Mauritius

Recent macroeconomic and financial developments

GDP growth has recovered from 2020, reaching 4% in 2021, below the initial growth forecast of 7.5%. This mixed performance is the consequence of both the partial lockdown after COVID-19 resumed in March–June 2021, which jeopardized the nascent economic recovery, and the low vaccination rate in the second quarter of 2021 (18.9%), which delayed the reopening of borders to foreign tourists. Despite this subdued growth, the public account deficit narrowed to 9% of GDP in 2021 from 15.7% of GDP in 2020, reflecting rising tax revenue and a gradual reduction of public expenditure supporting the economy. The public debt-to-GDP ratio escalated to 89% in 2021 from 73.4% in 2020 because of the large public deficit accumulated since 2019. The current account continued widening to 13.6% of GDP from 9.2% in 2020, driven by a massive external trade deficit and meager tourism revenues. International reserves increased to $7.3 billion, representing 18.2 months of imports in 2021 against 17 months in 2020. The financial sector has proven resilient, with the NPL ratio improving to 5.3% in 2021 from 6.1% in 2020. Inflation remained high at 4%, fueled by higher import prices, especially of oil and food, and an accommodative monetary policy. Average unemployment reached 10.5% in 2021, up from 6.4% in 2019. Poverty remained contained thanks to significant social safety nets.

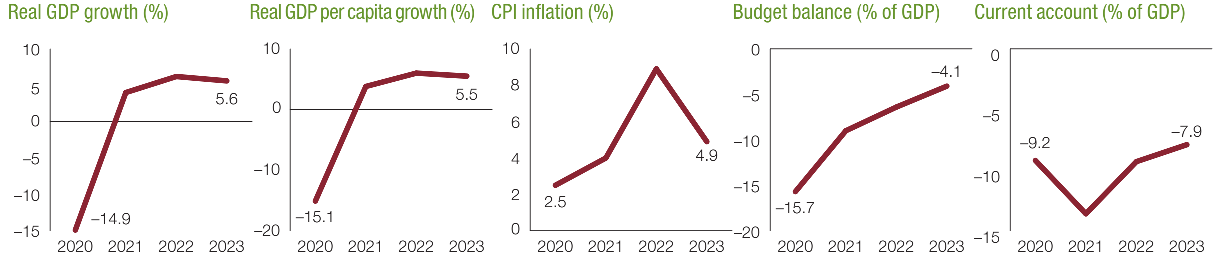
Outlook and risks

The recovery of the Mauritian economy is forecast to continue in 2022–23, with an average GDP growth expected at 5.9%. Continued improvement in the world economy combined with a high COVID-19 vaccination rate in Mauritius should support a tourism sector revitalized by the reopening of borders in October 2021 and should trigger significant effects on the rest of the real economy. The budget and the current account balance are set to benefit from this positive climate and decrease to 4.1% by 2023. Public debt is projected to fall to 87.1% in 2022 and to 82.4% in 2023. After a rise to 8.9%% in 2022 due to inflation is seen decreasing to 4.9%% in 2023 on the back of restrictive monetary policy and stabilization of world prices, though this outlook could be challenged by a worsening pandemic due to new variants and the consequences of the Russa–Ukraine conflict on commodity markets (oil, coal, and wheat).

Climate change issues and policy options

Mauritius is highly vulnerable to climate change, including extreme weather episodes (cyclones, tropical storms, and floods). According to the Global Facility for Disaster Risk Reduction, the country suffers annually over $110 million in combined direct losses from floods and tropical cyclones and $26 million in emergency costs, for an overall 1.24% of GDP in 2020. Tropical cyclones account for 80% of these losses, and 75% concern the residential and commercial sectors.

The country contributes only to 0.01% of global GHG emissions, but its carbon footprint has drastically increased from 789,354 tCO_2eq in 1975 to 4,663,585 tCO_2eq in 2020, with 75% of the footprint coming from power and transport. As part of its intended NDC commitments, Mauritius plans to reduce its GHG emissions by 30% by 2030 and has developed a green agenda focused on modernizing the national electricity grid through expanding into renewable energy using innovative technology piloted by the Mauritius Renewable Energy Agency. Mitigation and adaptation measures will cost about $4.5 billion by 2030.



Source: Data are as of April 2022 and are from domestic authorities; figures for 2021 are estimates and figures for 2022 and 2023 are projections by the African Economic Outlook team.