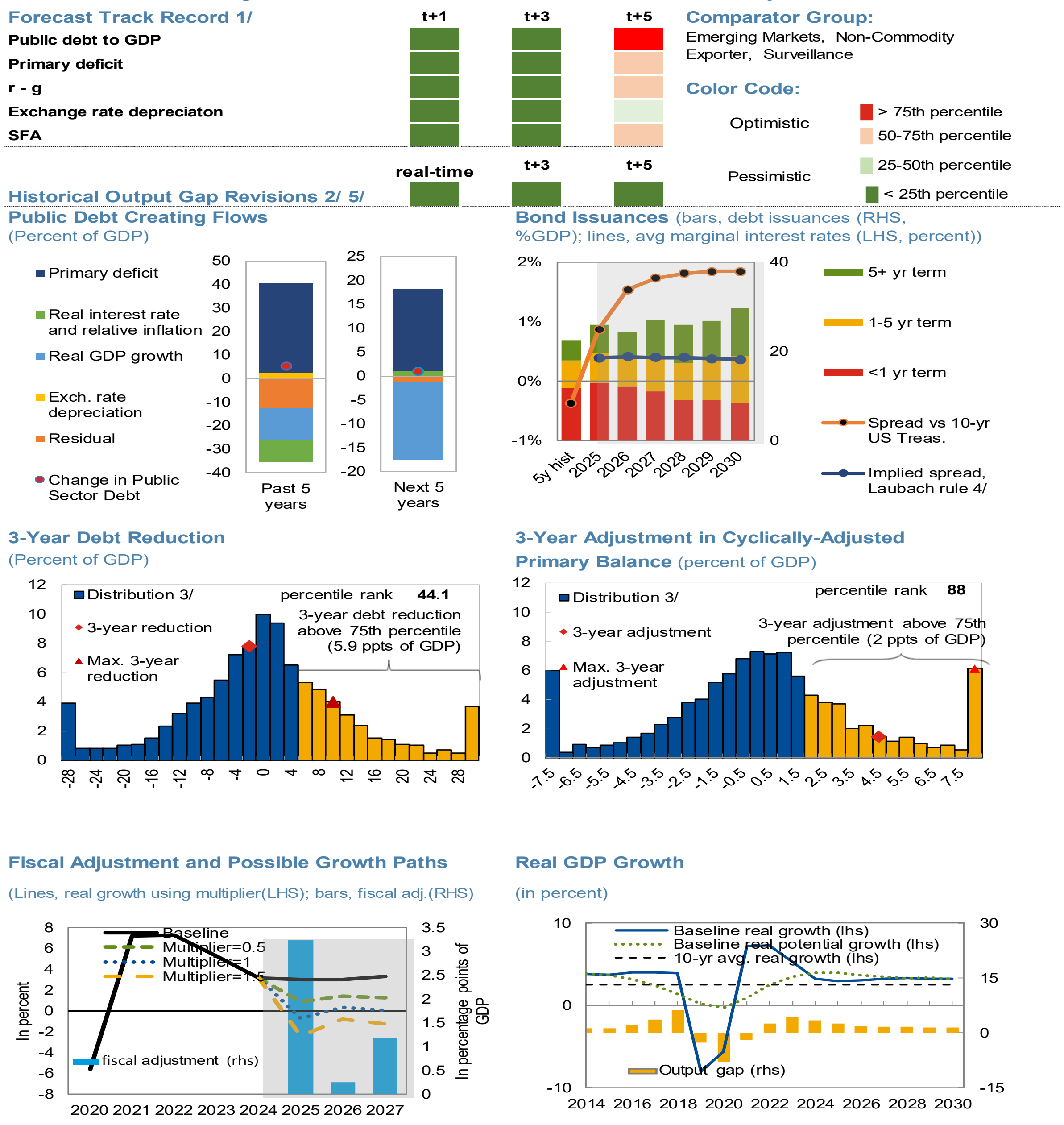
Contribution to Change in Public Debt



Staff commentary: Public debt is expected to remain broadly stable at elevated levels over the forecast horizon. While favorable r-g differentials help contain upward pressures on debt, they are largely offset by a still-elevated primary deficit. As a result, the debt ratio remains persistently elevated, and gross financing needs are projected to decline only gradually over time. The revised outlook relative to the 2025 Article IV is largely driven by a weaker fiscal trajectory due to a lower underlying revenue base and higher primary expenditure, resulting in persistent primary deficits and larger cumulative financing needs, preventing the decline in the debt-to-GDP ratio envisaged previously. The SRDSF perimeter includes SOE liabilities that are not consolidated in the budget, and valuation effects are not fully captured, leading to residual contributions to debt changes. The reduction in residuals reflects a correction of timing inconsistencies in how short-term debt issued and repaid within the same year was recorded, which previously led to an overstatement of debt stock and unexplained differences.

Source: IMF Staff.

Figure 5. Mauritius: Realism of Baseline Assumptions



Commentary: While projections do not raise realism concerns in the short term, the realism tool flags a relively high probability of optimism over the medium term, and the planned improvement in the cyclically adjusted primary balance is ambitious relative to historical experience in market-access countries. Fiscal adjustment may weigh on growth, but relatively low current spending multipliers and efficiency gains could mitigate adverse effects. Spreads are projected to increase in the medium term, reflecting high debt levels, which continue to weigh on sovereign risk premia.

Source : IMF Staff.

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

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

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

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

Figure 6. Mauritius: Medium-Term Risk Analysis

Debt Fanchart and GFN Financeability Indexes

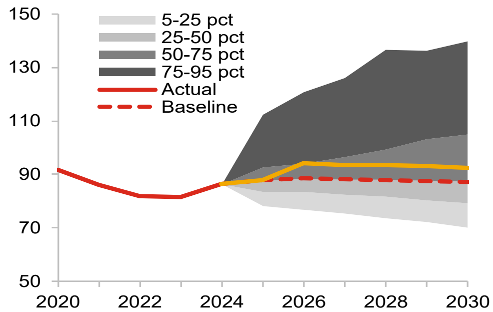
(in percent of GDP unless otherwise indicated)

Module	Indicator	Value	Risk index	Risk signal
Debt fanchart module	Fanchart width	69.7	1.0	…
	Probability of debt not stabilizing (pct)	52.4	0.4	…
	Terminal debt level x institutions index	31.4	0.7	…
	Debt fanchart index	**…**	**2.1**	**High**
GFN finance-ability module	Average GFN in baseline	25.4	8.7	…
	Bank claims on government (pct bank assets)	9.6	3.1	…
	Chg. in claims on govt. in stress (pct bank assets)	1.9	0.6	…
	GFN financeability index	**…**	**12.4**	**Moderate**

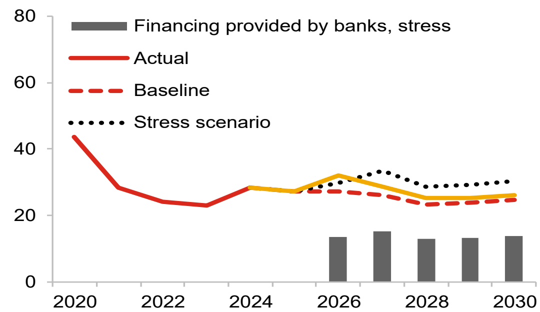
Adv. Econ., Non-Com. Exp, Program: 0, 25, 50, 75, 100

Legend: Interquartile range; Mauritius

Final Fanchart (in percent of GDP)



Gross Financing Needs (in percent of GDP)

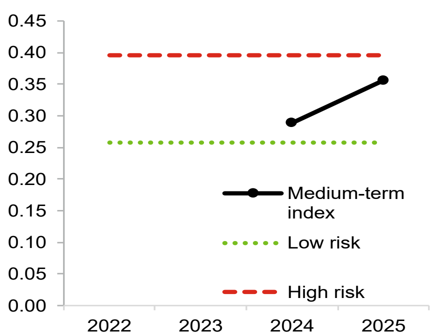


Triggered stress tests (stress tests not activated in gray)

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

Medium-term Index

(index number)



Medium-term Risk Analysis

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

Prob. of missed crisis, 2025-2030 (if stress not predicted): 27.3 pct.

Prob. of false alarm, 2025-2030 (if stress predicted): 20.5 pct.

Commentary: The Debt Fanchart signals high risk (from moderate risk in the 2025 Article IV), reflecting an increased estimated probability of debt non-stabilization amid elevated and stable (instead of declining) projected debt levels over the medium term, as well as a wide dispersion of debt outcomes. Gross financing needs (GFNs) remain above historical medians, adding to medium-term vulnerabilities. The projected persistence of elevated public borrowing requirements together with the significant reliance on domestic banks (expected to absorb 51 percent of GFNs) warrants continued close monitoring of the bank-sovereign nexus. A severe natural disaster shock would significantly increase GFNs and keep them durably above baseline, highlighting Mauritius's structural climate vulnerability.

Source: IMF Staff.

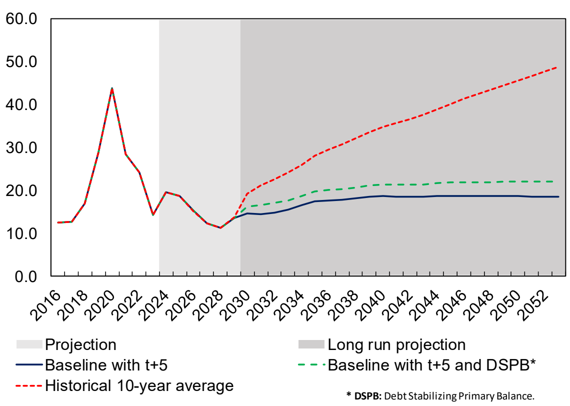
Figure 7. Mauritius: Long-Term Risk Analysis

Large Amortization Trigger

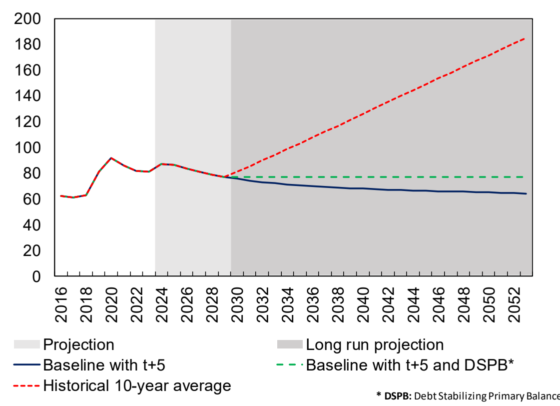
Projection	Variable	Risk Indication
Medium-term extrapolation	GFN-to-GDP ratio Amortization-to-GDP ratio Amortization	
Medium-term extrapolation with debt stabilizing primary	GFN-to-GDP ratio Amortization-to-GDP ratio Amortization	
Historical average assumptions	GFN-to-GDP ratio Amortization-to-GDP ratio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

Alternative Baseline Long-term Projections

GFN-to-GDP ratio



Total Public Debt-to-GDP Ratio



Commentary: The risk from unusually large debt amortizations over the longer-term horizon is assessed as low under the baseline. In contrast, a scenario in which primary balance and other debt drivers revert to their 10-year historical averages would imply a high-risk profile. However, given that the historical period is distorted by pandemic-induced primary deficits, such an assumption lacks plausibility. Under the baseline, debt and financing needs are projected to stabilize over the long run, albeit at elevated levels.

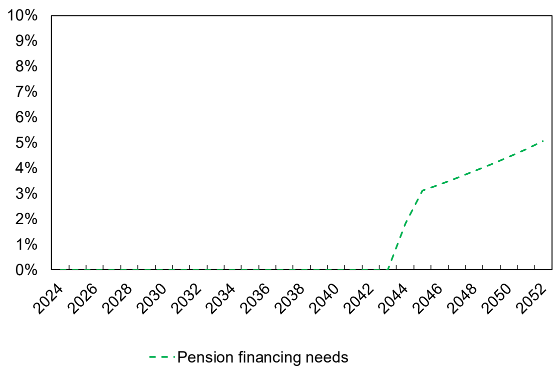
Source: IMF Staff.

Figure 7. Mauritius: Long-Term Risk Analysis (Continued)

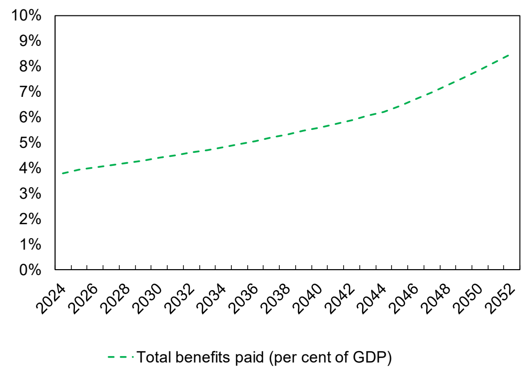
Demographics: Pension

Permanent Adjustment Needed in the Pension System (in percentage points of GDP per year)	To keep pension assets positive for:		
	30 years	50 years	Until 2100
	1.38%	5.09%	16.51%

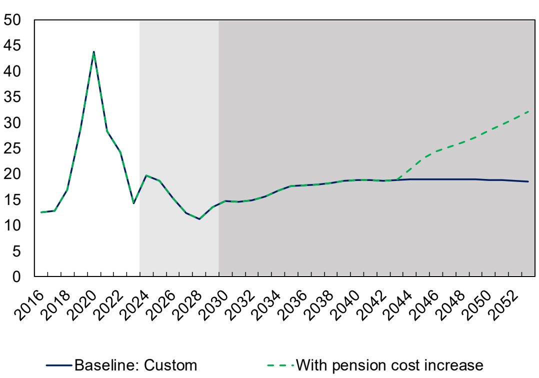
Pension Financing Needs



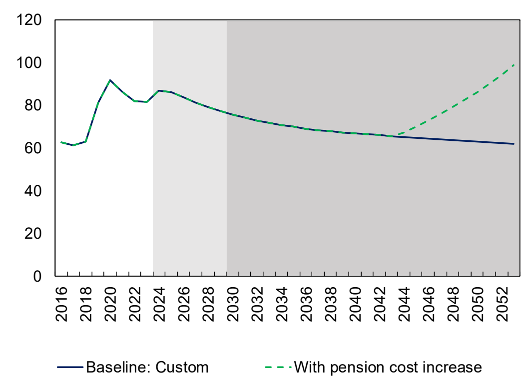
Total Benefits Paid



GFN-to-GDP ratio



Total Public Debt-to-GDP Ratio



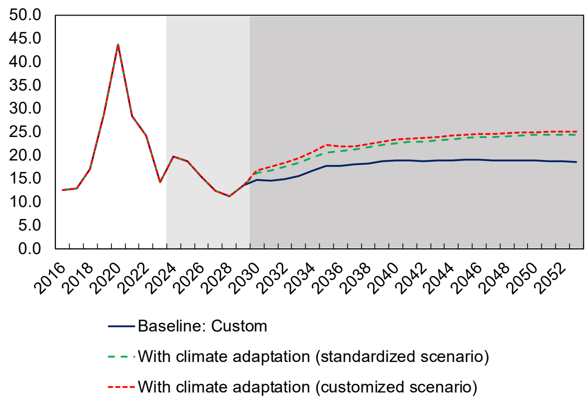
Commentary: The Long-Term Risk Analysis identifies demographic dynamics as a key structural vulnerability. Rapid population ageing and a rising old-age dependency ratio are expected to intensify pension-related fiscal pressures over time. Under an adjustment scenario, featuring stronger contributions, moderated benefit growth, and higher labor force participation, pension financing gaps would eventually re-emerge starting in 2045 as accumulated assets are drawn down, placing gross financing needs on an upward trajectory relative to the baseline. Absent more ambitious reform, the debt path would deteriorate more markedly. Ensuring long-term sustainability will therefore require deeper parametric and/or structural measures beyond those currently envisaged. This assessment remains subject to uncertainty, as it does not incorporate a comprehensive actuarial evaluation of the pension system, which could materially affect long-run projections.

Source: IMF Staff.

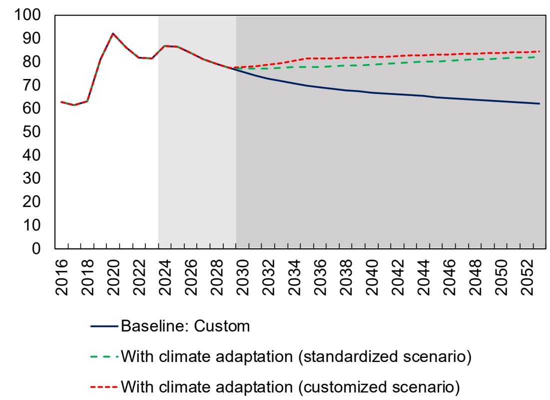
Figure 7. Mauritius: Long-Term Risk Analysis (Concluded)

Climate Change: Adaptation

GFN-to-GDP ratio



Total Public Debt-to-GDP Ratio



Commentary: Mauritius is structurally exposed to climate-related shocks, with estimated average damages of 1.5-2.3 percent of GDP per year during 1960-2022. Under a standardized scenario in which public investment is permanently scaled up by 1.5 percent of GDP annually beyond t+5 to finance climate adaptation, gross financing needs and public debt would remain durably above the baseline. A more ambitious scaling up of 2 percent of GDP per year would result in correspondingly higher debt and financing trajectories. This magnitude is broadly consistent with IMF estimates of Mauritius climate-related investment needs (2022 IMF Selected Issues, Country Report No. 22/224), and is also in line with the range of investment needs identified in the World Bank's Country Climate and Development Report (CCDR).

Source: IMF Staff

Annex III. External Sector Assessment

Overall Assessment: *The external position of Mauritius at end-2025 was substantially weaker than the level implied by fundamentals and desirable policies. The current account deficit is estimated at 7.1 percent of GDP in 2025. The reserve adequacy assessment suggests that international reserves at end-2025 were within the advisable range.*

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

Foreign Assets and Liabilities: Position and Trajectory

Background. The NIIP is estimated at 230 percent of GDP in 2025, down from 299 percent in 2024. About 64 percent of the 2025 NIIP comes from the volatile Global Business Companies (GBCs) while the less volatile domestic economy's NIIP makes up the remaining 36 percent. The decrease in NIIP in 2025 was primarily driven by a decrease in foreign direct investment assets of GBCs. FDI and portfolio investments accounted for 57 percent and 29 percent of gross assets, respectively. FDI and other investment accounted for 66 and 15 percent of total gross liabilities, respectively.

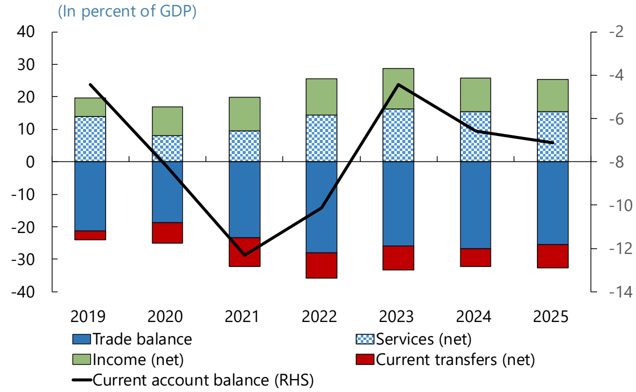
Assessment. Vulnerabilities from large gross liabilities (3319 percent of GDP in 2025) are expected to be mitigated by large external assets (3549 percent of GDP in 2025). However, given Mauritius' financial center status, the complex nature of transactions in the GBC sector and domestic banks' large exposure to GBC deposits (about 80 percent of GDP), it would be important to continue monitoring banks' exposure and credit risks, developments in the GBC sector and the sensitivity of GBCs and non-resident flows to global financial conditions. Closely following changes in foreign legal and taxation frameworks is also important as they may also impact GBC flows.

2025 (% GDP)	NIIP: 230	Gross Assets: 3549	Debt Assets: 985.3	Gross Liab.: 3319

Current Account

Background. Mauritius' current account deficit widened to 7.1 percent of GDP in 2025, reflecting higher GBC capital gains tax payments to non-residents, weaker exports and higher imports. Over the medium term, the current account deficit is expected to narrow to about 4 percent of GDP, supported by stronger tourism and other services exports.

Current Account Balance
(In percent of GDP)



Sources: Country authorities and IMF staff estimates.

Assessment. Based on the EBA-lite current account (CA) model, the CA norm is estimated at 5.5 percent of GDP in 2025. Given Mauritius' extremely large NIIP, it is estimated that the current account balance understates income inflows related to retained earnings on portfolio equity investment and overstates income debit on portfolio and other debt instruments (see IMF Working Paper 19/132, "*The Measurement of External Accounts*"). To account for a downward bias in measurement of net income flows, the -7.1 percent of GDP CA balance in 2025 is adjusted upwards by 4.6 percent of GDP. The CA adjustor is estimated with disaggregated NIIP data.[1] Given the adjusted CA in 2025 (of -2.4 percent of GDP) and the estimated CA norm (of 5.5 percent of GDP), the model delivers a CA gap of -7.9 percent of GDP. The 2025 CA gap is more negative than in 2024, reflecting a higher CA deficit and a higher estimate for the CA norm (due in part to a higher reserve accumulation and net IIP).

Mauritius: EBA-lite Model Results, 2025

	CA model 1/ (in percent of GDP)
CA-Actual	**-7.1**
Cyclical contributions (from model) (-)	-0.2
Adjustment due to understated net income 2/	4.6
Adjusted CA	**-2.4**
CA Norm (from model)	**5.5**
Adjustments to the norm (+)	0.0
Adjusted CA Norm	**5.5**
CA Gap	**-7.9**
o/w Relative policy gap	4.1
Elasticity	-0.3
REER Gap (in percent)	**23.5**

1/ Based on the EBA-lite 3.0 methodology
2/ Includes adjustor to account for the impact of understated net income in the income account.

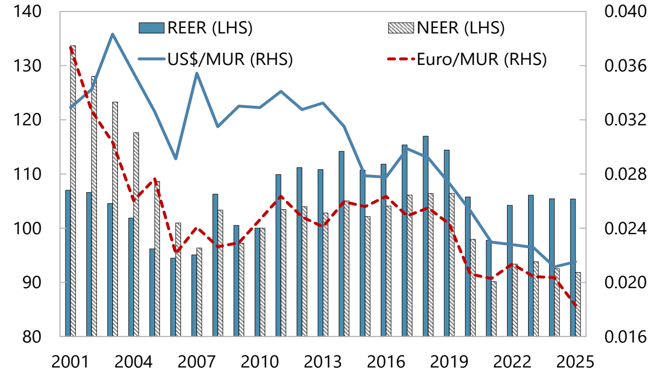
Real Exchange Rate

Background. After depreciating by 1.1 percent in 2024, the real effective exchange rate (REER) appreciated by 0.4 percent in 2025, reflecting inflation differentials (with euro area and China) and an appreciation of the rupee against the Indian rupee, which were partly offset by depreciation vis-à-vis the euro. Between end-December 2025 and end-April 2026, the Mauritian rupee depreciated by 1.7 percent relative to the U.S. dollar.

Assessment. Staff assesses the REER using the staff-assessed 2025 CA gap (of -7.9 percent of GDP) and a staff-estimated elasticity of 0.3, delivering an assessment of overvaluation of the 2025 REER by 23.5 percent. The Index Real Effective Exchange Rate model (IREER) estimates an undervaluation of the REER in 2025 of 0.1 percent. However, the IREER-model results are characterized by large residuals entailing high uncertainty.

Annual Exchange Rate

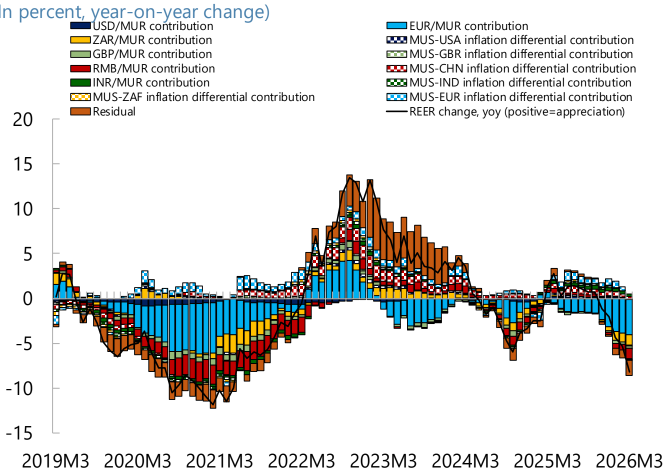
(Increase = appreciation)



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

Real Effective Exchange Rate, Decomposition

(In percent, year-on-year change)



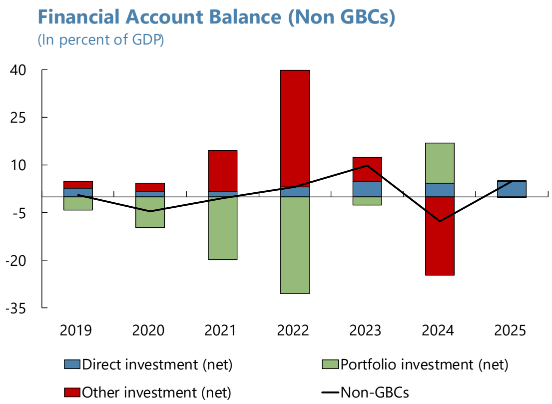
Sources: Country authorities, and IMF staff estimates.
Note: REER and NEER equal to 100 in 2010. An increase in each series indicates rupee appreciation

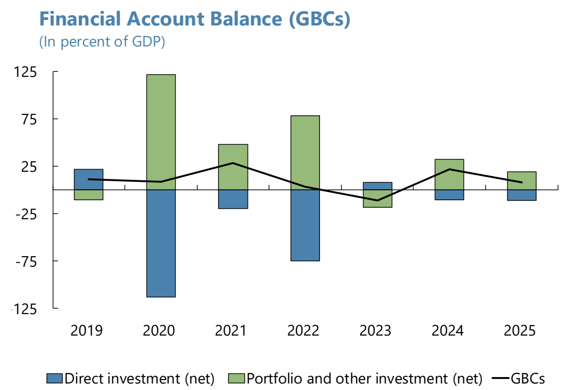
Capital and Financial Accounts: Flows and Policy Measures

Background. Mauritius' capital account is open.[2] Total net international capital and financial flows eased to about 13.1 percent of GDP in 2025 (from 14.2 percent in 2024). The GBC sector experienced a net inflow of 8.0 percent of GDP in 2025 (21.8 percent in 2024) reflecting reduced portfolio and other investment inflows. The domestic sector (excluding GBC) recorded net inflows of 5.0 percent of GDP (from net outflows of 7.7 percent of GDP in 2024). Gross FDI inflows in the domestic economy rose to 5.0 percent of GDP in 2025 from 4.3 percent of GDP in 2024 and remain concentrated in the real estate sector. In the medium term, the capital and financial account is expected to record a surplus, with the GBC sector continuing to drive inflows.

Capital and Financial Accounts: Flows and Policy Measures

Assessment. Sustained net financial inflows in the medium term will depend on the developments in the GBC sector, including how to attract new investments amid rising competition from other emerging financial centers. At the same time, operations in this sector must remain compatible with the continued implementation of AML/CFT measures. Structural reforms to promote private sector competitiveness would help attract FDI inflows into the domestic economy. Given the high concentration of FDI inflows in real estate, these flows should continue to be closely monitored and regulatory incentive schemes may need to be reviewed as signs of a real estate price boom emerge.





Sources: Country authorities, and IMF staff estimates.

FX Intervention and Reserves Level

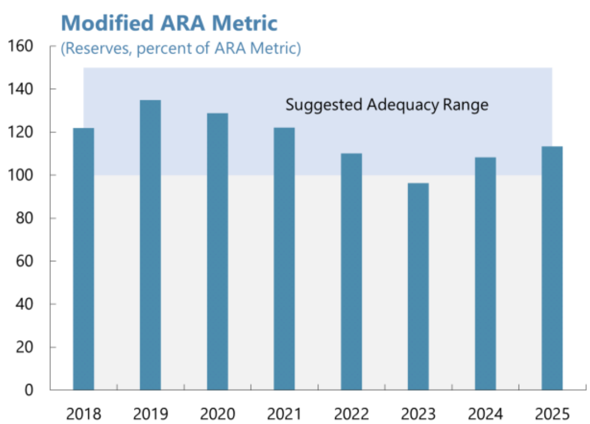
Background. Gross official international reserves (GOIR) stood at US$10.3 billion at end-2025 (up from US$8.5 billion in 2024)—about 9.6 months of imports including GBCs imports and 12.6 months of imports excluding GBCs imports, 64 percent of GDP, 98.5 percent of exports of goods and services, and 82 percent of short-term external debt. About half of the increase in GOIR in 2025 reflects valuation effects. Mauritius' *de jure* and *de facto* exchange rate arrangement is floating.

BOM intervened in the foreign exchange market during 2017–19 to accumulate international reserves, which reached US$7.3 billion at end-2019. During the pandemic period (2020–22), BOM conducted interventions in the foreign exchange market, with net sales averaging US$0.92 billion per year. This took place against the backdrop of a sharp deterioration of the current account including due to the collapse of tourism and high international oil and food prices. During 2023–25, international reserves increased by US$2.9 billion supported by BOM's external borrowing (about US$1.6 billion) and income on investments, as well as valuation effects.

FX Intervention and Reserves Level

Assessment. Foreign reserve adequacy is assessed with the IMF standard ARA metric methodology, modified to reflect Mauritius-specific risks of disruptions to foreign funding of GBCs. The evaluation of reserve adequacy for end-2025 is based on the standard ARA metric augmented with 15 percent of all gross foreign deposits of GBCs.[3] On this basis, the stock of international reserves at end-2025 is estimated to cover 113.3 percent of the ARA metric, within the advisable range of 100-150.[4]

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



Sources: Country authorities and IMF staff estimates.

ARA Metric 2025 (billion of US$)

	Adjusted	Unadjusted
ARA metric 1/	9.08	30.39
Reserves	10.29	10.29
in percent of the ARA metric	113.33	33.86

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

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

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

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

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

Annex IV. Mauritius Pension System: Structural Pressures and Reform Priorities[1,2]

Mauritius' pension system reflects a policy choice that has been both socially transformative and fiscally consequential. Anchored by the universal Basic Retirement Pension (BRP), the system has achieved near-complete coverage and has been instrumental in reducing old-age poverty. However, the same design features that underpin the BRP's inclusiveness—universality, non-contributory financing, and relatively high benefits—have also made it relatively costly, and thus the primary source of fiscal pressure. As population ageing accelerates and fiscal space remains constrained, a recalibration of the pension system is needed to secure its sustainability, while preserving its adequacy.

Mauritius Pension System Under Pressure

1. **The Mauritian pension system is multi-pillar, but in practice is highly concentrated in the universal BRP.** The BRP scheme provides flat and residence-based benefits, financed entirely through general government revenue, with coverage approaching 100 percent of elderly population.[3] Contributory mechanisms—including the Contribution Sociale Généralisée (CSG), which replaced the National Pensions Fund (NPF), and the National Savings Fund—play a secondary role in shaping retirement income. These contributory schemes provide limited earning-related replacement and do not yet constitute a fully developed contributory pillar. As a result, the system is effectively characterized by a dominant zero-pillar (BRP), with weak diversification across financing sources.

---

[1] Prepared by Hasnae El Idrissi (AFR).

[2] The author thanks Christoph Johannes Freudenberg (FAD) for helpful comments and inputs on the policy priorities section.

[3] The FY25/26 government budget introduced a reform to gradually raise the eligibility age for the BRP from 60 to 65 by September 2034.

Table 1. Mauritius: Structure of the Mauritian Pension System

Pillar	Component	Financing Source	Coverage	Benefit Type	Role in System
Zero Pillar	Basic Retirement Pension (BRP)	General government revenue	Near-universal (residence-based)	Flat, residence-based	Universal income floor and basic old-age protection
1st Pillar	Contribution Sociale Généralisée (CSG)	Payroll-tax	Broad, linked to formal employment	Broad set of social benefits, including supplements to BRP	Pensions and social protection financing mechanism, not actuarially linked (absence of contribution-benefit linkage)
2nd Pillar	National Savings Fund (NSF)	Mandatory contributions	Public and Private sectors	Lump sum payment at retirement or death	Complement to BRP, no periodic income replacement
3rd Pillar	Private/Occupational Schemes	Voluntary	Private sector	Mostly defined contribution	Supplementary
4th Pillar	Informal family and social support	Informal/Voluntary	-	Informal transfers (cash/in-kind)	Supplementary

Sources: OECD/IOPS country profile (Mauritius); Mauritius Revenue Authority; Ministry of Social Integration, Social Security and National Solidarity.
Note: Role interpretation reflects IMF staff assessment.

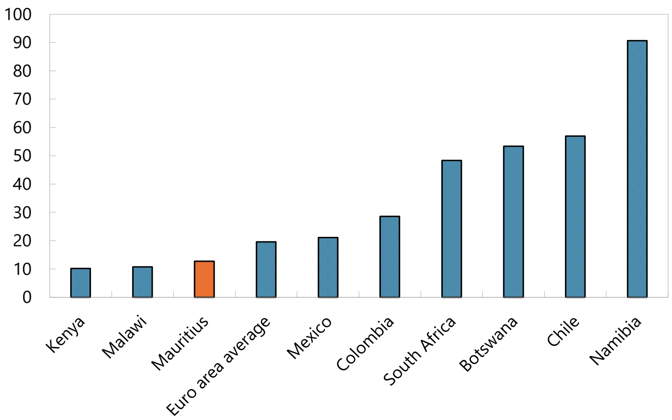
2. **Mauritius' pension system has a relatively low level of prefunding.** Pension assets in Mauritius are estimated at around 13 percent of GDP—a level that is low relative to both advanced economies and a range of emerging market comparators, including Chile, Mexico and Colombia where pension assets range from 21 percent to 57 percent of GDP (see text chart).[4] Even within the regional context, Mauritius remains below South Africa, Botswana, and Namibia in terms of pension asset accumulation. This relatively low level of asset accumulation partly reflects the country's more advanced stage of population aging, as well as the depletion of previously accumulated NPF assets. Taken together, these factors underscore the system's limited capacity to smooth consumption across cohorts, given its limited accumulation of financial buffers, and to absorb demographic shocks.

[4] Pension assets are defined as the assets accumulated in funded pension schemes to finance retirement benefits.

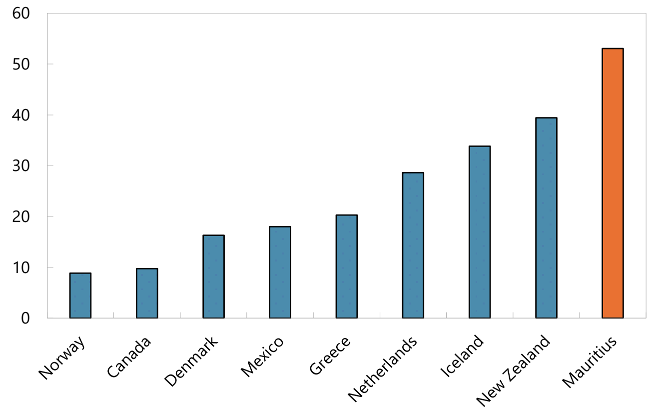
3. Underlying demographic trends are exerting increasing pressure on Mauritius' pension system, amplifying the fiscal implications of its current design. The old-age dependency ratio (population aged 65+ relative to those aged 15–64) has increased markedly, more than doubling from approximately 9 percent in 2000 to about 20 percent in 2025. Mauritius old-age dependency ratio currently stands above the average for upper-middle income countries as well as key regional comparators, including Seychelles (Selected Issues Paper (SIP) 2026 ''Demographic headwinds: the growth impacts of population ageing in Mauritius''). This acceleration reflects the combined effects of declining fertility and rising life expectancy, which are projected to further increase the old-age dependency ratio to over 40 percent by 2050. In the context of a largely pay-as-you-go system, this demographic shift implies a structural increase in the number of beneficiaries relative to contributors, thereby exerting sustained upward pressure on pension spending and the fiscal accounts.

4. The generosity of the BRP further differentiates Mauritius in international comparison and is central to its fiscal dynamics. Residence-based basic pensions in Mauritius (BRP) represent a larger share of average wages than in selected reference countries, including Mexico, Norway, and Greece, as well as in systems with universal features such as New Zealand (at over 50 percent in Mauritius and ranging from 9 to 40 percent in comparators, see text chart). This is notable given that non-contributory pensions such as BRP are typically designed to provide a minimum income floor rather than a substantial degree of income replacement. Moreover, the Mauritian system does not incorporate mechanisms—such as taxation of benefits, means testing or benefit-coordination rules—that are commonly used in reference countries to limit transfers to higher-income households. For example, in Greece, eligibility for the basic pension is conditional on both residence and a minimum contribution period, while in Netherlands and New Zealand, individuals cannot receive targeted benefits on top of a full residence-based basic pension. This generosity is also evident when BRP benefits are expressed relative to the average wage: they range from about 46 percent of average wage at age 60 to more than 90 percent at very advanced ages. These ratios point to a comparatively high level of income support in old age. In this context, International Labour Organization (ILO) standards provide a useful reference point for pension adequacy, identifying a minimum replacement benchmark of 40% of pre-retirement earnings for a worker contributing over a 30-year period. Although this benchmark applies specifically to contributory pensions for former workers, even the basic level of Mauritius' BRP appears to exceed the level that ILO considers adequate under that standard. The combination of relatively high generosity and universal eligibility substantially increases the fiscal cost of the scheme.

Text Figure 1a. Pension Assets
(2023, in percent of GDP)



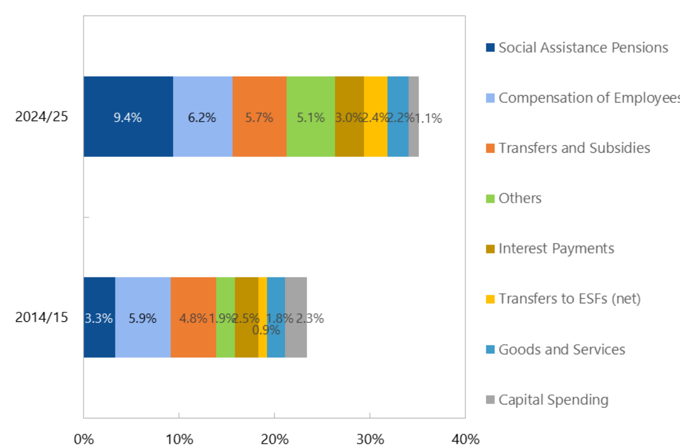
Text Figure 1b. Residence-based Basic Benefits
(2024, in percent of average wage)



Sources: OECD; ILOSTAT; IMF, World Economic Outlook.
Notes: Pension fund assets are defined as assets accumulated from pension plan contributions for the exclusive purpose of financing pension plan benefits. Cross-country differences reflect institutional design, coverage, and financing structures; pension asset levels, taken in isolation, are not a meaningful indicator of system adequacy. Euro area average excludes Croatia, Cyprus, and Malta.

5. **The structural features of the pension system in Mauritius—largely universal, relatively generous, low prefunding, with ageing/declining population—have translated into sharply increasing public pension expenditure.** It has risen from 3 percent of GDP in the early 2010s to 9.4 percent of GDP in FY24/25, following successive increases in BRP benefits. This threefold increase in expenditure over little more than a decade represents a structural shift in the composition of public spending (see text chart). This level of spending places Mauritius toward the upper end of the range observed in many emerging market economies, where pension outlays often remain in the mid-single digits as a share of GDP. Given that the BRP accounts for more than 70 percent of total pension spending, the expansion observed largely reflects increases in the number of beneficiaries and the generosity of the universal pillar, rather than the maturation of the contributory schemes.

Text Figure 2. Government Spending Breakdown by Category (2014/15-2024/25)
(In percent of GDP)



Sources: Mauritian authorities; and IMF staff calculations.

Reforms are Needed to Secure Sustainability of the Pension System

6. With an ageing/declining population and limited fiscal space, reforms are needed to ensure sustainability of the pension system. Using the IMF Sovereign Risk and Debt Sustainability Framework (SRDSF), two illustrative scenarios are considered:

- **Scenario A (Unchanged policies)**

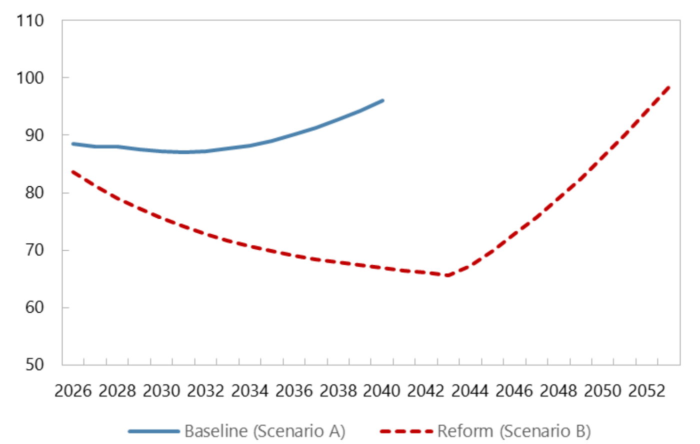
  Under unchanged policies, pension imbalances would widen over time as expenditures continue to outpace contributions. While public debt is expected to remain broadly stable initially, under unchanged policies, debt would enter an upward trajectory from 2037 as age-related spending rises, reaching 96 percent of GDP by 2040. In this scenario, maintaining the current pension system while securing fiscal sustainability would require consolidation elsewhere, either by cutting other spending or raising more revenue. In this scenario, the adjustment burden would likely fall disproportionally on the working-age population (via higher taxes), with adverse implications for inter-generational equity.

- **Scenario B (Parametric and participation reforms)**

  Assuming that (i) pension contributions are increased, and benefits adjusted in the medium term; (ii) contributions grow broadly in line with GDP per worker over time; and (iii) labor force participation rises gradually over the next two decades, pension financing needs would remain contained in the near term to medium term. However, as demographic pressures intensify, financing needs would begin to increase from around 2045, as assets from the National Pension Fund are gradually depleted (Annex II). This would place debt on a renewed upward path over the longer horizon and suggests that more ambitious reforms—initiated early, given the gradual implementation typically required for political-economy reasons and the resulting lag in fiscal savings—would be needed to durably stabilize the system and mitigate long-term fiscal risks.

Text Figure 3. Public Debt-to-GDP Ratio: No Additional Reform vs. Partial Reform

(In percent)



Source: IMF staff projections.

- An illustrative third scenario (**Scenario C**) shows that higher economic growth would loosen fiscal pressures arising from the current pension system, helping fiscal sustainability, and helping preserve inter-generational equity (SIP 2026 ''Demographic headwinds: the growth impacts of population ageing in Mauritius''). Calibrations of Scenario C (using SRDSF) assume that productivity and labor market reforms, including mobilizing underutilized labor supply (older workers, youths, and women), increase annual economic growth from staffs' currently projected 3.2 percent to around 4.2 percent over the medium term. Results indicate that public debt reaches about 80 percent of GDP by 2040 (below the "unchanged policies" Scenario A estimate of 96 percent of GDP). Additional structural reforms that would further boost labor, capital or productivity are not accounted for in this scenario.

Cross Country Experience: Examples and Guiding Principles for Pension Reform

7. International experience suggests that systems combining high coverage with fiscal sustainability typically rely on a more balanced mix of instruments. This includes targeted non-contributory benefits, well-developed contributory pillars, and automatic adjustment mechanisms. In Mauritius, the absence of such balancing features has resulted in a configuration that performs strongly on adequacy but less so on sustainability.

8. OECD countries are adjusting pension systems in the face of similar demographic and fiscal pressures (OECD, 2025). Key reforms emphasize extending working lives, moderating future benefit generosity, and safeguarding adequacy. Statutory retirement ages continue to be increased—often through legislated pathways and, in some cases, linked to life expectancy—with OECD average projected to increase from 64.7 (men) and 63.9 (women) in 2024 to 66.4 and 65.9 for new labor-market entrants. Several countries, including Denmark, the Netherlands, Italy, Estonia, and Sweden, are moving toward retirement ages of 70 or above, while Luxembourg, Slovenia, and Colombia remain near 62. At the same time, future net replacement rates for average earners average 63 percent across the OECD and fall below 40 percent in Estonia, Ireland, Korea, and Lithuania. In response, several countries have strengthened minimum and redistributive pensions, notably through Chile's systemic reform expanding targeted benefits and Mexico's earnings-related pension top-ups, which particularly benefit low earners—and in Chile's case, women through specific redistributive provisions.

9. From a macroeconomic perspective, the central reform challenge lies in reconciling pension adequacy with fiscal sustainability under tightening demographic constraints (IMF, 2014 and 2026). A successful pension reform requires sound policy design and careful attention to political-economy constraints, labor-market conditions, and implementation capacity. Staff analysis indicates that reforms are most durable when adjustments to key parameters—especially statutory and effective retirement ages—are gradual, predictable, anchored in demographic trends such as rising life expectancy, and supported by actuarially fair incentives to extend working lives. While such alignment is essential to contain long-term fiscal pressures, acceptability and adequacy concerns require complementary measures. Country experience shows that pairing parametric changes with targeted mitigation for well-defined groups, can help manage distributional impacts and strengthen public support, as seen in Germany and Uruguay. Preserving adequacy further requires protecting a basic income floor in old age through well-targeted minimum or baseline benefits, while avoiding broad-based benefit expansions that would undermine fiscal sustainability. Complementary labor-market, health, and rehabilitation policies that facilitate employment at older ages and maintain contribution density—such as in Germany and Sweden—reinforce both adequacy and sustainability. Finally, experience from Seychelles and the United Kingdom underscores that sustained, transparent, and inclusive communication is central to reform success, helping build trust and support implementation by clarifying the costs of inaction and long-term benefits for inter-generational equity.

Policy Priorities for Mauritius

Additional Reforms Can Help Secure the Sustainability of Mauritius' Pension System

- In the near term, this could include a calibrated rationalization of noncontributory benefits, including through temporary nominal benefit freezes, as well as replacing the CSG with a dedicated employer-employee contribution to the National Pension Fund to reinforce actuarial discipline and align financing more transparently with contributory benefits.

- Over time, improving adequacy and equity requires better targeting of basic pensions and a reassessment of lump-sum benefits—focusing support on vulnerable groups while preserving an old-age poverty floor and strengthening longevity insurance through reliance on annuitized income streams.

- Pension reforms should build on ongoing adjustments and continue to be gradual, well-sequenced, and supported by broad social consensus, with targeted mitigation for affected groups; early action is warranted given long implementation lags and to limit adjustment costs.

- Given ongoing demographic-ageing, continued monitoring of pension expenditures and periodic actuarial assessments will remain essential to evaluate long-term fiscal pressures. This, in turn, underscores the importance of strengthening administrative, survey, and actuarial data systems to support evidence-based policymaking—enhancing the capacity to assess distributional outcomes, long-term liabilities, and the fiscal and social impacts of potential reforms, and thereby enabling more robust policy design.

References

International Monetary Fund, Fiscal Affairs Department. 2026. Pension Reform: Political Economy Insights. Internal document.

International Monetary Fund. 2026. Mauritius: Selected Issues—Demographic Headwinds: The Growth Impacts of Population Ageing.

International Monetary Fund. 2025. Fiscal Monitor: Fiscal Policy under Uncertainty. Washington, DC: International Monetary Fund. Chapter 2, ''Public Sentiment Matters: The Essence of Successful Energy Subsidies and Pension Reforms.''

International Monetary Fund. 2014. Equitable and Sustainable Pensions: Challenges and Experience. Washington, DC: International Monetary Fund.

Mauricio Soto, Vimal Thakoor, and Martin Petri. 2015. Pension Reforms in Mauritius: Fair and Fast— Balancing Social Protection and Fiscal Sustainability. IMF Working Paper 15/126. Washington, DC: International Monetary Fund.

OECD. 2025. Pensions at a Glance 2025: OECD and G20 Indicators. Paris: OECD Publishing.

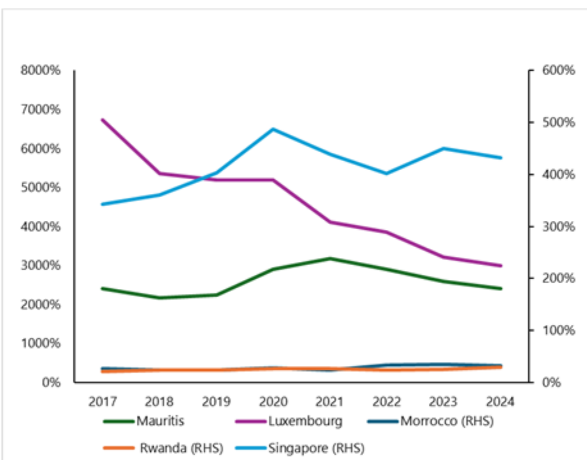
Annex V. Recent Trends in Inward FDI and International Financial Center Competitiveness in Mauritius[1]

Mauritius International Financial Center (IFC) is an important jurisdiction for cross-border investment, bridging Asia, Africa and the Middle East, including via inward foreign direct investment (FDI) by Global Business Companies (GBCs). Recent trends in Mauritius FDI positions are assessed relative to selected peers, drawing on the Global Financial Centers Index (GFCI). The analysis suggests that, while Mauritius is a leading IFC, sustaining competitiveness could benefit from diversifying and growing the investor base, continued specialization in high-value financial services, and further strengthening macroeconomic fundamentals.

Recent Trends in Mauritius Inward FDI

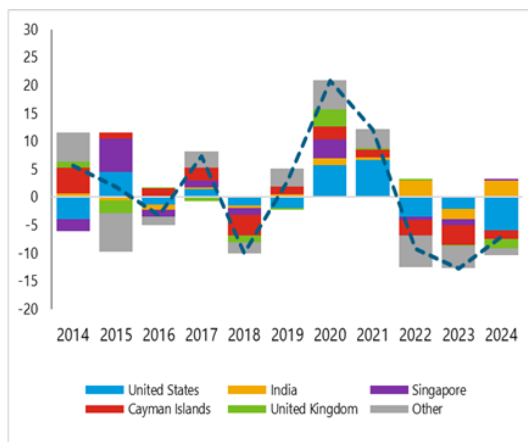
1. **Mauritius's International Financial Centre (MIFC) is an important jurisdiction of cross-border flows** underpinned by Global Business activity, that contributes approximately 8.0 percent of GDP, largely via financial, professional and other services. MIFC is largely underpinned by Global Business Companies (GBCs), which account for about 98 percent of the country's inward FDI.

Text Figure 1. Inward FDI Positions
(share of GDP, Percent)



Source: CDIS/WEO and BOM

Text Figure 2. Contribution to Growth in Mauritius Inward FDI as share of GDP, by Source Country, (percentage points)



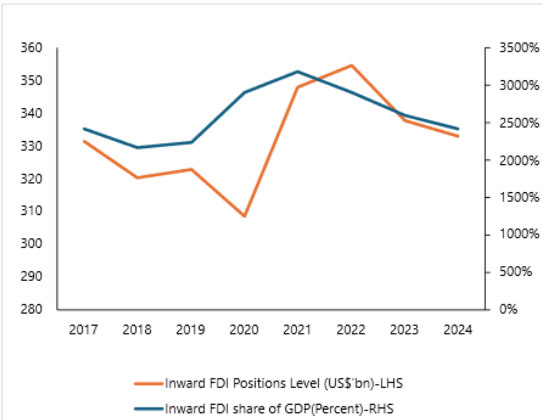
Source: CDIS/WEO and BOM

2. **Mauritius's inward FDI has remained high relative to comparator IFCs in Africa** over 2017–24 (Table 1), though has declined in recent years (Figure 3), from a peak of nearly 3,200 percent of GDP in 2021 to about 2,400 percent in 2024. Bilateral data for 2022–24 point to a contraction in inward FDI-to-GDP from the United States and the Cayman Islands, partly offset by growth in inflows from India (Figure 2). The post-2021 moderation is broadly consistent with developments in some other IFCs, including Luxembourg. By contrast, Singapore's inward FDI

[1] Prepared by Wilson Phiri (STA).

positions have remained persistently high in level terms, although lower than Mauritius when measured as share of GDP. While Morocco and Rwanda exhibit substantially lower FDI levels relative to Mauritius, their FDI-to-GDP ratios have generally increased since 2021.

Text Figure 3. Mauritius Inward (MIFDI Trend)



Source: IMF CDIS.

Text Table 1. FDI Liabilities Positions, US$ billion

	2017	2020	2022	2024
Morocco	31	33	45	50
Rwanda	2	3	3	4
Mauritius	331	308	355	333
Singapore	1,181	1,711	2,067	2,474
Luxembourg	4,421	3,822	3,113	2,801

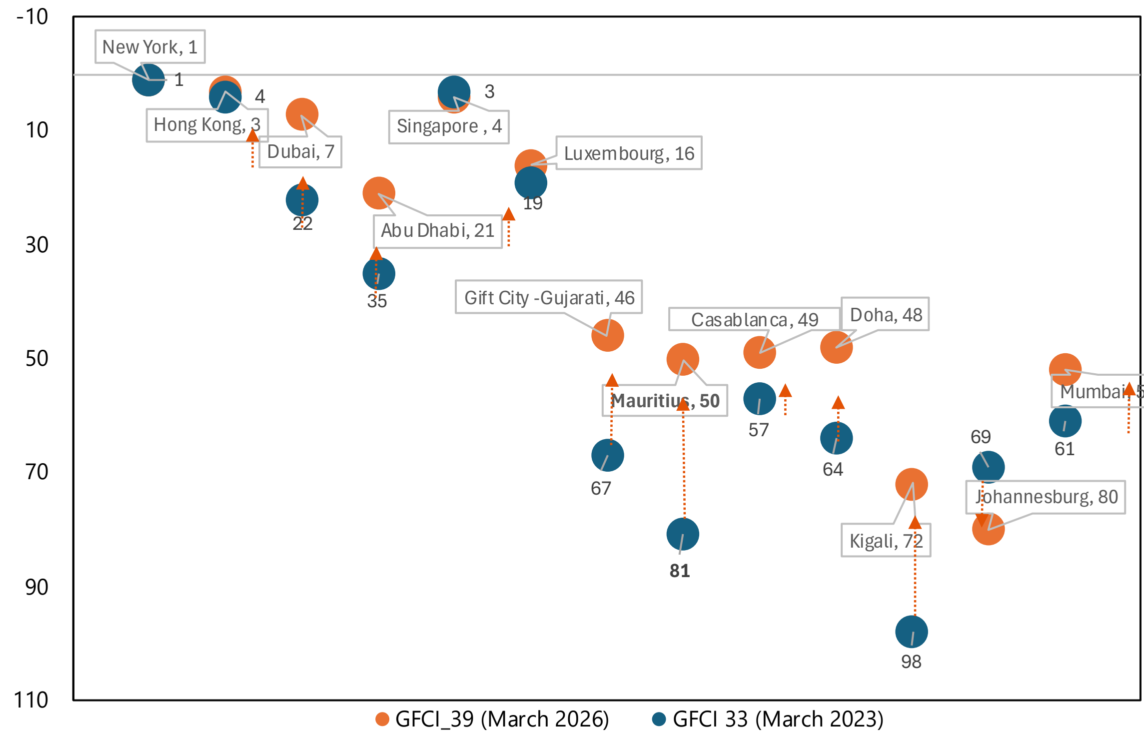
Source: IMF CDIS.

Ranking of Mauritius IFC (MIFC) Relative to Selected IFCs

3. Mauritius is a mid-ranked global financial center in terms of competitiveness per the GFCI.[2] The March 2026 GFCI ranks Mauritius 50th globally. Casablanca (Morocco) ranks 49th and Kigali (Rwanda) ranks 72nd. Within the Middle East and Africa region, Dubai and Abu Dhabi occupy the top two positions. Singapore and Hong Kong SAR rank highly, among the top four globally.

[2] GFCI provides evaluations of competitiveness for 120 financial centers around the world. GFCI is compiled using 140 instrumental factors. These quantitative measures are provided by third parties including the World Bank, the OECD, and the United Nations. The instrumental factors are combined with financial center assessments provided by respondents to the GFCI online questionnaire.

Text Figure 4. Raking of Selected Financial Centres - Global Financial Centres Index
(March 2026/March 2023)



Source: The Global Financial Centers Index

4. **MIFC has made notable gains** rising 31 steps from 81st in 2023 (8th in Africa) to 50th in 2026 (2nd in Africa). Notable gains over the last three years were made in global perception, financial sector depth, and fintech capability.

5. **To continue strengthening MIFC, areas for further growth include human capital depth, financial market scale, and fintech ecosystem maturity.** Sustaining competitiveness will be supported by diversifying and growing the investor base, continued specialization in high-value financial services, and further strengthening of macroeconomic fundamentals.

6. **The authorities and stakeholders have been collaborating to boost the competitiveness of MIFC.** The Ministry of Financial Services and Economic Planning published "*Strategy Report 2025-2030*" with the aim of bolstering domestic financial services as well as making Mauritius more attractive to foreign investors and businesses. The government strategy prioritizes improving the business operating environment, diversifying and modernizing product offerings, MIFC promotion and branding, diversifying target markets, and addressing skills shortages. Delivering on these priorities in a timely and coordinated manner will contribute to sustaining MIFC's competitiveness and reinforcing its position as a resilient and dynamic international financial center.

Annex VI. Status of Implementation of Key 2015 FSAP Recommendations

Recommendation	Updated Status for 2026 IMF Staff Report
Banking Supervision and Regulation	
Conduct regular macroprudential solvency and liquidity stress tests.	Solvency and liquidity stress testing exercises are conducted quarterly; results are published bi-annually in the BOM's Financial Stability Report.
Establish a macroprudential body with a clear financial stability objective, and adequate enabling framework.	The BOM has been designated to act as the macroprudential authority in Mauritius. The Bank of Mauritius Act is currently under review with the assistance of the IMF and the BOM Bill will clarify the financial stability objectives and also provide for an enabling framework for the macroprudential authority. The existing Financial Stability Committee includes representatives of the BOM, FSC, and the Ministry of Finance and serves as a forum for discussing financial stability issues.
Improve monitoring and supervision of the GBC sector; seek significant consolidation of the management companies (MC) industry and raise its standards.	Grandfathering provisions for GBC2s ended on June 30, 2021. The GBC sector has undergone a complete structuring overhaul, including a consolidation of the MC industry and supervision of the sector since end-2021.
Implement measures to ensure that banking system liquidity is not adversely affected by developments in the GBC sector and cross-border sectors.	Basel III Liquidity Coverage Ratio (LCR) has been implemented in 2017. Reporting requirements have been enhanced. Stress tests scenarios assess banking sector vulnerability to adverse developments in the GBC sector. Risk assessment of GBC deposits continues to be conducted and published in the Financial Stability Report (last was published December 2025). Oversight of the liquidity risk was enhanced by adopting the risk-based supervision framework and coordinating with the FSC. The risk-based framework gathers information on funding risks, which meets the needs of the Net Stable Funding Ratio that was introduced in December 2023 and became effective in June 2024.
Financial Sector Oversight	
Establish a framework for conglomerate supervision, strengthen consolidated supervision, and develop a supervisory framework for D-SIBs.	The framework for conglomerate and consolidated supervision has been agreed between the BOM and the FSC, and joint on-site examinations are conducted. D-SIB framework is fully operational. Terms of Reference for the Lead Regulator and the list of financial conglomerates (falling under the purview of the BOM and the FSC) were approved by the BOM and the FSC. Joint Co-ordination Committee Working Group on Financial Stability fine-tunes data collection returns. BOM benefited from TA from IMF AFRITAC South in September/October 2025 to enhance its consolidated and conglomerate supervision framework. The guideline on consolidated and conglomerate supervision will be issued in 2026. D-SIB framework is operational since 2014, with full implementation of capital surcharge in 2019.

Annex VII. Status of the 2025 Article IV Consultation Main Recommendations

Key Policy Recommendations	Updated Status for 2026 IMF Staff Report
Fiscal Policy and Debt Sustainability	
Frontload growth-friendly fiscal consolidation to reduce the high public debt, while protecting capital investment and protecting the most vulnerable.	The 2025/26 budget explicitly prioritized fiscal consolidation while sustaining social spending.
Implement pension reform to address medium-term fiscal pressures from an aging population.	Structural reform has begun, with the 2025/26 budget introducing a gradual increase in eligibility age for the BRP from 60 to 65. The reform is implemented through amendments to the National Pensions Act under the Finance Act 2025.
Phase out wage subsidies and the 14th month salary bonus and streamline subsidies.	The authorities have begun scaling back temporary wage-support measures. The 2025/26 budget does not provide for the continuation of the 14th-month bonus for employees, suggesting a withdrawal of this measure.
Enhance revenue mobilization, including through VAT e-invoicing and broadening the tax base, real estate tax reforms and adjustments in tax rates and compliance improvements.	The 2025/26 budget introduced tax administration reforms and base-broadening measures, which have been legally implemented through the Finance Act 2025.
Strengthen fiscal governance, including by enacting fiscal responsibility legislation, improving fiscal transparency and reporting and enhancing debt management frameworks.	The 2025/26 budget placed emphasis on fiscal discipline and improved public finance management. It reintroduced performance-based budgeting. Additionally, the authorities have received Fund TA on FRL to support these reforms.
Monetary Policy	
Maintain monetary policy flexibility with readiness to tighten policy if inflation pressures rise.	The monetary policy key rate was increased in early 2025 and BOM has continued to upgrade its monetary policy framework.
Resume uncapped issuance of short-term (7-day) BOM bills to restore monetary policy effectiveness.	Capped issuance of 7-day BOM bills has sustained excess liquidity, weakened alignment between the interbank rate and the policy rate, and diluted the policy signal. TA planned for May 2025.
Amend the Bank of Mauritius (BOM) Act, including to ensure fiscal backing, to help protect central bank independence.	Authorities are engaging with TA departments with a view to finalizing amendments to the BOM Act.
Gradual phase out of BOM's investment in MIC.	BOM is considering options for gradual phase out of MIC investment, and started the process to return undisbursed funds from MIC to BOM. Audit of MIC is planned.

Key Policy Recommendations	Updated Status for 2026 IMF Staff Report
Monetary Policy	
Conserve foreign exchange reserves to enhance resilience to external shocks.	BOM's gross international reserves rose to US$10.3 billion at end-2025, representing 113 percent of the IMF's reserve adequacy metric (ARA).
Financial Sector	
Address data gaps and regular stress testing to better monitor and mitigate macro-financial risks, in particular related to banks' exposures to non-residents, GBCs, and the real estate sector.	The December 2025 Financial Stability Report addresses data gaps and transparency through expanded sectoral coverage, enhanced statistics on banks, NBFIs and the Global Business sector, regular solvency and liquidity stress testing, and the introduction of strengthened public disclosure requirements. Collection and analysis of data on property prices is ongoing to enhance monitoring of the real estate sector
Sustain effective implementation of Anti-Money Laundering/Combating Financing of Terrorism (AML/CFT) standards.	The authorities have requested TA from the Fund to prepare for the 2027 AML/CFT assessment.
Structural Reforms	
Strengthen workers' skills through better education and boosting female labor force participation.	The 2025/26 budget emphasized skills and training by integrating technical and vocational education into mainstream education and aligning with industry needs. Expanded funding for reskilling and upskilling (particularly in digital skills) was announced. The 2025/26 budget included a set of measures to address labor market access of women, including introducing flexible work regulations and expanded loan schemes for female entrepreneurs. Implementation progress remains to be clarified. In addition, implementation of the National Employment Plan (2024-2028) is underway, with a strong focus on strengthening skills framework and female labor supply.
Accelerate climate adaptation efforts to support economic resilience.	The budget 2025/26 includes climate-related investments—such as *Waste-to-Wealth Investment Scheme*—and expanded renewable energy investment.
Reverse 2024 above-minimum wage regulations to improve competitiveness.	Above-minimum wage regulations remain in place. The 2025/26 budget announced several regulatory streamlining measures including expanding digital and e-licensing platforms for businesses. Implementation is ongoing.

Annex VIII. Data Issues

Table 1. Mauritius: Data Adequacy Assessment for Surveillance

Data Adequacy Assessment Rating[1]

B

Questionnaire Results[2]

Assessment	National Accounts	Prices	Government Finance Statistics	External Sector Statistics	Monetary and Financial Statistics	Intersectoral Consistency	Median Rating
	B	B	B	B	C	B	B
Detailed Questionnaire Results							
Data Quality Characteristics							
Coverage	B	B	B	B	B		
Granularity[3]	B		A	B	C		
			B		C		
Consistency			B	C		B	
Frequency and Timeliness	A	A	B	A	B		

Note: When the questionnaire does not include a question on a specific dimension of data quality for a sector, the corresponding cell is blank.

[1]The overall data adequacy assessment is based on staff's assessment of the adequacy of the country's data for conducting analysis and formulating policy advice, and takes into consideration country-specific characteristics.

[2]The overall questionnaire assessment and the assessments for individual sectors reported in the heatmap are based on a standardized questionnaire and scoring system (see IMF *Review of the Framework for Data Adequacy Assessment for Surveillance*, January 2024, Appendix I).

[3]The top cell for "Granularity" of Government Finance Statistics shows staff's assessment of the granularity of the reported government operations data, while the bottom cell shows that of public debt statistics. The top cell for "Granularity" of Monetary and Financial Statistics shows staff's assessment of the granularity of the reported Monetary and Financial Statistics data, while the bottom cell shows that of the Financial Soundness indicators.

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

Rationale for staff assessment. Data provision is assessed as broadly adequate for surveillance but has some shortcomings. The measurement of GBCs activities in the national accounts, the BOP and IIP require further action to enhance accuracy and consistency of the timeseries. There is room to broaden the coverage of the Statement of Government Operations to general government, which would enable a more comprehensive assessment of the fiscal stance by including operations from local governments and public corporations. Substantial revisions to fiscal execution statistics also undermine the credibility of budget execution data. The breakdown of CPI by region, social groups, informal markets, and illegal goods and services is not available. A thorough assessment of the governance structure for the compilation and dissemination of official statistics was conducted as part of the ROSC (Box 1). Macroeconomic statistics in Mauritius generally observe internationally recognized standards and codes and the country adhered to SDDS Plus with a transition plan to fully align with the requirements for Sectoral Balance Sheet, quarterly General Government operations, General Government debt and Debt securities by the end of 2027. Mauritius does not compile key FSIs for Nonbank Financial Institutions, including pensions, insurance and money market funds.

Changes since the last Article IV consultation. Large revisions to the level of services exports and imports were introduced in both the GDP and balance of payments statistics for 2018–25, resulting in a pronounced upward shift in the series. However, these changes did not have material impact on the nominal GDP and the current account balance (Box 1).

Corrective actions and capacity development priorities. Staff support potential TA including reducing the statistical discrepancy in the GDP data, improving the coverage of government finance statistics, and FSIs. Staff also support TA to fully align with the SDDS Plus requirements for sectoral balance sheet, quarterly general government operations, general government debt, and debt securities.

Use of data and/or estimates in Article IV consultations in lieu of official statistics available to staff. Staff does not use any data and/or estimates in the staff report in lieu of official statistics. For the period 2022-2025, however, staff used the historically consistent series of exports and imports of services, pending receipt of revised historical series from the authorities. To assess the fiscal stance more comprehensively, staff also complement the authorities' presentation by computing the "augmented" fiscal balance which includes net expenditure from extra-budgetary special funds.

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

Table 2. Mauritius: Data Standards Initiatives

Mauritius adheres to the Special Data Dissemination Standard Plus (SDDS Plus) since March 17, 2026 and publishes the data on its National Summary Data Page. The latest SDDS Annual Observance Report is available on the Dissemination Standards Bulletin Board (https://dsbb.imf.org/).

Table 3. Mauritius: Table of Common Indicators Required for Surveillance

As of May, 2026

	Data Provision to the Fund				Publication under the Data Standards Initiatives through the National Summary Data Page			
	Date of Latest Observation	Date Received	Frequency of Data[6]	Frequency of Reporting[6]	Expected Frequency[6,7]	Mauritius[8]	Expected Timeliness[6,7]	Mauritius[8]
Exchange Rates	May-26	May-26	D	D	D	...	...	...
International Reserve Assets and Reserve Liabilities of the Monetary Authorities[1]	Apr-26	May-26	M	M	M	30	1W	30
Reserve/Base Money	Apr-26	May-26	M	M	M	30	2W	14
Broad Money	Apr-26	May-26	M	M	M	30	1M	30
Central Bank Balance Sheet	Apr-26	May-26	M	M	M	30	2W	14
Consolidated Balance Sheet of the Banking System	Apr-26	May-26	M	M	M	30	1M	30
Interest Rates[2]	Apr-26	May-26	W	W	D	...	...	...
Consumer Price Index	Apr-26	May-26	M	M	M	30	1M	5
Revenue, Expenditure, Balance and Composition of Financing[3]–General Government[4]	FY24/25	Jan-26	A	A	A	365	2Q	180
Revenue, Expenditure, Balance and Composition of Financing[3]–Central Government	FY24/25	Jan-26	A	A	M	30	1M	30
Stocks of Central Government and Central Government-Guaranteed Debt[5]	Dec-25	Feb-26	Q	A	Q	90	1Q	30
External Current Account Balance	Dec-25	Mar-26	Q	Q	Q	90	1Q	90
Exports and Imports of Goods and Services	Mar-26	Apr-26	M	M	M	30	8W	56
GDP/GNP	Dec-25	Mar-26	Q	Q	Q	90	1Q	90
Gross External Debt	Dec-25	Mar-26	Q	Q	Q	90	1Q	30
International Investment Position	Dec-25	Apr-26	Q	Q	Q	365	1Q	270

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

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

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

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

[5] Including currency and maturity composition.

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

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

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

Table 4. Mauritius: Summary of Data Quality Factsheets[1]

National Accounts	MUS	AFR	EM
Coverage	Green	Yellow	Yellow
Granularity	Yellow	Yellow	Yellow
Frequency/Timeliness	Green	Yellow	Green

Prices	MUS	AFR	EM
Coverage	Green	Red	Yellow
Frequency/Timeliness	Green	Green	Green

Fiscal	MUS	AFR	EM
Coverage	Yellow	Yellow	Yellow
Consistency	Yellow	Red	Yellow
Frequency/Timeliness	Green	Yellow	Green

External	MUS	AFR	EM
Coverage	Green	Yellow	Yellow
Granularity	Green	Red	Green
Consistency	Green	Yellow	Green
Frequency/Timeliness	Green	Yellow	Green

Monetary and Financial	MUS	AFR	EM
Coverage	Green	Yellow	Green
Granularity	Green	Yellow	Yellow
Frequency/Timeliness	Green	Yellow	Green

Other Data	MUS	AFR	EM
Labor: Granularity	Green	Yellow	Yellow
Climate: Coverage	Green	Red	Yellow

[1] The Data Quality Factsheets (DQF) consists of more than 70 indicators organized into the sectors and dimensions shown in the table. Each country-indicator pair receives a color-coded rating—green, yellow, or red—based on relevant international benchmarks or thresholds determined using experts' judgments. The summary of DQF displays the median rating across all indicators within each sector-dimension combination. Please refer to the metadata for more details on individual indicators.

MAURITIUS

STAFF REPORT FOR THE 2026 ARTICLE IV CONSULTATION—INFORMATIONAL ANNEX

June 18, 2026

Prepared By	The African Department

CONTENTS

RELATIONS WITH THE FUND

(As of April 30, 2026)

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

General Resources Account:	**SDR Million**	**%Quota**
Quota	142.20	100.00
Fund holdings of currency (Holdings Rate)	105.33	74.07
Reserve Tranche Position	36.92	25.97

SDR Department:	**SDR Million**	**%Allocation**
Net cumulative allocation	233.10	100.00
Holdings	217.86	93.46

Outstanding Purchases and Loans: None

Latest Financial Arrangements:

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

Overdue Obligations and Projected Payments to Fund [1]

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

	Forthcoming				
	2026	2027	2028	2029	2030
Principal					
Charges/Interest	0.31	0.42	0.42	0.42	0.42
Total	0.31	0.42	0.42	0.42	0.42

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

Implementation of HIPC Initiative: Not Applicable

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

Implementation of Catastrophe Containment and Relief (CCR): Not Applicable
As of February 4, 2015, the Post-Catastrophe Debt Relief Trust has been transformed to the Catastrophe Containment and Relief (CCR) Trust.

Exchange Rate Arrangements
The currency of Mauritius is the Mauritian rupee. Mauritius' *de jure* and *de facto* exchange rate arrangement is floating. Mauritius has accepted the obligations under Article VIII, Sections 2, 3, and 4 of the IMF's Articles of Agreement and maintains an exchange system free of multiple currency practices, and restrictions on the making of payments and transfers for current international transactions.

Article IV Consultation
Mauritius is on the standard 12-month cycle. The last Article IV consultation was completed by the Executive Board on June 18, 2025 (Country Report No 25/136).

Resident Representative: None.

RELATIONS WITH OTHER INTERNATIONAL FINANCIAL ORGANIZATIONS

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

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

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

INTERNATIONAL MONETARY FUND

MAURITIUS

STAFF REPORT FOR THE 2026 ARTICLE IV CONSULTATION—SUPPLEMENTARY INFORMATION

June 30, 2026

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

Prepared by the African Department (AFR) in consultation with the Strategy, Policy and Review (SPR) Department.

This supplement provides information on developments since the submission of the staff report. The information does not change the thrust of the staff appraisal.

1. **In line with staff projections, inflation continued to increase** from 3.6 percent in April to 4.3 percent in May 2026 (year-on-year), driven by food, electricity and fuel price increases related to the war in the Middle East. Average inflation (12-month) remained steady in May at 4.2 percent.

2. **Updated FY25/26 budget estimates suggest a stronger fiscal outturn than previously envisaged.** Based on recent budget execution data through May 2026 and authorities' projections for June, the primary deficit—excluding grants and non-materialized Chagos-related revenues—is estimated to have declined to 2.8 percent of GDP, from 6.5 percent of GDP in FY24/25, outperforming projections in the staff report of 3.5 percent of GDP. This partly reflects somewhat stronger-than-expected tax revenues and continued under-execution of capital spending. As a result, public debt is estimated at around 87 percent of GDP at end-June 2026, compared with 88 percent of GDP in the staff report.

3. **The FY26/27 budget proposal announced on June 19 envisages a sizable fiscal consolidation.** It targets a further reduction in the primary deficit—excluding grants—to about 0.4 percent of GDP in FY26/27 and public debt to 79 percent of GDP by end-June 2029. These projections assume that Chagos-related revenues materialize starting in FY26/27. Excluding Chagos, the authorities' announced medium-term adjustment is broadly aligned with the path recommended in the staff report. In particular, the primary deficit—excluding grants and Chagos-related revenues—is projected to improve by 5.6 percentage points of GDP during FY24/25-FY28/29, compared with 6.7 percentage points recommended by staff.

4. The announced fiscal consolidation strategy is centered on expenditure restraint, tighter expenditure controls, and efficiency gains—in line with staff report recommendations. The authorities propose a public sector efficiency agenda aimed at reducing inefficiencies and waste, supported by expenditure reviews and stronger follow-up to audit recommendations. The strategy is complemented by institutional rationalization measures to improve spending efficiency while preserving service delivery. At the same time, it would be underpinned by better-targeted social protection and a focus on high-impact public investment.

5. Pension reform is a key pillar of the announced fiscal adjustment effort. The authorities announced that the Basic Retirement Pension (BRP) would be replaced by a State Age Pension (SAP) in January 2027, with benefits subject to income-based means testing and actuarially adjusted take-up between ages 60 and 70. The announced pension reform integrates some Contribution Sociale Généralisée (CSG) retirement benefits into the SAP and revamps the contributory pension framework by introducing a defined-contribution scheme from July 2027. The gradual increase in the BRP eligibility age (to 65), previously legislated in the FY25/26 budget law, would be discontinued at end-2026.

6. Revenue measures announced in the FY26/27 budget rely on base broadening and stronger compliance. The budget does not envisage an increase in the VAT rate and proposes a range of measures, including a new high-income personal income tax band, expanded taxation and withholding for software and digital services, rationalization of selected tax expenditures and incentives, enhanced third-party reporting, and higher excise duties on tobacco products, selected alcoholic products, and sugar-sweetened products.

7. The FY26/27 budget includes proposals to strengthen debt-management and fiscal transparency, notably through the introduction of 25- and 30-year government bonds, enhanced reporting of public sector debt, contingent liabilities, and fiscal risks, and closer alignment with IMF's SDDS Plus requirements.

8. Parliamentary consideration of the Appropriation Bill has been completed, and the Bill was approved on June 30. On June 22, the Prime Minister announced a freeze to the proposed means-testing component of the pension reform, and the authorities later announced a package of offsetting measures to maintain the budget's consolidation objectives as announced on June 19, including capital expenditure reprioritization, expenditure rationalization, tax policy measures, asset monetization, and phased implementation of the new contributory pension framework. The budgeted fiscal deficit and debt objectives remain contingent on the effective implementation of the announced offsetting measures.

Table 1. Mauritius: Medium-Term Fiscal Outlook[1/]

(In Percent of Fiscal Year GDP)

	FY2024/25 Actual	FY2025/26 Proj.	FY2026/27 Proj.	FY2027/28 Proj.	FY2028/29 Proj.
Budget Projections [2/]					
Primary balance (excl. grants)	-6.5	-2.8	-1.6	-1.1	-0.9
Public debt (after consolidation)	86.3	86.8	86.6	84.7	83.4
Staff Projections: Recommended Scenario					
Primary balance (excl. grants)	-6.5	-3.5	-1.5	-0.2	0.2
Public debt (after consolidation)	86.3	87.8	86.7	84.3	82.3

1/ Ratios are calculated using staff projections of nominal GDP for the corresponding fiscal year.

2/ The FY26/27 budget projections presented in this table exclude Chagos-related revenues to ensure comparability with staff projections.

Sources: Mauritian authorities; and IMF staff calculations and projections.

Statement by Mr. Ubisse, Executive Director for Mauritius, Ms. Vumendlini, Alternate Executive Director, and Mr. Hlophe, Advisor to Executive Director
July 8, 2026

On behalf of the Mauritian authorities, we thank Ms. Colacelli and her team for their constructive engagement and the useful set of reports. This consultation takes place under weaker external macroeconomic conditions and a more adverse and uncertain environment. The authorities will carefully consider the policy recommendations and would like to offer the following observations.

Recent Developments, Outlook and Risks

The Mauritian economy has remained resilient, with real GDP growth of 3.2 percent in 2025 supported by tourism, financial services, and retail trade. Growth is projected to slow to 3.0 percent in 2026 amid adverse external spillovers, including geopolitical tensions affecting tourism and global commodity prices, before recovering to 4 percent in 2027 as major infrastructure and development projects gain momentum. In the staff's baseline scenario published in the report, headline inflation is expected to rise from 3.7 percent in 2025 to around 4.7 percent in 2026, mainly reflecting energy and food price shocks. The Monetary Policy Committee of the Bank of Mauritius (BOM) hiked the policy rate by 25 basis points in May 2026 in response to persistent price pressures and to manage rising inflation expectations. The current account deficit is estimated to have widened to 7.1 percent of GDP in 2025. While the staff's baseline scenario projects a further widening to 7.4 percent of GDP in 2026 on account of the conflict in the Middle East, the authorities' latest projections point to a decline in the deficit to 6.7 percent of GDP, due to projected narrowing of the goods account deficit and higher surplus in the services account.

The authorities concur with staff that risks remain tilted to the downside. External risks include weaker global demand, tighter financial conditions, geopolitical tensions, and elevated food and energy prices, which could weigh on tourism, trade, inflation, and the external position. Domestic risks include rising inflationary pressures, high public debt, uncertainty around Chagos-related revenues, and contingent liabilities. Over the medium term, demographic pressures, weak productivity growth, and climate shocks could affect resilience and potential growth. The authorities are therefore developing contingency plans and stand ready to deploy targeted and temporary support while preserving macroeconomic stability.

Fiscal Policy

The authorities' fiscal strategy is anchored in restoring fiscal sustainability while preserving inclusive and resilient growth. Recent fiscal developments provide encouraging evidence that the adjustment is gaining traction. Updated budget execution data indicate that the FY2025/26 fiscal outturn was stronger than previously envisaged, with the primary deficit estimated at 2.8 percent of GDP, outperforming earlier projections, while public debt is estimated at around 87 percent of GDP. The strategy aims to reduce the fiscal deficit, place public debt on a downward path, strengthen fiscal discipline, and protect priority spending. The authorities emphasize that the adjustment is a growth-friendly fiscal consolidation, and will be implemented while protecting vulnerable households.

The Mauritian National Assembly approved the FY2026/27 Appropriation Bill on June 30, 2026. The approved budget envisages a sizable and credible fiscal consolidation aimed at reducing financing vulnerabilities, strengthening fiscal sustainability, and placing public debt on a firm downward trajectory. The authorities remain fully committed to achieving the announced fiscal objectives through a balanced package of expenditure rationalization, efficiency gains, revenue measures, and prudent debt management. This consolidation strategy is anchored in a clear medium-term fiscal framework, which includes the following.

First, the authorities are undertaking a credible fiscal consolidation effort aimed at reducing the deficit from 6.0 percent of GDP in FY2025/26 to 3.7 percent in FY2026/27, with a further gradual reduction toward 3 percent of GDP over the medium term. This consolidation path is expected to help reduce public debt from about 87 percent of GDP toward below 80 percent, thereby restoring macro-fiscal credibility and rebuilding buffers against future shocks.

Second, revenue mobilization will be strengthened through better tax administration, a broader tax base, review of exemptions and tax expenditures, and revenue measures in emerging areas, including the digital economy, and health-related levies. The FY2026/27 budget introduces targeted measures to broaden the tax base, including reforms affecting high-income taxpayers, digital services, selected tax expenditures, and excise taxation, while maintaining the authorities' commitment not to increase the VAT rate.

Third, expenditure rationalization will focus on reducing waste and inefficiencies. Spending will be reprioritized toward high-impact areas, including infrastructure, education, healthcare, housing, climate resilience, and digital transformation.

Fourth, the authorities will support growth through strategic public investment and reforms to strengthen SMEs, digitalization, skills development, tourism diversification, and the blue economy. These measures are expected to raise productive capacity and support sustainable fiscal outcomes.

Fifth, the fiscal strategy is complemented by prudent debt management. The authorities are strengthening debt transparency and fiscal risk reporting through enhanced disclosure of public debt, contingent liabilities, and fiscal risks, while pursuing closer alignment with international statistical reporting standards. They also intend to optimize the cost-risk balance of public borrowing by lengthening maturities, increasing reliance on medium- and long-term instruments, maintaining a cautious approach to external borrowing, and issuing longer-dated government securities to support domestic capital market development. These measures will reinforce the credibility of the consolidation path and strengthen debt sustainability.

Overall, the authorities believe that the combination of stronger-than-expected recent fiscal outcomes, parliamentary approval of the FY2026/27 Budget, and the implementation of a comprehensive consolidation strategy demonstrates their determination to restore macroeconomic buffers, reduce debt vulnerabilities, and preserve confidence in Mauritius's economic prospects.

Monetary Policy and Financial Sector Developments

The authorities concur with staff that the current monetary policy stance is broadly appropriate, while recognizing that inflation risks have increased. The BOM remains committed to price stability under the inflation-targeting framework. The Monetary Policy Committee stands ready to take appropriate action if inflationary pressures intensify or expectations become de-anchored. While medium-term expectations remain broadly anchored, persistent excess liquidity has weakened monetary transmission and the alignment between market rates and the policy rate. The authorities therefore agree on the need to strengthen liquidity management and the operational framework. To that effect, the BOM received technical assistance from the IMF in May 2026, on the monetary policy implementation framework, and is further engaging with the Fund to discuss the implementation of the recommendations.

The BOM is also enhancing analytical capacity and policy communication, building on the Forecasting and Policy Analysis System. More transparent and forward-looking communication on inflation, risks, and policy contingencies will further strengthen credibility and anchor expectations.

The authorities also reaffirm their commitment to safeguarding central bank independence, including through appropriate legal and institutional reforms and ensuring adequate fiscal backing. In this regard, they will continue the unwinding of quasi-fiscal operations, including those related to the Mauritius Investment Corporation Ltd, in a manner that supports balance sheet transparency and policy credibility.

With respect to exchange rate policy, the authorities reiterate their commitment to maintaining exchange rate flexibility as a key shock absorber. Foreign exchange interventions are used in a limited and targeted manner to address disorderly market conditions or acute liquidity shortages or excessive exchange rate volatility, consistent with maintaining adequate reserve buffers.

The authorities welcome staff's assessment that the financial system remains sound and resilient. They nevertheless remain vigilant to risks from real estate exposures, cross-border financial linkages, non-bank financial institutions, virtual assets, and financial innovation. The authorities are strengthening macroprudential oversight, data collection, regulatory coordination, crisis preparedness, and resolution frameworks. They also reaffirm their commitment to robust AML/CFT standards to preserve financial integrity and Mauritius's role as an International Financial Centre.

The authorities are also modernising the financial sector framework through new banking legislation which is expected to be finalized by end-2026, enhanced macroprudential surveillance tools and response, an Open Banking Framework, and regulatory regimes for stablecoins and tokenised assets. These reforms are complemented by stronger financial integrity arrangements, including a National Crime Agency and enhanced capacity to combat financial crime, cyber risks, and money laundering.

Structural Policies

The authorities underscore that structural reforms are central to Mauritius's medium-term strategy. They note that while the economy has demonstrated resilience, structural constraints, particularly demographic pressures and weak productivity growth, continue to weigh on potential output and competitiveness.

A key priority is addressing demographic pressures, including population ageing, low fertility, and skilled outward migration, which are constraining labor supply and fiscal sustainability. The authorities are advancing labor market and skills reforms, including a comprehensive migration policy, platforms to leverage diaspora expertise, micro-credentials, stronger regulation of training providers, and closer coordination with employers.

The authorities remain committed to pension reform as a cornerstone of fiscal sustainability and intergenerational equity. Building on reforms initiated in 2025, the FY2026/27 Budget outlined further measures to strengthen the long-term sustainability of the pension system and improve the targeting of public resources. The reform agenda includes the modernization of the contributory pension framework and the establishment of stronger institutional arrangements to support pension administration and oversight.

The authorities have also demonstrated flexibility and responsiveness to social concerns. Following public consultations, the Government announced a pause in the implementation of the proposed means-testing component of the pension reform while preserving the overall fiscal consolidation objectives through alternative offsetting measures, including expenditure reprioritization, efficiency gains, selected revenue measures, and phased implementation of elements of the contributory pension framework. The authorities remain committed to advancing pension reform in a socially balanced manner while safeguarding fiscal sustainability.

Boosting productivity and competitiveness remains essential. The authorities are prioritizing innovation, digital transformation, AI adoption, entrepreneurship, and private investment, supported by digital infrastructure, a national AI strategy, a Business Facilitation Bill, digitalised licensing systems, a Start-Up Act, an SME Bill, tax incentives, incubation mechanisms, and improved access to financing.

The authorities also aim to rebalance growth toward private-sector-led investment and reduce reliance on public spending. Key initiatives include a high-tech Special Economic Zone, port and airport modernization, transport network expansion, and broader reforms to remove investment bottlenecks and improve the business climate.

The authorities remain committed to climate resilience and sustainability, given Mauritius's vulnerability as a small island economy. The authorities also view climate-related investments not merely as a defensive response to environmental risks, but as a strategic pillar of Mauritius's long-term growth and competitiveness agenda. Investments in renewable energy, resilient infrastructure, sustainable tourism, water security, and the blue economy are expected to strengthen productivity, reduce dependence on imported energy, enhance economic resilience to external shocks, and create new opportunities for private sector development and green job creation. In this regard, climate action and economic transformation should be seen as mutually reinforcing objectives that support both resilience and sustainable growth.

Finally, the authorities are strengthening institutional capacity and governance through public sector rationalisation, enhanced spending oversight, judicial modernization, and stronger law enforcement. These reforms aim to improve transparency, accountability, and public service delivery. Taken together, these reforms aim to boost productivity, support investment-led growth, enhance resilience, and secure long-term fiscal and social sustainability. The authorities view this agenda as central to building a more diversified, innovative, and inclusive economy.