

**MEDIUM TERM MACROECONOMIC FRAMEWORK,
FISCAL STRATEGY AND DEBT MANAGEMENT STRATEGY**

	2024/25	2025/26	2026/27	2027/28	2028/29
<u>WORLD ECONOMY¹</u>					
World Output Growth Rate (%)	3.4	3.1	3.2	3.2	3.2
Euro Area Output Growth Rate (%)	1.4	1.1	1.2	1.4	1.2
Global Inflation Rate (%)	4.1	4.4	3.7	3.4	3.2
<u>MAURITIAN ECONOMY</u>					
<u>Output and Prices</u>					
Gross Domestic Product - current market prices (Rs bn)	717.0	776.8	842.9	909.5	979.0
Real GDP Growth Rate - constant market prices (%)	4.3	3.1	3.5	4.0	4.0
GDP Deflator (% change)	3.4	5.0	4.8	3.8	3.5
Investment Rate (%)	20.2	20.0	20.8	22.0	22.8
<u>Public Finance (as % of GDP)</u>					
Recurrent Revenue	25.7	26.1	27.8	26.1	24.9
<i>o/w Taxes</i>	22.8	23.1	23.5	23.6	22.7
<i>Non-Tax Revenue</i>	2.9	3.0	4.2	2.5	2.2
Recurrent Expenditure	31.6	29.7	28.5	25.6	24.4
<i>o/w Interest</i>	3.0	3.5	3.6	3.6	3.7
Recurrent Balance - Surplus (+)/Deficit (-)	-5.9	-3.5	-0.8	0.5	0.5
Capital Revenue	0.2	0.1	0.2	0.5	0.4
<i>o/w Capital Grants</i>	0.2	0.1	0.2	0.5	0.4
Capital Expenditure	3.6	2.5	3.1	4.0	3.9
<i>o/w Acquisition of Non-Financial Assets</i>	1.1	0.9	1.7	2.2	2.5
Capital Balance - Surplus (+)/Deficit (-)	-3.4	-2.4	-2.9	-3.5	-3.5
Total Expenditure	35.2	32.2	31.6	29.5	28.3
Budget Balance - Surplus (+)/Deficit (-)	-9.3	-6.0	-3.7	-3.0	-3.0
Primary Balance - Surplus (+)/Deficit (-)	-6.3	-2.5	-0.1	0.6	0.7
Government Borrowing Requirements	10.6	6.2	4.4	4.1	3.8
<u>Public Debt (as % of GDP)</u>					
Budgetary Central Government Debt	79.5	79.4	77.7	76.0	74.4
Public Sector Gross Debt	88.5	87.8	85.6	82.6	79.8
<u>Without Receipts i.c.w. Chagos Archipelago</u>					
Budgetary Central Government Debt	79.5	79.4	79.0	78.4	77.6
Public Sector Gross Debt	88.5	87.8	86.8	84.9	83.1
<u>External Sector (as % of GDP)</u>					
Current Account - Surplus (+)/Deficit (-)	-6.9	-5.0	-3.9	-2.4	-1.9
Exports of Goods and Services	64.5	65.8	62.6	60.2	58.1
Imports of Goods and Services	76.3	74.4	71.0	66.6	63.7
Gross Official International Reserves (Rs bn)	440.2	477.8	507.1	538.1	566.0
Gross Official International Reserves (USD m) ²	9,718	9,976	10,586	11,234	11,817

¹ World Economic Outlook, IMF - April 2026. Figures for 2025/26 refer to calendar year 2026.

² Exchange rate for conversion at US\$1 = Rs47.90 (02 June 2026) over forecast horizon.

MEDIUM TERM MACROECONOMIC FRAMEWORK, FISCAL STRATEGY AND DEBT MANAGEMENT STRATEGY

The Framework has been prepared as a balancing act underpinned by Government’s objective to put the economy and inclusivity at centre stage. It prioritises policies and measures aimed at boosting the economy’s growth potential, enhancing productivity and competitiveness, creating quality jobs, and improving the standard of living of all Mauritians. At the same time, it advances reforms aimed at restoring fiscal sustainability, strengthening public finances, and placing public debt on a clear downward trajectory.

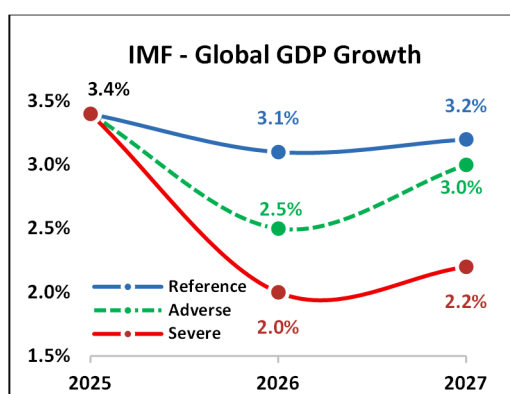
A. Medium Term Macroeconomic Framework

The Medium-Term Macroeconomic Framework outlines the current economic situation and outlook for the medium term, both locally and internationally, as well as the key assumptions underpinning the Budget.

Global Economic Performance and Outlook

In 2025, Global GDP grew by 3.4%, same as in 2024. Stronger technology-related investments, and fiscal and monetary policy support helped the global economy withstand the adverse impacts of higher trade barriers and uncertainty.

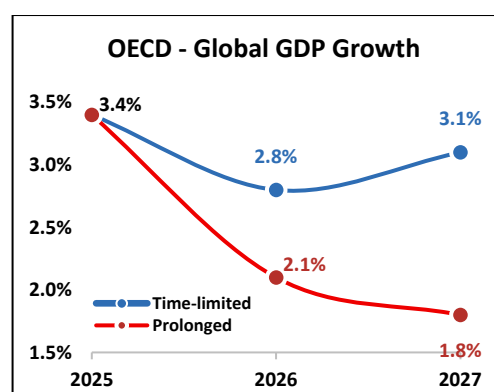
On that basis, the IMF was projecting that the global economy would perform well in 2026. However, with the outbreak of the conflict in the Middle-East, the IMF revised its global GDP growth forecast for 2026 to 3.1% and 3.2% in 2027, slower than in 2024 and 2025.



The IMF has also worked out two additional scenarios for the world economy depending on the duration and severity of the conflict. Under its Adverse Scenario, it was expected that market conditions toward the end of March would prevail and that global growth would fall to 2.5% and inflation would rise to 5.4% in 2026. Under a severe

scenario - prolonged energy market disruptions, de-anchored inflation expectations and tighter financial conditions - global growth could decline to around 2%, bringing the world economy close to recession - while inflation could reach 5.8%.

Similar to the IMF, the OECD has, in a recent report, developed two alternative scenarios to assess the potential impact on the global economy. Under the first scenario, i.e., the Time-Limited Disruption Scenario, energy production and trade in the Gulf region gradually return to normal as from the second half of 2026. In contrast, the Prolonged Disruption Scenario assumes that disruptions to energy production and exports persist well into 2027, resulting in a more pronounced slowdown in economic activity worldwide.



Global Economic Risks and Challenges

The global economic outlook remains subject to significant downside risks, emanating from an escalation of geopolitical conflicts, rising trade protectionism and high public debt levels, all of which could dampen growth and increase financial market volatility.

However, the recently announced US-Iran agreement could have a significant positive impact on the global economy, although the magnitude of the benefits will depend on how fully and durably the agreement is implemented.

Domestic Economic Developments

The Mauritian economy has continued to exhibit resilience, with real GDP growing by 3.2% in 2025, supported by strong performances in the services sector, notably tourism, financial services and retail trade, while the construction sector contracted.

The tourism sector remained a key growth engine, with tourist arrivals and earnings reaching new

heights at 1,436,250 and Rs 103.4 billion, respectively in 2025. In terms of US dollars, gross tourism earnings amounted to USD 2,232 million in 2025 as compared to USD 2,008 million in 2024. The financial services sector recorded a robust growth of 5.0% in 2025, as other sectors continued to grow.

The retail trade sector performed well, supported by the significant increase in tourist arrivals, which boosted demand for goods and services. On the other hand, the construction sector contracted by 2.1% in 2025 due to delays in implementation of public infrastructure projects and weaker private investment.

Total investment in the economy stood at Rs 146.7 billion in 2025 slightly above the amount registered in 2024. The investment rate was lower at 19.7% in 2025 compared to 21% in 2024.

Labour market conditions in Mauritius in 2025 showed an overall improvement, with rising employment and a decline in the unemployment rate. Mauritian employment rose by 6,700 in 2025. The overall unemployment rate declined to a three-decade low of 5.7% from 6% in 2024.

Inflation was relatively moderate in 2025 at 3.7%. This reflected the easing of global commodity prices, the introduction of government subsidies on essential food items, and a decline in domestic petroleum prices. However, inflationary pressures have been building up during the past months with the headline inflation rate rising to 4.2% in May 2026.

In 2025, the current account deficit was influenced by a high import bill, particularly for energy, food, and capital goods, although there was a significant boost in tourism earnings. The current account deficit increased from 6.4% of GDP in 2024 to 7.1% in 2025.

However, the balance of payments recorded a surplus of 5.7% of GDP due to strong capital and financial account inflows. Foreign exchange reserves remained at a comfortable level of USD 10.3 billion as at December 2025, reflecting sufficient import cover of 14.1 months. As at end-May 2026, national FX reserves amounted to USD 9.8 billion, equivalent to 13.9 months of import cover.

For financial year 2025-2026, real GDP growth is estimated at 3.1%, below the Budget projection of 3.7%. The lower growth mainly reflects weaker-than-expected growth in consumption and investment.

At the sectoral level, financial services, ICT, retail trade, and other agriculture were the main drivers of growth. Growth in tourism-related services remained positive with tourist arrivals increasing by 3.2% year-on-year during the period January to May 2026, despite some setbacks recorded in April and May – a direct consequence of the conflict in the Middle East.

Domestic Economic Outlook

In view of the ongoing conflict in the Middle East, and in line with the scenarios developed by the IMF and the OECD, two major scenarios for the Mauritian economy have been considered while working out the Framework:

- (a) **Baseline Scenario:** The conflict remains limited in duration and scope, disruptions fade by the second semester of 2026, and energy and food price pressures are moderate; and
- (b) **Adverse Scenario:** The conflict is prolonged well into 2027 with more persistent increase in energy and food commodity prices, subdued growth in major export markets and tighter financial conditions.

Under the Baseline Scenario, GDP growth is projected at around 3% in 2026 and strengthens to 4% in 2027. However, under the Adverse Scenario, GDP growth is projected to decelerate to around 2.4% in both 2026 and 2027.

In view of recent developments, particularly the agreement reached regarding the conflict in the Middle East, the Baseline Scenario has been used for the Framework.

Thus, in the Framework, it is assumed that in 2026 there will be continued recovery in tourism, steady expansion in financial services and ICT, and a gradual pickup in investment activity. As for 2027, the pick-up in growth assumes that the implementation of major infrastructure and development projects gains momentum, through continued investment in port and road infrastructure projects, real estate, and renewable energy, and the tourism sector fully normalises. Overall, this scenario reflects a gradual strengthening of

domestic demand and investment, underpinned by a more favourable external environment.

The projected growth path under the scenario is largely based on the tourism sector with arrivals expected to increase in the range of 3.5% to 8% over the forecast period.

The construction sector, which is another major driving factor in the scenario, is projected to contract in 2026 but expand by around 9% in 2027. This is based on the expected implementation of major public infrastructure projects such as the M4 Motorway, the Island Container Terminal, the Special Economic Zone at Côte D'Or, and the Rivière des Anguilles Dam as well as private projects in the renewable energy and emerging sectors.

On the basis of this scenario, GDP growth is projected at 3.5% in FY 2026-2027, followed by 4% in FY 2027-2028 and FY 2028-2029.

Domestic Economic Risks and Challenges

Notwithstanding the positive outlook, Mauritius remains exposed to several international and domestic economic risks that could affect the growth momentum.

At the same time, the developments regarding the conflict in the Middle East can trigger a more rapid economic recovery.

B. Macro-Fiscal Framework

The Macro-Fiscal Framework sets out Government's fiscal strategy and projections. It takes into account performance during FY 2025-2026, the policy measures announced in the Budget, the medium-term economic outlook as well as Government's objective to rebuild the economy and restore fiscal sustainability.

Fiscal Developments – Budget Outturn FY 2025-2026

Based on actual budget performance up to May 2026 and estimates for June 2026, total revenue is now expected to amount to Rs 203.6 billion, representing a shortfall of Rs 20.4 billion relative to the budget target. This lower revenue is mainly attributable to lower-than-expected tax collections and the non-receipt of Rs 10 billion in connection with the Chagos Agreement.

Revenue collections were affected by lower receipts from personal and corporate income tax, weaker-than-anticipated VAT receipts due to slower consumption growth, and reduced excise duty collections on motor vehicles.

Total expenditure is estimated at Rs 250.1 billion, which is Rs 11.3 billion below the budgeted level. The lower expenditure outturn is largely explained by delays in the implementation of several major capital projects.

Consequently, the budget deficit is estimated at Rs 46.5 billion, equivalent to 6% of GDP compared to the budgeted 4.9%.

As a result, BCG debt is projected to reach Rs 617.2 billion, equivalent to 79.4% of GDP, compared to the original estimate of 78.3% of GDP and 79.5% at end June 2025. Public sector debt is projected at Rs 681.9 billion, representing 87.8% of GDP, compared to the budget estimate of 88.3% of GDP.

Fiscal Strategy

The Fiscal Strategy adopted in FY 2025-2026 remains applicable for the current year as well as for the medium term, providing continuity and policy consistency in Government's approach to public finance management. It continues to guide efforts to reduce the fiscal deficit, place public debt on a sustainable downward path, and strengthen overall fiscal discipline.

The medium term revenue mobilisation strategy is anchored on improving tax administration efficiency, broadening the tax base and diversifying revenue sources. A comprehensive review of existing tax expenditures, exemptions and concessions will be carried out.

Furthermore, efforts are also being made to mobilise revenues from emerging sectors such as the digital economy as well as from health-related levies, thereby simultaneously advancing fiscal and public health objectives.

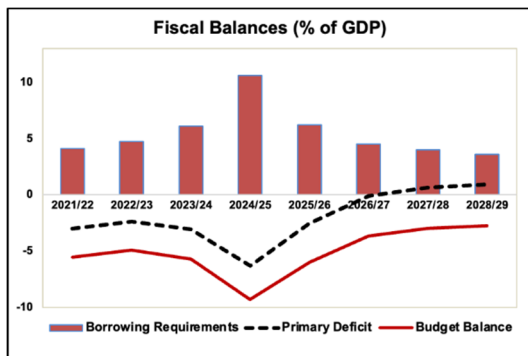
The expenditure strategy is not simply to reduce expenditure, but to reallocate resources towards higher-impact and priority areas.

At the same time, Government is ensuring that social protection systems are progressively refined to ensure that support is directed to those most in need. Capital expenditure will be prioritised towards projects with high economic and social

returns. Stronger project appraisal, selection, and monitoring mechanisms will be used to ensure value for money and avoid cost overruns or underperforming investments.

Fiscal Projections

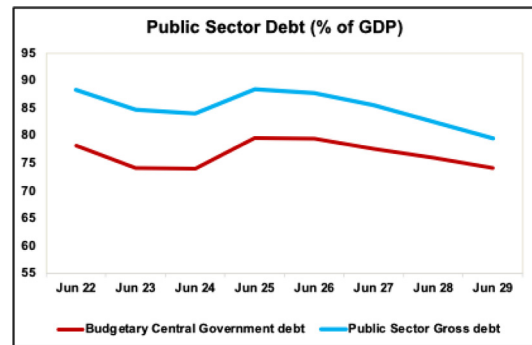
On the basis of the revenue and expenditure strategies outlined above, total revenue is projected to reach Rs 235.5 billion in FY 2026-2027. Total expenditure is estimated at Rs 266.7 billion. As a result, the overall budget deficit is projected at Rs 31 billion, equivalent to 3.7% of GDP. Over the medium term, the implementation of the fiscal consolidation strategy is expected to contribute to a gradual reduction in the budget deficit to 3% of GDP in FY 2027-2028 and 3% in FY 2028-2029. These figures assume that the receipts relating to the Chagos Agreement would be disbursed as from FY 2026-2027.



Government net acquisition of financial assets in FY 2026-2027, i.e., net transactions in equity and loans extended to other public bodies, is estimated at around Rs 8.9 billion. As a result, Government borrowing requirements is estimated at Rs 37.1 billion, i.e., 4.4% of GDP. It is expected that Government borrowing requirements would be 4.1% of GDP in FY 2027-2028 and 3.8% in FY 2028-2029.

The BCG debt to GDP ratio is expected to decline to 77.7% in June 2027 and 76% by end-June 2028 and further to 74.4% by end-June 2029.

Debt of Public Corporations, as a share of GDP, is expected to decrease from 8.3% to 7.9% over the same period, and continue on its downward trajectory to reach 5.5% by end-June 2029.



As a result, total Public Sector debt is projected to decline from 87.8% of GDP at end-June 2026 to 85.6% at end-June 2027, and to continue falling thereafter, reaching 79.8% by end-June 2029. This reflects Government's commitment to restoring fiscal sustainability and placing public debt on a firm downward path over the medium term.

C. Medium-Term Debt Management Strategy

The Debt Management Strategy (DMS) will continue to focus on achieving an optimal balance between cost and risk in meeting Government's financing requirements. In this regard, due consideration will be given to the appropriate mix of domestic and external borrowings, currency composition, maturity profile and interest rate structure of the debt portfolio, while supporting the development of the domestic Government securities market.

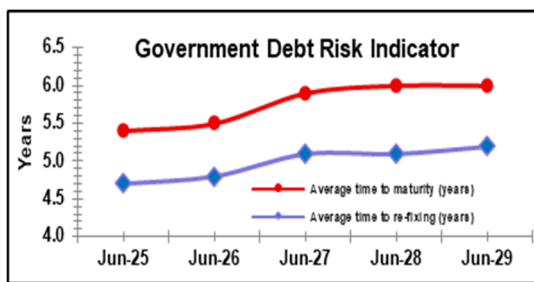
Building on the debt management measures implemented during FY 2025-2026, the strategy will continue to strengthen the resilience of the debt portfolio through proactive liability management operations and a greater reliance on medium and long-term financing instruments. The successful implementation of debt switching operations has enabled the exchange of maturing securities for longer-dated instruments, thereby reducing refinancing pressures and extending the maturity profile of domestic debt.

Over the medium term, further switching operations are envisaged alongside an increased issuance of medium and long-term securities. As a result, the share of short-term debt is expected to decline to around 10% of Government debt by end-June 2029, compared to nearly 19% at end-June 2026, while the proportion of long-term debt with original maturities of five years and above is projected to increase to about 75%. These measures are expected to further reduce refinancing risk, with the

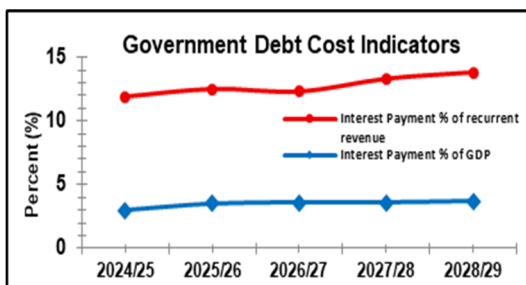
average time to maturity of Government debt rising to around six years over the medium term.

The lengthening of the maturity profile will also contribute to reducing the proportion of debt falling due within one year from about 26% at end-June 2026 to around 18% by end-June 2029. In addition, the average time to re-fixing of Government debt is projected to improve, thereby reducing exposure to interest rate volatility.

To support these objectives, the introduction of two new securities, namely a 25-year and a 30-year Government of Mauritius Bonds, is envisaged. In addition, participation in auctions of Government bonds with maturities of 20 years and above will be broadened to include all categories of investors, including members of the public. This measure is expected to deepen the domestic capital market, enhancing competition and promoting wider investor participation.



The strategy recognises that the extension of debt maturities, while reducing refinancing risks, entails higher financing costs. Consequently, interest payments are projected to increase moderately over the medium term. In this context, the benchmark for interest payments as a ratio of GDP has been revised from 3.5% to 4.0%, reflecting the evolving financing requirements and the deliberate shift towards longer-term funding.



A prudent approach to external borrowing will continue to underpin the Debt Management Strategy. Although the share of foreign debt is planned to increase over the medium term to about 20% from 16% at present, it is expected to remain

below the ceiling of 22% established under the strategy, thus maintaining exposure to foreign exchange risk at prudent levels. Consistent with established policy, recourse will be made to selected external financing to meet the foreign currency requirements of major infrastructure projects, sourced primarily from bilateral and multilateral development partners on concessional or semi-concessional terms and at long maturities.

With regard to currency composition, the long-term objective remains the alignment of the external debt portfolio with Government's foreign currency earnings and payment obligations. The share of US dollar-denominated debt is, therefore, expected to increase to about 39% by end-June 2029, while the proportion of euro-denominated debt will be reduced. In addition, the planned utilisation of financing under the Special Economic Package from India will contribute to increasing the share of Indian Rupee-denominated debt and further diversifying the currency composition of the external debt portfolio.

In terms of interest rate risk, the strategy seeks to maintain an appropriate balance between fixed and variable interest rate borrowings. In view of prevailing international market conditions, a larger proportion of new external loans is expected to remain at variable rates in the near term. Opportunities to convert such exposures into fixed-rate obligations will continue to be assessed as market conditions become more favourable, thereby supporting a more balanced and resilient interest rate structure over time.

The Debt Management Strategy will be implemented through the annual execution of planned borrowing and liability management operations, supported by continuous monitoring of key cost and risk indicators. The benchmarks and limits set out in the accompanying table represent the preferred balance between cost and risk based on the assessment of alternative financing strategies and are intended to guide borrowing decisions over the medium term.

D. Fiscal Risk Statement

This Fiscal Risk Statement outlines the principal risks that may affect Mauritius' fiscal position and public debt trajectory over the medium term. It identifies potential vulnerabilities and the measures being taken to mitigate them.

Macroeconomic Risks

As a small and highly open economy, Mauritius remains exposed to adverse global economic developments. To mitigate these risks, Government is further diversifying the sources of growth and export markets, and accelerating structural reforms to improve the economy's capacity to withstand external shocks.

Revenue Risks

Government revenue remains sensitive to fluctuations in economic activity and external conditions as well as the disbursement of funds in relation to the Chagos agreement. To address this risk, Government is implementing growth-friendly tax policy reforms and prudent fiscal planning that strengthens revenue resilience, improves collection efficiency, and enhances tax buoyancy.

Climate risks

Mauritius faces increasing fiscal risks from climate change and natural disasters due to disruptions in economic activity and affected livelihoods. Government is addressing these risks by strengthening climate resilience and disaster risk management through, amongst others, investment in climate-resilient infrastructure.

State-Owned Enterprises

While a number of commercially oriented State-Owned Enterprises (SOEs) generate operating surpluses, some public bodies are facing financial challenges. SOEs are, therefore, required to review their business model, implement turnaround plans, and ensure that they become self-financing over time.

Government Guarantees

The level of guarantees provided by Government remains moderate by international standards. Nevertheless, Government is ensuring that these guarantees are prudently managed, and closely monitored so as to minimise the risk of any adverse impact on public finances.

Pension and Social Protection Risks

Mauritius faces significant long-term fiscal pressures arising from demographic changes. The pension reforms announced in the Budget Speech will place the pension system on a more sustainable footing and help reduce pressures on public finances over the medium to long term.

Conclusion

The Framework articulates a coherent macroeconomic and fiscal strategy geared towards fostering sustainable and inclusive growth, while safeguarding fiscal and debt sustainability. It also provides the necessary policy flexibility to enable Government to respond effectively to unforeseen shocks and economic uncertainties.

Medium Term Macroeconomic Framework, Fiscal Strategy and Debt Management Strategy - cont'd

Medium Term Cost and Risk Indicators

	End Jun-25 Actual	End Jun-26 Rev. Est.	End Jun-29 Planned	Benchmarks/ Limits	Tolerance Level %
Government Debt					
As % of GDP (End of Period)	79.5	79.4	74.4	70.0	+/-5
Cost Indicators (Financial Year)					
Interest Payments as % of GDP	3.0	3.5	3.7	≤ 4.0	-
Interest Payments as % of Recurrent Revenue	11.9	12.5	13.8	15.0	+/-10
Average Interest on Debt (%)	4.1	4.6	5.2	5.5	+/-10
Composition (%) (End of Period)					
Foreign	17.0	16.0	20.2	22.0	+/-5
Domestic	83.0	84.0	79.8	78.0	+/-5
Currency Composition of External Debt (%)					
USD	27.1	27.5	38.9	40.0	+/-5
EURO	42.5	43.4	27.7	27.0	+/-5
YEN	9.4	7.9	3.7	3.5	+/-5
INR	-	-	13.1	14.0	+/-5
Others (including SDR)	21.0	21.2	16.6	15.5	+/-5
Refinancing Risks					
<i>Average Time to Maturity (Years)</i>					
Total Debt	5.4	5.5	6.0	6.5	+/-10
External Debt	8.2	7.8	7.8	8.0	+/-10
Domestic Debt	5.0	5.1	5.5	6.0	+/-10
<i>Due Within 1 year (%)</i>					
Total Debt	27.4	26.1	17.9	20.0	+/-10
External Debt	5.3	5.3	5.1	5.0	+/-10
Domestic Debt	31.3	29.5	20.8	20.0	+/-10
Interest Rate Risk					
<i>Average Time to Re-Fixing (Years)</i>					
Total Debt	4.7	4.8	5.2	5.5	+/-10
External Debt	3.6	3.3	3.5	4.0	+/-10
Domestic Debt	4.9	5.1	5.4	6.0	+/-10
<i>Share with Re-fixing in 1 Year (%)</i>					
Total Debt	37.0	35.1	28.2	25.0	+/-10
External Debt	59.3	60.7	57.5	55.0	+/-10
Domestic Debt	32.2	31.0	21.5	20.0	+/-10
Interest Rate Mix of External Debt (%)					
Fixed Interest Loans	36.6	34.6	39.5	40.0	+/-10
Variable Interest Rate Loans	62.5	64.6	60.2	60.0	+/-10
Interest Free Loans	0.9	0.8	0.3	0.0	+/-10
Public Sector Debt					
As % of GDP (Gross)	88.5	87.8	79.8	75.0	+/-5
Composition (%)					
Foreign	19.6	18.7	22.3	25.0	+/-5
Domestic	80.4	81.3	77.7	75.0	+/-5
Currency Composition of External Debt (%)					
USD	43.1	43.6	48.0	46.0	+/-5
EURO	33.1	33.7	23.6	25.0	+/-5
YEN	7.3	6.2	3.2	3.0	+/-5
INR	-	-	11.1	12.0	+/-5
Others (including SDR)	16.5	16.5	14.1	14.0	+/-5
Interest Rate Mix of External Debt (%)					
Fixed Interest Loans	45.3	44.1	44.2	50.0	+/-5
Variable Interest Rate Loans	54.0	55.3	55.7	50.0	+/-5
Interest Free Loans	0.7	0.6	0.1	0.0	+/-5
National External Debt ¹					
As % of GDP	32.4	31.6	30.8	33.0	+/-10
Debt Service Ratio (%)	2.3	2.2	3.0	≤ 6	-

1 - Excludes Deposit Taking Institutions and Global Business