3. ECONOMIC OUTLOOK

Global Economic Review

3.1 Following a series of negative shocks during the past recent years, most of the world's economies are experiencing a deterioration in prospects. The emerging market and developing economies (EMDEs) are on their side, facing serious challenges namely to bridge the per capita income gaps with richer/developed countries, boost employment, maintain a stable long-term growth rate, and reduce extreme poverty.

3.2 According to the World Bank, this challenging global context is expected to be subject to several downside risks including an escalation of trade barriers, rising geopolitical tensions, growing incidence of extreme climate changes, decreasing foreign direct investment inflows and limited fiscal space. The global economy grew at a lower rate of 3.3% in 2024 compared to 3.5% in 2023. The rise in the trade barriers and the growing uncertainties in the global policy environment are projected to weaken global growth to 3.2% in 2025, as per the International Monetary Fund. However, a tepid recovery is expected in 2026-2027. As regards world inflation, it is expected to attain 4.2% in 2025 and 3.7% in 2026.

The Mauritian Context

3.3 Given the country's open economy to trade and investment, Mauritius also will not be spared by the direct and indirect effects of the recent import tariffs and disruptions in trade patterns. The trade deficit for 2025 is forecasted at around Rs 210 billion, that is, 1% higher as compared to around Rs 208 billion in 2024, as per Statistics Mauritius. Moreover, Real GDP growth rate was 4.9% in 2024, against a previous prediction of 5.1%. This lower figure has been explained by a limited expansion rate for specific sectors, namely tourism, manufacturing and construction. It is projected to be around 3.1% in 2025.

3.4 Headline inflation rate which stood at 3.6% in 2024 is projected to reach 3.7% in December 2025 as per Statistics Mauritius. With respect to public finance, the budget deficit for Financial Year 2023/2024 was 5.7% of GDP and attained 9.5% in Financial Year 2024/2025, reflecting the shortfall in tax revenues. Moreover, the Public Sector Gross Debt stood at 88.3% of GDP in Financial Year 2024/2025 and according to the Ministry of Finance, it is expected to hover around the same rate in Financial Year 2025/2026. As far as labour market statistics are concerned, according to official sources, unemployment rate has dropped from 6.1% in 2024 to 5.9% in the 2nd Quarter of 2025.

3.5 Regarding monetary policy, as dictated by the Bank of Mauritius, the key Repo Rate was reviewed in February 2025 from 4% to 4.5% per annum, to absorb excess liquidity, correct negative interest rate differentials with the US dollar and exchange rate pressures which, among others, led to a sustained depreciation of the rupee over the past few years.

Key Challenges and Imperatives

3.6 Considering the difficult and challenging current economic situation, as depicted above, Government is deploying all means to boost the country's business climate and core fundamentals, with a view to supporting macroeconomic stability.

3.7 Moreover, in a bid to stimulate further the Mauritian economy, Government is focussing on policies and strategies that target economic renewal, a new social order and fiscal consolidation, particularly for a more sustainable public sector debt.

3.8 In parallel to the fiscal manoeuvring endeavour, structural reforms are being undertaken to increase labour market participation particularly among youth and women by tackling skills mismatches and promoting employment opportunities. Alongside, there is need for certain pressing issues to be addressed, namely containing Government expenditures, boosting tax and non-tax revenues, focussing on earmarked/designated projects, while consolidating welfare needs.

3.9 Notwithstanding the above, impending economic reforms are expected to set the economy on a sustainable long-term growth path.