

Local Economy

According to the latest National Accounts Estimates, real GDP growth is projected to ease from 4.9% in 2024 to 3.1% in 2025, on the back of global economic uncertainty as well as recent domestic developments.

Growth remains driven by financial and insurance activities, though momentum is expected to slow amid new tax measures. Non-sugar agriculture performed strongly despite 2025Q1 droughts, while tourist arrivals rose 3.9% year-on-year in the first eight months of the year, on track to reach 1.42m by year-end. By contrast, construction and real estate face headwinds following the withdrawal of smart city incentives, although existing projects will be grandfathered.

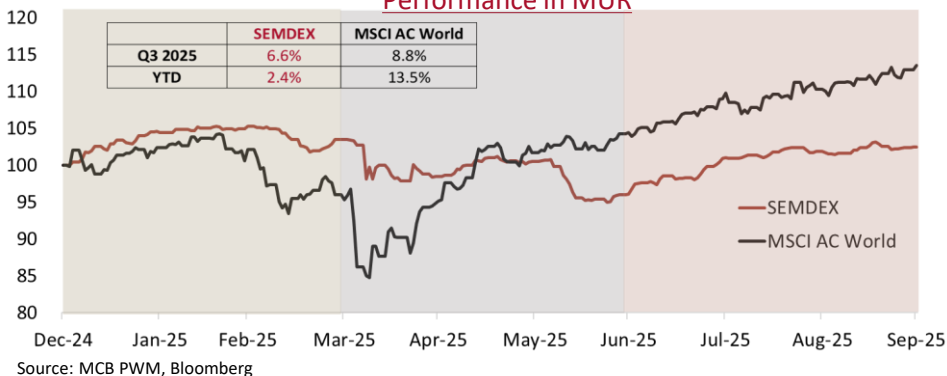
The outlook is clouded by external risks, including slower growth in trading partners and uncertainty over US trade policy and the AGOA expiry, weighing on textile exports which has contracted for two consecutive years. Headline inflation rose from 2.5% in March to 3.4% in September and should reach around 3.7% by year-end. While vehicle excise hikes have already filtered through, upward pressures will persist from the extension of VAT to small firms and higher sugar-product excises (effective October 2025), partly offset by Price Stabilization Fund relief.

On the fiscal side, the deficit stood at 9.8% of GDP as at June 2025, with public debt at 86.4%. Fiscal consolidation - via a higher retirement age, phasing out of CSG transfers, and new levies like the Fair Share Contribution, aims to reduce the deficit to 1.3% and debt below 80% of GDP by FY 2027/28.

Externally, the trade deficit widened by 6% in 2025H1 as exports weakened and imports stayed firm, though the latter should ease with softer vehicle demand. The Balance of Payment still recorded a Rs 36.4 billion surplus, supported by portfolio inflows, with the external position to remain buoyed by tourism receipts, financial flows, and India's grants ahead.

Market Overview

Performance in MUR



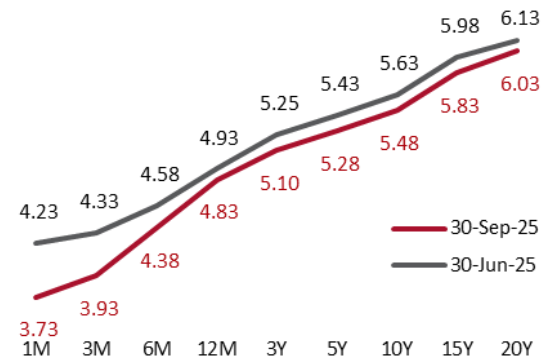
Source: MCB PWM, Bloomberg

In Q3, the SEMDEX rose by 6.6%, recouping some of the previous quarter's drop (-7.1%) and lifted its YTD performance back into positive territory at 2.4%. Meanwhile, global equities sustained the uptrend, advancing 8.8% in MUR terms in Q3 (YTD +13.5%), driven by broad market gains and 1.4% appreciation in USDMUR.

Foreign investors remained net sellers during the quarter, recording total net outflows of MUR 428m. The bulk of the selling came from MCBG (MUR 362m), followed by SBMH (MUR 55m) and CIEL (MUR 12m).

In Q3, the excess liquidity continued to pressure yields downwards, despite the Central Bank resuming weekly issuance of bills. As a result, the yield curve shifted downwards. The yield on 3-Yr, 5-Yr and 10-Yr government bonds all fell by 15 bps while the 20-Yr was down 10 bps.

Secondary market MUR yield curve



Source: MCB PWM, MCB Treasury, BOM

At the latest MPC meeting on the 13th August, the Key Rate was maintained at 4.50%, as inflation remained within the target range.

Market Outlook and Portfolio Positioning

Looking ahead, we expect Q3 earnings releases in November to reflect the first tangible effects of Budget 2025/26 measures, adding further strain on companies' profitability, as they navigate geo-political uncertainties. For now, visibility on FY26 earnings impact remains limited, but we see downside risk for select companies. That said, excess liquidity in MUR and a 4.6% dividend yield on local equities should offer some near-term support.

At the portfolio level, we maintain a cautious stance, with a strong emphasis on selective stock-picking. Our focus remains on companies demonstrating resilient business models, clear growth strategies, and the ability to benefit from prevailing market and economic dynamics, while navigating the pressures of higher costs and global trade uncertainties.

For our fixed income portfolios, we continued to deploy cash on maturities up to and including 10-Yrs, as we move to position portfolios on medium/long term maturities. New corporate bonds in the pipeline are limited and given the already falling sovereign yields, these will altogether put pressure on average portfolio yields.

We are considering increasing duration in our portfolios. Internationally, many countries have initiated or are deep into policy easing while domestically, the monetary authorities have not yet started the cycle. As on one hand, inflation has moderated (albeit floored by Budget measures), and economic growth has slowed, on the other, the picture is muddled by recent changes at the management of the Central Bank and we await more clarity with regards to the new leadership's stance on excess liquidity management and interest rate differential.

Per the issuance calendar, issuance of MUR 24.3bn is planned for Q42025 in terms of notes and bonds compared to maturities of around MUR 10.5bn. The government also has maturing T-bills of MUR 27.1bn while also issuing MUR 2-3bn every week on the shorter end.

Government bond issuances

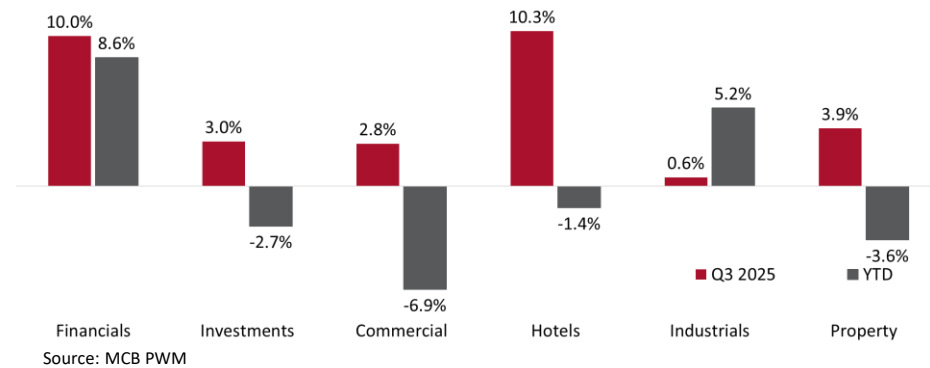
(MUR bn)	Q4 2024	Q4 2025*
3-Yr	8.10	9.00
5-Yr	5.10	3.00
7-Yr	2.50	6.30
10-Yr	-	-
15-Yr	2.10	3.00
20-Yr	3.10	3.00
	20.90	24.30

* As per issuance Calendar

Equity Market Overview

Q3 saw several notable corporate events. Following the restructuring of ENL and Rogers, ER Group was launched on 9th July, and ENL was rebranded as Almarys. Almarys, which started trading at a reference price of MUR 0.01, ended the quarter at MUR 6.00, while ER Group dropped 41% from its listing price of MUR 41.50. Late in the quarter, IBL announced the sale of a 22.4% stake in AfrAsia Bank to Access Holdings (Mauritius) Ltd for approximately USD 117m. Post-transaction, IBL retains a 7.89% equity stake in AfrAsia Bank.

Sector performance



The Q3 rebound was broad-based, with the Financials (+10.0%) and Hotels (+10.3%) sectors driving performance.

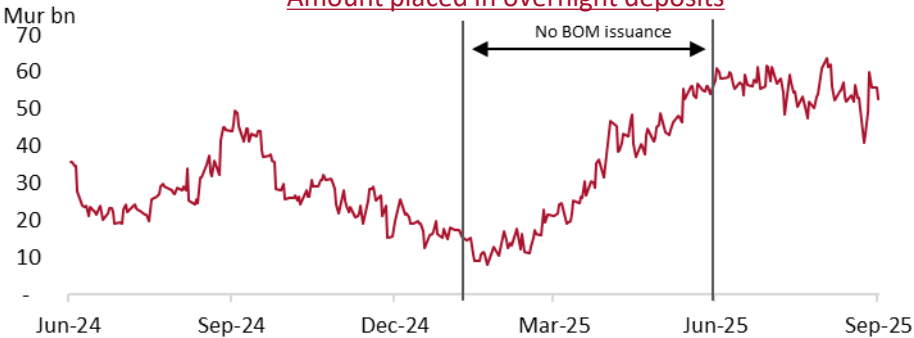
The Financials sector benefitted largely from the strong performance of banking stocks. MCBG (+8.8%) and SBMH (+17.4%) advanced on the back of improved earnings, supported by continued growth in interest-earning assets and expansion in non-interest income. Although fundamentals remain solid, the outlook is tougher as the recent Fed rate cut and falling MUR yields could squeeze net interest margins, while the new taxes introduced in the 2025/26 Budget will weigh on net margin. MUA (+17.4%) also rebounded strongly in Q3, driven by better earnings from the insurance premium revision exercise which started in 2023. However, the new IFRS 17 accounting rules may make earnings more volatile due to fair value-based liability measurement and sensitivity to assumptions.

The Hotel sector also recorded solid gains in the quarter, with all four listed operators rising: SUN (+18.6%), NMH (+11.3%), Riveo (+7.3%), and LUX (+4.6%). Improved operating metrics, notably higher occupancy levels and average daily rates, supported by stronger tourist arrivals versus 2024, drove the sector's performance. Operators remain optimistic about the upcoming peak season, which is expected to be robust. Despite headwinds from higher staff costs and increased taxation, stronger cashflows and healthier balance sheets are allowing the hotel groups to pursue their expansion strategies.

Fixed Income Market Overview

The trend of declining yields which started in the last month of Q2 continued throughout Q3, as excess liquidity remained a predominant factor in the Primary Dealers' bidding pattern. The liquidity built up as BOM paused issuances between 13th February and 2nd July. Despite the resumption of weekly issuances of 91-Day bills in July, excess liquidity has largely stabilised in the range of MUR 50-60bn, a level which is considered by market players as relatively high and conducive to fall in yields.

Amount placed in overnight deposits



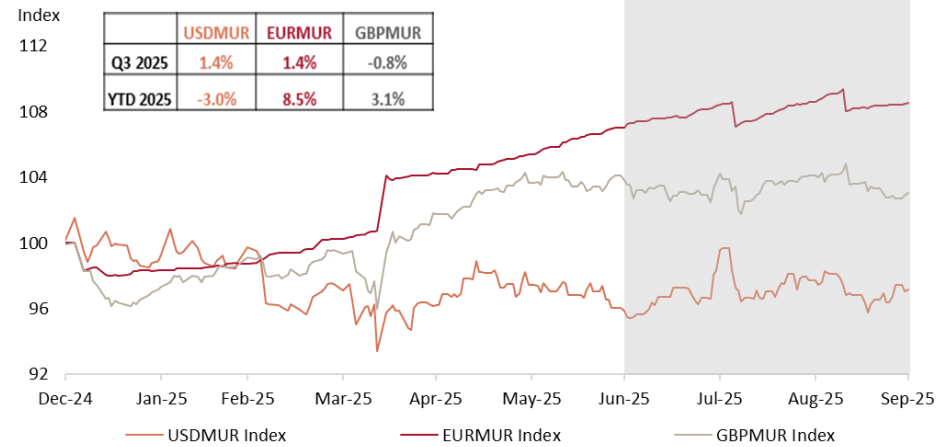
Source: MCB PWM, BOM

Regarding corporate bonds, SBM Holdings proceeded to its private placement issue of MUR 5bn in two tranches, with the first tranche paying a fixed rate of 5.90% for a maturity of 10 years. Meanwhile, Cim Finance issued 3-Yr green bonds for MUR 1bn paying 6.10% fixed.

Ciel followed suit and became the second issuer of green instruments on the market this quarter through an issue of MUR 250m. The group also issued MUR 1.45bn of sustainability-linked bonds.

Currency Market Overview

USD, EUR & GBP vs MUR (31 Dec 2024 = 100)



Source: MCB PWM, MCB Treasury

Both the US Dollar and the Euro appreciated against the rupee in the past quarter, even though the BOM ramped up FX interventions, selling a total of USD 80m to the market in Q3, compared to a combined USD 50m in the first half of 2025. On 18th July, the rate of the intervention stood at USDMUR 45.70 and the BOM intervened progressively at lower rates with the last intervention of the quarter at a rate of USDMUR 45.26. But these interventions did not prove sufficient to appreciate the rupee.