

**ISSUER COMMENT**

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**Contacts**

- Lucie Villa +33.1.5330.1042  
Senior Vice President  
lucie.villa@moodys.com
- Alexis Corn +1.212.553.0269  
Sr Ratings Associate  
alexis.corn@moodys.com
- Matt Robinson +44.20.7772.5635  
Associate Managing Director  
matt.robinson@moodys.com
- Marie Diron +44.20.7772.1968  
MD-Sovereign Risk  
marie.diron@moodys.com

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- Americas 1-212-553-1653
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## Government of Mauritius

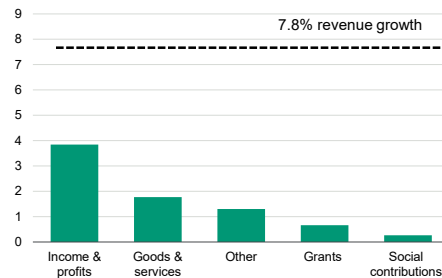
Fiscal improvement emerging despite Chagos setback, inflation risks and policy challenges

[Mauritius](#) (Baa3 negative) is making its first, tangible progress on fiscal consolidation, with budget execution pointing to a material deficit reduction this fiscal year (fiscal 2026 ends June 30, 2026). The deficit has narrowed to around 5.5% of GDP<sup>1</sup> from 9.3% at the end of the last fiscal year, supported by stronger revenue and tighter spending control. The authorities expect that the deficit will remain high and will reach around 6.5% of GDP this fiscal year due to the absence Chagos-related revenue, constraints from elevated interest costs and an unfavorable oil price environment that could add pressure on inflation, policy rates and social demand to the government.

Fiscal consolidation is showing early signs of progress, even though not fully on track with the government's plans. From July 2025 to February 2026, central government revenue rose by 7.8% compared with the same period last year, outpacing nominal GDP growth, driven by strong income tax receipts (+15.8%) and higher grants. Expenditure declined by 3.9%, reflecting restraint in current spending, partly offset by a sharp increase in interest payments (+23.4%). While Treasury bill yields have eased to around 4% from peaks of 4.5–5% in mid-2025, the overall interest bill remains high due to the slow repricing of previously issued higher-yielding debt which only gradually rolls over and the legacy of heavy borrowing in fiscal 2025.

Exhibit 1

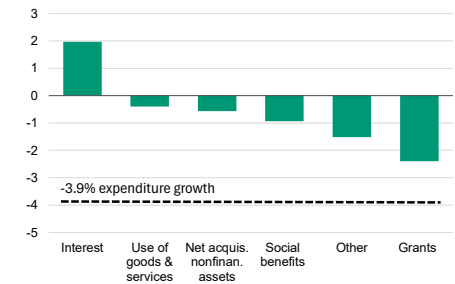
**Income tax growth primarily contributed to revenue growth...**  
Percentage point contributions to central government revenue growth, between fiscal 2025 and 2026 over July-February



Note: Line represents revenue growth over the same period. Income and profits also includes taxes on capital gains  
Source: Ministry of Finance

Exhibit 2

**...while expenditure restraint has helped the government offset high interest costs**  
Percentage point contributions to central government expenditure growth, between fiscal 2025 and 2026 over July-February



Note: Line represents expenditure growth over the same period  
Source: Ministry of Finance

Concurrently, Mauritius has improved data transparency, comparability, accessibility, and timeliness through its recent adherence to the IMF's Special Data Dissemination Standard Plus (SDDS Plus). Under the IMF's highest data transparency standard, Mauritius has

committed to more frequent and comprehensive dissemination of new data categories, including financial sector surveys, financial soundness indicators, and investment statistics. The SDDS Plus also includes the release of more granular information in several data categories already covered under the SDDS. Mauritius is the first country in Africa and the 32nd country globally to adhere to this standard.

Fiscal outcomes fell short of expectations after the [UK](#) (Aa2 stable)-Mauritius Chagos Archipelago treaty stalled following the withdrawal of support from the [US](#) (Aa1 stable). The treaty would have transferred sovereignty over the archipelago from the UK to Mauritius, and Mauritius would have generated revenue from leasing the Diego Garcia base to the UK for 99 years. At the time of the release of the fiscal 2026 budget, the authorities expected to receive MUR10 billion (1.3% in 2025 GDP) in revenue per year from the treaty. The Diego Garcia base is a joint US-UK facility and initial negotiations on returning the sovereignty of the archipelago over to Mauritius took place in close coordination with the US.

Geopolitical tensions in the Middle East have also created a potential headwind for the country's economy and fiscal position. Mauritius' import basket is susceptible to pressures from rising fuel prices, which makes up 4% of the CPI and 23% of total goods imports in 2025. In a worsening scenario, higher fuel prices could lead to pass-through inflation into the domestic economy, as all imported goods to the island would face higher transportation costs.

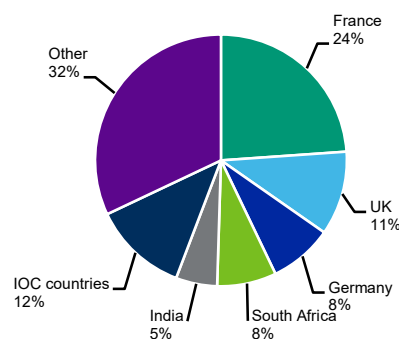
A sustained increase in fuel prices could weigh on tourist demand, which poses a risk to government revenue collection. At this time, however, the tourism sector appears to have adapted to the conflict and remains robust. In the first quarter of 2026, tourist arrivals reached 348,000 persons, exceeding the 2023–2025 average of 342,000. Most tourists come from Europe, especially [France](#) (Aa3 negative), and direct flights from Europe to Mauritius have avoided the conflict zone. For indirect flights, airlines have rerouted away from Middle Eastern airspace, particularly the [UAE](#) (Aa2 stable), which was the top embarkation point in 2025. As a result, flight arrivals and departures at Sir Seewoosagur Ramgoolam International Airport remain broadly similar compared to previous years.

Exhibit 3  
**Mauritius continues to benefit from a resilient tourism industry**  
 Annual rolling sum of tourist arrivals (LHS) and growth (RHS)



Source: Statistics Mauritius/Haver Analytics

Exhibit 4  
**Over half of tourist visitors come from Europe**  
 Share of tourist arrivals by air, by country (2025)



Note: Some shares may be impacted by rounding; IOC = Indian Ocean Commission  
 Source: Statistics Mauritius

## Endnotes

1 Calculated as the fiscal deficit to date (from July 2025 to February 2026).

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