

Key Highlights of the Budget 2023-24

- Budget focused on three pillars -- i) Strengthening the foundation of the economy ii) Continuing the transformation of Mauritius into a sustainable economy, and iii) Building the future.
- Extension of grants and subsidies announced to encourage the development of the blue economy as well as the agricultural and livestock sector.
- Increase in Promotion and Destination Marketing budget of MTPA from MUR 400 million to MUR 500 million.
- Announced measures to achieve 60% of production from renewable energy.
- Measures to develop SMEs' capacity, healthcare, infrastructure, tourism, and education were announced.
- Removal of VAT on 15 key items of everyday consumption to increase household purchasing power.
- Abolition of the Solidarity Levy and reform of the income tax rates into a progressive scale with a top rate of 20%.
- An investment tax credit of 15% over 3 years (i.e. 45% in total) granted to manufacturing companies.
- Government expects budget measures unveiled to add 2 percentage points to GDP growth, and 40,000 extra jobs in FY24.
- Revenue and expenditure budgeted at Rs 179 billion and Rs 200 billion, respectively, taking the budget deficit to 2.9% of GDP, from 3.9% in the previous fiscal year.
- Public sector debt is estimated to go down to 79% by June 2023 (from 86.1% in June 2022) and 71.5% by end of June 2024.

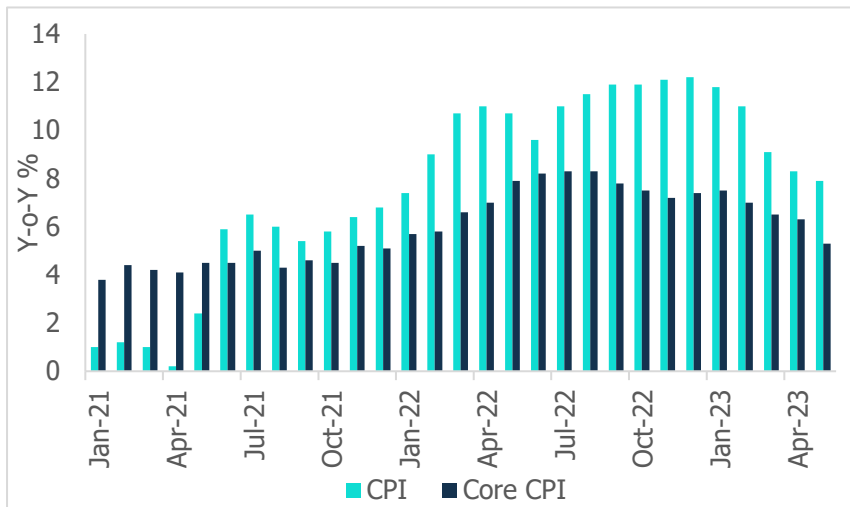
Key Highlights of Bank of Mauritius June MPC Meeting

- Bank of Mauritius unanimously decided to keep the key rate unchanged at 4.5% at the June meeting.
- Headline inflation is expected to decline to around 6.8% in December 2023, supported by an easing global supply bottlenecks and normalisation of global commodity prices, resulting in a downward adjustment of food and fuel prices. Inflation is forecasted to reach the target range of 2-5% in 2024.
- Economic growth is forecasted to be more than 6% for this year, as domestic demand is seen supported by sustained private and public sector consumption and investment spending. Budgetary measures announced are expected to provide a boost to consumption, investment, and exports while supporting the country's competitiveness.
- Current account deficit is projected to narrow to 8.3% of GDP in 2023 (from 12.2% in 2022) on account of the continued healthy performance of the tourism sector as well as a larger surplus on the income account.

Inflationary Pressures Ease in May

The consumer price index (CPI)-based inflation moderated to a 16-month low of 7.9% y-o-y in May from 8.3% in the previous month. On a sequential basis, retail inflation rose 0.2%, after a contraction of 0.1% in April. The main contributors to the change in the index between April 2023 and May 2023 were fish and other goods and services categories. Core inflation, which excludes food, beverages, tobacco, mortgage interest, energy, and administered prices, eased to 5.3% in May from 6.3% a month ago. In the calendar year so far, headline inflation has averaged 9.6%, well above the central bank forecasts of inflation within the 5-6% range for the calendar year.

Inflation Moderates to a 16-Month Low in May

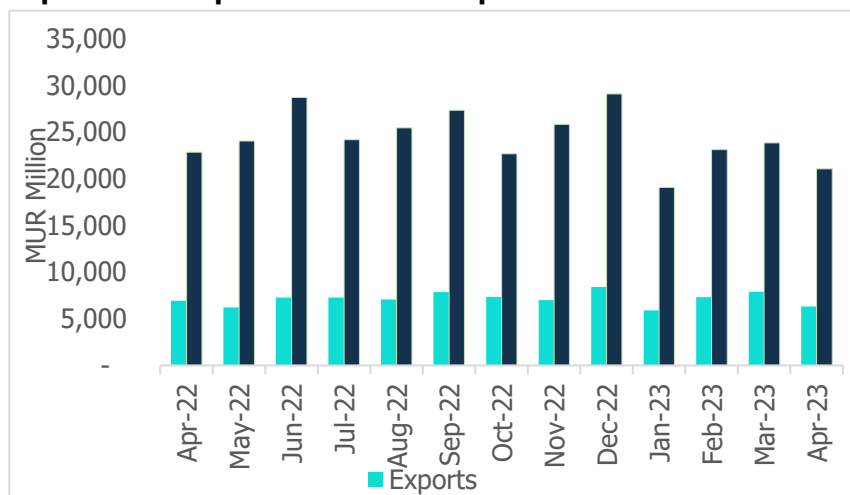


Source: CEIC; Note: Core inflation denotes data for category Core 2

Trade Deficit Narrows in April

In April 2023, the trade deficit in Mauritius narrowed to a three-month low of MUR 14.7 billion, which is 8% lower than the corresponding period last year. Exports (excluding ship’s stores and bunkers) contracted 9% y-o-y to MUR 6.3 billion. Barring the category of ‘chemical and related products’ that registered export growth of 1%, all segments witnessed a decline from the year-ago period. Meanwhile, imports declined 8% y-o-y to MUR 21 billion in April. US, France, and South Africa were the top three export destinations, while the top three import partners were China, UAE, and India. Looking forward, an extension of various schemes such as the Africa Warehousing Scheme, Freight Rebate Scheme, Trade Promotion and Marketing Scheme, and the Export Credit Guarantee Scheme announced in the Budget for FY24 is expected to further develop and diversify the export sector.

Exports and Imports Moderate in April



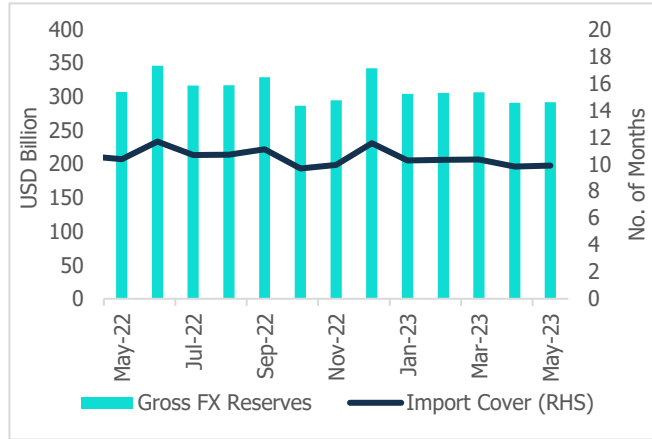
Source: CEIC; Statistics Mauritius

Forex Reserves Rise in May; Mauritian Rupee Weakens Marginally

In May 2023, the gross official international reserves in Mauritius improved to MUR 291.8 billion, rising from a seven-month low of MUR 290.9 billion reported in April. Consequently, the import cover improved to 9.9 months, from 9.8 months a month ago. This is however lower than the import cover of 10.4 months seen a year ago. Meanwhile, the Mauritian Rupee depreciated marginally (0.5%) to a monthly average of 45.8 per USD in May,

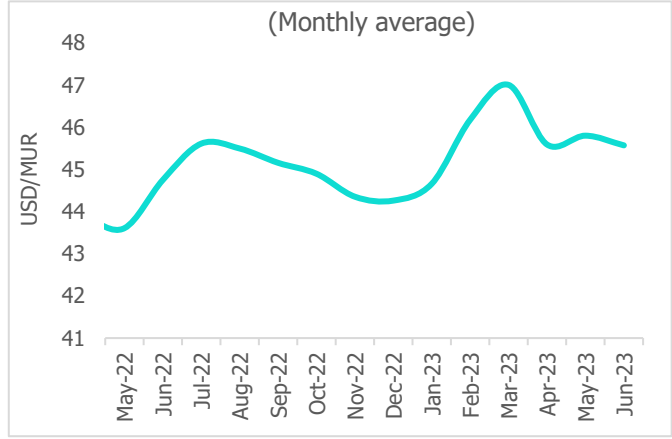
amidst a 2% gain in the dollar in the month. Bank of Mauritius intervened in the forex market via dollar sales worth USD 10 million at around MUR 45.25 levels in May to defend the local currency. MUR however remained stable in June at a monthly average of 45.6 in June. Over the past 12 months, however, the currency has weakened by over 5% against the USD.

FX Reserves and Import Cover Rise



Source: CEIC

Mauritian Rupee Stable in Jun



Source: Bank of Mauritius

Tourist Arrivals Support Economic Recovery

Tourist arrivals reached 100,030 in May, falling 8% over the previous month. Gross tourism earnings too declined in April to MUR 6.6 billion from MUR 7.4 billion a month ago. However, in the calendar year so far, tourist arrivals totalled 514,258 (January-May), 64% higher than the corresponding period of the previous year, which contributed to a 71% rise in tourism earnings. The revival in the tourism industry after two years of pandemic-led restrictions is an encouraging sign of economic recovery. Moreover, the government’s focused measures announced in the budget to develop the tourism industry along with fostering the development of sustainable tourism are expected to have a positive impact on the growth outlook for the economy. For FY24, the government has targeted 1.4 million tourists and MUR 100 billion in tourism receipts. In FY23 so far, gross tourism earnings have totalled MUR 68.5 billion.

Tourist Arrivals Dip in May

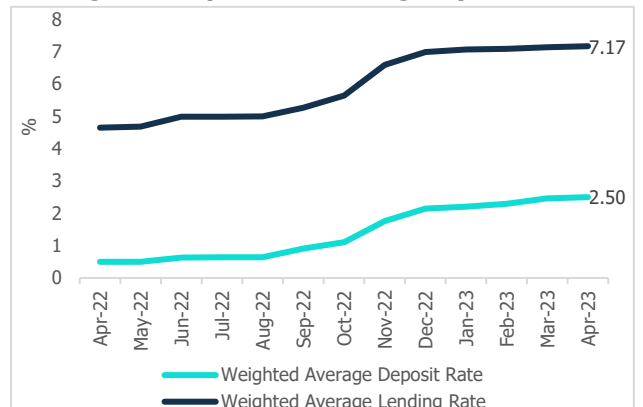


Source: CEIC; Bank of Mauritius

Interest Rates on Upward Trajectory

The weighted average lending rate increased marginally to 7.17% in April from 7.14% a month ago. During the same period, the weighted average deposit rate went up to 2.5% from 2.46%. This however compares to lending and deposit rates of 4.65% and 0.50% a year ago, reflecting the tightening of monetary policy since March 2022. Bank of Mauritius has raised its policy rate by 265 basis points to 4.50% since the start of its tightening cycle. Looking ahead, Bank of Mauritius could continue to keep its key rate on hold at 4.5%, even as inflation eases, on account of global uncertainties.

Lending and Deposit Rates Edge Up



Source: CEIC; Bank of Mauritius

Monthly Data of Key Economic Indicators

Indicators	Unit	Jan-23	Feb-23	Mar-23	Apr-23	May-23
CPI Inflation	y-o-y%	11.8	11.0	9.1	8.3	7.9
Core Inflation	y-o-y%	7.5	7.0	6.5	6.3	5.3
Key Rate	%	4.5	4.5	4.5	4.5	4.5
Exports	MUR Bn	5.8	7.3	7.9	6.3	-
Imports	MUR Bn	19.1	23.2	23.8	21.1	-
Trade Balance	MUR Bn	-13.2	-15.9	-15.9	-14.7	-
Exchange Rate	USD/MUR	44.6	46.2	47.0	45.6	45.8
Gross Official International Reserves	MUR Bn	304.2	305.9	306.6	290.9	291.8
Import cover	No. of months	10.3	10.3	10.3	9.8	9.9
Tourist Arrivals	Person	107,684	91,850	105,663	109,031	100,030
Gross Tourism Earnings	MUR Bn	8.4	6.5	7.3	6.6	-

Source: CEIC; Note: Core inflation denotes data for category Core 2; MUR=Mauritian Rupee

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