CareEdge Global assigns 'Stable' Outlook to the Rating of Republic of Mauritius

Reaffirms Long-Term Foreign Currency Rating of 'CareEdge BBB' (Unsolicited)

Issuer rating	CareEdge BBB/Stable (Unsolicited)

Rating Action

CareEdge Global has assigned a 'Stable' outlook to the rating of Republic of Mauritius, while reaffirming the Long-Term Foreign Currency rating of **'CareEdge BBB (Unsolicited)'**.

Rationale

The stable outlook reflects a steady growth trajectory, adequate foreign exchange reserves, and robust institutional and governance frameworks.

The 2025 Budget outlines the government's commitment towards achieving fiscal consolidation, with the fiscal deficit and GGG debt estimated to narrow to 1.3% and 79.7% by FY28[1], respectively. These estimates are based on significant revenue mobilization efforts, reforms to public expenditure as well as the expected inflows from the Chagos settlement. We note that the fiscal consolidation path will not be an easy task; however, the government's track record of fiscal consolidation following the COVID-19 pandemic bodes well for the outlook. Nonetheless, the achievement and commitment towards fiscal consolidation remain a key monitorable.

The credit profile is supported by its strong institutions, political stability and quality of governance. The country benefits from its established external linkages coupled with its stable and well-regulated financial sector. Mauritius consistently attracts large foreign direct investments (FDI), has a comfortable cushion in the form of foreign currency reserves and a favourable net international investment position (NIIP). Meanwhile, the well-regulated financial sector has contributed to its status as a regional financial hub.

Nonetheless, the profile is weighed down by the dependence on the services sector (such as tourism and global business companies), leaving it vulnerable to external shocks. Compounding this is the structurally weak trade deficit, whereby there is dependence on food imports. Lastly, the fiscal profile has weakened due to the high fiscal deficit and debt burden.

[1] Mauritius' Fiscal Year (FY) runs from 1 July to 30 June. FY28 refers to 1 July 2027 to 30 June 2028.

Upside Scenario
The rating could benefit from stronger-than-expected fiscal consolidation that places GGG debt on a firmer downward trajectory, coupled with improved revenue mobilization and expenditure efficiency.

Downside Scenario
Conversely, the outlook could come under pressure if fiscal consolidation efforts stall, resulting in a slower decline or even a rise in GGG debt or the fiscal deficit.

Key Rating Drivers

Economic Structure & Resilience

Mauritius remarkably transitioned from a low-income, monocrop producer of sugarcane to an upper-middle-income investment and tourism hub. Although the economy's size is relatively small (USD 15 billion for 2024[2]), its GDP per capita is high (USD 27,342 per capita, in constant PPP). Nonetheless, the reorientation towards the services sector leaves the country vulnerable to external risks.

For 2025 so far, GDP growth was lower at 4.2% YoY in Q1 2025, compared to 5.2% in Q4 2024, dragged down by contractions in the tourism and construction sectors, while other sectors registered positive growth. For Q2 2025, the tourism sector has rebounded and is expected to meet the government's 1.4 million target. However, slower growth of 3% is expected in 2025, from 4.9% in 2024. The Bank of Mauritius (BoM) notes that this is due to the narrowing of the output gap as the economy approaches its potential growth rate of 3.4%. Furthermore, US protectionist policies, as well as the recent fiscal consolidation measures, will have non-negligible ramifications on key sectors of the economy.

Over the longer term, diversification efforts away from services are deemed necessary to avert repeat vulnerabilities. On this note, the government's diversification efforts are geared towards several emerging sectors, including the Artificial Intelligence (AI) and blue economy sectors. Furthermore, the country has also experienced several weather-related disasters, including cyclones and droughts. The government is pushing renewable energy and value-added manufacturing to broaden the economic base, alongside investments in solar, wind and coastal-protection projects to build climate resilience.

Fiscal Strength

Mauritius's fiscal metrics have weakened markedly, with the deficit widening to an estimated 9.8% of GDP in FY25 from 5.7% in FY24, driven by a sharp surge in spending (following electoral promises) and softer revenue collections.

As a result, the GGG debt-to-GDP debt is estimated at 90% (last seen during the COVID-19 pandemic in 2020).

[2] 2024 refers to January 1 to December 2024.

The 2025 budget outlines an ambitious fiscal consolidation plan, aimed at rebuilding fiscal space by implementing significant revenue mobilisation measures and containing expenditure, while safeguarding essential social programmes and increasing infrastructure investment. Key revenue measures include streamlined personal income tax bands with a heavier burden on high earners, a new “fair share” levy on top-income individuals and large corporates, lower value-added tax (VAT) thresholds for businesses, the introduction of capital-gains taxation on non-resident property resales and the re-introduction of excise duties on hybrid and electric vehicles. On the expenditure side, the government is gradually raising the basic pension eligibility age to 65 by 2030 and phasing down Generalized Social Contribution (CSG) allowances over two years, while providing a limited transitional income-support scheme to ease political resistance.

If implemented as planned, the government believes that these reforms could narrow the fiscal deficit to about 1.3% of GDP by FY28. In addition, the government has committed to using receipts of GBP 132 million per annum from the lease of the Chagos Islands (including Diego Garcia) with the UK for debt repayment over the next three fiscal years. This is expected to further alleviate the debt burden, supporting a projected reduction in the GGG debt to approximately 79.7% of GDP by FY28, thereby complementing the fiscal consolidation measures.

Given the government’s demonstrated resilience in reducing GGG debt from post-pandemic highs, these measures carry added credibility. However, the target deficit of 1.3% of GDP remains ambitious, with execution risks and public opposition to benefit reforms potentially slowing the pace of adjustment.

Lastly, other factors affecting the fiscal profile include the government’s exposure to contingent liabilities, where both guaranteed and non-guaranteed debt stock accounts for approximately 10.5% of GDP in FY25. The government also faces significant domestic debt maturities of around 31% by FY26 and a further 34% by FY30, which will keep refinancing as a key focus. However, the government’s debt management remains sound.

External Position & Linkages

The CAD widened to 5.1% in Q1 2025, from 4.8% in Q1 2024, reflecting a wider trade and secondary income account deficit, as well as a lower surplus on the services account. Q2 data reflects a further widening of the CAD, which may reach 7.3% of GDP, due to a higher trade deficit, considering the surge in vehicle imports (in anticipation of US tariffs and the newly imposed excise taxes on vehicles in the 2025 Budget). Nonetheless, the CAD is expected to improve in H2 2025. Overall, the BoM projects the CAD to reach 6.2% of GDP in 2025, from a deficit of 7.0% in 2024. The easing of the CAD is due to higher projected surpluses in the services and primary income accounts, which may mitigate the impact of the widening trade deficit.

Mauritius’s external position remains supported by robust net foreign direct investment (FDI) inflows and healthy financial flows as GBC investment activities remain resilient despite the global headwinds and US protectionist policies. Further, foreign currency reserves remain comfortable, equivalent to 12.9 months of import cover (August 2025).

While Mauritius's externally held debt remains elevated, much of it reflects the country's status as an international financial centre (IFC) rather than purely domestic financing needs. The country continues to maintain a favourable net international investment position (NIIP), estimated at around 334% of GDP in 2025, which provides significant external buffers. These dynamics support the country's external stability while mitigating vulnerabilities from external shocks.

Monetary & Financial Stability

The Mauritian Rupee operates under a floating exchange rate regime. However, in practice, the regime exhibits some interventions by the BoM and resembles a managed crawl pattern.

Inflationary pressures eased to 3.6% in 2024, from 7.1% in 2023. Headline inflation has remained at low levels in 2025 so far, averaging 3.4% from January to August. Inflation edged up to 5.4% in June, largely driven by budgetary measures such as the implementation of VAT on demerit goods. Although it eased slightly to 5.2% in July, it remained elevated due to the continued impact of excise duties on vehicles, before moderating further to 4.8% in August 2025. Despite the uptick in prices, inflation is expected to remain around 4% in 2025 and be anchored at the midpoint of the BoM's target band of between 3% and 5% over the medium term.

The financial system remains broadly stable, with banks well-capitalized and liquid. Interlinkages with the Global Business Company (GBC) sector persist, with roughly half of banks' total deposits denominated in foreign currency; these exposures are closely monitored and effectively managed.

Institutions & Quality of Governance

Mauritius maintains a stable political environment, characterized by smooth transitions of power following elections, which reflects the country's strong democratic traditions. While institutions are generally well-developed, recent audits have prompted revisions to historical data, highlighting the need for greater transparency and raising questions about the reliability of certain official statistics.

The government has also introduced tax reforms aimed at improving transparency and fairness, aligning with international standards, and reducing opportunities for tax avoidance. These steps, alongside consistent coalition governance and a track record of policy continuity, support confidence in the country's institutional quality, while ongoing reforms aim to further enhance accountability and reliability.

Mauritius – Select Indicators									
	Unit	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025 F**	**2026 F**
Economic Indicators									
Nominal GDP	USD Billion	14.4	11.4	11.5	12.9	14.1	15.0	15.6	16.7
GDP Per Capita (Constant-PPP)	USD	25,750	21,994	22,782	24,816	26,072	27,342	28,204	29,108
Real GDP Growth	%	2.9	-14.5	3.4	8.7	5.0	4.9	3.0	3.4
GFCF/GDP	%	19.1	17.1	19.6	19.8	20.2	20.9	19.8	-
Gross Domestic Savings/GDP	%	11.9	9.8	9.7	13.4	15.8	16.7	-	-
Exports (G&S)/GDP	%	44.0	36.8	38.5	49.5	47.5	46.2	-	-
Working-Age (15-64) Population (% Share in Total)	%	72.2	72.2	72.2	72.1	71.9	71.7	71.3	71.0
Old-Age (65+) Population (% Share in Total)	%	10.9	11.4	11.9	12.4	12.9	13.5	14.1	14.7
Fiscal Indicators – General Government									
Fiscal Balance/GDP	%	-2.2	-8.2	-10.5	-4.1	-3.1	-4.5	-6.9	-3.6
Revenue/GDP	%	21.8	22.1	21.6	24.2	24.5	24.0	25.7	27.0
Expenditure/GDP	%	22.3	28.6	30.4	26.7	26.1	27.2	31.5	29.2
GG Gross Debt/GDP	%	83.7	91.9	86.1	81.8	81.5	88.3	89.1	88.1
GG External Debt (by Creditor)/GG Gross Debt	%	13.6	18.3	20.2	19.8	18.6	18.0	19.4	-
Interest/Revenue	%	8.0	9.0	9.4	8.0	8.4	11.1	-	-
External Indicators									
Current Account Balance/GDP	%	-5.0	-8.9	-12.1	-11.1	-5.1	-6.5	-4.7	-6.1
FDI, Net Inflows/GDP	%	-11.4	-88.4	119.7	23.7	69.0	-	-	-
Outstanding FII Liabilities/GDP	%	218.4	569.9	793.0	671.1	650.8	-	-	-
NIIP/GDP	%	187.8	161.2	363.9	279.2	333.7	-	-	-
Foreign Exchange Reserves	USD Billion	7.4	7.2	7.8	7.7	7.3	8.5	8.7	9.2
Import Cover	Months	16.9	14.3	11.6	11.6	10.2	11.8	11.6	11.6
External Debt/GDP	%	1,529.7	1,458.8	1,488.8	1,434.7	1,365.7	1,269.0	-	-
Monetary and Financial Indicators									
CPI Inflation	%	0.5	2.5	4.0	10.8	7.1	3.6	3.6	3.6
Exchange Rate (Average)	LC per USD	36.0	39.7	42.0	44.5	45.5	46.6	-	-
Non-Performing Loans/Total Gross Loans	%	4.9	6.2	5.8	4.9	5.3	3.8	-	-
Private debt, loans and debt securities/GDP	%	80.5	100.3	86.4	75.9	-	-	-	-

Sources: International Monetary Fund, World Bank, Bank for International Settlements, National Sources, CareEdge Global

Note: F - Forecast; PPP – Purchasing Power Parity; GFCF – Gross Fixed Capital Formation; Exports (G&S) – Exports of Goods and Services; GG – General Government; FDI – Foreign Direct Investment; FII – Foreign Institutional Investment; NIIP – Net International Investment Position; Data refers to fiscal/calendar year and actual/estimate as reported by the source; Where general government data is unavailable, central government data is used; Latest available data for 2024

Solicitation Status
The rating is unsolicited

Rating History

Instrument	Type	Rating	Date
Issuer Rating	Long-Term Foreign Currency (Unsolicited)	CareEdge BBB/Stable	September 29, 2025
Issuer Rating	Long-Term Foreign Currency (Unsolicited)	CareEdge BBB	October 03, 2024

Criteria Applied
CareEdge Sovereign Rating Methodology

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