

AFRICA RISK CONSULTING

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Mauritius Summary 28 June 2024

Finance minister Renganaden Padayachy presents the 2024/2025 budget to the National Assembly on 7 June, the last budget of the current government's mandate. The budget focuses on social spending in a bid to shore up support ahead of the general election expected in November. Three executives of opposition party Rezistans ek Alternativ (ReA) meet with opposition Parti Travailleurs (Ptr) leader Navin Ramgoolam and opposition Mouvement Militant Mauricien (MMM) leader Paul Bérenger on 27 June to discuss the possibility of ReA joining the alliance between Ptr, MMM and smaller opposition party Nouveaux Démocrates (ND) ahead of the elections. The International Monetary Fund (IMF) executive board completes its appraisal of Mauritius' 2024 Article IV consultation, publishing its press release on 28 May.

2024/2025 budget presented

Finance minister **Renganaden Padayachy** presented **Mauritius' 2024/2025 budget** to the **National Assembly** on 7 June, the last budget of the current government's mandate. The budget is still being debated in the National Assembly. The budget focuses largely on social protection and the restoration of Mauritians' purchasing power following economic shocks including the **Covid-19** pandemic and high inflation.¹ The budget aims to do this through subsidies and increasing social benefits.

One key social benefit discussed was pensions. In January, prime minister **Pravind Jugnauth** (2017-present) announced pensions would increase with immediate effect from Rs 12,000 (\$254.35) to Rs 13,500 (\$286.15). Padayachy announced in the budget speech that pensions would increase again in July to Rs 14,000 (\$296.74) and again in January 2025 to Rs 15,000 (\$317.94).² Pensioners comprise over 20% of the population, making pensions a key issue ahead of the general election, expected in November.

The budget also increases guaranteed minimum household income from Rs 15,000 (\$317.94) to Rs 20,000 (\$423.92) per month, meaning that if household income is below Rs 20,000, the government will top it up to reach this level.³ A monthly maternity allowance of Rs 2,000 (\$42.39) for nine months was introduced, while the monthly child allowance increases to Rs 2,500 (\$52.99) from birth to three years of age, and a monthly school allowance of Rs 2,000 (\$42.39) is introduced for all children aged three to ten years.⁴ Parents who have children in private school education will be eligible for a tax deduction of up to Rs 60,000 (\$1,271.76) per child.

The budget also addresses longer-term challenges, including climate change.⁵ Government has previously forecast that Mauritius will need Rs 300 billion (\$6.35 billion) to adapt and address the impacts of climate change by 2030.⁶ In line with this, the budget has introduced a **Corporate Climate Responsibility Levy** of 2% on profits for companies with turnover above Rs 50m (\$1.05m).⁷ This will be used to support national initiatives to combat the effects of climate change. The budget forecasts that this tax will contribute Rs 5 billion (\$105.97m). The government will also create a **Climate and**

¹ KPMG, 7 Jun 2024

² Fitch Solutions, 10 Jun 2024

³ Fitch Solutions, 10 Jun 2024

⁴ KPMG, 7 Jun 2024

⁵ KPMG, 7 Jun 2024

⁶ Bloomberg, 7 Jun 2024

⁷ KPMG, 7 Jun 2024

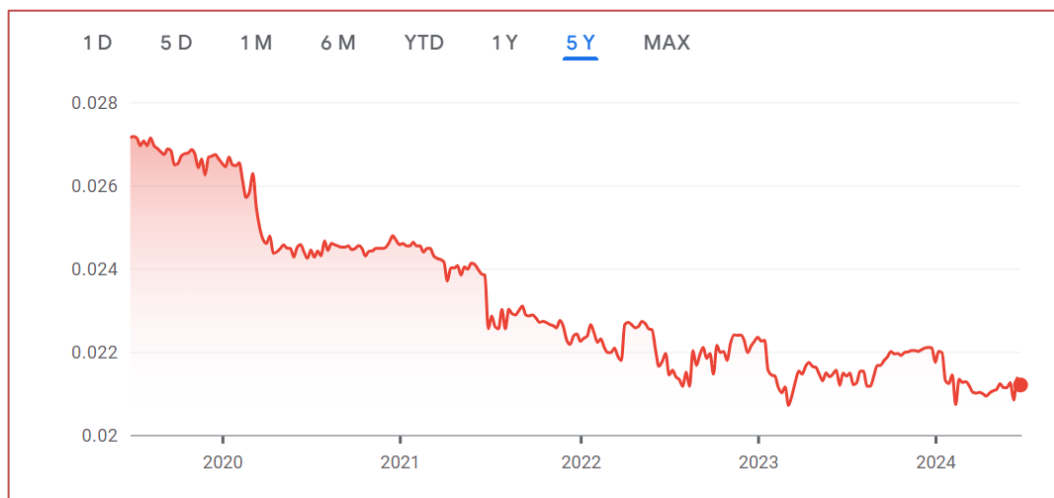
Sustainability Fund, allocating Rs 3.2 billion (\$67.82m) from the budget to the fund. Despite these measures, the government will fall short of the estimated Rs 300 billion required to address the impact of climate change.

The budget forecasts economic growth of 6.5% in the coming financial year, with revenue of Rs 210.5 billion (\$4.46 billion) projected against expenditure of Rs 237.3 billion (\$5.02 billion). This will create a budget deficit of 3.4% of GDP, an improvement from 3.9% in the 2023/2024 financial year. However, **United States (US)**-based credit rating agency **Fitch Solutions** has forecast that the government will overspend as it has over the last five years.⁸ Fitch forecasts spending of Rs 241.5 billion (\$5.11 billion) and notes that the government has overspent even more in election years.

The increased focus on social benefits in an election year is expected, especially given the external factors that have impacted citizens.⁹ However, increased social welfare spending sets a precedent and future governments will need to ensure economic growth and revenues increase accordingly or face a scenario of increased borrowing to finance the budget.

Opposition **Parti Travalliste (PTr)** leader **Navin Ramgoolam** said the budget is accommodating citizens but does not address fundamental economic issues such as the depreciating rupee.¹⁰ The rupee depreciated 24% against the US dollar between 2020 and 2023, prompting the **Bank of Mauritius** (central bank) to intervene in the forex market eight times in 2023.¹¹ As Mauritius relies on imports, a weak currency increases the cost of living.

Mauritian Rupee to United States Dollar



Source: Google Finance

Alliance talks continue

Three executives of opposition party **Rezistans ek Alternativ (ReA)** met with PTr leader Navin Ramgoolam and opposition **Mouvement Militant Mauricien (MMM)** leader **Paul Bérenger** on 27 June to discuss the possibility of ReA joining the alliance between PTr, MMM and smaller opposition party **Nouveaux Démocrates (ND)** ahead of the November elections. While nothing was decided, ReA executive **Ashok Subron** confirmed that issues such as constituency seats were discussed.¹²

The national assembly comprises 70 members, of which 62 are directly elected in 21 constituencies for a five-year term. There are 20 districts in Mauritius, each with three seats, and one district

⁸ Fitch Solutions, 10 Jun 2024

⁹ KPMG, 7 Jun 2024

¹⁰ Le Mauricien, 24 Jun 2024

¹¹ Business Mauritius, 29 Mar 2024

¹² Le Mauricien, 27 Jun 2024

representing **Rodrigues Island**, which has two seats. The **Electoral Supervisory Commission** appoints a further eight members. To ensure ethnic diversity, the electoral commission awards seats to the unsuccessful candidates who received the highest number of votes.¹³

The national assembly elects the president and vice president. The president in turn appoints the prime minister.¹⁴ The ruling **Mouvement Socialiste Militant (MSM)** currently has 28 seats in the national assembly, the PTr 14 seats, the MMM eight seats and the **Organisation du Peuple Rodriguais** two seats.

Mauritian politics has been dominated by two families – the Jugnauth family, tied to the ruling MSM and the Ramgoolam family, tied to the PTr. Between them, the two families have held the prime ministership for 54 years. Mauritius has been an independent country for 56.¹⁵ The political sphere in Mauritius tends not to change significantly, with Bérenger running in his 12th general election.

This environment has led to the formation of several alliances over the years. The PTr and MMM campaigned together in 1995 and 2014, but the MMM allied with the MSM in 2000. In 2005, an extended alliance was formed between five political parties, led by the PTr.¹⁶ In the 2019 election, no alliance was formed between the three main parties. The PTr-MMM alliance faced a significant defeat in the 2014 election, but the parties have decided to set aside any historical tensions this year. Bérenger acknowledged that this is necessary for a system that imposes alliances.¹⁷ Under the current alliance, which was formally established in July 2023, Ramgoolam would have the prime minister position and Bérenger would assume the foreign minister position. The MSM has not announced any alliance yet, but this cannot be ruled out.

IMF executive board completes Article IV consultation appraisal

The **International Monetary Fund (IMF)** executive board completed its appraisal of Mauritius' 2024 **Article IV** consultation, publishing its official press release on 28 May. The IMF executive board agreed with the outcome of the consultation, held in January (*see ARC Briefing Mauritius Feb 2024*). The consultation highlighted Mauritius' strong economic recovery post-pandemic, with economic growth estimated at 7% in 2023. The IMF has projected economic growth of 4.9% in 2024 and 3.5% in the medium term. Inflation is also expected to ease to an average of 4.9% in 2024 and 3.5% by 2027.¹⁸

The IMF executive board strongly recommended that the government focus on building fiscal and external buffers, as risks such as the **Russia-Ukraine** conflict remain. The board also highlighted the need for reforms to help the country cope with its ageing population and the impacts of climate change. While this was addressed in the 2024/2025 budget, concerns remain (see above).

Deputy prime minister **Steven Obeegadoo** on 3 June welcomed the executive board's report, which noted that the economy had rebounded on the back of "*buoyant tourism revenue, social housing construction and financial services*".¹⁹ Obeegadoo emphasised that the IMF report indicates a positive outlook despite opposition criticism. This rhetoric is likely to continue as the election draws closer.

¹³ Election Guide, accessed 28 Jun 2024

¹⁴ Election Guide, accessed 28 Jun 2024

¹⁵ Jeune Afrique, 23 Jun 2024

¹⁶ Jeune Afrique, 23 Jun 2024

¹⁷ Jeune Afrique, 23 Jun 2024

¹⁸ IMF, 28 Jun 2024

¹⁹ Le Mauricien, 3 Jun 2024

Planner

Jun – Jul 2024 **Port Louis (Mauritius) Bank of Mauritius (BoM)** (central bank) **Monetary Policy Committee (MPC)** quarterly meeting

18 – 19 Jul 2024 **Port Louis (Mauritius) India-Africa Entrepreneurship & Investment Summit**

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

Nov 2024 **(Mauritius)** General elections

2025 **(Mauritius)** Municipal elections

Chronology

28 Jun 2024 **Port Louis (Mauritius) *Le Mauricien***. President of the **Mouvement Militant Mauricien (MMM)** women's wing, **Rouma Bahadoor**, resigns reportedly because she was not assigned a constituency seat to run for in the upcoming election;

24 Jun 2024 **Port Louis (Mauritius) *Bloomberg***. France-headquartered telecommunications company **Orange** is considering selling its 40% stake in **Mauritius Telecom**, as it is not a core asset;

19 Jun 2024 **Port Louis (Mauritius) *Business Insider Africa***. **United Kingdom**-headquartered **Henley & Partners** reports that Mauritius is one of the top eight havens for millionaires worldwide, describing a haven as a sovereign state with high levels of safety and security that is largely shielded from global political and economic problems;

18 Jun 2024 **Port Louis (Mauritius) *Defi Media***. **Bank of Mauritius** (central bank) says a recent survey indicates eight out of ten operators expect inflation to fall below 6% this year;

13 Jun 2024 **Port Louis (Mauritius) *BBC***. **Crawley Borough Council** in the **United Kingdom (UK)** confirms it has set up 'emergency shelter' at a leisure centre to accommodate an increased number of **Chagos Islanders** who arrived in the UK on 10 June without accommodation arrangements. The UK government launched a British citizenship route for people of Chagossian descent in November 2022 which qualifies them for a UK passport;

14 Jun 2024 **Port Louis (Mauritius) *Defi Media***. National assembly speaker **Sooroojdev Phokeer** suspends leader of the opposition **Arvin Boolell** for making unwarranted remarks during an announcement;

9 Jun 2024 **Port Louis (Mauritius) *The Print***. Prime minister **Pravind Jugnauth** arrives in **India** to attend prime minister-elect **Narendra Modi**'s inauguration;

6 Jun 2024 **Port Louis (Mauritius) *Le Mauricien***. Blue economy, marine resources, fisheries and shipping minister **Sudheer Maudhoo** announces the creation of the **National Blue Carbon Task Force** which will bring together stakeholders and work on capacity building and nature-based solutions to tackle climate change;

4 Jun 2024 **Port Louis (Mauritius) *Le Mauricien***. **United Kingdom**-headquartered **Oxford Insights'** **AI Readiness Index 2023** ranks Mauritius as the number one **African** country best prepared to use artificial intelligence (AI);

3 Jun 2024 **Port Louis (Mauritius) *Le Mauricien***. **Office of the Election Commissioner (OEC)** reports that 1,004,000 Mauritians have registered to vote;

30 May 2024 **Port Louis (Mauritius) *Le Mauricien***. **Statistics Mauritius** confirms the trade deficit widened by Rs 46.4 billion (\$983.49m) in the first quarter of 2024, a 15.9% increase compared to 2023, and estimates that the trade deficit for the year will reach Rs 200 billion (\$4.2 billion);

29 May 2024 **Port Louis (Mauritius) *IDEA***. Sweden-headquartered **Institute for Democracy and Electoral Assistance** and Mauritius' **Office of the Election Commissioner (OEC)** hold a workshop to strengthen capacity ahead of the November elections.

About Africa Risk Consulting:

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