	2021/22	2022/23	2023/24	2024/25
WORLD ECONOMY[1]				
World Output Growth Rate (%)	3.6	3.6	3.4	3.4
Euro Area Output Growth Rate (%)	2.8	2.3	1.8	1.6
MAURITIAN ECONOMY				
Output and Prices				
Gross Domestic Product - current market prices (Rs bn)	498.6	576.1	629.1	687.0
Real GDP Growth Rate - constant market prices (%)	6.9	8.5	5.0	5.0
GDP Deflator (% change)	6.9	6.5	4.0	4.0
Investment Rate (%)	20.9	21.3	21.6	21.8
Public Finance (as % of GDP)				
Recurrent Revenue	26.7	25.7	25.9	25.7
o/w Taxes	*21.6*	*22.5*	*22.6*	*22.5*
Non-Tax Revenue	*5.1*	*3.3*	*3.3*	*3.3*
Recurrent Expenditure	27.7	26.8	26.3	24.8
o/w Interest	*2.6*	*2.3*	*2.3*	*2.3*
Recurrent Balance - Surplus (+)/Deficit (-)	**-1.0**	**-1.1**	**-0.4**	**0.9**
Capital Revenue	0.6	0.3	0.2	0.0
o/w Capital Grants	*0.6*	*0.3*	*0.2*	*0.0*
Capital Expenditure	4.7	3.2	3.4	3.9
o/w Acquisition of Non-Financial Assets	*1.8*	*2.1*	*2.4*	*2.3*
Capital Balance - Surplus (+)/Deficit (-)	**-4.0**	**-2.9**	**-3.2**	**-3.9**
Total Expenditure	**32.4**	**30.0**	**29.7**	**28.7**
Budget Balance - Surplus (+)/Deficit (-)	**-5.0**	**-4.0**	**-3.5**	**-3.0**
Primary Balance - Surplus (+)/Deficit (-)	**-2.5**	**-1.7**	**-1.3**	**-0.7**
Government Borrowing Requirements	**3.6**	**0.6**	**3.7**	**3.2**
Public Debt (as % of GDP)				
Budgetary Central Government Debt	**77.3**	**68.1**	**65.7**	**63.3**
Public Sector Gross Debt	**87.4**	**78.0**	**75.4**	**71.8**
Public Sector Net Debt	**77.3**	**72.9**	**72.0**	**69.1**
External Sector (as % of GDP)				
Current Account - Surplus (+)/Deficit (-)	-12.0	-9.7	-6.4	-4.1
Exports of Goods and Services[2]	36.0	36.3	35.5	34.3
Imports of Goods and Services[2]	-60.0	-56.3	-51.1	-47.0
Gross Official International Reserves (Rs bn)	320.0	330.0	345.0	360.0
Gross Official International Reserves (USD m)[3]	7,410	7,650	7,990	8,340

1 World Economic Outlook, IMF - April 2022. Figures for 2021/22 refer to calendar year 2022.

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

3 Projections are based on exchange rate of Rs 43.2/US$ average buying and selling for the month of May 2022.

MACROECONOMIC FRAMEWORK

The Medium-Term Macroeconomic Framework has been worked out taking into account the global economic outlook as well as Government's objective to consolidate the economic recovery and accelerate the transition of Mauritius into a sustainable and inclusive economy while maintaining fiscal stability. The Framework also incorporates Government's policies to cushion the impact of imported inflation on the population, enhance productivity and competitiveness, address labour market issues as well as adapt to, and mitigate the effects of, climate change.

Recent Developments

2. The world economy bounced back in 2021 with a real GDP growth rate of 6.1% against a contraction of 3.1% in 2020. Almost all economies registered positive growth, driven by strong consumer spending and a pick-up in investment and trade. In fact, world trade expanded by 10% in real terms after declining by 7.9% in 2020. Global FDI flows rebounded by 77%. However, due to disruptions in the global supply chain and the rise in commodity prices, world inflation rose from 3.2% in 2020 to 4.7% in 2021.

3. As regards the Mauritian economy, real GDP grew by 4% in 2021 compared to a contraction of 14.9% in 2020. Activities in almost all major economic sectors returned to positive growth. The overall GDP growth was driven by the financial services sector that expanded by 4.6%; the ICT sector with a higher growth rate of 7.2%; the textile sector which grew by 13%; wholesale and retail trade growing by 4.2%; and the construction sector which recovered with a positive growth of 25% from a contraction of almost the same rate in 2020.

4. There was a significant pick-up in investment, particularly private sector investment, in 2021. The investment rate went up from 17.9% in 2020 to 20.1% in 2021. Investment in building and construction works rose by 17.5% in real terms. Consumption expenditure increased by 6.4% in nominal terms in 2021.

5. Labour market conditions improved gradually in 2021. The unemployment rate went down from 10.4% in the 4th quarter of 2020 to 8.1% in the corresponding quarter of 2021. For the year 2021, the unemployment rate stood at 9.1%. The headline inflation rate in 2021 was 4%, up from 2.5% in 2020 mainly due to higher prices of vegetables and also external factors such as the rise in freight costs and increase in prices of energy and food at the global level.

6. As regards transactions with the rest of the world, the deficit in the current account of the balance of payments was 13.7% of GDP in 2021, explained by the rise in import bill for fuel and food, higher freight costs and lower tourism earnings. There was, however, a net inflow in the balance of payments of almost 12% of GDP in 2021 as against a net outflow of around 5% in 2020. The level of gross official international reserves of the country stood at Rs 372.7 billion as at end December 2021 compared to Rs 288.4 billion in December 2020. In USD terms, gross reserves increased from USD 7.3 billion to USD 8.6 billion. As at end-April 2022, reserves amounted to Rs 314.4 billion, equivalent to USD 7.3 billion.

7. Overall, the monetary policy stance remained accommodative in 2021 with the key repo rate kept at 1.85%. With a view to facing higher risks to inflation while continuing to support the economic recovery, the policy rate was raised to 2% in March 2022 and to 2.25% on 03 June 2022.

Prospects and Forecasts

8. With the resurgence of the pandemic in a number of countries and the Russia-Ukraine war, which has intensified supply chain disruptions and further increased fuel and food prices, it is expected that the global economic recovery will slow down in 2022. The IMF is projecting that the global GDP would expand by 3.6% in 2022 and 2023, down by 0.8 and 0.2 percentage points, respectively from the January 2022 projections. On the other hand, inflationary pressures are expected to increase with global inflation rising from 4.7% to 7.4% in 2022.

9. The Mauritian economy is expected to continue on its recovery path. All sectors of the economy have exceeded their pre-pandemic output levels and closed the output gap. The outlook has improved significantly with recent developments in the tourism and financial services sectors. The measures announced in the Budget Speech will give a further boost to investment as well as consumption expenditure.

10. The recovery will be mainly driven by the tourism sector. Since the full opening of borders in October 2021, the number of tourist arrivals has been on a rising trend. In addition, the average expenditure per tourist has increased from Rs 45,000 during the pre-COVID period to around Rs 79,000 during the first quarter of 2022 and the average length of stay from 11 to 13.5 nights. It is expected that some 1 million tourists would visit Mauritius in 2022 and some 1.4 million in FY 2022-2023. Other related sectors, such as recreation and entertainment, are also expected to grow and contribute positively to overall GDP growth. It is estimated that every additional 100,000 tourists would raise the GDP growth rate by 0.6 percentage points.

11. The construction sector is also expected to give a significant boost to the economic recovery. The implementation of major projects such as the National Flood Management Programme, construction of social housing units, expansion of the road network and the construction/upgrading of hospitals and schools will be accelerated. Furthermore, private sector investment in smart city and other major projects is also expected to expand further.

12. The removal of Mauritius from the Financial Action Task Force (FATF) list of jurisdictions under increased monitoring and the EU list of High-Risk jurisdictions for AML-CFT purposes is expected to give a further boost to the financial services sector. In addition, the ICT sector would continue to expand into new services. Another major source of growth would be from the development of the renewable energy sector in view of the objectives set out in the Renewable Energy Roadmap 2030.

13. On the basis of the expected performance of the different sectors of the economy, real GDP growth is projected at 8.5% in FY 2022-2023 and 5% in FY 2023-2024 and FY 2024-2025.

14. The outlook could see an uptick if the Russia-Ukraine war is resolved sooner than anticipated, prices return to their lower levels, and production and trade flows are restored. Downside risks may come from the spread of new variants of the virus, an escalation of the Russia-Ukraine war, further disruption in the supply chain and sharper increase in fuel and food prices.

Fiscal Performance in FY 2021-2022

15. In FY 2021-2022, total revenue of Government is estimated at Rs 136.5 billion. Lower tax revenue would be partly offset by higher social contributions and remittances from public bodies. Total expenditure is estimated at Rs 161.6 billion, close to the budgeted amount. Higher recurrent expenditure would be offset by lower capital outlays. The budget deficit would amount to Rs 25.1 billion, representing 5% of GDP, i.e., same as the budget projections.

16. Government borrowing requirements, which takes into account financial transactions such as loans and equity injections in public bodies and disposal of assets of Government, would amount to Rs 18 billion, down from the budget estimates of Rs 30.6 billion. As a percentage of GDP, borrowing requirements would be lower at 3.6% against the projected 6.1%.

17. Consequently, Budgetary Central Government debt as at end June 2022 would amount to Rs 385.2 billion. As a ratio to GDP, it works out to 77.3%, which is a reduction of almost 10 percentage points from the debt ratio of 87% as at end June 2021. Public sector gross debt, which also includes debt of extra-budgetary units and public enterprises, would amount to Rs 435.7 billion. The public sector gross debt to GDP ratio works out to 87.4% compared to 96.1% as at end June 2021.

FISCAL STRATEGY

18. Government has taken a number of actions to reduce the debt ratio. On the one hand, appropriate support and facilities were provided to businesses and individuals to ensure a sustained recovery in economic activities. Real GDP is back on the positive growth trajectory. On the other hand, fiscal measures taken in the last two Budgets, such as the introduction of the social contribution (CSG) and the solidarity levy, the increase in excise duty on alcoholic and tobacco products, and the disposal of Government assets, have contributed in bringing down the debt ratio.

19. Going forward, the fiscal strategy aims at further reducing the debt to GDP ratio to a more prudent level while at the same time ensuring that adequate resources are provided to priority projects and programmes to consolidate the economic recovery and protect the vulnerable and poor. In addition, the strategy aims at minimising fiscal risks as well as increasing the resilience of the economy against future shocks.

20. The main policies underpinning the fiscal strategy are as follows:
    (a) disposal of non-strategic assets of Government that will allow for early repayment of debt and lowering the borrowing requirements of Government;
    (b) recovery of arrears of revenue and enhancing tax administration to improve collections;
    (c) introduction of new revenue raising measures;
    (d) reviewing low impact programmes, improving efficiency and eliminating wastages as well as addressing issues raised by the Director of Audit;
    (e) ensuring that projects and schemes are well prepared to avoid cost overruns;
    (f) reviewing processes and procedures to improve public service delivery; and
    (g) reviewing the operations of public bodies and, where required, implement turn-around plans to reduce their dependence on the National Budget.

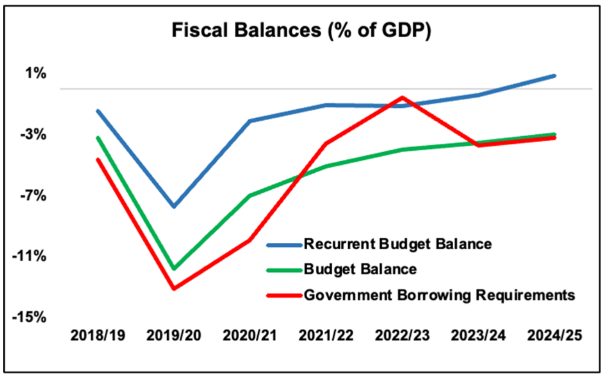
Fiscal Balances and Debt Targets

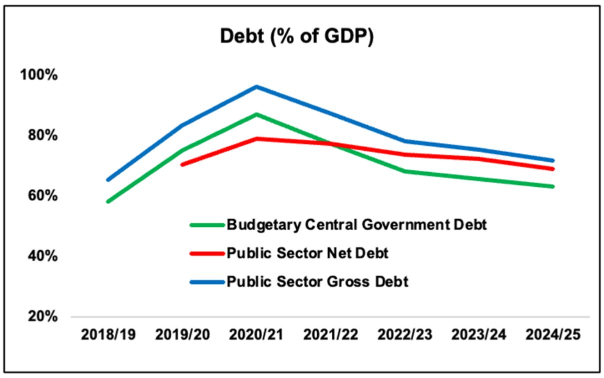
21. In line with the objective of Government to put the debt to GDP ratio on a downward path and the above macro-fiscal strategy, the overall budget deficit would be lowered to 4% of GDP in FY 2022-2023 and further down to 3.5% in FY 2023-2024 and 3% in FY 2024-2025. Government borrowing requirements would be 0.6% in FY 2022-2023, and 3.7% and 3.2% in the following two fiscal years.

22. Budgetary Central Government (BCG) debt is estimated at Rs 392.1 billion as at end June 2023. As a percentage of GDP, BCG debt would decline from 77.3% as at end June 2022 to 68.1% as at end June 2023. It is projected to go down further to 65.7% as at end June 2024 and 63.3% as at end June 2025.

23. Public enterprise debt as a percentage of GDP would decline to 9.9% as at end June 2023 and to 8.5% by end June 2025. Public sector gross debt would amount to Rs 449.6 billion as at end June 2023. The public sector gross debt to GDP ratio would drop from 87.4% as at end June 2022 to 78% as at end June 2023. It would further drop to 75.4% as at end June 2024 and 71.8% by end June 2025.

24. Public sector net debt, which nets out cash and cash equivalent and equity investment held by Government and non-financial public sector bodies in private entities from the gross debt figure, would amount to Rs 419.8 billion as at end June 2023, representing 72.9% of GDP. It is expected to reach 69.1% by end June 2025.





DEBT MANAGEMENT STRATEGY

25. In addition to reducing the debt ratio, Government aims at further improving the debt profile through an effective debt management strategy, as evidenced by the following cost and risk indicators:
    (a) the ratio of interest payments on Government debt to GDP is being reduced from 2.8% in FY 2020-2021 to 2.5% in FY 2021-2022, well below the limit set at 3.5%;
    (b) while the average time to maturity is being maintained at the existing benchmark of 5.5 years, the proportion of Government debt due for repayment within one year is being reduced from 22.9% to 21.6% during the same period thus lowering refinancing risk; and
    (c) the share of external debt in Government portfolio is being reduced from 22.4% as at end June 2021 to 19.6% by end June 2022 to lower exchange rate risks.

Medium Term Debt Management Targets/Benchmarks

26. The medium-term debt management strategy will continue to aim at minimising the cost of the debt portfolio while maintaining risks at an acceptable level. In this context, the risk control targets and benchmarks are being reviewed to further improve the trade-off between cost and risks for the period ending June 2025.

27. Accordingly, interest payments on Government debt are planned to be further reduced to 2.3% of GDP. At the same time, with a view to improving debt affordability, interest payments as a ratio to recurrent revenue would be brought down to 8.8% compared to the benchmark of 10.5%. As for the average cost of Government debt, it is expected to remain within 4%.

28. In order to contain foreign exchange rate risks, the share of foreign debt in Government debt portfolio is planned to be reduced to around 15% despite the set benchmark of 20%. In regard to the composition of public sector debt, the benchmarks for foreign and domestic debt will be maintained at 25% and 75%, respectively.

29. In the same vein, the currency composition of public sector external debt will be better aligned by setting a benchmark of 40% for USD, 35% for Euro and 25% for other currencies.

30. To further reduce refinancing risks, the benchmark for the average time to maturity is being reviewed upwards to 5.8 years, while that for the share of Government debt falling due for repayment within one year is being reduced to 20%. This will be achieved by limiting foreign borrowings to loans with long term maturities at concessionary interest rates. As regards domestic debt, the share of long-term and medium-term domestic securities will be raised to around 74.4% and 16.7%, respectively while that of short-term instruments will be reduced to around 8.9%.

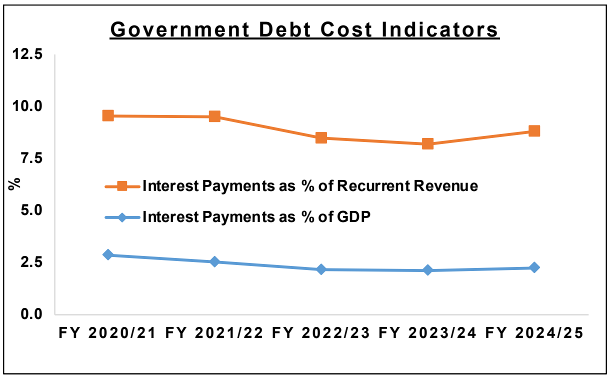
31. With a view to further reducing interest rate risks, the benchmark for re-fixing of interest rates on Government debt is being raised to 5.4 years while that for the share of re-fixing is being lowered to 25%. These are planned to be achieved by maintaining the share of fixed interest rate loans, variable interest rate loans and interest free loans in government external debt portfolio at 65%, 33% and 2%, respectively. As for domestic debt, the share of Government securities with fixed interest rate will be raised to about 98% by issuing all new instruments at fixed interest rates.

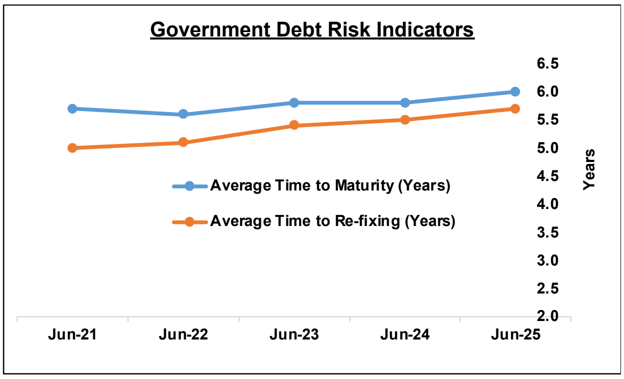
32. For public sector debt, the benchmark for interest rate mix for fixed, variable and interest free external loans are being set at 68%, 31% and 1%, respectively.

33. As regards the national external debt, in spite of its recent increase in the wake of COVID-19 pandemic and the Russia-Ukraine war, in the medium term it is planned to be reduced to around 26% of GDP in order to further improve external debt sustainability.

34. On the financing side, the borrowing requirements of Government all through the medium term will be met mainly from domestic sources. The issuance of Government securities, besides reducing exchange rate risks, aims at the continued development of the secondary market for such securities. In this respect, it is also envisaged to increase the range of long-term instruments through the issuance of 7-year Government bonds.

35. The overall focus of the strategy is to further reduce costs while maintaining risks at prudent levels as reflected in the charts below. It also aims at furthering the development of the secondary market for Government securities.





Medium Term Cost and Risk Indicators

	End Jun-21 Actual	End Jun-22 Revised Estimates	End Jun-25 Estimates	Benchmarks/ Limits	Tolerance Level %
Government Debt					
As % of GDP (End of Period)	87.0	77.3	63.3	65.0	+/-5
Cost Indicators (Cash Basis) (Financial Year)					
Interest Payments as % of GDP	2.8	2.5	2.3	< or = 3.5	-
Interest Payments as % of Recurrent Revenue	9.5	9.5	8.8	10.5	+/-10
Average Interest on Debt (%)	3.5	3.3	3.7	4.0	+/-10
Composition (%) (End of Period)					
Foreign	22.4	19.6	15.2	20.0	+/-5
Domestic	77.6	80.4	84.8	80.0	+/-5
Currency Composition of External Debt (%)					
USD	6.1	6.7	15.0	15.0	+/-5
EURO	48.7	46.7	46.4	47.0	+/-5
YEN	14.2	13.8	15.4	15.0	+/-5
Others	31.0	32.8	23.2	23.0	+/-5
Refinancing Risks					
Average Time to Maturity (Years)					
Total Debt	5.7	5.5	6.0	5.8	+/-10
External Debt	8.8	8.3	7.8	7.5	+/-10
Domestic Debt	5.0	5.1	5.7	5.5	+/-10
Due Within 1 year (%)					
Total Debt	22.9	21.6	19.0	20.0	+/-10
External Debt	6.2	7.0	8.0	8.0	+/-10
Domestic Debt	26.5	24.1	20.7	22.0	+/-10
Interest Rate Risk					
Average Time to Re-Fixing (Years)					
Total Debt	5.0	5.1	5.7	5.4	+/-10
External Debt	6.3	6.0	6.4	6.2	+/-10
Domestic Debt	4.8	4.9	5.6	5.3	+/-10
Share with Re-fixing in 1 Year (%)					
Total Debt	31.2	28.5	23.8	25.0	+/-10
External Debt	38.6	39.1	32.1	33.0	+/-10
Domestic Debt	29.6	26.6	22.6	24.0	+/-10
Interest Rate Mix of External Debt (%)					
Fixed Interest Loans	64.9	64.9	65.1	65.0	+/-10
Variable Interest Rate Loans	33.8	33.7	33.5	33.0	+/-10
Interest Free Loans	1.3	1.4	1.4	2.0	+/-10
Public Sector Debt					
As % of GDP (Gross)	96.1	87.4	71.8	75.0	+/-5
As % of GDP (Net)	79.1	77.3	69.1	72.0	+/-5
Composition (%)					
Foreign	26.4	23.7	19.8	25.0	+/-5
Domestic	73.6	76.3	80.2	75.0	+/-5
Currency Composition of External Debt (%)					
USD	27.4	31.7	40.8	40.0	+/-5
EURO	37.9	34.2	33.1	35.0	+/-5
YEN	10.9	10.1	10.4	10.0	+/-5
Others	23.8	24.0	15.7	15.0	+/-5
Interest Rate Mix of External Debt (%)					
Fixed Interest Loans	64.8	66.3	68.2	68.0	+/-5
Variable Interest Rate Loans	34.2	32.6	30.8	31.0	+/-5
Interest Free Loans	1.0	1.1	1.0	1.0	+/-5
National External Debt [1]					
As % of GDP	33.6	36.8	25.6	26.0	+/-10
FX Reserves as % of External Debt	211.5	174.6	205.2	200.0	+/-10
Debt Service Ratio (%) (Financial Year)	8.0	5.7	5.4	< or = 6	-

1 - Excludes Deposit Taking Institutions and Global Business