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AFRICA RISK CONSULTING

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Mauritius Summary 29 July 2026

Public debate deepens over the public pension reform prime minister Navinchandra Ramgoolam (2024-present) introduced during the 2026/27 budget speech in June. While Ramgoolam subsequently scrapped the pension reform, the fiscal pressure this leaves on the budget remains while also highlighting demographic challenges Mauritius is facing. The International Monetary Fund (IMF) releases its annual Article IV report giving a comprehensive overview of the economy. The IMF report commends Mauritius' overarching economic stability but critically highlights the increasing budget and fiscal deficit and increasing public debt. This mounting public debt has had spillover effects on the broader economy, with government opting to increase corporate taxes, undermining Mauritius' reputation as a low-tax gateway for cross-border capital.

Public debate deepens over the pension reform

Public debate has intensified after prime minister **Navinchandra Ramgoolam**'s (2024-present) announcement during the 2026/27 budget speech that government would be reforming the public pension system, with public intellectuals going as far as calling the decision a demographic crisis. The government's rationale for pension reform is grounded in demographic and economic logic as the current structure, the **Basic Retirement Pension (BRP)**, introduced as a universal non-contributory entitlement in 1950, has grown from consuming 9.6% of government recurrent expenditure in 2010 to 24.5% in 2024/25. In addition, since 1950, Mauritius' fertility rate has declined to 1.34, well below the replacement rate of 2.1, and life expectancy has also risen which has caused the country's worker-to-pensioner ratio to deteriorate rapidly.

To support the government's concern over the current public retirement structure, the **International Monetary Fund's (IMF) July 2026 Article IV** consultation reinforced this urgency in unambiguous terms (see below). The IMF underscored the need to step up fiscal consolidation to place public debt on a declining path and rebuild fiscal buffers, emphasising the importance of containing current spending including through pension reforms, while protecting the most vulnerable through temporary and well-targeted support. With public debt projected to remain elevated at approximately 88% of GDP, the IMF's call for pension reform reflects a structural imperative rather than ideological preference.

However, the government's implementation strategy has triggered a political crisis that fundamentally undermined the reform's legitimacy *(*see *ARC Briefing Mauritius Jun 2026*). For the average citizen, a pension is not a budget line item, it is a deferred social right. When the 2026/27 budget proposed replacing the universal BRP with a means-tested **State Age Pension (SAP)**, citizens perceived it as a betrayal of a social contract embedded in Mauritius. Trade unions, civil society organisations, and opposition parties mobilised rapidly, with citizens marching in **Port Louis** on 11 July to express their dissatisfaction with the pension reforms. Within days of the budget announcement Ramgoolam was forced to declare that the SAP would be scrapped. The fiscal cost to the economy of abandoning the SAP is approximately Rs 6.2 billion ($128m).

Critically, the government's retreat does not diminish the fiscal reality underpinning the reform. Demographic trends are unyielding, and the need for reform will not dissipate. The IMF estimates that increasing the retirement age to 65 could reduce expenditure by 1.7% of GDP, which is critical for public finances. In May, **United States (US)**-headquartered **Moody**'s affirmed Mauritius' Baa3 credit rating, but assigned it a negative outlook, citing the increasing debt burden.

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While there is no publicly agreed upon alternative for the prime minister's suggested SAP reform, some alternative approaches have emerged. Commentators and economists have proposed a phased retirement age increase with more generous transitional provisions for physically demanding occupations such as the sugar industry and transport workers. Others advocate moderating pension increases to align with inflation rather than political cycles and strengthening the contributory **National Pensions Fund**'s investment returns - which averaged approximately 5.8% nominally between 2019 and 2024 but approached zero in real terms after inflation and currency depreciation.

The IMF has recommended complementary labour market policies including increasing female and youth workforce participation and retraining older workers, recognising that delaying retirement age is politically untenable without parallel measures addressing age discrimination in hiring. The challenge for 2026 remains unchanged: Mauritius must forge a new social contract through transparent, consultative policymaking before demographic headwinds render its fiscal options even more constrained.

The IMF releases its 2026 Article IV review of the economy

The IMF released its Article IV consultation report on 15 July, in which it acknowledged the economy's resilience and identified persistent structural vulnerabilities that the budget, which Ramgoolam presented on 19 June and focused on fiscal consolidation and economic transformation, only partially addresses.

During the budget's delivery it was projected that the island would reach a budget deficit of 3.7% for 2026/27, with a medium-term target of 3% by 2027/28, a meaningful improvement from the 6.5% primary fiscal deficit recorded in 2024/25 financial year. During the budget the government cited encouraging economic indicators such as GDP growing by 3.2% in 2025, the unemployment rate declining to 5.7%, inflation easing to 3.7%, and gross foreign currency reserves reaching a record $10.3 billion. The budget's growth strategy centres on artificial intelligence and digitalisation, start-up incentives, port infrastructure modernisation, and blue economy development, all of which positions Mauritius as a technology-driven investment destination for the medium term.

While the IMF acknowledged the positive overarching economic indicators, it underscored the need to step up fiscal consolidation to place public debt on a declining path and rebuild fiscal buffers, emphasising the importance of containing current spending including through pension reforms. Critically, the IMF flagged that the overall budget deficit increased to 7.1% of GDP in 2025, exceeding the 4.7% projected in the 2025 Article IV consultation report, with inflation projected to rise sharply to 6.4% year-on-year by end-2026 due to **Middle East** conflict spillovers. Finally, the IMF further urged the **Bank of Mauritius (BoM)** (central bank) to pursue greater exchange rate flexibility as a shock absorber and to limit foreign exchange intervention, a recommendation directly at odds with the BoM's historical pattern of market intervention documented.

Comparing the 2025 and 2026 Article IV assessments reveals modest progress alongside persistent concerns. In 2025, the IMF identified public debt at approximately 88% of GDP, a 6.5% primary fiscal deficit, and called for fiscal consolidation. By 2026, the primary fiscal deficit has narrowed to 3.5% of GDP which is a meaningful improvement largely driven by higher revenues from the **Fair Share Contribution**, an additional tax to high earners and wealthy corporations, rather than expenditure containment. However, public debt remains elevated at around 86-88% of GDP, well above the 58% Baa3-rated peer median, with no clear downward trajectory. The 2025 consultation explicitly called for pension system reform as key to fiscal sustainability with the 2026 consultation repeating this call. The 2026 consultation further reflected that the government's pension reform retraction effectively stalled one of the IMF's primary consolidation recommendations.

The IMF's 2026 structural priorities, which includes mobilising underutilised labour resources, strengthening skills frameworks, reviving productivity growth, reducing structural bottlenecks, and advancing climate adaptation, mirrors the IMF's 2025 recommendations almost identically, suggesting limited implementation progress. A notable new emphasis in 2026 concerns the BoM's independence – the IMF urged safeguarding BoM independence, directly referencing the governance turbulence. While the budget's announcement of a new central bank act and **Banking Act** represents a legislative step toward strengthening regulatory frameworks, the IMF's continued insistence on institutional independence signals that passing legislation is insufficient without demonstrable operational autonomy.

The government's growth ambitions remain credible on paper, but the combination of a widening current account deficit, elevated debt, abandoned pension savings, and persistent institutional weaknesses suggests Mauritius' fiscal consolidation trajectory remains fragile and heavily dependent on external economic conditions remaining favourable.

High public debt has spillover effects on the tax frameworks

Mauritius' persistent budget deficit is generating cascading economic consequences that extend beyond government finances into the island's core competitive advantage as an international financial centre. In an attempt to close the fiscal gap, the government has introduced successive waves of corporate tax legislation across the 2025/26 and 2026/27 budgets that are fundamentally altering Mauritius' low-tax value proposition.

The specific legislative measures driving this shift includes a measure introduced in the 2025/26 budget, the 15% Qualified Domestic Minimum Top-up Tax (QDMTT), targeting multinational enterprises with annual revenues exceeding €750m($852m). The second significant tax structure is the Fair Share Contribution, also introduced in 2025/26, which is a surcharge on profits of companies and high-income individuals but was replaced by a 35% top income tax band in 2026/27. Finally, a legacy tax structure of the previous administration introduced in the 2024/25 budget is the 2% Corporate Climate Responsibility levy. Cumulatively, these measures have dramatically altered the effective tax burden on financial institutions operating in Mauritius. Industry estimates indicate that the effective tax rate for foreign-owned banks has risen from 4.7% to 22%, while key domestic banks now face a rate of 32% compared to 18% prior to the reforms.

According to United States-headquartered **Moody**'s vice president **Christos Theofilou**, in an interview with **Bloomberg**, these higher taxes have produced lower distributions to the population overall, impacting both the corporate sector and households simultaneously. The core tension the government has not yet resolved is that the fiscal consolidation measures necessary to avert a Moody's credit rating downgrade are simultaneously eroding the competitive foundations that sustain Mauritius' financial services sector, which contributes approximately 14% of GDP.

While Moody's expects bank profitability to remain solid given robust core capital reserves of 18.4% against a 6.5% regulatory minimum, profitability will nonetheless decline as higher taxes compress margins. For foreign banks operating Mauritius-based subsidiaries the legislative changes represent a direct and material operational risk, raising questions about the long-term viability of Mauritius as a cross-border investment platform.

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26-29 Jul 2026 **(Mauritius) 18th United States-Africa Business Summit**

Chronology

23 Jul 2026 **Port Louis (Mauritius)** *IMF.* Prime minister **Navinchandra Ramgoolam** receives a visit from an **International Monetary Fund (IMF)** delegation to undertake an assessment of the country's customs administration in a bid to review existing procedures and identify measures to enhance efficiency;

22 Jul 2026 **Port Louis (Mauritius)** *Government Information Services.* Mauritius becomes the 70th signatory to the **Artemis Accords**, an international framework of non-binding principles for the peaceful and responsible exploration and use of outer space;

16 Jul 2026 **Port Louis (Mauritius)** *Government Information Services.* **United States (US)** deputy assistant secretary of state in the bureau of African Affairs, **Sarah Troutman**, pays a courtesy call to prime minister **Navinchandra Ramgoolam** to strengthen the country's economic and investment ties ahead of the **US-Africa Business Summit**;

16 Jul 2026 **New Delhi (India)** *Government Information Services.* Prime minister **Navinchandra Ramgoolam** participates in the **AI Impact Summit 2026** in India and pledges to participate in the **America-India Connect** subsea cable programme which is an strategic initiative to strengthen the country's digital infrastructure and international connectivity;

14 Jul 2026 **Port Louis (Mauritius)** *Government Information Services.* Prime minister **Navinchandra Ramgoolam** a courtesy visit from the ambassador of **Ethiopia** to Mauritius, **Hadera Abera Admassu**, to confirm the bilateral relations and economic partnership between the two countries;

9 Jul 2026 **Port Louis (Mauritius)** *Government Information Services.* Prime minister **Navinchandra Ramgoolam** receives a visit from the non-resident high commissioner of **Singapore** to Mauritius, **Lim Ming Yan**, to discuss ways to deepen collaboration between the two countries;

7 Jul 2026 **Port Louis (Mauritius)** *Government Information Services.* The governments of Mauritius and **Morocco** sign a government-to-government memorandum of understanding (MoU) to strengthen bilateral cooperation in a field of water resources management;

26 Jun 2026 **Port Louis (Mauritius)** *Bank of Mauritius.* The **Bank of Mauritius (BoM)** (central bank) intervenes on the domestic foreign exchange market and sells $15m at a rate of Rs47.25/USD;

25 Jun 2026 **Port Louis (Mauritius)** *Le Mauricien*. **United Kingdom (UK)** says it intends to accelerate the ratification of a treaty transferring sovereignty of the **Chagos Archipelago** to Mauritius in the coming weeks;

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