CareEdge GLOBAL RATINGS
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Credit Update
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Republic of Mauritius: Recent changes to economic and fiscal data could weaken fiscal metrics

Recently, the Republic of Mauritius [rated CareEdge BBB (Unsolicited)] updated some key economic and fiscal data from previous years. These changes have worsened the country's fiscal metrics compared to CareEdge Global's earlier estimates. Furthermore, such restatements of past data may also affect a sovereign's confidence and institutional assessment. Simultaneously, CareEdge Global highlights the new government's commitment to fiscal consolidation and data transparency. Credible actions in this direction are likely to help mitigate some of these challenges over the medium term.

The newly elected government released an audit report on the state of the economy in December 2024. The report highlights changes in two key areas: economic growth and the government's fiscal metrics. The audit report indicates that annual growth in GDP was overstated for the previous two years. The revised figures now stand at 5.6% compared to a prior estimate of 7.0% in 2023 and at 5.1% compared to a previous estimate of 6.5% for 2024. This adjustment was primarily due to a significant reassessment of the construction sector.

The public sector debt, broadly defined as the gross general government (GGG) debt by CareEdge Global, was also rebased primarily due to a methodology change. This change involved no longer netting out government securities held by certain non-financial public sector entities, such as the Mauritius Ports Authority and the Projects Development Fund, in the computation of the debt figures. Additionally, the actual fiscal deficit for FY23-24 was revised to 5.7% of GDP from an earlier 3.9%, mainly due to a revenue shortfall, although it was partially offset by reduced capital expenditure.

As a combined result, the GGG debt to GDP ratios for FY22-23 and FY23-24 are now estimated to be 84.7% and 83.4%, compared to previous estimates of 80.2% and 77.6%, respectively.

Furthermore, the fiscal deficit for the current fiscal year FY24-25 is now projected to be higher at 6.7% of GDP, up from the previous estimate of 3.4%. In addition to a shortfall in tax revenues and contingent liability provisions for certain state-owned enterprises (SOEs), the increase in the fiscal deficit also reflects the impact of the fiscal priorities announced by the new government.

In light of the revisions to past figures, the fiscal stance of the new government may result in a weaker fiscal profile and a higher debt-to-GDP ratio for Mauritius in the near to medium term compared to earlier forecasts incorporated in CareEdge Global's analysis. We have considered an average GGG debt-to-GDP ratio of approximately 80-82% for the five-year period ending FY28-29.

At the same time, we note the government's desire for fiscal consolidation. Taking active steps and communicating a plan could help mitigate some of the aforementioned fiscal challenges. This process may be supported by expected receipts of around GBP 80-100 million annually, for ceding control of Diego Garcia, the largest island within the Chagos Archipelago.

Therefore, we will monitor the evolution of fiscal and debt metrics in the near to medium term. A credible approach to fiscal consolidation may alleviate some of the fiscal and credit profile challenges. In this context, CareEdge Global will be attentive to the upcoming 2025 budget and any disclosures in the coming months regarding Mauritius's fiscal trajectory over the medium term.

Please refer to the following link for the previous detailed rationale Click Here

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Criteria Applied
CareEdge Sovereign Rating Methodology

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