SWAN CAPITAL SOLUTIONS

Budget 2024/2025

Tomorrow is Ours

7th June 2024

Foreword

"Tomorrow is Ours"

In his final budget of the current Government mandate, Dr The Honourable Renganaden Padayachy, Minister of Finance, Economic Planning & Development, presented his Budget entitled "Tomorrow is Ours," which maintained continuity of the philosophy behind the budget 2023/2024. The aim was to continue with measures to keep the economy on its upward trajectory while caring for the broad population through a plethora of social benefits.

GDP has grown by 7% in 2023 ahead of expectations, reaching Rs. 651.7 billion, matching the headline inflation rate which regressed from the peak of 11% of 2022. Foreign direct inflows reached Rs. 37 billion, while the export of goods and services summited to Rs. 347 billion (up by Rs. 30.8 billion). The unemployment rate slid to one of the lowest levels in over 25 years to 6.1%. The background was conducive for the Government to extend its caring role towards the population at large with an array of social measures (Rs. 77 billion – 37% of recurrent expenditure) to improve their standard of living:

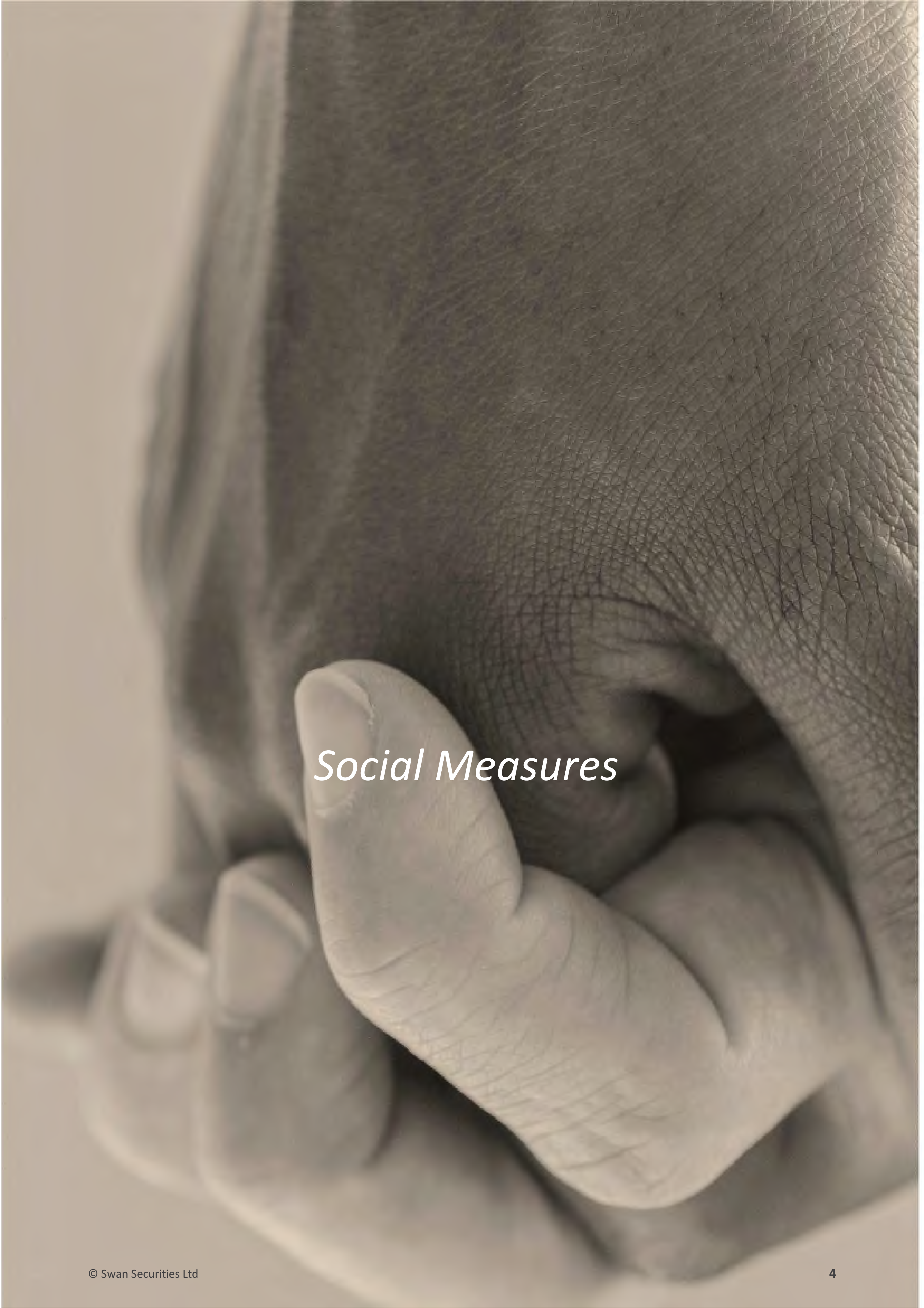
- Minimum Guaranteed Income was raised to Rs. 20,000 monthly (up from Rs. 18,500).
- CSG monthly Income Allowance was extended and increased as follows for employees earning less than:
    - Rs. 20,000 – Rs. 3,000
    - Rs. 25,000 – Rs. 2,500
    - Rs. 30,000 – Rs. 2,000
    - Rs. 50,000 – Rs. 1,500
- As of 1st July 2024, the basic retirement pension will be increased to Rs. 14,000 (currently Rs. 13,500) along with the basic widow's, orphans', and invalid pension.
- As of 1st January 2025, all basic pensions increased to Rs. 15,000.
- The exemption threshold on lump sum received as pension, retiring allowance or severance allowance will be raised from Rs 2.5 million to Rs 3 million.
- Several initiatives to encourage childbirth and support parents:
    - Pre-natal allowance of Rs. 3,000 to encourage mothers to complete the six pre-natal medical checkups.
    - Maternity allowance of Rs. 2,000 monthly for a period of nine months upon childbirth.
    - Maternity leave extended to 16 weeks and paternity leave increased from one to four weeks.
    - Monthly child allowance increased to Rs. 2,500 up to the age of three years and Rs. 2,000 monthly for children aged between three to ten years thereafter.
    - A deduction from taxable income of Rs. 60,000 per annum for children studying in private schools.
- A free monthly data package for all citizens aged 18 to 25 years to enable some 80,000 youth to benefit from free internet.
- Age limit of cancer-affected patients entitled to free treatment extended from 18 years to 25 years.

Sustainability was again another key pillar of this year's budget, with projects enumerated such as the rehabilitation of beaches, coral farming, cleaning of Mauritius, and protecting the coastline from beach erosion requiring a massive budget of Rs. 300 billion over the years. This is in line with global trends aimed at reversing effects of climate change and to decarbonise the planet. This crucial mission will be financed by the Climate& Sustainability fund which in turn will be funded by way of a special levy of 2% on profits of companies with turnover above Rs. 50 million.

The usual suspects—tobacco, beer, spirits, wine (except for wine cooler), and gambling—were spared from any increase in excise duty and taxes. Overall, the budget had an enthralling effect of satisfying the population, financed with higher contributions from components such as VAT to reach Rs. 65.6 billion, Taxes on income & profits Rs. 59.8 billion, CSG to reach Rs. 13.5 billion, and an estimated Rs. 5 billion from the corporate climate responsibility levy.

The fiscal year 2024/2025, according to the Minister's forecast, would be as promising as 2023 with GDP growth oscillating around 7%. For FY 2024-2025, total revenue is projected at Rs. 210.5 billion (26.4% of GDP) and total expenditure at Rs. 237.3 billion, resulting in a budget deficit of Rs. 26.8 billion (3.4% of GDP).

Research Desk



Social Measures

Social Measures

Key Measures:

- **Enhancement of Retirement Pensions:**
  - The basic retirement pension (BRP) will be increased to Rs 14,000 as form the 1st of July 2024.
  - As from the 1st of January 2025, the BRP will further increase the Basic Retirement Pension and all basic pensions to bring it to Rs 15,000.

- **Minimum Guaranteed Income**
  - Increasing the minimum guaranteed income to Rs 20,000.

- **CSG Income Allowance (CSG):**
  - Rs 3,000 for some 110,000 employees and self-employed earning less than Rs 20,000;
  - Rs 2,500 for some 55,000 individuals earning less than Rs 25,000;
  - Rs 2,000 for some 50,000 individuals earning less than Rs 30,000; and
  - Rs 1,500 for some 105,000 individuals earning less than Rs 50,000

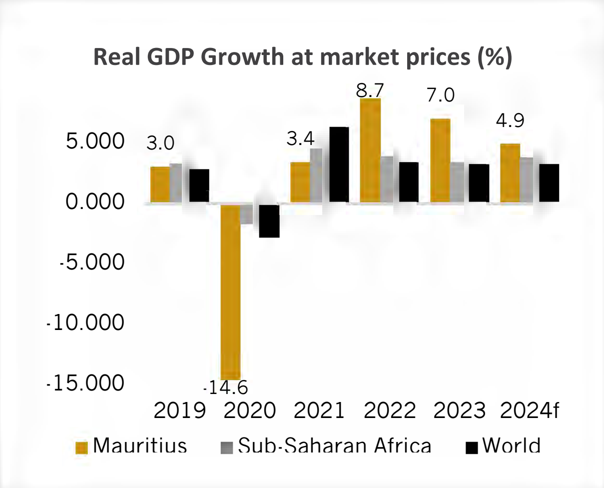
- **Relief for Homebuyers:**
  - Home Ownership Scheme, a 5 percent refund on the cost of the purchase of a property, up to a maximum of Rs 500,000

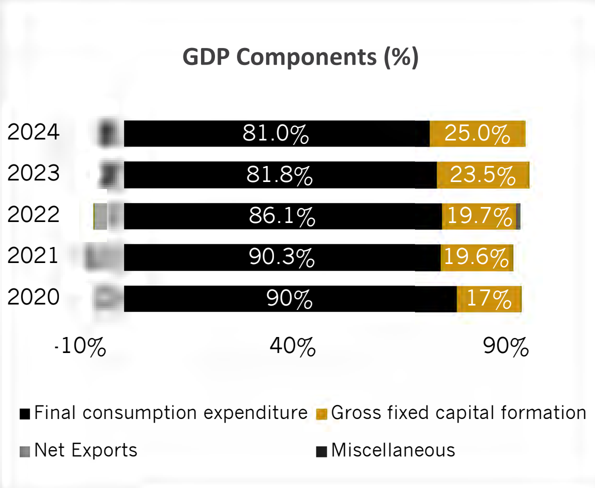
- **Reduction in Cooking Gas**:
  - Decrease in the price of a 12 kg cylinder of cooking gas from Rs 240 to Rs 190.

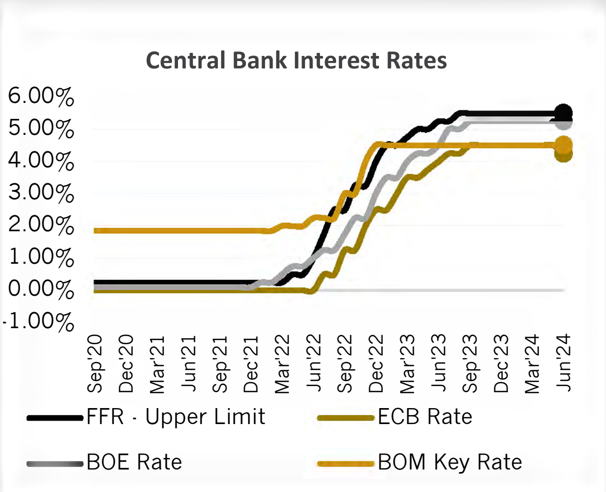
- **Monthly Child Support for Young Children:**
  - Children up to the age of 3 years will receive Rs 2,500 per month.
  - 80,000 families having children aged 3 to 10 years will benefit from a School Allowance of Rs 2,000 monthly.
- **Education**:
  - All parents having children in full-time education in fee-paying private schools will be eligible to an income tax deduction of up to Rs 60,000 per child per annum.
  - Full subsidy on SC and HSC examination fees for those who have either not obtained their 5 credits or not passed the SC or HSC.
- **Youth**
  - 100,000 youth aged 18 to 25 will benefit from a free monthly mobile data package.
  - The DBM will introduce a zero percent loan on IT equipment for those aged 18 to 25 years old.

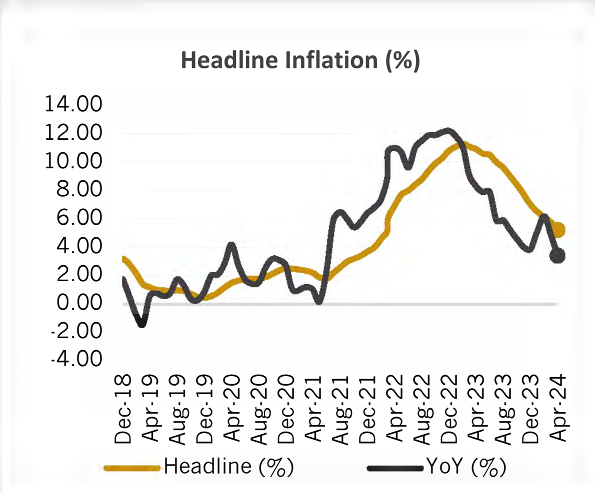
Mauritian Economy
Key Figures

Mauritian Economy









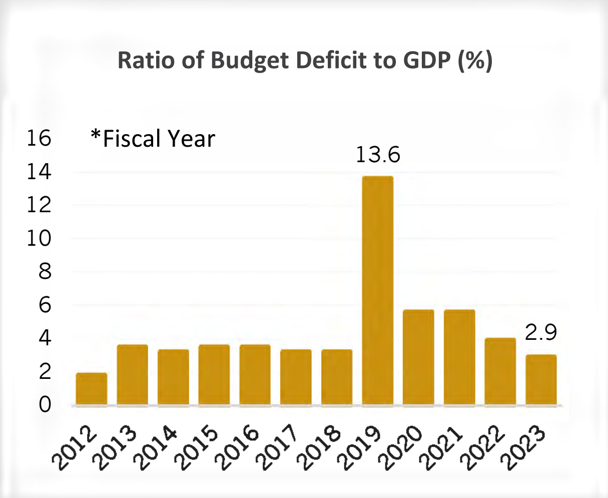
Labour force, Employment and Unemployment

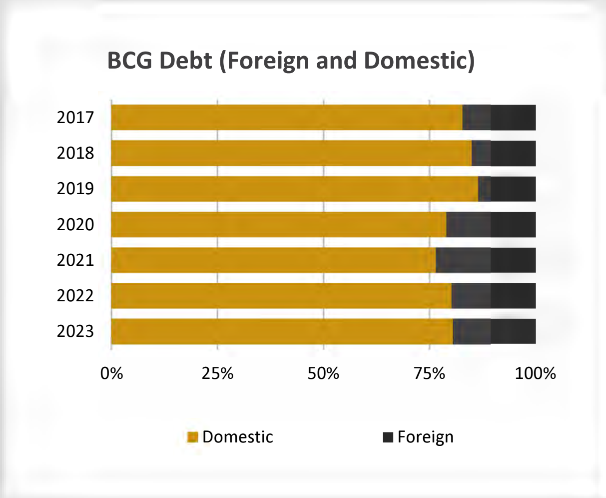
(000)	2020	2021	2022	2023	Change 2022-2023
Labour Force (Economically active)	570.1	532.8	562.8	592.8	30.00
Of which employed	517.90	484.40	519.60	555.20	35.60
Of which unemployed	52.2	48.4	43.2	37.6	-5.60
Outside Labour Force (Economically inactive)	431.6	475.6	448.20	422.20	-26.00
of which Potential Labour Force	42	14.9	1.5	3.9	2.40
Unemployment Rate (%)	**9.2%**	**9.1%**	**7.7%**	**6.3%**	**-1.4%**
Youth unemployment rate (%)	26.10%	27.70%	25.1	18.2	-6.9%

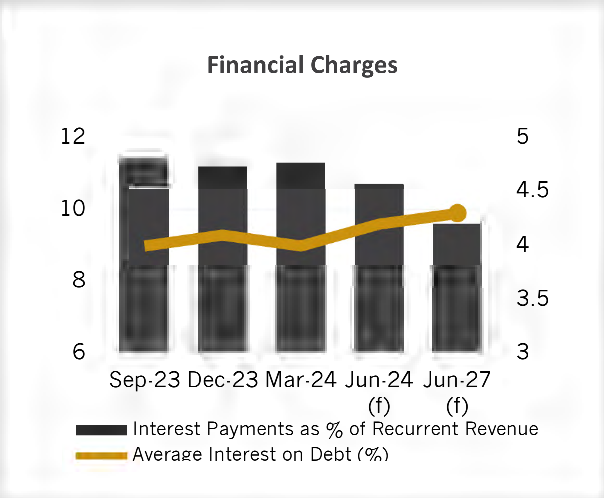
Source: Statistics Mauritius

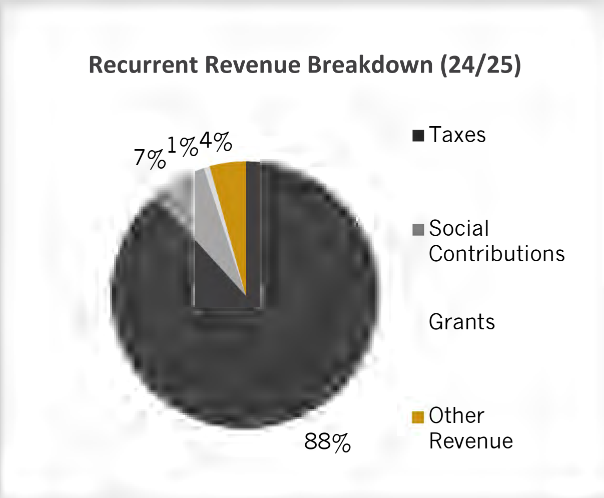
Mauritian Economy

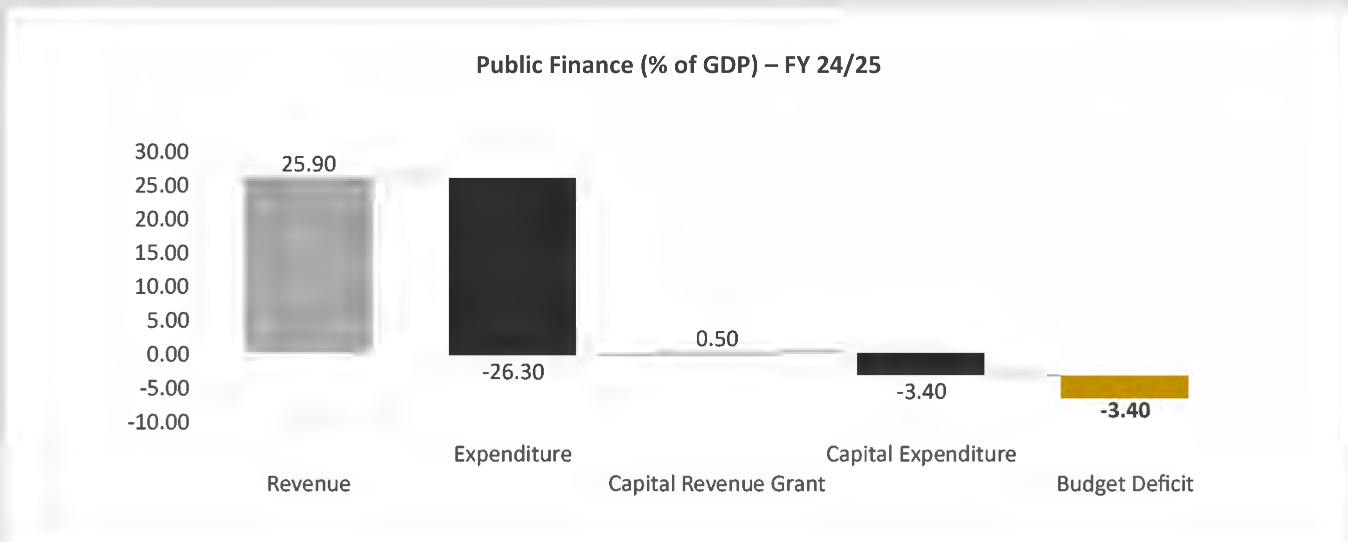
Mauritian Economy











Contents

Financial Services & Fintech

Financial Services & Finetch

Theme: Financial services sector grew by 17.5% in 2023. Banking sector posted solid results notably on their FCY books, benefiting from current interest rate environment by deploying excess reserves in investment securities abroad. Loan growth however slowed down in the past year amid prevailing stance from central bank.

Despite restrictive stance locally, the Mauritian economy grew by 7.0% in 2023 on the back of the continued recovery of the tourism sector, which has positive spillover effects on other closely related activities such as the food and beverages industry. This positive development following border's opening in late 2021 has led to an upswing in the labour market, which now approaches full employment, as unemployment rate reached 6.3% in 2023, its lowest level since 1996. Although the new dynamics of the labour market post-pandemic poses new constraints on not only the financial services sector but the economy as a whole, both private sector and households continue to benefit from improve financial health as overall leverage for companies listed on the SEMDEX decreases and NPL ratios posted by local banks reaching satisfactory levels. Improved operating margins, especially in the tourism sector shed a positive outlook on the sector's credit risk. Similarly, households NPLs fell to 1.9% as at June 2023 from 2.1% in Dec-22 (BOM – Financial Stability Report Dec-23), in line with the observed from in household debt as a % of income and as % of GDP.

Although some risks persist both internationally through supply chain disruptions due to geopolitical tensions, and locally on the back of adverse weather conditions. This resulted in an increase in the volatility of vegetable prices and price pressures continued to drop locally leading to a headline inflation (12 months average) rate of 5.20% in Apr-24, slowly reaching the central bank's target range of 2% to 5%. The monetary policy committee of the BOM might start to consider rate cuts only after major central banks have started their cutting rate cycles.

Given that the full extent of rate increases is now reflected in financial instruments, yields are likely to have peaked. While growth in the corporate loan book has been modest, future investments in the renewable energy sector could provide a significant boost. Meanwhile, banks continue to benefit from loans to households.

Key projects expected to continue include the tokenization of the Mauritian rupee by the Bank of Mauritius (BOM), which is leading this trend in the region. Alongside the decline in paper transactions, new methods of cashless transactions are anticipated. The latest development is the partnership between MyT Money and Metro Express. To further encourage the adoption of digital payments in Mauritius, the Bank of Mauritius will remove the fees associated with using the MAUCAS platform.

Financial Services & Fintech

Key measures

Partnerships:

- Engage into discussions with the Indian authorities for the development of our financial sector.
- Explore the signature of a Strategic Partnership Agreement (SPA) with India and African countries.

Labour:

- Introduce a 10-year expert Occupation Permit to attract foreign talents in wealth management, family office, virtual assets and virtual tokens.

Fees:

- The Captive Insurance Act, Financial Services Act, Insurance Act and the Private Pension Schemes Act will be amended to enable the FSC to levy fees for post-licensing processes including the appointment of officers, directors, auditors, actuaries, new controllers, beneficial owners, Management Companies and Registered Agents. The FSC will increase the Processing and Annual Fees payable by its licensees.
- The 80% partial exemption granted to a licensed closed-end fund will be extended to cover income from sale of money market instruments or debt instruments.

Ease of Doing Business

- Portability of bank accounts will become a reality this year.
- Implement a new mechanism to reduce the turn-around time to better respond to queries from investors and process applications for licenses; and
- Establish a time frame for processing specific licenses. Once the established time frame is nearing expiry, the application will be channeled to a fast-track Subcommittee for the issuance of the license.
- MACCS e-bunkering service will be operational on a 24/7 basis.

Fintech

- Payment Intermediary Services (PIS) License Holders will now benefit from the Partial Exemption Regime.
- To encourage the adoption of digital payments in Mauritius, the Bank of Mauritius will remove the fees associated with the use of the MAUCAS platform.

Stock Exchange:

- a new framework for the secondary trading of government bonds will be established on the Stock Exchange of Mauritius.

Financial Services & Fintech

Listed Companies	Impact	Industry Comments
MCB	Neutral	• No substantial increase in Bank Levies this year. Insurance players will on the other be subject to an increase in the processing and annual fees payable charged by the FSC. • Extension of homeownership scheme, which involves a 5% refund of the cost of the property up to a maximum of Rs 500,000, could provide support to demand for credit from first-time homeowners. • Efforts made to improve the ease of doing business, in order to attract foreign companies, providers of foreign currency deposits for the sector. • Another key measure posted under the ease of doing business segment is the portability of bank accounts, which is expected to be implemented this year itself. While no additional information was provided, based on the existing model present in India we understand that this measure will facilitate a change of bank for depositors. • Measures revolving around free monthly data package for youth aged between 18 and 25 (100,000 individuals) is expected to increase the demand for mobile internet services, which is positive for Emtel, and other service providers. • Measure regarding the Partial Exemption Regime for Payment Intermediary Services (PIS) Licence Holders, along with removal of fees associated with the use of the MAUCAS platform is seen as slightly positive for payment service providers such as Juice, Blink and other banking apps. • Zero percent loans from DBM for the purchase of IT Equipment for youngsters (18 to 25) could increase sales of laptops and others.
SBM	Neutral	
ABC Banking	Neutral	
MUA	**Negative**	
SWAN	**Negative**	
EMTEL (Blink) – Offer for Sale	Positive	
Harel Mallac Technologies	Positive	

Outlook:

- As central banks around the world have ended their tightening cycle and are now in position to ease monetary policy stance, in Europe for example, we expect the extension of the home ownership scheme to continue to support loan growth in MUR, especially in a context of a potential cut in interest rates in Mauritius before the end of the next fiscal year.
- The implementation however of the portability of bank accounts could increase competition in the local banking industry, at the benefit of depositors but potential reduction in stickiness of deposits for banks.
- On the fintech front, payment service providers such as Blink could see an increase in the number of merchants using the MAUCAS platform, therefore resulting in higher potential growth in revenue.

	Parameter	**Year 2019**	**Year 2020**	**Year 2021**	**Year 2022**	**Year 2023 (f)**	**Trend**
Financial & insurance activities	% contribution to GVA	11.8	14.1	13.9	13.6	13.3	
	Sector Real Growth Rate (%)	5.2	4.00	4.20	4.20	4.20	
ICT	Sector Real Growth Rate (%)	5.1	1.50	6.90	1.80	3.30	

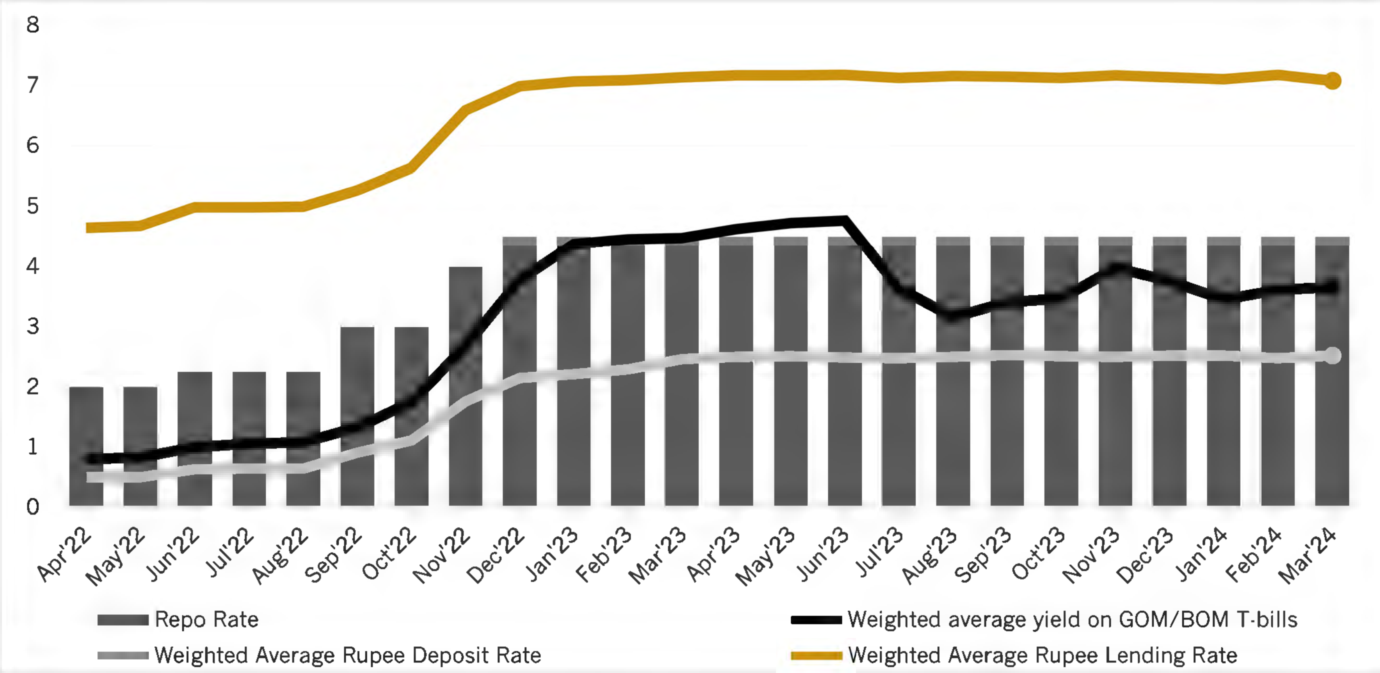
Source: Statistics Mauritius

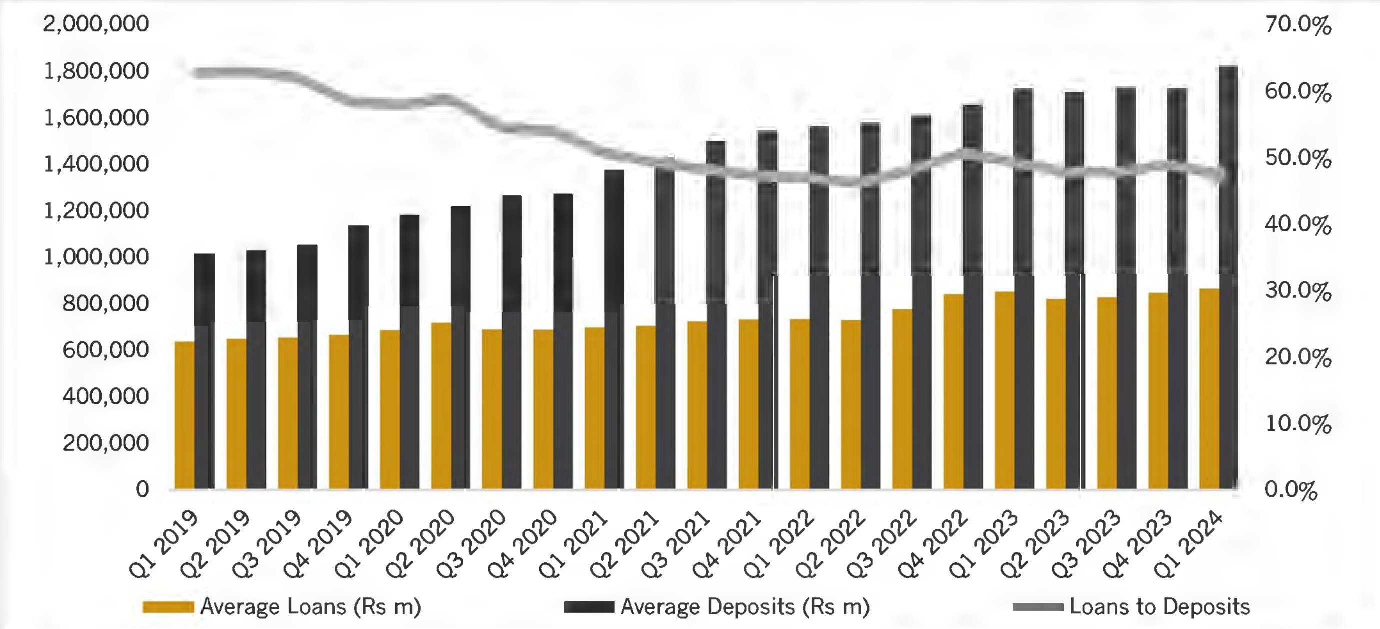
Sector Review

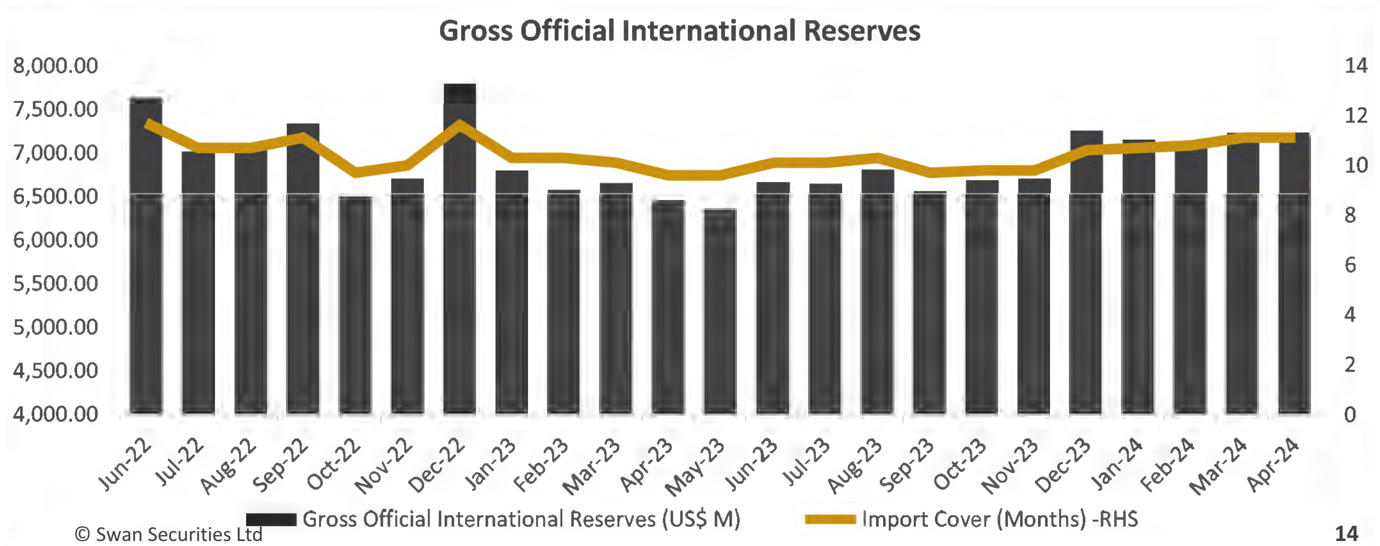
	Parameter	**Year 2020**	**Year 2021**	**Year 2022**	**Year 2023**	**Year 2024 (f)**	**Trend**
Financial & insurance activities	% contribution to GVA	14.1	13.9	13.6	14.0	13.8	
	Sector Real Growth Rate (%)	4.00	4.20	4.20	4.30	4.40	
ICT	Sector Real Growth Rate (%)	1.50	6.90	1.80	6.10	4.50	

Source: Statistics Mauritius

Financial Services







Manufacturing & Agriculture

Manufacturing & Agriculture

Theme: Growth in the local manufacturing sector decelerated in 2023 from 20.4% in 2022 to 8.3% in 2023, on account of normalised rates of growth following limited activity during the pandemic and subsequent period of recovery, but also on account of the weak manufacturing sector globally as shown by contraction in manufacturing PMI. As a result, output from the textile industry, which is mainly export oriented, shrunk 6.1% YoY on the back of lighter order books. This resulted in lower contribution from Export Oriented Enterprises' contribution to GVA, which has shrunk to reach 3.8% in 2023 from 4.3% in 2022.

In 2023, terms of trade improved significantly due to a 5% drop in the Import Price Index. This was driven by a decrease in global inflationary pressures from their peak in 2022, aided by tighter policy stances from central banks worldwide and less volatile commodity prices. On the other hand, Export Price Index rose 11.9% in 2023 on the back of higher export prices on Sugar notably as industry benefited from favourable prices on international markets. Export prices of Live animals and Fish were among other main contributors.

On the agricultural front, a more favourable climate in Q1 23 compared to previous corresponding quarter led to higher production of crops, notably cane and tea but also other cultures (open and under covered). On the sugar side, despite lower area harvested, cane crushed grew by 8.7% in 2023 resulting in 2.6% growth in sugar produced. Growth in the production of sugar was supported by the "White Sugar" while the production of "Special Sugars" fell during the period. In terms of remuneration, ex-MSS price for crop year 2023 is expected to increase compared to last crop year on the back of the surge in average price of white sugar in the EU, which should translate in higher revenue accrued to producers during the crop year.

On the textile front, the slowdown in manufacturing activity in South Africa along with the EU, with France, UK and Germany experiencing weakness in internal demand for goods (as seen with the contraction in PMI), led to lighter order books for the industry. In Q1 24, exports of "apparels and clothing accessories" fell 20% YoY. Outlook for the industry will remain conditional to the extent of the recovery of external demand in coming quarters.

In order to improve the sector's ability to withstand external shocks, key stakeholders have recommended the creation of a "Manufacturing Resilience Fund". In order to improve the sector's visibility on a global scale, stakeholders have recommended the creation of a "Trade Promotion and Marketing Fund" along with the extension of the Trade promotion and Marketing scheme to cover three new markets, namely, China, India and New-Zealand. Other issues raised revolved around labour supply along with investment in the sector.

Manufacturing & Agriculture

Key Measures

Exports

- Define an export manufacturing enterprise as having a minimum of 30% export turnover.
- Set up an export promotion fund with a seed capital of Rs 50 million.
- The Africa Warehousing Scheme, which facilitated a ten-fold increase in exports to Rs 475 million, will be extended until 2027 and expanded to include Kenya.
- Renewal of the Freight Rebate, Trade Promotion and Marketing, and Export Credit Guarantee Schemes for an additional year.
- Increased refund of 40% under the Freight Rebate Scheme for first-time exporters with a turnover of less than Rs 20 million for one year.
- Inclusion of New Zealand in the Trade Promotion and Marketing Scheme.

Agro Industry & Livestock

- A series of measures were announced to support for local farmers and breeders through grants and subsidies. This will help promote food security.
- Government will acquire a mobile veterinary clinic to deliver quicker service to farmers for their livestock
- The subsidy on animal feed is being increased by 33 percent from Rs 15 to Rs 20 per kilogram.
- 75% subsidy on seeds for potatoes, onions, carrots, beans, garlic, and tomatoes.
- Grant of Rs 250,000 for small planters and Rs 300,000 for cooperatives for equipment purchase.
- Rs 50 million for a cold storage facility at the National Wholesale Market to increase the shelf-life of fruits and vegetables.
- Rs 6 million for the Road Mending Scheme for tea cooperatives.
- Increase in the winter allowance for tea growers by 80% from Rs 2.50 per kg to Rs 4.50 per kg.
- Cash compensation of Rs 6,000 per arpent for the first crop cycle annually and Rs 3,000 per arpent for a second crop cycle annually for planters affected by adverse weather conditions.

Sugar Sector

- The Cane Replantation Scheme and Cane Revolving Fund Scheme helped for the replantation of some 9,900 arpents of land over the last 3 years.
- Increase in the grant under the Cane Replantation Scheme from Rs 50,000 to Rs 60,000 per arpent.
- For planters producing up to 60 tons of sugar Government will continue to pay the of premiums to the Sugar Insurance Fund Board, provide a 50% subsidy on fertilizers for planters producing up to 60 tons of sugar, continue to provide Rs 150,000 financial assistance for drip irrigation systems and waive of CESS for crop 2024. The minimum guaranteed revenue of sugar will also be increased to Rs 30,000 per ton for crop of 2024.

Manufacturing & Agriculture

Listed Companies	Impact	Industry Comments
Alteo (Sugar)	Neutral	• Breweries, Distilleries and distributors were not impacted by increase in taxes on their products. • Livestock Feed might benefit from higher volumes and subsidies • Sugar conglomerates are enjoying high price of sugar and will continue to benefit from the biomass framework.
Terra (Sugar)	Neutral	
Omnicane (Sugar)	Neutral	
LMLC	Neutral	
PBL / PHIN	Neutral	
Innodis	Neutral	
Medine (Agro)	Neutral	
QBL	Neutral	
Livestock Feed	Positive	

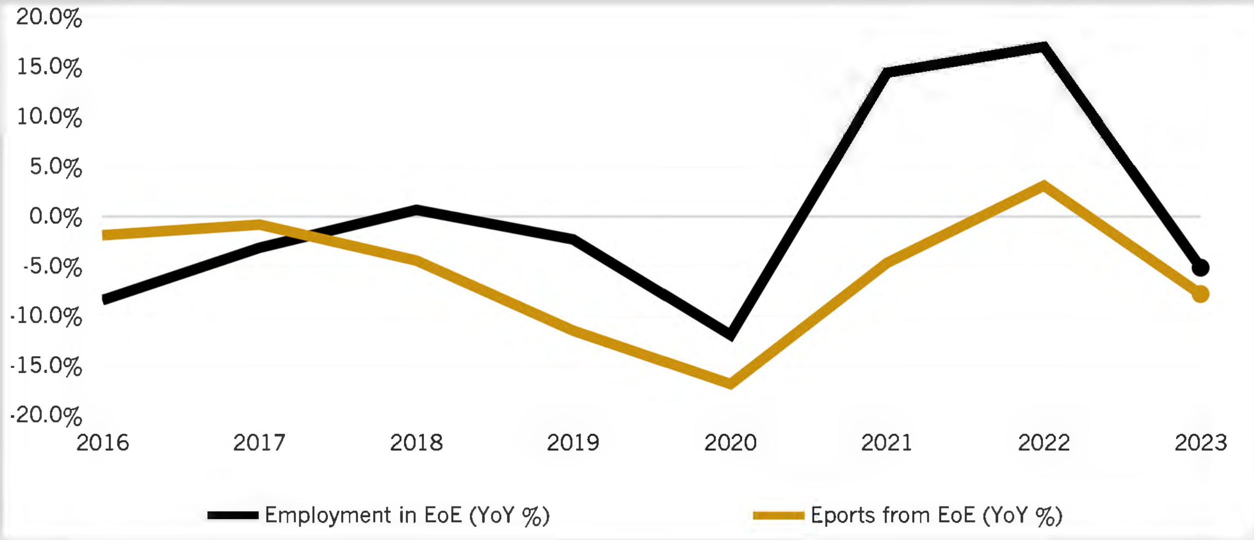
Outlook: The government's comprehensive measures are aimed at bolstering key economic sectors, enhancing export capabilities, and ensuring sustainable growth. By providing targeted financial support, regulatory adjustments, and incentives, the country is positioned to achieve a diversified, resilient, and competitive economy. The sustained focus on agriculture, manufacturing, and exports is expected to drive economic progress and stability in the medium term.

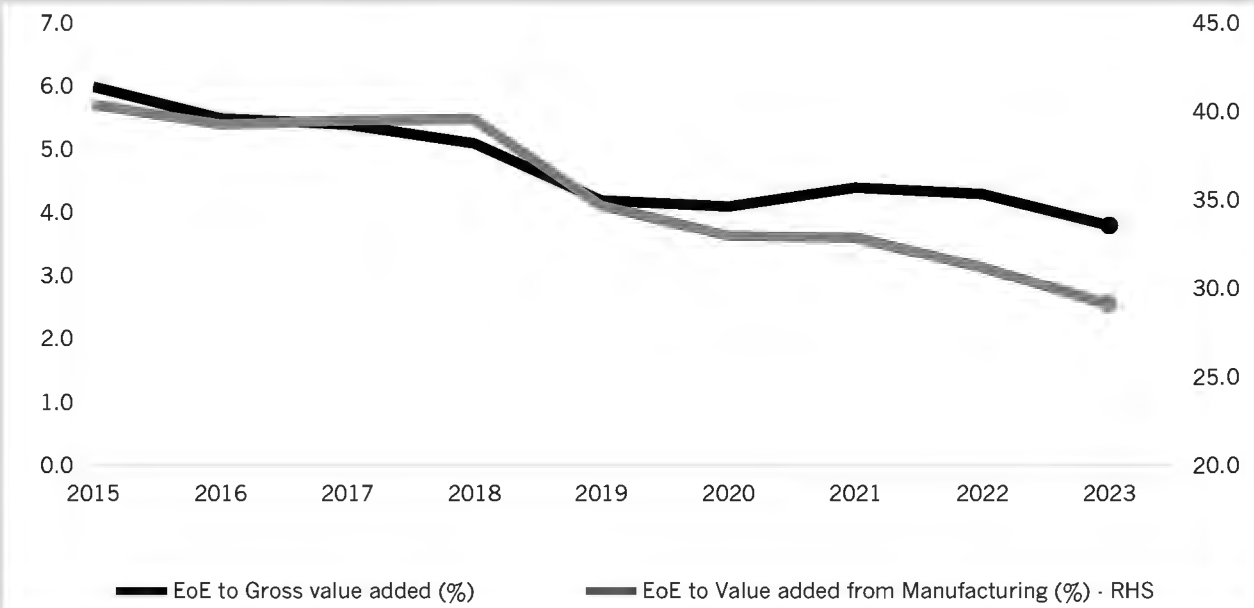
Sector Review

	Parameter	Year 2020	Year 2021	Year 2022	Year 2023	Year 2024 (f)	Trend
Manufacturing	% contribution to GDP	12.3	13.2	13.8	12.9	12.9	
	Sector Real Growth Rate (%)	-17.7	8.3	10.4	2.1	3.9	
Textile	Sector Real Growth Rate (%)	-29	8.9	6.8	-9.5	7.7	
Food (Excluding Sugar)		-10.6	4.9	15.4	4.3	2.8	
Sugar		-17.2	-5.1	-9	2.5	0	

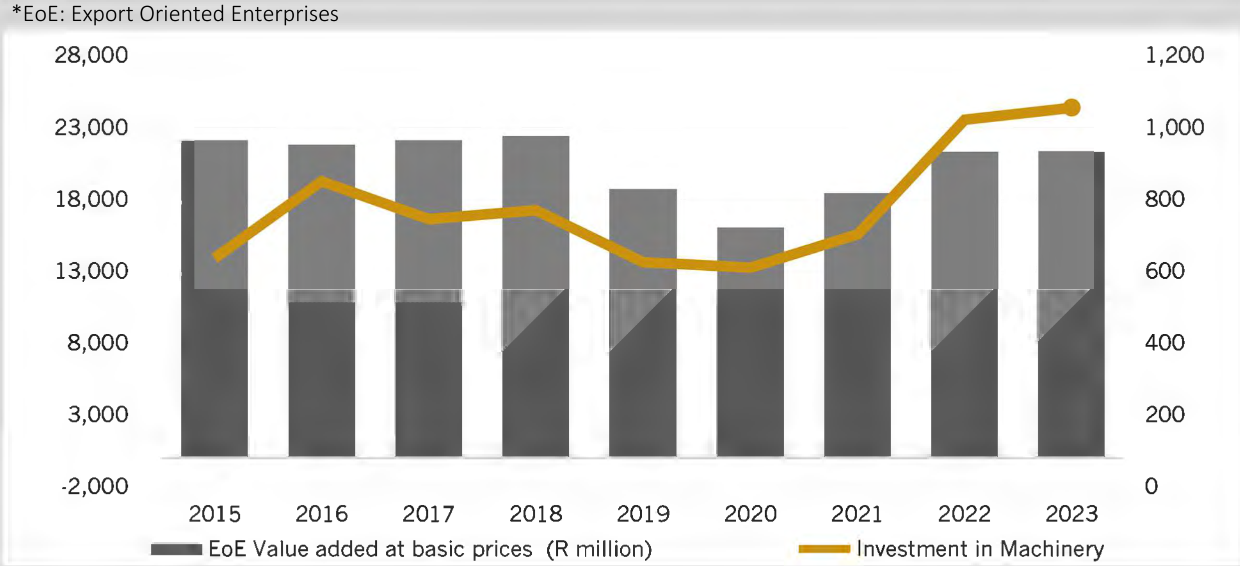
Source: Statistics Mauritius

Manufacturing & Agriculture





*EoE: Export Oriented Enterprises



Leisure and Hotels

Leisure and Hotels

Theme: The tourism sector contributed 9.0% to the country's GVA in 2023, compared to the 7.5% contribution in 2022. Sectoral growth rate increased by 29.5%, indicating improvement in the sector.

Tourist arrivals increased by 29.9%, from 997,290 arrivals in 2022 to 1,295,410 arrivals in 2023. Mainly driven by traditional markets, notably France, which registered an increase of 33.8% in arrivals in 2023, representing a nominal increase of 80,658 in arrivals. Regional markets also contributed positively to the growth in arrivals, with an additional 60.0k Reunionese tourists recorded during the year, supported by the "no passport" travel initiative between our two Islands. Arrivals remained below pre pandemic levels, with a 6.37% discount to 2019 arrivals. Average Recovery Rates (6 months) significantly improved for the country from 84.2% in 2022 to 95.9% in 2023, using 2019 as a base year. Growth in tourist arrivals exceeded those of peers (Maldives and Seychelles), except for Sri Lanka, between 2022 and 2023.

On a year-to-date basis (Jan-Apr), arrivals by air reached 433,072 in 2024 against 407,787 in 2023, representing an additional 25,285 tourists this year or a y/y growth of 6.2%. France remains the country's main market, with 117, 784 tourists visiting the Island between January and April. Biggest increase in tourist arrivals came from Russia in 2024, which accounted for 10,426 new tourists. The surge in arrivals from Russia was enabled by the opening of the new route between Mauritius and Russia through the Aeroflot airline. Economic headwinds in the UK and Germany in the past quarter muted growth in arrivals in 2024, while political and economic uncertainty saw arrivals from South Africa drop in 2024.

Leisure and Hotels

Key Measures

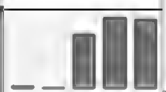
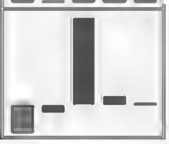
- Increasing MTPA budget by 20%, reaching Rs60 M with the aim of supporting the promotion and marketing of the Mauritius destination.
- Concerning SMEs
  - Grant increased to Rs 800,000 for projects undertaken by small hotels associations
  - Participation in International Fairs SME Refund Scheme increased to Rs 275,000.
- Rs 900 million will be provided over the next four years to prepare the island in terms of water and electricity supply, food security and tourism development.
- Focus is still on fostering sustainable tourism development, with the aim of making Mauritius to become a Green-Certified Destination by 2030
- Tourism Authority will engage in the accredited certification process of Bel Ombre on the Global Sustainable Tourism Council to be completed by December 2025.
- Maintenance of subsidy on the Special Rodrigues Holiday Package and the Subsidy on Airfare from Rodrigues until September 2025, to maintain competitive air connectivity, and further enhance the connectivity of Rodrigues to the world.
- With the aim of protecting destinations from beach erosions and other effects of climate change:
  - A budget of Rs 3.2 billion has been allocated to the Climate and Sustainability Fund (CSF) for projects addressing climate change.
  - Restoration of more than 26 km of shoreline and rehabilitation of some 30 degraded sites across the island including Grand-Baie, Bel Ombre, Belle Mare, Flic en Flac, Le Morne Village, among others
  - Sand extraction for beach nourishment on some 5 kilometres of shoreline of Le Morne, among others.
- Following measures were taken to rebuild the marine eco-system:
  - The launch of a lagoon reseeding program.
  - Establishing of 250 coral farms in Belle-Mare, Flic-en-Flac, among others.
  - Utilisation of sustainable coral farming techniques to cultivate and transplant approximately 25,000 corals annually to degraded reef areas over a three-year period. An Expression of Interest will be launched by the EDB for private operators to undertake coral farming projects.
  - setting-up oyster farms across the island to purify lagoons.
  - License issued to companies for cleaning beaches through collection of algae and seaweeds into fertilisers.
- Facilities for hotel reconstruction and renovation were as follow:
  - The hotel reconstruction and renovation scheme will be renewed ending the financial year 2024-2025. Under this scheme, a hotel on state lands that temporarily closes for renovation or reconstruction will receive a 50% reduction in rent payable during that period, provided certain conditions are met.
- With the aim of re-engineering the tourism sector, a Tourism Development Bill will be introduced to provide an enabling legal framework for tourism development; licencing framework for tourism related activities will be streamlined; inspectorate division of the Tourism Authority will be strengthened
- To further develop the sports economy and showcase Mauritius as an adventure tourism destination, the EDB plans on creating a National Strategy for Adventure Tourism.

Leisure and Hotels

Listed Companies	Impact	Industry Comments
NMH	**Positive**	• Under the hotel reconstruction and renovation scheme, a 50% reduction in rent payable is given, alleviating the costs of eligible hotels. Hotel groups need to refurbish their inventory regularly and this measure will help to mitigate their operating cost. • Focus was mainly on strengthening destination, protecting coastlines, mitigate effects of beach erosions, and coral farming.
LUX	**Positive**	
SUN	**Positive**	
CHSL	**Positive**	
Morning Light	**Positive**	
Southern Cross Tourist	**Positive**	
Tropical Paradise	**Positive**	
Lottotech	**Neutral**	

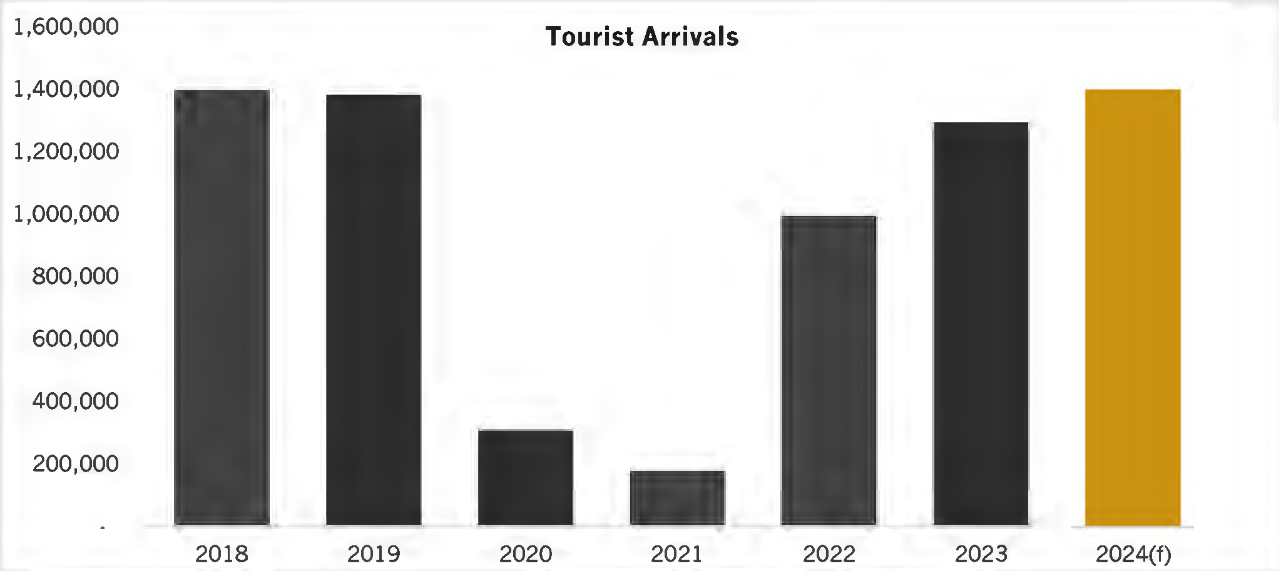
Outlook: Authorities projected tourist arrivals for 2024 to reach 1.4 million with Rs 100 Bn in tourism earnings. Following the hotel reconstruction and renovation scheme, the 50% reduction in rent payable given to alleviate the costs of eligible hotels during the renovation/ reconstruction period will encourage hotels on state land to increase renovation. With a fixed room supply, the main way to increase revenue is via renovation which allows a hotel to increase its margin (rate per room). The increased marketing budget of MTPA, and promotion of adventure tourism by the EDB, will help increase arrivals and diversify revenue streams in the long run. One pressing issue which is labour availability still remains, which can be damaging to its operations.

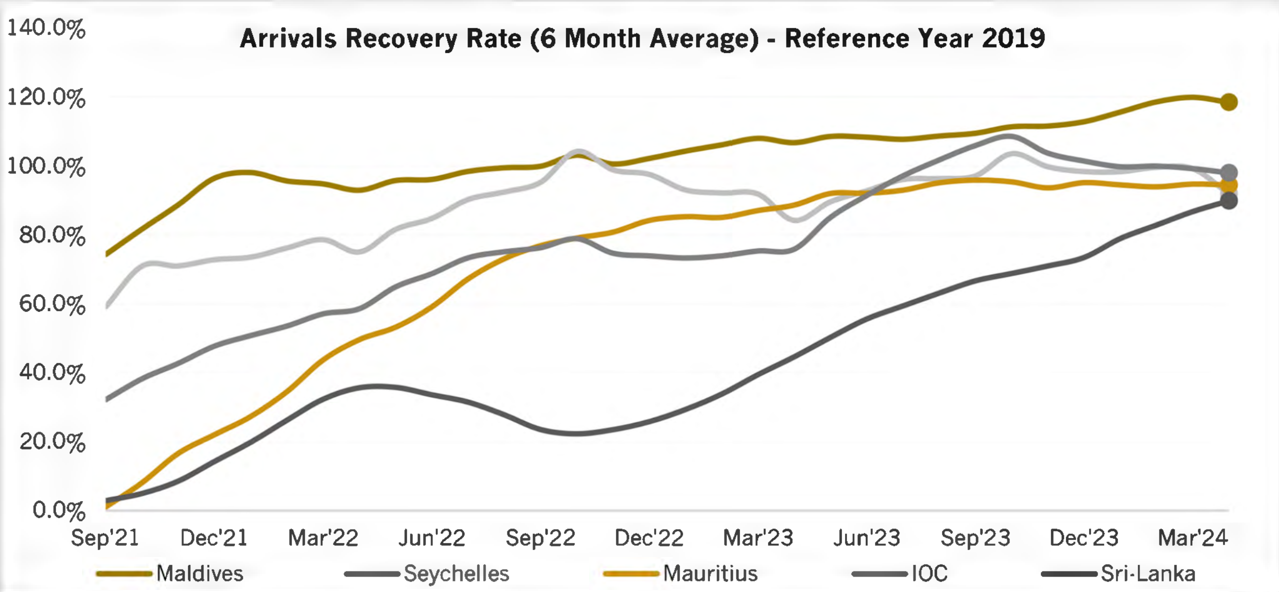
Sector Review

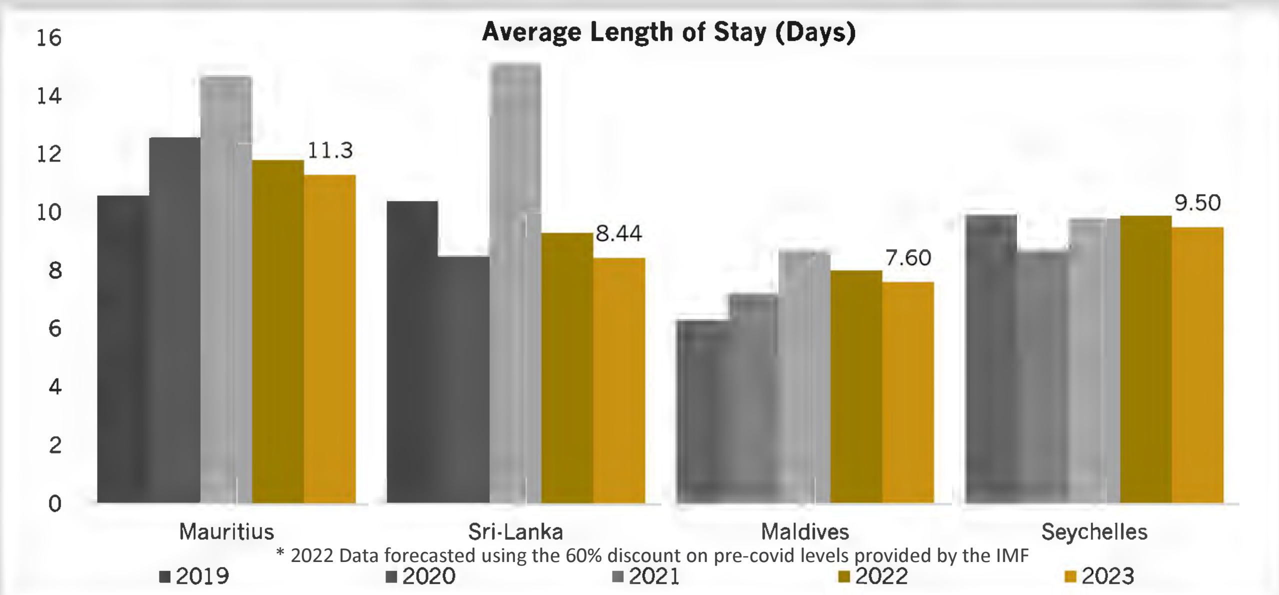
	Parameter	Year 2020	Year 2021	Year 2022	Year 2023	Year 2024 (f)	Trend
Tourism	% contribution to GVA	2.3	2	7.4	9	8.85	
	Sector Real Growth Rate (%)	-78.6	-21.8	253.6	29.5	8.9	

Source: Statistics Mauritius

Leisure and Hotels







Property and Construction

Property and Construction

Theme: The construction sector grew by 41.2% in 2023, higher than the 15.6% recorded in 2022. The sector benefited from numerous public infrastructure projects including roads, bridges along with metro-related works. Growth is expected to dampen in the coming year, according to Statistics Mauritius as a number of ongoing public infrastructure projects are coming to a conclusion.

Growth in Real Estate activities slowed down in 2023 registering a growth of 1.8% against 3.5% in 2022, mainly on the back of a slowdown in activities liked to “owner occupied dwellings”. Cost of acquiring a residential property increased by 21.6% between 2022 and 2023, as implied by the Property Price Index. Over the same period Residential Real Estate loans to total loans granted by financial institutions rose from 11.9% as at Dec-22 to 13.0% in Dec-23.

Number of building permits issued during the year dropped for both residential and non-residential buildings amid high interest rate environment. Interestingly, while number of permits was down, the projects for both residential and non-residential buildings were larger in terms of Sqm, requiring therefore more investment which translated into a 37.4% growth YoY in Gross Fixed Capital Formation in buildings and construction works.

Despite high cost of financing, the rising cost pressures experienced in 2021 and 2022 faded in 2023, translating into a lower growth in the Input Price Index for the construction of a single storey house which increased by approx. 2.8% in 2023 compared to a 14.1% increase in 2022. Reference basket benefited from a drop in prices of Steel bars and Timber notably in 2023. The index rose 3.1% in the first quarter of 2024, on the back of the rising cost of labour as authorities raised the minimum compensation for workers in the beginning of the year.

Gross direct investment flows towards Real Estate activities grew by 35% in 2023, on the back of the 22.5% growth from flows channelled towards IRS/RES/IHS/PDS/SCS projects.

Discussions during pre-budget consultations between key stakeholders and the minister of finance revolved around the invitation for tender on public projects, permit cost, process for employment permit of foreign workers and labour cost.

Property and Construction

Key measures

Infrastructure Development, Drains and Water resource management

This Government has embarked on a number of key infrastructural development including landmarks such as SAJ Bridge, Quay D Flyover, Link road connecting La Vigie and La Brasserie, new flyover at St. Pierre to name a few.

- Infrastructure will remain a key public sector investment with an envelope of Rs. 3 billion for this fiscal year for:
    - completion of existing projects; and extension of the metro
    - upgrading of a number of key roads and construction of roundabout at Goodlands;
    - construction of road bypasses including Flic-en-Flac and Hermitage;
    - construction of flyovers at Wooton, Terre Rouge, Ebène and La Vigie;
    - upgrading of the Roussel Bridge at Grand River North West (GRNW);
    - construction of a new footbridge on M1 at Trianon; and
    - construction of the new link road connecting La Brasserie to Beaux Songes, to Pierrefonds roundabout and to Cascavelle.
    - Government will engage in new road projects including: Construction of new flyovers at Labourdonnais on Motorway M2 and Camp Fouquereaux;
    - Construction of a new link road connecting Britannia to Rivière des Anguilles; and
    - New motorways M4 in the East and M5 in the South.
- Moreover, a budget of Rs. 1 billion has been earmarked for the implementation of 132 drain projects of a total value of Rs.3.5 billion across the island.
- Rs 2.5 billion is earmarked for existing and new water storage infrastructure:

Smart City Scheme & Other facilitation measures

- The contribution payable by a smart city company per residential property or per plot of serviced land will be increased from Rs 25,000 to Rs 100,000.
- Harmonisation of the fees for Building and Land Use Permits (BLUP) across all local authorities.
- Extend the validity period of a BLUP for construction to start from 2 years to 3 years.
- Streamline the process to determine land conversion permits.

Property and Construction

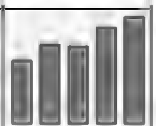
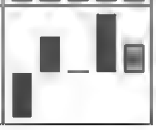
Listed Companies (Key companies)	Impact
Gamma	Positive
UBP	Positive
Kolos	Positive
ENL (Property)	Negative
Terra (Property)	Negative
Alteo (Property)	Negative
Medine (Property)	Negative

Industry Comments

- Public investment in infrastructural projects is expected to support industry growth.
- Mention of numerous infrastructure projects is expected to support sectoral growth in coming years.
- Home Ownership scheme and potential cut interest rates in coming quarters could bring further support to the sector.
- We expect sugar conglomerates to benefit from prevailing high prices of sugar. However, the contribution payable by a smart city company per residential company or plot of service land will be increased from Rs 25,000 to Rs 100,000.

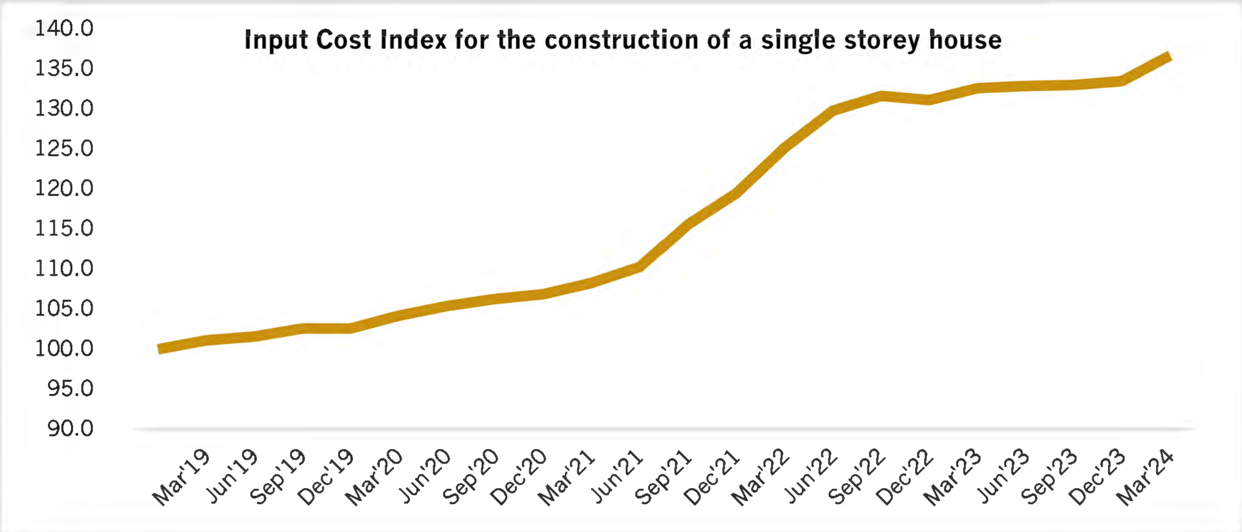
Outlook: Infrastructure remains a key component of public sector investment, which includes construction of roads, flyovers, bypasses, drains and water storage facilities. We believe these large-scale projects will continue to dominate public sector investments in coming years especially with the extension of the metro around the cardinal points of Mauritius.

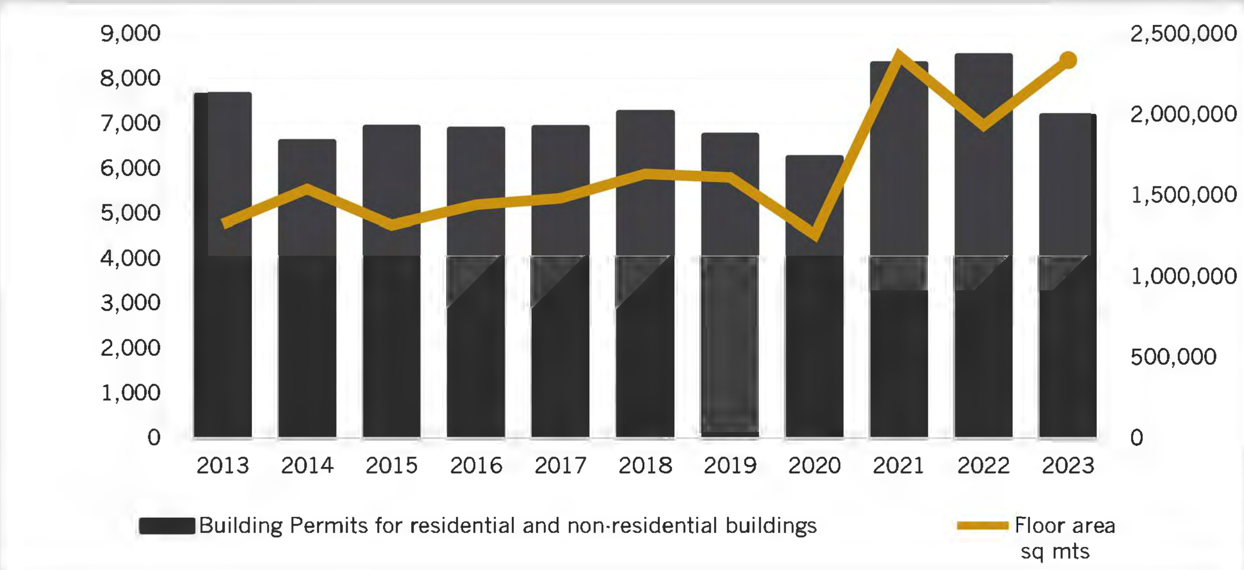
Sector Review

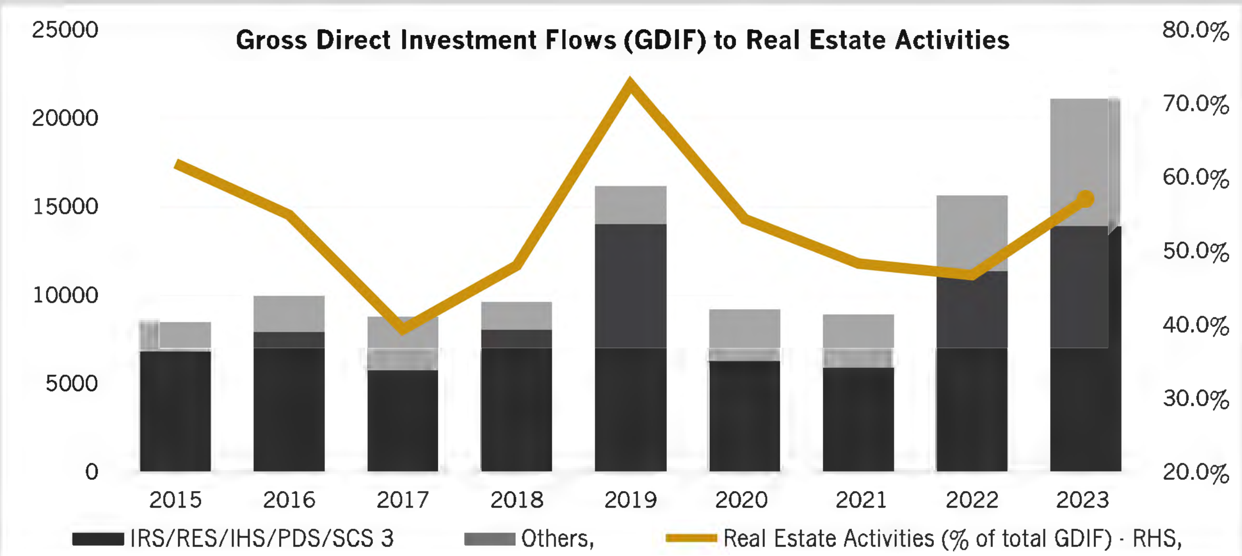
	Parameter	Year 2020	Year 2021	Year 2022	Year 2023	Year 2024 (f)	Trend
Construction	% contribution to GVA	4.3	5.3	5.2	6.5	7.2	
	Sector Real Growth Rate (%)	-28	22.7	1.3	37.4	18.1	

Source: Statistics Mauritius

Property and Construction







Environment, Sustainability, Green Energy

Environment, Sustainability, Green Energy

Theme: Increases in the frequency and strength of climate events in the past years have prompted authorities to take action regarding the country's vulnerability in the face of environmental shocks by increasing investments relating to mitigation and adaptability of the country. In the past two budgets, an average of Rs 3.0bn were budgeted per year for drain projects, part of the authorities' flood mitigation program across the island. Following the flash floods experienced in the first quarter of 2024, additional investment into the program is expected.

Following the surge in coal prices between 2021 and 2022, and the subsequent surge in the cost of production of electricity, authorities have announced an ambitious plan to achieve 60% of production from renewable energies in 2030. In line with the announcement, authorities increased funding to implement the National Biomass Framework to help the country reach its target. Main producers of bagasse are still waiting for more clarity on the authorities' end to invest into new machinery. The issue of climate shocks continues to pose an issue however on the reliability of availability of canes in times of above average or below average rainfalls, much like in the first quarter of 2022.

From 2023 to date, the CEB launched numerous projects of Solar farms with limited capacity, ranging from 8 to 13 Megawatt through partnerships with notably Landscope Mauritius, Ecosis Ltd and GreenYellow Indian Ocean. The CEB also received funding from the African Development Bank along with the UK Government finance the construction of Gas-insulated switchgears, which will further help the country to improve its energy mix. In 2023, energy produced through renewable sources fell from 17.1% to 15.4%, mainly due to the fall in energy generated from Hydropower which was compensated by a rise in the use of coal.

Among recommendations formulated by representatives of the private sector are the implementation of an ESG framework for companies, sustainable agricultural activities to cater for food security along with a "Greening" plan for the Island. The issue around beach erosion have also been held between key stakeholders and the minister of finance.

Environment, Sustainability, Green Energy

Key Measures:

Green Energy

- A Government Support Agreement will be established to unlock over Rs 15 billion of private sector investment in renewable energy projects in the upcoming 2 years.
- Government aims to:
    - Launch an Agri-voltaic Scheme to enable planters, farmers and breeders to generate electricity at a premium tariff of Rs 5 per kWh,
    - Introduce a community based solar PV Scheme for households within vulnerable localities who will benefit freely from 50 kilowatt-hours of electricity monthly,
    - Install 3,500 solar PV kits on rooftops of households, NGOs as well as religious and charitable institutions,
    - Revamp the Net Billing Scheme to allow households to install batteries and sell any excess electricity generated to the CEB,
    - Increase the Home PV Scheme from 5 kWh to 15 kWh,Set up an additional 20-Megawatt Battery Energy Storage System at L'Avenir; and
    - Set up solar PV panels on rooftops of public buildings for a total capacity of 5 Megawatt.
- DBM Ltd will increase the maximum loan amount for the purchase of solar kits and batteries by households to Rs 350,000.
- DBM will implement an Energy Efficiency Loan Scheme for the implementation of energy-saving measures

Mobility

- To further support the move towards the greening of our automobile fleet:
    - The Negative Excise Duty of Rs 200,000 for purchase of electric vehicles will be renewed up to June 2025; and
    - The CEB will install prepaid public charging stations.

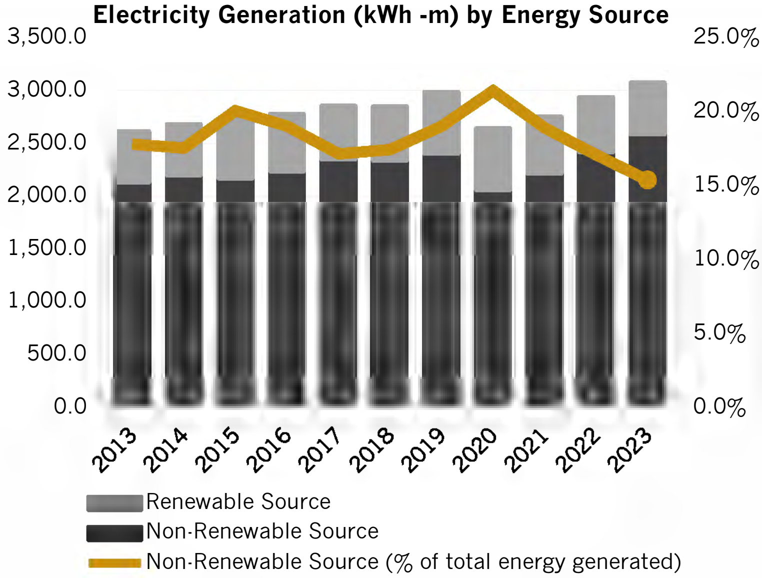
Other sustainability measures

- To meet our adaptation and mitigation agenda, we will have to mobilise some Rs 300 billion. This is why we are introducing a Corporate Climate Responsibility (CCR) levy, equivalent to 2 percent of the company's profits. Companies with a turnover of less than Rs 50 million will be exempted from this levy
- A Climate and Sustainability Fund will thus be set-up to implement this agenda. The fund will further be open to donations from international organisations and individuals and will be managed by a joint public-private committee.
- To rebuild our marine eco-system, we are launching a lagoon reseeding programme
- Earmarked Rs 1 billion to pursue the implementation of 132 drain projects of a total value of Rs 3.5 billion.

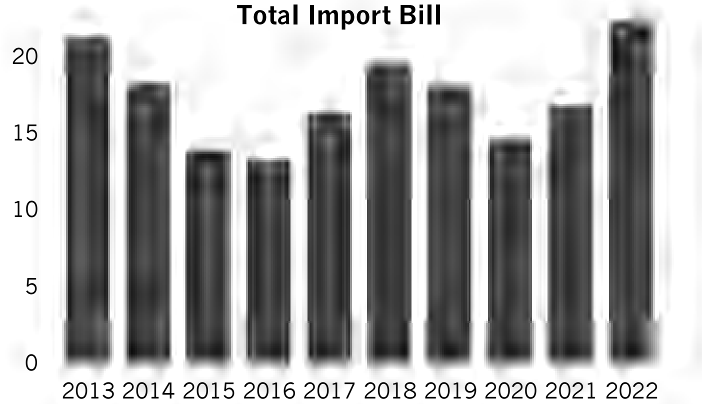
Environment, Sustainability, Green Energy

Listed Companies	Impact	Industry Comments
UBS	Neutral	• Authorities took a firm stance to tackle the issues regarding adaptability and mitigation of climate shocks by imposing a 2% levy on all companies with turnover of more than Rs 50.0m, raising therefore the effective tax rate across the board for all corporates. • Efforts are being taken to increase clean energy production capacity of the CEB in alignment with the goal of improving the energy mix of the country which will have a positive impact ultimately on our imports bill. • The renewal of the Negative Excise Duty of Rs 200,000 for purchase of electric vehicles up to June 2025, along with the installation of prepaid pubic charging stations is expected to bring further support to the sale of electric vehicles, which could impact positively car sellers (Axess) along with green financing facility providers (CIM, Rogers Capital). • CEB will shift its production towards biofuel. This might be beneficial for Omnicane. • A government support agreement will be established to unlock over Rs 50.0m private sector investment in renewable energy projects in the upcoming 2 years. This may offer an opportunity to the sugar conglomerates to invest in the renewable energy sector.
RHT	Neutral	
Terra (Energy)	Neutral	
Omnicane (Energy)	Neutral	
Alteo (Energy)	Neutral	
ENL (Axess)	Positive	
ABC Motors	Positive	
CIM Finance	Positive	
Rogers Capital	Positive	

Electricity Generation (kWh -m) by Energy Source



Import Bill of Energy Sources as a % of Total Import Bill



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