

7th June 2022

Budget Brief 2022/2023

For the people, with the people



Foreword



Transitioning into a greener future

Research Desk

Dear readers,

After the GDP knockdown of 2020, the Mauritian economy rebounded in 2021 with a GDP growth rate of 4.8% amidst structural hurdles:

(i) the closure of the Mauritian borders from certain African countries including tourism contributor South Africa due to Omicron rapid spread,

(ii) the inclusion of Mauritius in a “*rouge ecarlate*” travel ban by the French authorities early December 2021,

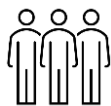
(iii) the removal of Mauritius from the FATF grey list late October 2021 but remained on the European black list of high-risk third countries until 7th January 2022.

When we thought the worst was behind us, Russia invaded Ukraine causing seismic repercussions around the world: humanitarian crisis and an unparalleled spike in fuel, food and commodity prices. To exacerbate matters, China locked down certain cities due to the spread of Covid-19, decreased production and weighed on supply chain disruptions.

In these challenging environment, Dr The Honourable Renganaden Padayachy, Minister of Finance, Economic Planning & Development, presented on the 7th June 2022 his third Budget entitled ‘**With the People, For the People**’ delivered around 3 main drivers (i) strengthening growth, (ii) inclusive development & sustainability and (iii) investing in people.



“For the People, With the People”



- Increase of basic retirement pensions by at least Rs1,000
- Lowering of income tax rate between 10 to 12.5% threshold
- Direct monthly income support of Rs1,000
- Increase of petrol & travelling allowance by 10% capped at Rs2,000
- Income tax thresholds increased for personal, dependent, medical insurance, pension contribution & child pursuing tertiary education.
- Abolishment of municipal tax



- Bolstering a food security cluster through a ‘farm to table’ via construction of agro & fruit processing plants
- 25% increase in onion, potatoes, garlic and bean seeds subsidies.
- Providing minimum guaranteed prices for onions, potatoes and beans.
- Initiatives to encourage a return to plantation of abandoned lands through low cost of financing.



- No duty on hybrid and electric cars
- Green Transformation package to foster renewable energy production
- Partnership with private promoters to embark on renewable energy production of 140 MW
- Encouragement of large scaled solar powered projects
- Reach 60% of total energy production through renewable energy by 2030

On the public investment side, construction retain its recurrent dominant nature with a number of large-scale road decongestion projects announced including strategic flyovers in a number of key traffic areas around Mauritius; renovation & building of new healthcare units; furthering the sewerage and wastewater implementation programme.

The surprise of all those initiatives came through a “no worst” for the taxpayer; especially for the conglomerates & banking sector (left unscathed), which were reporting post Covid-19 gleaming profitability levels and could have been special levied. We expect the stock market to react positively on tomorrow’s session.

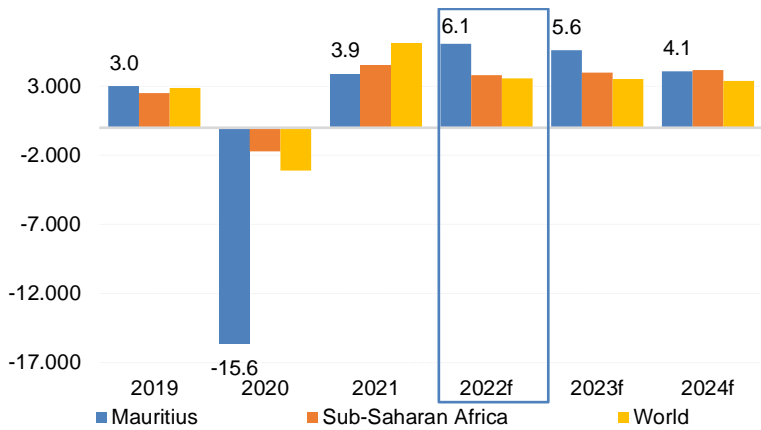
On an endnote, Government adopted a disciplined approach in this year’s challenging environment by maintaining budget deficit to 4% of GDP & debt to GDP in fiscal year 2022 to 87.4% (to fall to 78% in FY 2023). The fiscal leeway is aided by CSG’s 8% contribution to total revenue and an economy forecasted to grow by 8.5% in FY2023. On a sour note, we felt the Textile sector (facing skilled labour shortage) and the Fintech hub were orphaned in terms of accompanying measures, which would have made this Budget an astounding all-rounder.

Mauritian Economy – Key Figures

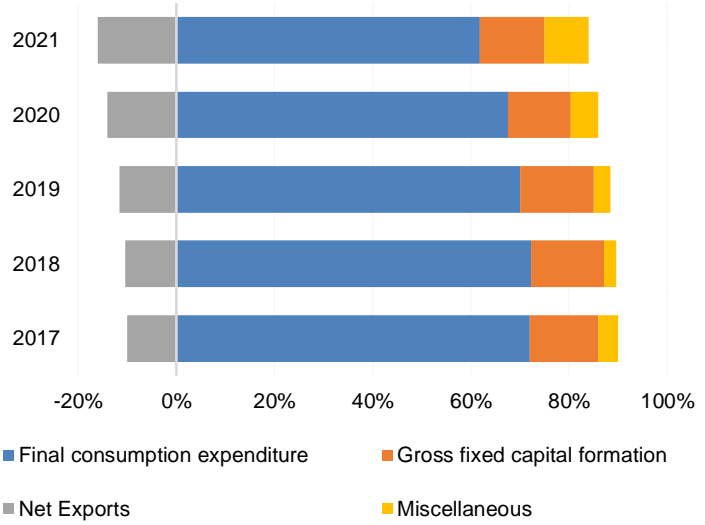


Mauritian Economy – Key Figures

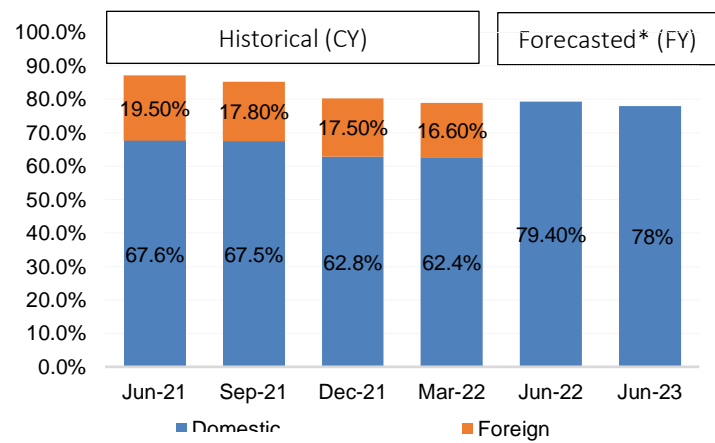
Real GDP Growth at market prices (%)



GDP Components (%)



BCG Debt-to-GDP ratio (%)

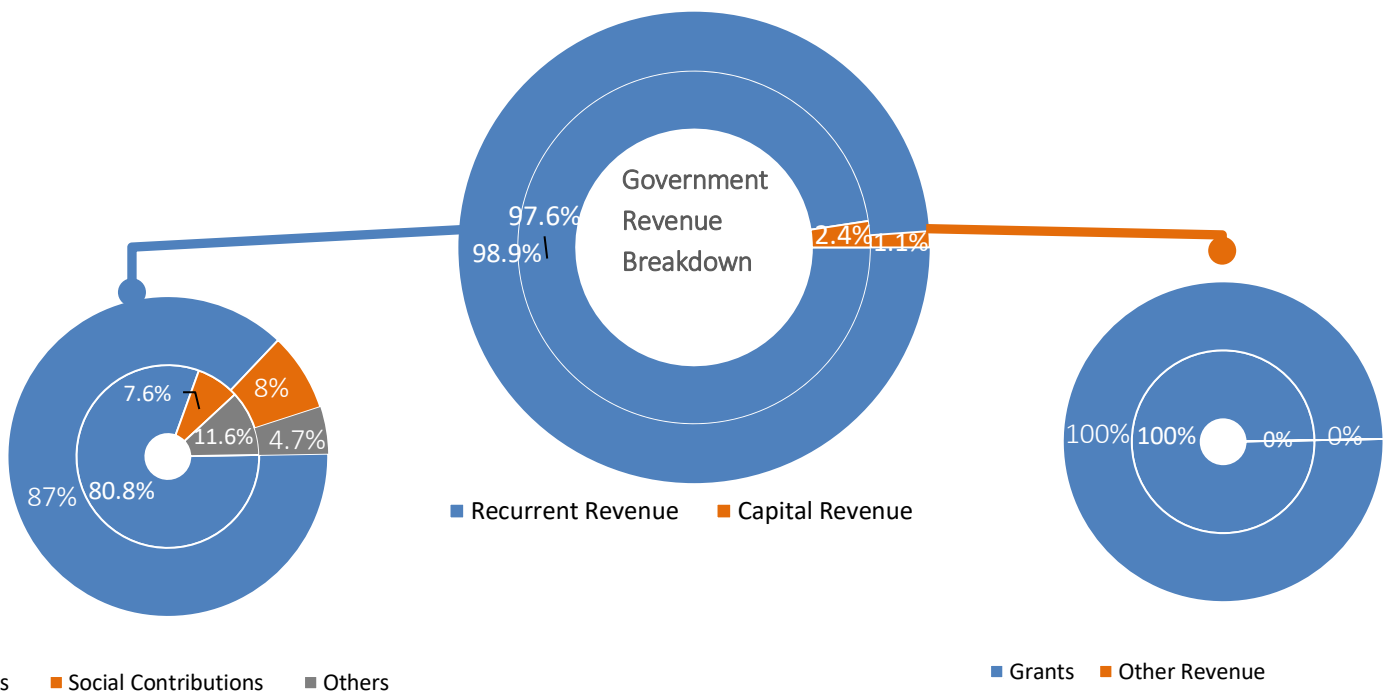


*Source: Minister of Finance

Labor Force & Unemployment

Labour force, Employment and Unemployment					
(000)	2018	2019	2020	2021	Change 2020-2021
Labour Force (Economically active)	583.8	591.0	570.1	532.8	-37.30
Of which employed	543.70	551.30	517.90	484.40	-33.50
Of which unemployed	40.1	39.7	52.2	48.4	-3.80
Outside Labour Force (Economically inactive)	407.1	405.6	431.6	475.6	44.00
of which Potential Labour Force	3.8	2.4	42	14.9	-27.10
Unemployment Rate (%)	6.9%	6.7%	9.2%	9.1%	-0.056%
Youth unemployment rate (%)	25.10%	22.80%	26.10%	27.70%	1.60%

Source: Statistics Mauritius



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Banking & Fintech



Banking & Fintech

Theme: As the local economy recovers from pandemic's lows, Financial services companies have remained resilient and deposit taking entities remained well-funded, registering a sectoral growth rate of 4.20% in 2021. Tier 1 ratio and CAR for industry stood at 19.5% and 20.7% respectively as at Dec-21, remaining above regulatory requirements. NPL Ratio for the industry stood at 5.8% as at Dec-21, aligned with historical averages.

While the local economy's recovery is expected to strengthen in 2022 - backed by the tourism sector along with improved output from exports sector – geopolitical conflicts which have arisen during the first quarter of 2022 have added another layer of uncertainty on existing challenges. While supply chain issues coupled with the rise in freight rates and the depreciation of the MUR have all contributed to price pressures in 2021, the Russia/Ukraine conflict has propelled prices of food and energy commodities, leading to price levels not seen in decades among most regions.

In order to achieve their role of maintaining price stability, central banks (CB) around the world have pursued contractionary monetary policies around the world since the beginning of the year, through rate hikes or reduction in size of CB's balance sheets. On the local front, the BOM also followed the consensus and increased the Key Repo Rate twice since January, with a first 15bps hike and a second 25bps hike to reach 2.25%. The BOM has also increased the reserve requirement of banks from 8.0% to 9.0%, in an attempt to reduce the excess liquidity present in the financial system.

While local banks do not have any significant exposures to Russian nor Ukrainian assets, the impact on our European trading partners along with the resiliency of local consumers - in the current economic context - are going to be the main concern of banks over the near future.

Key Measures:

Following the series of memorandum of understandings signed by the Bank of Mauritius (BOM), authorities are building up on the increase in international financial cooperation with several jurisdictions to help foster investment through improved compliance.

To this end: -

(a) The Bank of Mauritius together with the Bank of China will launch a regional Renminbi Clearing Centre this year;

(b) The Bank of Mauritius will collaborate with the National Payments Corporation of India for the issuance of 'RuPay' cards and Indian QR Code in Mauritius;

(c) A National Payment Card will be introduced for customers; and

(d) The Financial Services Commission will revamp its framework to enable Re-Insurance companies to set up operations in Mauritius.

To continue the overhauling of the financial services sector, the Government will adapt its legislative framework to converge the domestic and the global business regime:

- Introduction of a domestic minimum top-up tax to ensure that resident companies of large multinationals are taxed at a minimum rate of 15 percent.

Other notable measures for the financial services sector :

- Issuance by the BOM of a 5-year Emerald Jubilee Bond at an annual interest rate of 4.0%.
- The Financial Crime Commission will be set-up to ensure an effective coordination in the fight against financial crimes.
- The Insurance Act will be amended to -
 - extend the prescribed delay from 2 to 5 years for claim applications to be made in order to cater for more victims of hit and run accidents.
 - establish a framework for Structured Investment-Linked Insurance Business activities
 - establish a framework for the setting up of a multilateral clearing system in compliance with FSC Rules to expedite the settlement of outstanding motor claims recoveries.
- Home loan scheme: Under the Scheme, a person contracting a secured housing loan to construct his residence benefits from a refund of 5 % of the loan amount, up to a maximum of Rs 500,000.
- The Home Loan Payment Scheme will be extended for another year, i.e. up to 30 June 2023.

ICT

The ICT sector remained resilient in the past years despite the pandemic. Authorities have highlighted that the sector experienced renewed dynamism in the past years with many multinational companies relocating to Mauritius, creating along the way job opportunities.

In order to build on this momentum, authorities have announced a 5-year blueprint to be devised.

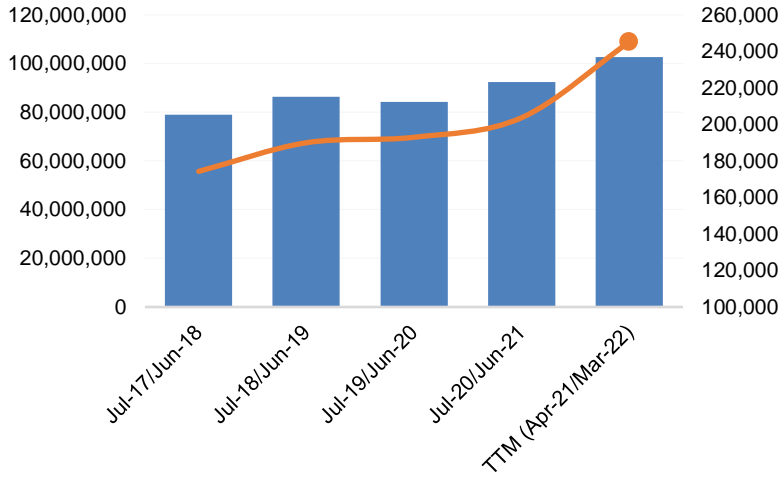
Sector Review

	Parameter	Year 2017	Year 2018	Year 2019	Year 2020	Year 2021	Trend
Financial & insurance activities	% contribution to GVA	12	11.7	11.8	13.0	12.3	
	Sector Real Growth Rate (%)	5.5	5.4	5.2	1.00	4.20	
ICT	Sector Real Growth Rate (%)	4.4	5.3	5.1	4.90	6.50	

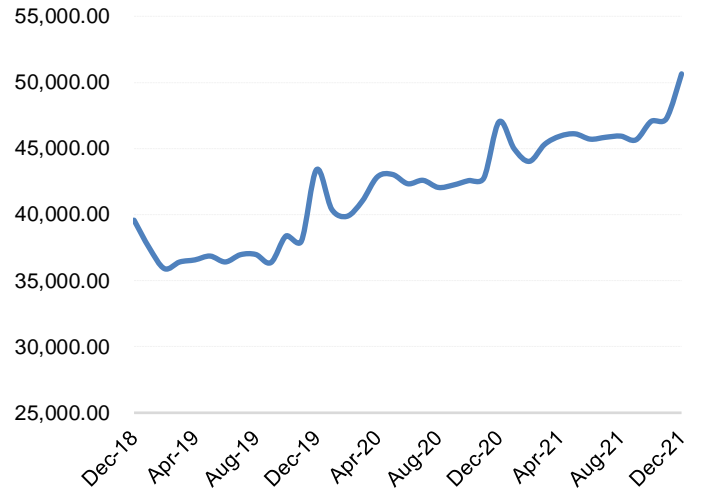
Source: Statistics Mauritius

Banking & Fintech

Number and Value of Transactions (Total)

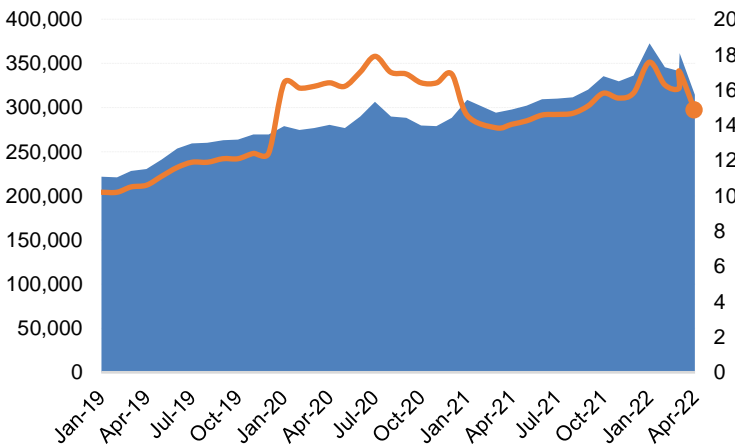


Currency in Circulation (Rs m)

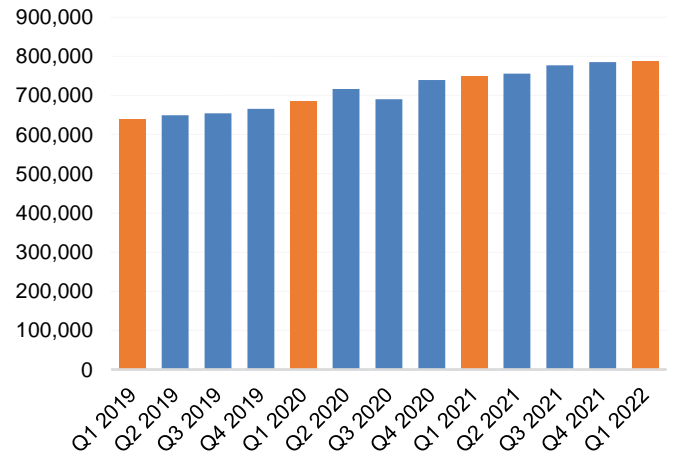


■ Number of Transactions (m) - LHS — Value of Transactions (Rs m) - RHS

Gross Official International Reserve (Rs m)

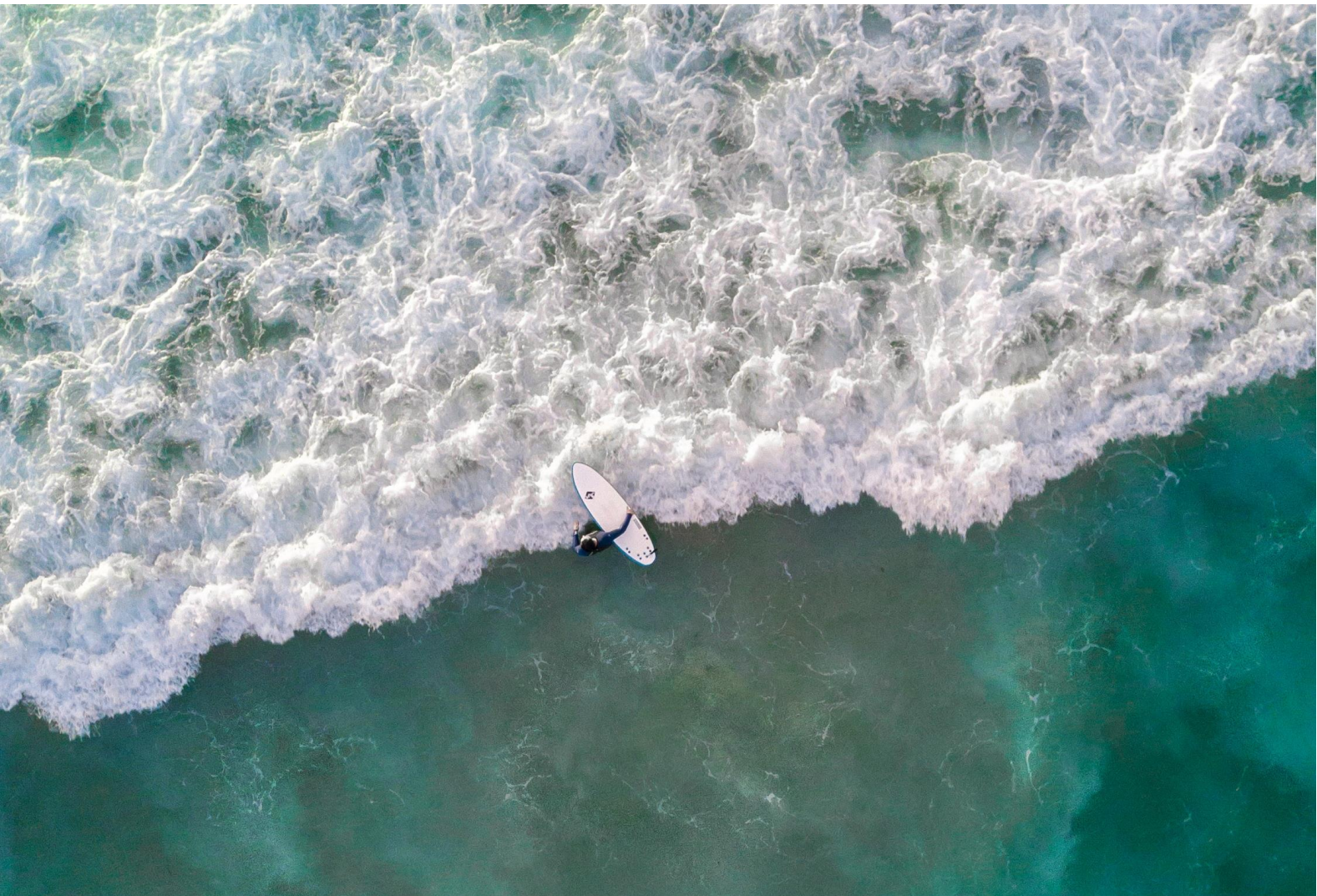


Average Loans per Quarter (Banks)



■ Gross Official International Reserves - LHS — Imports Cover (Months) - RHS

Tourism



Tourism

Theme: Following the covid-19 pandemic that plagued the world, the Minister of Tourism presented a recovery plan on Wednesday 16 March 2022, with the aim to reach one million tourists in 2022.

Promotional campaigns were performed in India with the aim to attract Indian customers, and promotional rates were implemented by Air Mauritius with the view to attract customers from Reunion Island.

Arrivals have recovered from 2,772 in Q1 2021 to reach 158,818 in 2022, while the data is still below pre-covid levels, forward bookings remains encouraging for the industry at large. Market participants can also expect to benefit from new trends post-pandemic such as longer length of stays along with higher guest night spending, coupled gains on forex. Food and beverages services however are likely to feel the impact of rising price pressures leading to higher cost of operations.



As arrivals recover, an adequate supply in terms of seats capacity becomes crucial. While Emirates announced an increase in its number of flights per week, the current status of our national carrier along with our current closed sky policy raises concerns regarding future growth in arrivals once we reach pre-pandemic levels.

Another issue raised by industry players is the accrued shortage in labour force. Interest have been expressed by industry players to hire foreign labour force has been made to authorities to cater for that issue.

Key Measures:

- Marketing budget of the MTPA will be increased by more than 10% from Rs 360 million to Rs 400 million to support the recovery of the sector and consolidate existing markets, gaining access to new opportunities and niche markets
- Personalized services will be offered by Airport Holdings Ltd to accommodate ultra-high earners, such as handling of private jets, as well as transfers from airports to hotels by helicopter
- Rs 150 million will be allocated over the next three years for the restoration of the SSR Botanical Garden
- Events with a minimum of 50 participants will be eligible to benefit from VAT refund under the Meetings, Incentives, Conferences and Exhibitions (MICE) scheme
- For the refurbishment of hotels, 50% lease rent waiver will be extended up to June 2023
- All incoming passengers of Air Mauritius will be granted a Rs 200 voucher to spend at the Mauritius Duty Free Paradise to give them the opportunity to discover the country's unique products
- 10-year blueprint will be prepared for the future of the sector
- Rs 1 billion will be allocated to the clean-up and embellishment programme as well as for the rehabilitation of beaches, lagoons, and coral reefs

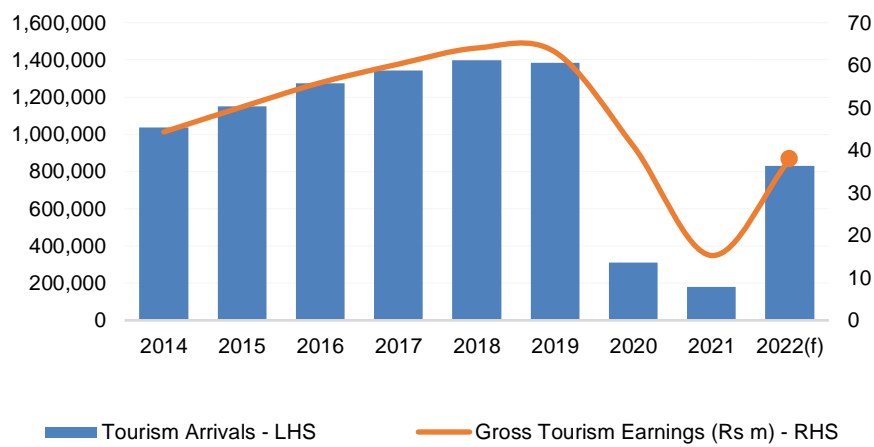
Sector Review

	Parameter	Year 2017	Year 2018	Year 2019	Year 2020	Year 2021	Trend
Tourism	% contribution to GVA	8.5	8.6	8.1	2.1	1.4	
	Sector Real Growth Rate (%)	5.2	4.3	-1	-81.6	-37.3	

Source: Statistics Mauritius

Tourism

Tourist Arrivals and Earnings



* 2022 Data forecasted using the 60% discount on pre-covid levels provided by the IMF

Manufacturing



Manufacturing

Theme: Entities operating manufacturing plants are seeing increased layers of uncertainty added on from the already existing price pressures originating from supply chain disruptions leading to sourcing issues along with higher freight rates. As a result of current geopolitical conflicts, prices of raw materials and energy have increased cost of production for the whole industry.

Depending on the type of operations some players are able to pass the cost to consumers, however for most less than perfect passthrough is resulting in shrinking margins for operators. Players most impacted at the moment are those operating in segment with high government regulations through fixed retail prices.

On the agricultural front, the rise in prices of fertilisers along with sourcing issues is expected to impact the price and availability of crops. Measures announced June 2020 regarding local food security are more relevant now than ever. Lower reliance on exports and

On the sugar side, while higher rainfall and inadequate sunlight in the Q1 2022 have impacted overall production targets for 2022, operators will still benefit from high sugar prices on international markets.

Among textile operators, recovery in production is well underway, with bookings on hand reaching satisfactory levels. However, exports of textile products have not yet reached pre-pandemic levels and strength of recovery in the sector will depend on the country's economic partners resilience to current economic shocks.

Key Measures:

Promoting locally manufactured products:

Exports increased by 17% and to keep up with the momentum,

- The Freight Rebate Scheme (FRS) and Trade Promotion Marketing Scheme (TPMS) is being maintained till June 2023 in addition with the 50% reduction in port charges on exports.
- SMEs will benefit from the FRS on the South African Market along with the SME International Faire Refund Scheme will be accessible to freeport operators.
- To further boost exports, two regional vessels will be sanctioned,
 - a) Phase 1 "La Route de l'Inde" will start in September 2022 and service the South Asian route including India, Sri Lanka and Seychelles.
 - b) Phase 2 "La Route de l'Afrique Orientale" will be launched in November 2022 and service the Eastern African countries notably Madagascar, Tanzania, and Kenya.

Agro Industry and Livestock:

- To support local farmers, a grant of 50% up to a maximum of Rs 500,000 will be provided for the purchase of a sheltered farm for hydroponics.
- The DBM will be financing an agro-processing park spanning over 5000 square meters at Henrietta and a fruit processing cluster at Riviere Du Rempart with units up to 100 square meters for about 50 SMEs.
- Rs 75 million will be allotted to registered planters to cover 50% of their costs of fertilisers along with subsidies of 75% for the purchase of liquid, bio-fertilisers and composts produced by cooperatives.
- The DBM will be investing Rs 200 million in 5 livestock zones at Henrietta, Salazie, Mare-d'Albert, Petit-Merlot, and Ex-Tea Belt Road.
- The animal feed subsidy will be further incremented to Rs 10/kg.

Sugar Sector

- The Mauritius Cane Industry Authority Act will be amended to allow sugar producers to deliver sugar to Mauritius Sugar Syndicate or any other Authorised Body as may be approved by The Mauritius Cane Industry Authority.
- The minimum guaranteed price of Rs 25,000/ton for small planters producing up to 60 tons of sugar is being maintained.
- The grant under the Cane Replantation Scheme will be increased by 43% from Rs 35,000 to Rs 50,000 per arpent and A "Cane Replantation Revolving Fund" will be introduced by the DBM to provide loans at an annual preferential rate of 2.5 percent.

Other measures:

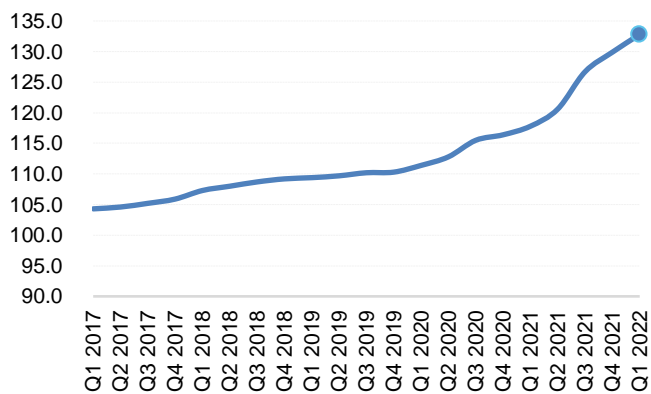
- The excise duty of 6 cents/g on locally produced sweetened and imported non-staple sweetened products will be in effect on 1 July 2025.
- An increase of 10% in excise duty on Alcoholic products and cigarettes will be effective as from 8 June 2022.

Sector Review

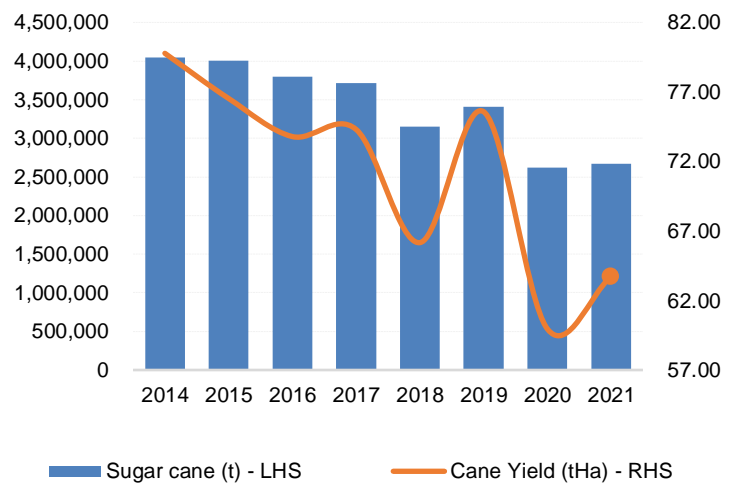
	Parameter	Year 2017	Year 2018	Year 2019	Year 2020	Year 2021	Trend
Manufacturing	% contribution to GDP	13.4	12.9	12.5	12.1	13.3	
	Sector Real Growth Rate (%)	1.5	0.7	0.5	-17.8	10.9	
Textile	Sector Real Growth Rate (%)	-0.7	-6.8	-5.9	-28.6	13.7	
Food (Excluding Sugar)		0.5	3.4	1.3	-10.4	4.5	
Sugar		2.4	-19.0	9.3	-17.2	-7.1	

Source: Statistics Mauritius

Average Quarterly Production price index - Manufacturing (Base period: Year 2013=100)



Sugarcane Production and Yield



Property & Construction



Property & Construction

Theme: The sector experienced increased growth in the past years (excluding 2020), boosted by government’s investment in infrastructures.

Market participants at large, who benefited from a resumption of construction projects initially delayed by lockdowns in 2020 and 2021, are expecting further investments in infrastructural projects to instil further momentum to the sector – which grew by 25.0% in 2021.

The sector is also being impacted by higher cost of raw materials since 2021, while cost has been passed to consumers to a certain extent, government intervention in the form of price control would be expected to add further uncertainty to the sector.

Among other issues faced by industry players, is the rising competition imposed by foreign contractors who are able to under-price local players during bids on public projects.

Key measures :

- Rs 2.6 billion to pursue Road Decongestion Programme and implement road construction works:
- Rs 1.1 billion is being provided for the completion of The Palmerstone Road, The A1-M1 Bridge, La Vigie – La Brasserie Link Road, The Verdun.
- Rs 1.5 billion over the fiscal year for the construction of 5 new flyovers at Quay D, Terre Rouge, St Pierre, Wooton & Ebene, 3 new bypasses at Flic-en-Flac, Bois Cheri and Hermitage, Two New Link Road from La Brasserie to Beau Songes & from Dubreuil to Melrose, Upgrading and enlargement of the road from Beau Climat to Tyack.

- Rs 1.4 billion for the construction and upgrading of community development facilities.
- Rs 2.5 billion for modernizing the health infrastructure for the completion, upgrade and construction of various health Center, Hospital, clinics.
- Rs 3.8 billion to continue the National Flood Management Programme
- 1.1 billion will be provided for the implementation of sewerage infrastructure projects, refurbishment of the wastewater treatment plants & extension of sewer lines and connection to additional premises in seweraged regions across the country.
- Holders of Residence Permits will be given the opportunity, to acquire a residential property of a minimum of USD 350K, subject to a 10 % contribution made to the Solidarity Fund. Furthermore, a residential property acquired by more than one citizen under fractional ownership will be eligible to apply for a status of resident provided that each investment exceeds USDS 375K.
- New organisation: Construction Industry Training Council (CITC). Merging of the Construction Industry Development Board (CIDB) and the Building Control Advisory Council (BCAC) into the Construction Industry Authority.

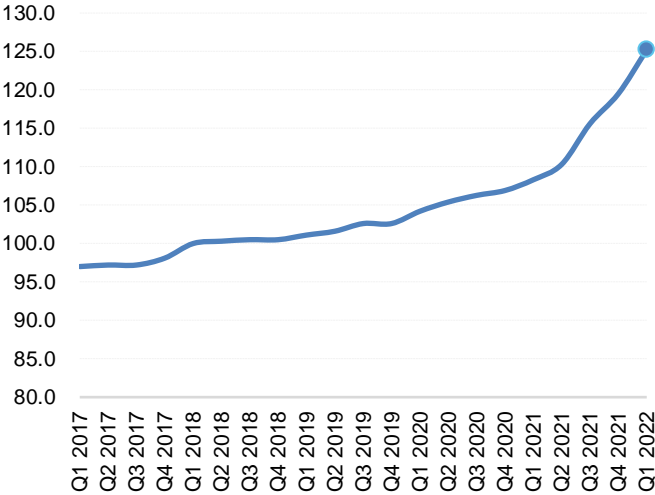
Sector Review

	Parameter	Year 2017	Year 2018	Year 2019	Year 2020	Year 2021	Trend
Construction	% contribution to GDP	4.3	4.7	5.0	4.4	5.4	
	Sector Real Growth Rate (%)	7.5	9.5	8.5	-25.8	25.0	

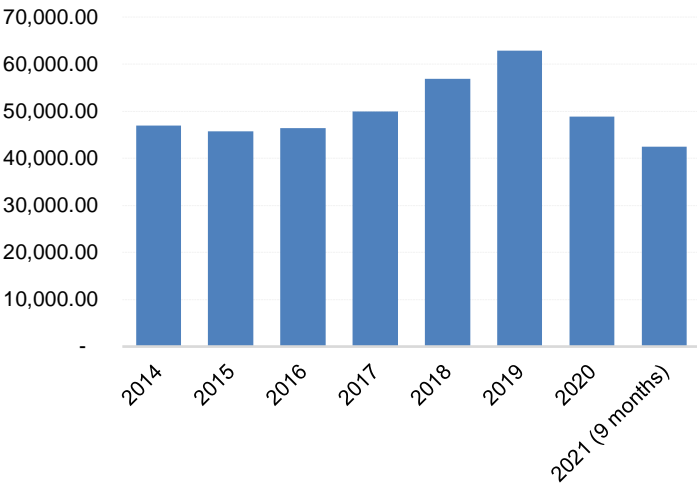
Source: Statistics Mauritius

Property & Construction

Average Quarterly Construction Price Index (Base period 1st Qtr 2018=100)



Building & Construction Work (Rs m) - GFCF



Green Energy Economy



Green Energy Economy

Theme: Painted on a background of increased energy cost, local authorities have announced last year the planned transition from a heavily reliant energy production on fossil fuels towards renewable energies. Exogenous energy shocks have had a direct hit on the local economy due to significant dependence. Energy autonomy is being championed throughout those measures. Share of electricity produced from Renewable sources is expected to reach 60.0% by 2030 from 21.0% in 2021. By 2025, an additional 200 MW will be produced from renewable sources.

The Government has expressed its commitment to ensure carbon neutrality in the industrial sector by 2030, the largest energy consumer in Mauritius. Adopting a sustainable approach is not only an environmental benefit, but also financial. A 10% increase in energy efficiency can cater for Rs 1 billion savings in imports. On the investment front, measures set out are expected to generate at least MUR 20 billion in private flows.

Finally, an emphasis laid on promoting a more circular economy with several measures like locally manufacturing products from recycled materials.

Key Measures:

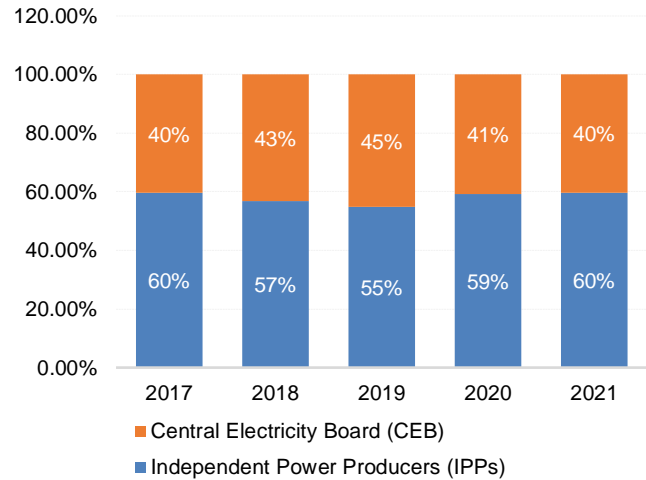
- 1st July 2022, all hybrid and electric vehicles will be duty-free.
- 200 electric buses will be acquired to renew half of the fleet of the National Transport Corporation.
- A loan facility of up to Rs 250,000 will be made available by the DBM to domestic consumers at a concessional rate of 2 percent per annum to finance the acquisition of solar PV systems.
- Individuals and companies will also be allowed to generate renewable energy up to a maximum of 150 percent of their annual requirement.
- The CEB will purchase electricity under the Medium Scale Distributed Generation Scheme (MSDG) at a feed-in tariff of Rs 4.20 per Kw/h.

Other Measures:

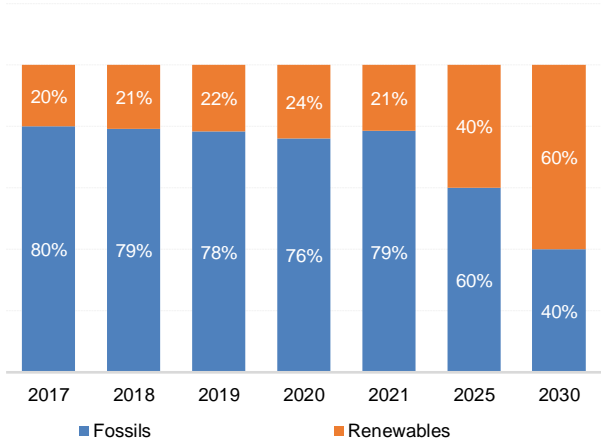
- Green Transformation Package to increase share of electricity supply from local renewable sources.
- Partnership with private promoters for setting up hybrid renewable energy facilities for total capacity of 140 MW
- A 20 MW battery energy storage system will be installed at Amaury.
- 5,000 solar PV kits with a total capacity of 9 MW will be installed on rooftops of households, religious bodies, NGOs, and charitable institutions
- Introduction of a Carbon Neutral Loan Scheme by the Industrial Finance Corporation of Mauritius Ltd (IFCM) over 7 years at a preferential rate of 3 percent
- Metro Express Ltd will implement photovoltaic farms at its Richelieu Depot, at Barkly as well as at Ebene Recreational Park to cater for its electricity needs.
- promote the electrification of the public transport system, the IFCM will provide leasing facilities of 3 percent per annum over 10 years to transport operators to acquire electric vehicles and charging infrastructure
- IFCM will provide concessionary leasing at 3.5 percent per annum to companies renewing their company fleet to electric only.
- DBM will provide a 0.5 percent loan of up to Rs 3 million to taxis and van operators over a period of 7 years for the purchase of electric vehicles
- a negative excise duty scheme of 10 percent for the purchase of electric vehicles by individuals up to a maximum of Rs 200,000.
- National Environment Cleaning Agency has been set-up
- Rs 1 billion to the clean-up and embellishment programme as well as for the rehabilitation of beaches, lagoons and coral reefs
- Rs 400 million to undertake landslide rehabilitation works across the island
- An additional déchetterie will be set up for disposal of waste oils, construction and demolition wastes amongst others
- A framework will be introduced to encourage composting of Green Wastes from Households, Markets, Parks and Gardens
- Rs 90 million will be provided over the next three years for the purchase of oil spill combat equipment.

Green Energy Economy




Share of Energy Production Per Entity (%)



Source of Energy (%)



Please contact your Research Desk for more information about our current recommendations.

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