

AFRICA RISK CONSULTING

Mauritius Monthly Briefing December 2022

Mauritius Summary 21 December 2022

Finance minister Renganaden Padayachy announces on 30 November that all employees will receive an additional Rs1,000 (\$22.91) from January 2023, meant to assist the purchasing power of citizens. The compensation will increase the wage bill across the private sector to Rs4.2 billion (\$96.2m) in 2023, which the private sector claims will be a financial burden. The Utility Regulatory Authority approves an electricity tariff hike on 15 December that is set to come into effect on 1 February 2023. The 19-29% hike will hit medium-sized and large consumers hardest. Supermarkets say they will need to increase the price of their products, which will impact consumers. The Bank of Mauritius (BoM) (central bank) Monetary Policy Committee (MPC) meets on 14 December, raising the repo rate by 50 basis points to 4.5%, its fifth hike this year, as inflation reaches 12.1% year-on-year in November. The African Development Bank's (AfDB) board of directors approves the Mauritius Country Strategy Paper for 2022-2027 on 15 December, which aims to return Mauritius to high-income country status. Leaders from opposition parties Mouvement Militant Mauricien, Parti Mauricien Social Démocrate (PMSD), Parti Travailleurs (PTr) and le Rassemblement mauricien meet on 16 December to discuss the upcoming municipal elections, scheduled for 2023. Opposition parties continue to apply pressure on the government to hold the municipal elections, which has yet to confirm the date of the elections.

Government announces salary compensation

Finance minister **Renganaden Padayachy** announced on 30 November that all employees will receive an additional Rs1,000 (\$22.91) from January 2023, meant to assist the purchasing power of citizens.¹ The decision came after several weeks of consultation with various stakeholders, including the private sector, represented by **Business Mauritius**, an independent business organisation, which had proposed wage compensation of Rs 600 (\$13.75). The compensation will increase the wage bill across the private sector to Rs4.2 billion (\$96.2m) in 2023, which the private sector argues will be a financial burden.² Many companies are still recovering financially from the **Covid-19** pandemic and will be unable to carry the additional costs, leaving the government to assist.

Business Mauritius executive director **Kevin Ramkaloan** told the media following the announcement that labour-intensive sectors and certain small-medium enterprises (SMEs) will need support from the government.³ Padayachy noted that the government will offer support and that Rs50m (\$1.14m) has already been set aside for SMEs, but the sustainability of the government offering this assistance is questionable given Mauritius' already high levels of public debt, last recorded at 85.2% of gross domestic product (GDP) in September.

Opposition **Parti Mauricien Social Démocrate (PMSD)** leader **Xavier-Luv Deval** did not focus on the funding of the compensation, but instead claimed that the compensation is too little. Deval argued that with inflation running at 10.7%, the compensation is not enough, placing the population at risk of becoming poorer.⁴ Deval's argument is based on forecasts that inflation in Mauritius has not yet

¹ L'Express, 30 Nov 2022

² Le Mauricien, 1 Dec 2022

³ L'Express, 30 Nov 2022

⁴ L'Express, 7 Dec 2022

peaked, as the rupee continues to depreciate and the impacts of **Russia's** invasion of **Ukraine** continue being felt, risking higher inflation levels in 2023.

Electricity costs to increase in February

The **Utility Regulatory Authority** approved an electricity tariff hike on 15 December that is set to come into effect on 1 February. The increase will be across the board, however, those who use fewer than 300 units will be exempt, which exempts approximately 85% of the residential population.⁵ Medium-sized and large consumers will be hardest hit by the 19-29% hike, including establishments such as supermarkets. The increase will have a knock-on effect, as supermarkets have already said they will need to increase the price of their products, which will impact the consumer.⁶ Supermarket owners are also worried that their suppliers may increase their prices, as storing cold goods in a warehouse will now also be more expensive.

Energy and public utility minister **Joe Lesjongard** told the media on 16 December that the hike is necessary given the Rs 2.5 billion (\$57.2m) deficit the **Central Electricity Board (CEB)** has experienced over the past four months.⁷ The decision has nevertheless drawn criticism, as the poor financial situation in which the CEB finds itself is largely self-inflicted. The utility has traditionally been financially sound and with low fuel prices between 2014 and 2019, was able to produce solid profits. In 2016, the CEB launched three subsidiaries – **CEB FiberNET**, **CEB Facilities** and **CEB Green Energy**.⁸ Each subsidiary was granted Rs265.4m (\$6m) in addition to investment from the CEB; however, the subsidiaries have failed to become profitable and CEB indicated in its 2020/2021 annual report that two of the subsidiaries would be unable to repay the loan. CEB Green Energy was re-absorbed by CEB, and the other two companies are described by opposition deputy **Patrick Assirvaden** as “phantom companies”.⁹

The CEB aims to raise Rs4 billion (\$91.6m) by 2025 in an effort to consolidate its revenues, however, its strategy will shift costs onto consumers who are already facing inflationary pressures.¹⁰

Environmentalist **Vassen Kauppamuthoo** has also voiced concern over the CEB's lack of available funds to help Mauritius' energy transition to renewables.¹¹ This would be a more sustainable finance strategy, as the CEB would not be reliant on oil and coal, which make it sensitive to the commodity shocks seen this year.¹²

Central bank raises interest rate while launching a new framework

The **Bank of Mauritius (BoM)** (central bank) Monetary Policy Committee (MPC) raised the repo rate by 50 basis points to 4.5% at its 14 December meeting, its fifth hike this year. The MPC has raised the repo rate by a combined 265 points this year to fight rising inflation.¹³ The **Central Bureau of Statistics (CBS)** published the latest inflation data on 7 December, which showed that inflation reached 12.1% year-on-year in November, up from 11.9% in October.¹⁴ The CBS report lists housing, water, electricity, gas and other fuels as the largest contributor to the higher inflation rate.

BoM governor **Harvesh Seegolam** said the hike in the repo rate was necessary, as it aligns with the MPC's policy approach throughout 2022. Seegolam noted that the BoM has implemented other measures throughout the year to ease inflationary pressures, including the allowance of flexible restructuring of customers' loan facilities with banks and debt servicing. The MPC further noted that while the factors driving up prices globally are easing, economic indicators, including the Purchasing

⁵ Defimedia, 16 Dec 2022

⁶ Defimedia.info, 20 Dec 2022

⁷ Defimedia, 16 Dec 2022

⁸ Defimedia, 19 Dec 2022

⁹ Defimedia, 19 Dec 2022

¹⁰ Defimedia, 19 Dec 2022

¹¹ Defimedia, 19 Dec 2022

¹² ARC Mauritius analyst

¹³ L'Express, 15 Dec 2022

¹⁴ Central Bureau of Statistics, 7 Dec 2022

Manager's Indices (PMI) show that a slowdown in economic activity can be expected at the start of 2023, necessitating the move to raise the repo rate.¹⁵ The BoM expects the inflation rate to ease towards the latter half of the year and reach a range of between 5% and 6%.

The MPC also announced after its meeting that it maintains its economic growth forecast for Mauritius at 7% for 2022 and 5% in 2023 but noted that these figures are subject to global uncertainties. Economic growth in 2022 has largely been spurred by the tourism industry, which has generated \$1 billion in revenue thus far thanks to 870,000 tourist arrivals recorded by 15 December.¹⁶

The MPC's meeting was also an opportunity to announce that a new monetary policy will be implemented from January 2023, aimed at targeting inflation in a "*flexible manner*". The new framework has set a target range of between 2% and 5%, with the goal of achieving an inflation rate of 3% in the medium term. The BoM, in line with the new policy, began issuing a '7-Day Bank of Mauritius Bill' to banks in August, outlining the new policy and helping to improve the monetary policy transmission mechanism.¹⁷

African Development Bank approves Mauritius programme

The **African Development Bank's (AfDB)** board of directors approved the **Mauritius Country Strategy Paper** for 2022-2027 on 15 December, which has the objective of returning Mauritius to high-income country status. The AfDB outlines in the paper that it will help Mauritius build economic resilience by improving the business environment and high value-added production.¹⁸ Economic diversification will be a focal point, creating a more productive, sustainable, inclusive and resilient economy. The sectors the AfDB believes can promote this include agriculture, information and communication technology and the blue economy.¹⁹

The **World Bank** classified Mauritius as a high-income country on 1 July 2020 but on 1 July 2021, the country returned to middle-income status, because of the outfall of the Covid-19 pandemic. The government has since announced its aim to return to high-income status by 2030, which the AfDB states in its report will be the focus of its support to Mauritius.

Municipal elections momentum starts building

Leaders from opposition parties **Mouvement Militant Mauricien**, **PMSD**, **Parti Travailleiste (PTr)** and **le Rassemblement mauricien** held a meeting on 16 December to discuss the upcoming municipal elections, scheduled for 2023. The leaders told the press after the meeting that the focus was ensuring free and fair elections, analysing the risks of electoral fraud and discussing how to mitigate them.²⁰ PTr leader **Navin Ramgoolam** told the media that the opposition parties will meet with the electoral commissioner in the new year to confirm the date of the municipal elections and voice any concerns the opposition parties may have.²¹

The municipal elections were initially scheduled to take place in June 2021, but the Covid-19 pandemic necessitated a delay to June 2022. However, prime minister **Pravind Jugnauth** announced in April that lingering Covid-19 restrictions would delay the election to June 2023.²² This date has not yet been confirmed. The opposition claims that the government keeps delaying the elections due to its declining popularity. The ruling **Mouvement Socialiste Militant (MSM)** party is expected to lose several municipalities in the 2023 local elections.

¹⁵ Le Mauricien, 14 Dec 2022

¹⁶ L'Express, 15 Dec 2022

¹⁷ L'Express, 15 Dec 2022

¹⁸ Defimedia.info, 20 Dec 2022

¹⁹ Maurice-info.mu, 19 Dec 2022

²⁰ Le Mauricien, 17 Dec 2022

²¹ Le Mauricien, 17 Dec 2022

²² Le Matinal, 15 Apr 2022

Planner

2023 **(Mauritius)** Municipal elections

2024 **(Mauritius)** General election

Chronology

21 Dec 2022 **Port-Louis (Mauritius)** *Le Mauricien*. Judicial and legal service commission appoints **Rashid Ahmine** as director of public prosecutions;

20 Dec 2022 **Port-Louis (Mauritius)** *Le Mauricien*. The **Bank of Mauritius** (central bank) reports that gross official international reserves increased by Rs 7.9 billion from Rs 286.8 billion in October to Rs 294.7 billion in November;

20 Dec 2022 **Port-Louis (Mauritius)** *Maurice-info.mu*. **Central Water Authority** implements regulations banning the watering of gardens and cleaning with large amounts of water due to ongoing drought;

13 Dec 2022 **Port-Louis (Mauritius)** *Agence Ecofin* Government plans to issue \$1 billion in social impact bonds to raise funding for renewable energy production and transition plans to greener transport;

13 Dec 2022 **Washington (United States)** *Le Express*. Prime minister **Pravind Jugnauth** arrives in the **United States** for the **US-Africa Leaders Summit**;

9-11 Dec 2022 **Balaclava (Mauritius)** *RFI*. **Mauritius** hosts the **2022 African Economic Conference**, jointly organised by the **African Development Bank**, **United Nations Development Programme** and **Economic Commission for Africa**;

6 Dec 2022 **Ebène City (Mauritius)** *Business Wire*. **Financial Services Commission Mauritius** grants the first-ever digital securities trading systems licence under the **Mauritius Securities Act of 2005** to the **Mauritius Block Exchange (BEX)**;

1 Dec 2022 **New Delhi (India)** *Le Mauricien*. **India**, which assumed the presidency of the **G20**, invites **Mauritius** to join the G20's meeting as a guest country;

1 Dec 2022 **Flic-en-Flac (Mauritius)** *la1ere.francetvinfo.fr*. **Mauritius**, **Comoros**, **Madagascar**, **Seychelles** and **Reunion** adopt the resilience of the coastal ecosystems of the South-West of the Indian Ocean (RECOS) project aimed at bringing together knowledge and funds for the preservation of coastal ecosystems;

30 Nov 2022 **Port-Louis (Mauritius)** *Agence Ecofin*. **African Development Bank** ranks **Mauritius** as the fifth most industrialised economy in **Africa**;

30 Nov 2022 **Port-Louis (Mauritius)** *Le Express*. **Statistics Mauritius** indicates tourist arrivals reached 638,332 in the first nine months of 2022, compared to 9,460 for the same period in 2021;

30 Nov 2022 **Lomé (Togo)** *Togo First*. **Togo's** President **Faure Gnassingbe** meets with **Dhanesswornath Vikash Thakoor**, CEO of the **National Financial Services Commission of Mauritius**, to discuss increasing economic cooperation;

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Please contact us by email info@africariskconsulting.com or call + 44 (0) 20 7078 4080

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