Mauritius

CRT-3

August 22, 2019

Region: Africa

Country Risk Criteria Procedures

Guide to Best’s Country Risk Tiers

• The Country Risk Tier (CRT) reflects AM Best’s assessment of three categories of risk: Economic, Political, and Financial System Risk.

• Mauritius, a CRT-3 country, has moderate levels of political and financial system risk and a high level of economic risk.

• The development of the financial services sector has contributed to the economy’s growth. GDP is forecast to grow 3.9% in 2019. Economic expansion will be driven by the service sector, with continued growth expected in tourism, along with private consumption, which continues to benefit from the country’s income tax laws.

• The majority of countries in Sub-Saharan Africa are categorized as CRT-5, with the exceptions being Mauritius at a CRT-3 and South Africa at a CRT-4.

Regional Summary: Sub-Saharan Africa

• Growth is expected to pick up, driven by public investment in the region’s more diversified economies. However, the largest economies in Sub-Saharan Africa are likely to lag the regional growth average due to changing oil dynamics and depressed business confidence linked to corruption fallout. Growth in the region’s two largest economies—Nigeria and South Africa (which account for two thirds of the region’s population)—is expected to be anemic.

• The region faces several headwinds that limit potential, including entrenched poverty, pervasive corruption, heightened global trade tensions, inadequate infrastructure, an unstable security environment, and a vulnerability to natural disasters.

• The region’s sovereign debt increased from a median 31% of GDP in 2013 to 56% in 2018. Given the region’s development challenges, the pace of the increase is unsustainable.

• The African Continental Free Trade Agreement (AfCFTA) went into force in May 2019. AfCFTA seeks to bolster continental African trade by reducing tariffs by 90%, harmonizing trade rules, and establishing a single market.
Economic Risk: High

- Mauritius is a small economy and is vulnerable to global economic demand conditions. The EU is an important trading partner, accounting for approximately two-thirds of the country’s exports and tourist arrivals.

- To diversify the economy, the government is aiming to expand the information technology and communication sectors and transition to a more knowledge-based service sectors.

- The financial services sector is well developed, with many offshore entities—many associated with commerce in India. However, the benefit of mitigating tax liabilities has moderated following legislative reforms, which may limit future investment.

- Unemployment reached a decade low in 2018 at 6.9%. At the end of 2018, parliament increased the monthly minimum wage to approximately USD 257.

- Mauritius’ latest World Bank Ease of Doing Business survey demonstrated an improvement, increasing from 25 to 20 out of 190 countries. For this index, Mauritius is the highest ranking country in Sub-Saharan Africa and scores 6th in the world in terms of paying taxes.

Political Risk: Moderate

- Mauritius gained independence from the United Kingdom in 1968. The head of state is the president, but the role is largely ceremonial. President Ameenah Gurib-Fakim resigned in 2018 due to fraud allegations and the position remains vacant.

- Prime Minister Pravind Jugnauth has headed the Militant Socialist Movement (MSM) since 2017. MSM currently holds the ruling coalition in parliament, with 51 out of the 69 seats. The next legislative election is scheduled for December 2019.

- The government seeks to maintain the country’s role as a regional investment hub and offshore financial center. Additional goals include lowering unemployment, fostering ongoing economic development (particularly in the higher value-added services in the private sector), and maintaining stable social institutions.

Financial System Risk: Moderate

- The financial services industry is regulated by the Financial Services Commission (FSC).

- As an offshore financial center, the country relies heavily on tax advantages. There have been some transparency concerns regarding some of the tax treaties. However, the country has received an overall compliant rating from the OECD, and the IMF has cited “notable efforts” in meeting international anti-tax avoidance initiatives.

- The IMF has also recommended continued financial supervisory reforms.

- The Bank of Mauritius cut its key interest rate in August 2019 due to the weakening global economic outlook.