

AFRICA RISK CONSULTING

Mauritius Monthly Briefing July 2024

Mauritius Summary 31 July 2024

The rupee reaches a record low against the United States (US) dollar on 10 July, trading at 49.1666/\$ despite the Bank of Mauritius (BoM) (central bank) intervening in the domestic foreign exchange market on 8 July. India's external affairs minister, Subrahmanyam Jaishankar, arrives in Mauritius on 16 July for a two-day visit aimed at deepening cooperation between the two countries. The United Arab Emirates (UAE) and Mauritius officially sign their Comprehensive Economic Partnership Agreement (CEPA) on 22 July, which aims to increase trade, investment and private sector cooperation between the two countries.

Currency crunch

The rupee reached a record low against the **United States (US)** dollar on 10 July, trading at 49.1666/\$ despite the **Bank of Mauritius (BoM)** (central bank) intervening in the domestic foreign exchange market on 8 July. The rupee first slipped to a record low of 48.605/\$ on 9 July before reaching the new record low on 10 July.¹

The central bank announced on 8 July it would sell \$50m at Rs 49.76 each on the domestic foreign exchange market, its first intervention in three months.² However, the rupee continued to decline indicating that demand for dollars remains very high. Mauritius is a net importer of most goods, including food and fuels, and with a declining local currency, **Statistics Mauritius** expects the trade deficit will widen to Rs 200 billion (\$4.29 billion) this year.³

Local economist **Vinaye Ancharaz** reported to media outlets that the current lack of confidence in the rupee is prompting companies earning foreign currency to hold onto their currency and not sell it. Despite these issues, financial services minister **Soomilduth Bholah** said in response to a parliamentary question on 25 June that foreign currency inflows have improved since the pandemic, and that between January and mid-June, inflows exceeded outflows:

"A clear indication that there is no shortage on the market."⁴

By 11 July, the rupee had gained 0.4% but BoM governor **Harvesh Seegolam** told reporters that the central bank stands ready to intervene in the market.⁵ Seegolam also confirmed that the central bank has international gross reserves of \$8.2 billion, enough to cover 12.9 months of imports, adding that the central bank is *"not out of fire"* to intervene.⁶ Seegolam also noted that BoM will establish a desk dedicated to complaints regarding the availability of foreign currency.⁷

Mauritius is very dependent on the tourism industry to bring in foreign currency. While tourism has picked up significantly this year, until last year it was still facing challenges from the pandemic and sluggish economic growth across the **Eurozone**, its largest tourist market.⁸ This has led to a lower supply but a growing demand for forex to service its trade deficit. Notably, opposition **Parti**

¹ Bloomberg, 9 Jul 2024

² BoM, 8 Jul 2024

³ Bloomberg, 9 Jul 2024

⁴ Bloomberg, 9 Jul 2024

⁵ Bloomberg, 11 Jul 2024

⁶ Bloomberg, 11 Jul 2024

⁷ Le Mauricien, 17 Jul 2024

⁸ Le Mauricien, 17 Jul 2024

Travailleurs (PTTr) leader **Navin Ramgoolam** said the 2024/2025 budget presented last month is accommodating to citizens but does not address fundamental economic issues like the depreciating rupee (see *ARC Briefing Mauritius Jun 2024*). The depreciating rupee will lead to higher costs of imports, which could increase inflationary pressures just as inflation has cooled to 2.2% as of June. As confidence in the rupee is already low, the central bank will probably need to intervene again to avoid further depreciation and lower levels of confidence that could lead to capital flight.

Ties with India continue to grow

India's external affairs minister, **Subrahmanyam Jaishankar**, arrived in Mauritius on 16 July for a two-day visit aimed at deepening cooperation between the two countries. Jaishankar, who began his second term in the role in June, chose Mauritius as one of the first countries he would visit.⁹ Jaishankar said his decision is indicative of the "strength and depth" of Mauritius and India's bilateral ties and that his visit was an opportunity to re-emphasise India's commitment to their partnership.¹⁰

Jaishankar met with prime minister **Pravind Jugnauth** (2017-present) to discuss defence and maritime ties during his visit. In addition, Jaishankar and Jugnauth inaugurated 12 development projects that India has funded.¹¹ Jugnauth took the opportunity to praise the ties between the two countries, calling them "multidimensional and wide-ranging". He highlighted that since independence, India has assisted Mauritius with several projects including the construction of the supreme court, the airstrip and jetty on the **Agaléga** archipelago, the cybercity in **Ebène** and its metro express.¹² India's prime minister, **Narendra Modi** (2014-present), inaugurated the jetty and airstrip on 29 February (see *ARC Briefing Mauritius Mar 2024*).

In another key statement, Jaishankar confirmed that India will continue to support Mauritius with regards to the **Chagos Islands**, over which Mauritius remains in negotiations with the **United Kingdom (UK)**. In 2019, the **United Nations International Court of Justice** ruled that the UK's ongoing occupation of the Chagos Islands is illegal and that the islands rightfully form part of Mauritius. Jaishankar said India's stance is based on decolonisation and support for the sovereignty and territorial integrity of countries.¹³ India's support may become important as the negotiations between the UK and Mauritius continue to drag out. As more international attention is placed on the matter, more pressure will be applied on the UK.

UAE and Mauritius sign CEPA

The **United Arab Emirates (UAE)** and Mauritius officially signed a **Comprehensive Economic Partnership Agreement (CEPA)** on 22 July, which aims to increase trade, investment and private sector cooperation between the two countries. The agreement is the first of its kind between the UAE and an **African** country. CEPAs are a key aspect of the UAE's new national growth strategy, which targets \$1.8 trillion in total trade value by 2031, of which \$1.1 trillion will be non-oil trade. UAE foreign trade minister **Thani Al-Zeyoudi** added that the CEPA has the potential to add 1% to Mauritius' economy by 2031, making the agreement beneficial for both parties.

The UAE is seeking to tap into Mauritius' services industry through the telecommunications, travel, transport and financial services sector. The CEPA will also target the petrochemicals, heavy machinery, precious metals and food sectors, but Al-Zeyoudi confirmed that the focus for the UAE is the services sector, given that Mauritius is a financial hub that can complement the UAE's status as an economic and financial hub.¹⁴

⁹ India Express, 17 Jul 2024

¹⁰ India Express, 17 Jul 2024

¹¹ Le Matinal, 16 Jul 2024

¹² Le Matinal, 16 Jul 2024

¹³ Times of India, 17 Jul 2024

¹⁴ Bloomberg, 22 Jul 2024

The CEPA will allow investors to partake in targeted investment that the UAE anticipates will help increase foreign direct investment in these sectors. Under the agreement, Mauritius will eliminate 99% of tariffs on imports from the UAE, and the UAE will eliminate 97%.¹⁵

The CEPA will largely focus on promoting non-oil bilateral trade, which, between January and April reached \$76m, an 82.5% increase compared to the same period in 2023. Total trade in 2023 grew by 14.5% compared to 2022, reaching \$170.4m, with the UAE being the eighth-largest investor in Mauritius. This sustained trade growth alongside the \$13.2 billion invested in Mauritius made it a growing key partner for the UAE.¹⁶ The goal of the CEPA is to grow trade between the two countries to \$500m in five years.¹⁷

The CEPA allows the UAE to grow its footprint on the African continent with a country that has greater political and economic stability. To this point, Jugnauth said the agreement is not just about eliminating trade barriers but creating a better understanding and partnership that will benefit Mauritius and the wider **Gulf** region and Africa.¹⁸

Planner

Aug 2024 **Port Louis (Mauritius) United States-Mauritius Business Summit**

30 Nov 2024 **(Mauritius) General elections**

2025 **(Mauritius) Municipal elections**

Chronology

30 Jul 2024 **Port Louis (Mauritius) IOL. United Kingdom-headquartered investment migration consultancy Henley & Partners releases its **Global Mobility Report 2024 Passport Index**, ranking Mauritius as the second most powerful passport in **Africa**, with visa-free travel to 150 countries;**

29 Jul 2024 **Port Louis (Mauritius) Bloomberg. The **Competition Commission** says its investigating potential price fixing and collusion in the pharmaceutical sector;**

27 Jul 2024 **Port Louis (Mauritius) *Le Mauricien*. Opposition **Mouvement Militant Mauricien (MMM)/Parti Travailleiste (PTr)/Nouveaux Démocrates (ND)** coalition finalises its candidates for 13 constituencies ahead of the general election on 30 November;**

26 Jul 2024 **Port Louis (Mauritius) *Le Mauricien*. **Pan-African** research company **Afrobarometer** reports that 66% of Mauritians prefer democracy to any other political system compared to 85% in 2012;**

26 Jul 2024 **Port Louis (Mauritius) *All Africa*. Foreign affairs minister **Maneesh Gobin** leads a delegation to the **African Growth and Opportunity Act (AGOA) Forum** taking place in the **United States (US)**;**

24 Jul 2024 **Port Louis (Mauritius) *Defi Media*. National assembly votes to pass the **Finance Bill** without amendments;**

24 Jul 2024 **Port Louis (Mauritius) *Statistics Mauritius*. **Statistics Mauritius** reports that gross direct investment flows in Mauritius are estimated at Rs 6.4 billion (\$137.25m) in the first quarter of 2024, compared to Rs 7.2 billion (\$154.41m) in the same quarter in 2023;**

18 Jul 2024 **Port Louis (Mauritius) *Fitch*. **United States**-headquartered **Fitch Solutions** forecasts that the **Bank of Mauritius** (central bank) **Monetary Policy Committee (MPC)** will cut its repo rate by 50 basis points to 4% by end-2024 as inflation slows;**

¹⁵ Gulf Business, 23 Jul 2024

¹⁶ Gulf Business, 23 Jul 2024

¹⁷ Bloomberg, 22 Jul 2024

¹⁸ Bloomberg, 22 Jul 2024

12 Jul 2024 **Port Louis (Mauritius)** *Bank of Mauritius*. **Bank of Mauritius** (central bank) **Monetary Policy Committee (MPC)** maintains the key rate at 4.5% to contain underlying price pressures;

9 Jul 2024 **Port Louis (Mauritius)** *Le Mauricien*. **Statistics Mauritius** report that annual inflation declined to 2.2% in June from 2.9% in May;

8 Jul 2024 **Port Louis (Mauritius)** *Le Mauricien*. Opposition **Parti Mauricien Social Démocrate (PMSD)** leader **Xavier-Luc Duval** says his party will not vote in favour of the **Political Financing Bill**;

5 Jul 2024 **Port Louis (Mauritius)** *Le Mauricien*. Government appoints **United Arab Emirates**-headquartered **Sahara Energy Resources** as Mauritius' new supplier for petroleum products;

3 Jul 2024 **Port Louis (Mauritius)** *Le Mauricien*. **Statistics Mauritius** reports that exports declined by 20.7% in the first quarter of 2024 compared to the corresponding period in 2023;

2 Jul 2024 **Port Louis (Mauritius)** *Le Mauricien*. **Statistics Mauritius** revises its 2024 growth forecast upwards from 4.9% to 6.5%;

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