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Industry Pulse
Hospitality sector: Next destination
Mauritius

August 07

, 2026

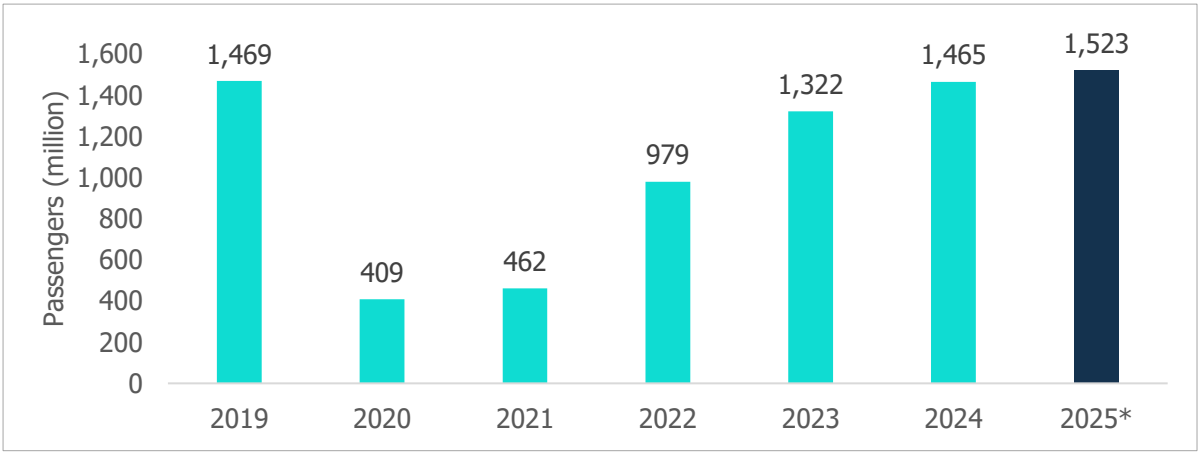
Summary

- Strong visitor spending, high hotel occupancy, and improving employment continue to support Mauritius hospitality sector despite slower growth in tourist arrivals.
- Mauritius remains well positioned relative to competing island destinations, with sustained performance dependent on maintaining air connectivity, pricing power, source-market diversification, and operators' debt-servicing capacity.
- Lower bank lending and reduced foreign currency debt exposure are positive developments, but elevated borrowing costs and uneven investment continue to constrain operators.
- The ongoing Middle East conflict has emerged as the key near-term risk to the sector, driving up oil prices and airfares, disrupting global air travel, and weakening consumer confidence across Mauritius' main source markets.
- Beyond these immediate risks, the sector continues to face structural challenges such as climate-related vulnerabilities, labour shortages, and rising capital expenditure (capex) requirements remain key pressures on the industry.

Global tourism recovers

The recovery in global tourism gathered momentum in 2025, with international tourist arrivals at an estimated 1.5 billion, exceeding the pre-pandemic peak recorded in 2019 and reaching 104% of its pre-pandemic level. The rebound in travel demand translated into international tourism export revenues of approximately USD 2.2 trillion in 2025, reinforcing tourism's role as a key contributor to global trade and economic activity.

Arrivals reached record levels in 2025

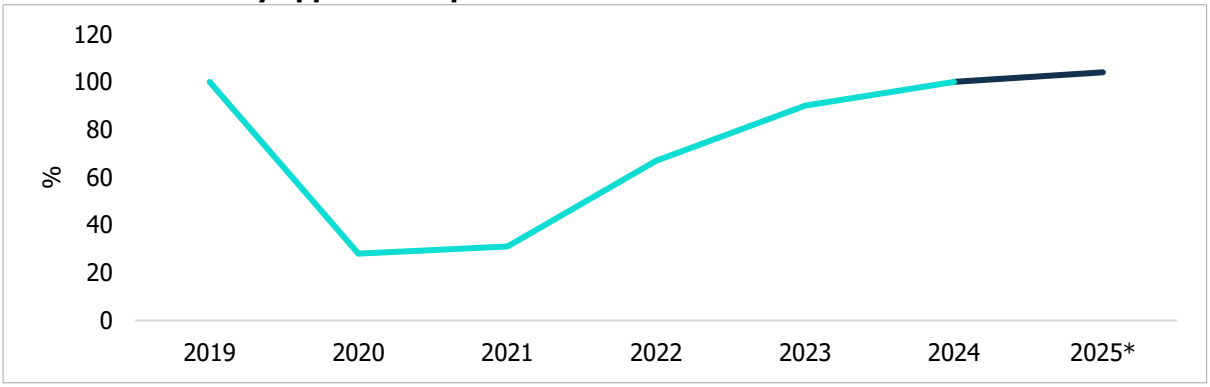


Source: UNWTO; *Provisional

In 2025, international tourism surpassed 2019 levels across regions, with emerging markets, particularly the Middle East and Africa, recording the strongest gains. The Middle East was the strongest performer, with international tourist arrivals 39% above 2019 levels, supported by strong connectivity, expanding tourism infrastructure, and steady sector investment. Africa's arrivals were 17% above 2019, driven by improving air connectivity, rising intra-regional travel, and expanding tourism offerings. Europe, too,

exceeded its pre-pandemic level by 6%, reflecting a sustained recovery despite its more mature tourism market and slower growth.

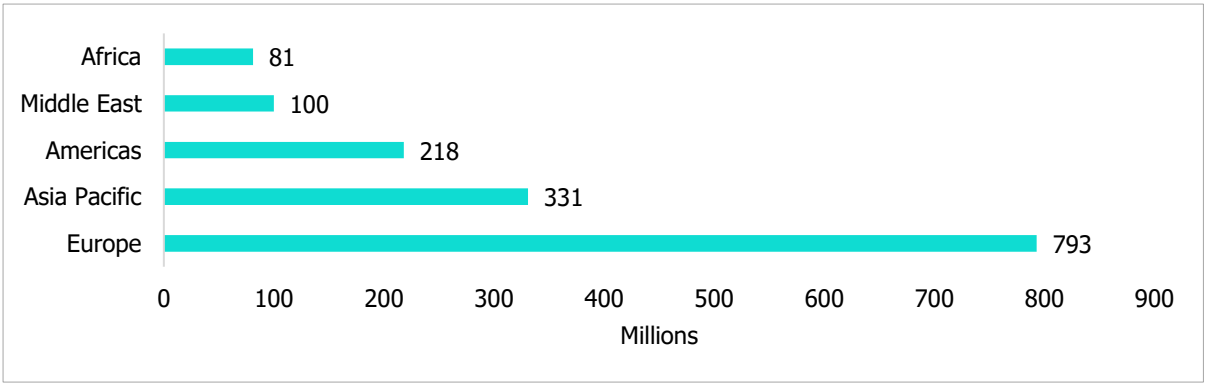
Post-Covid recovery appears complete



Source: UN Tourism (*2025 provisional)

Europe dominated international tourist arrivals, at 793 million, making it by far the largest tourism market among the regions shown. The Asia-Pacific followed with 331 million arrivals, reflecting the region's large and diverse tourism base. The Americas recorded around 218 million arrivals, while the Middle East and Africa accounted for 100 million and 81 million arrivals, respectively. Although Africa recorded the lowest absolute number of arrivals, its tourism market remains significant, particularly given its relatively strong post-pandemic recovery and considerable scope for expansion.

Europe remains tourists' favourite in 2025



Source: UN Tourism

Structural trends are reshaping global travel demand

Beyond the cyclical recovery, global tourism demand is being reshaped by several structural trends, most of which favour premium destinations such as Mauritius. The most notable ones are:

- **Experiences**: The global experience economy is now valued at over USD 1 trillion, with structured tourist activities of USD 250-310 billion, growing at more than 14% a year.
- **Younger travellers:** Around 66% of travellers report being more interested in travel than before the pandemic. Gen Z and millennials spend a higher share of income on travel, and about 52% of Gen Z say they will splurge on experiences.

- **Wellness:** The wellness tourism market is projected to reach USD 2 trillion by 2030, growing 15-20% a year, with wellness guests spending around 40% more per head.
- **Digital and AI:** Around 40% of generative-AI users use it to plan or book a trip; the share of direct bookings is rising.

For Mauritius, a premium, nature- and wellness-led destination aligns well with the shift towards experiential and wellness travel and with younger, higher-spending guests. There is an opportunity to convert these trends into curated experiences, wellness offerings, and seamless digital booking, deepening spend per visitor rather than chasing volume.

The global outlook

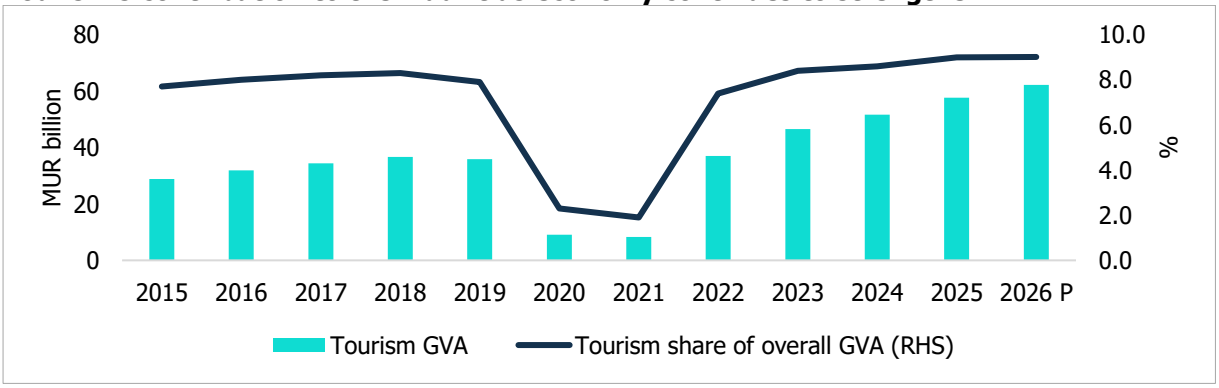
Looking ahead, travel and tourism are expected to drive global economic growth, with the sector projected to expand at an average annual rate of 3.5% between 2025 and 2035, i.e. around 1 percentage point (pp) above global economic growth of 2.5%. Growth will be supported by rising travel demand, improved air connectivity, greater visa liberalisation, and increasing outbound tourism from emerging markets, particularly China and India. Concurrently, evolving consumer preferences for experience-led, authentic, and sustainable tourism are creating opportunities for destinations to diversify beyond traditional leisure offerings.

However, in the near term, growth is expected to moderate amid heightened geopolitical risks. UN Tourism forecasts international tourist arrivals to increase by 3-4%, although the ongoing Middle East conflict could reduce growth by an estimated 1-2 pp. This highlights not only the sector's resilience, but also its sensitivity to geopolitical disruptions, airspace constraints, and shifts in travel confidence.

Mauritius tourism on solid ground

Mauritius remains well positioned relative to competing island destinations, with sustained performance dependent on maintaining air connectivity, pricing power, source-market diversification, and operators' debt-servicing capacity.

Tourism's contribution to the Mauritius economy continues to strengthen



Source: Statistics Mauritius

The tourism sector's gross value added (GVA) increased by 4.8% YoY in 2025, and its contribution to overall GVA increased from 8.6% in 2024 to 9.0% in 2025. GVA is projected to grow by around 2.4%

in 2026, indicating slower momentum. While the tourism sector experienced a temporary decline during 2020-2021, its overall contribution to the economy has been substantial.

Tourism earnings remain resilient

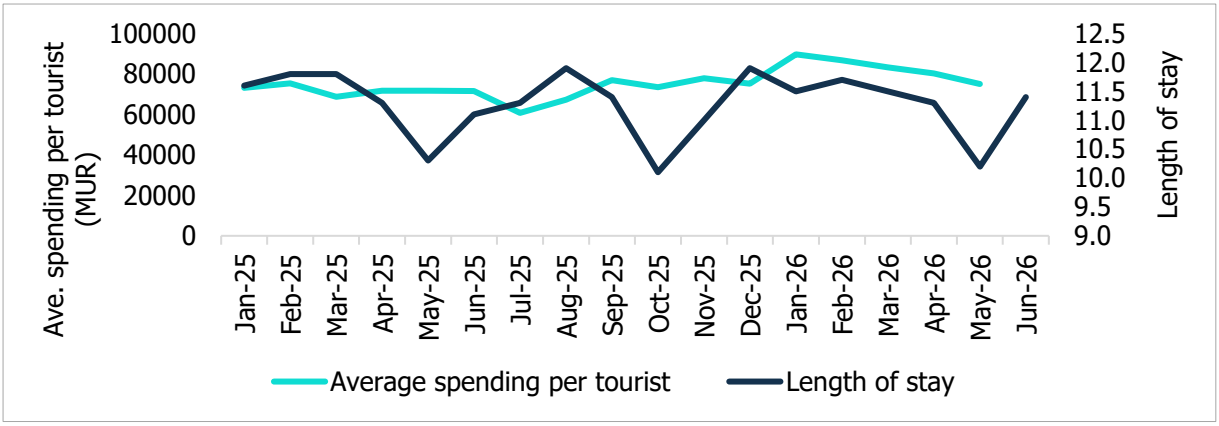


Source: Statistics Mauritius

Tourist arrivals declined by 8.4% YoY to 89,098 in June 2026, marking the weakest monthly performance so far this year. Consequently, cumulative arrivals during January-June 2026 increased a modest 1.5% YoY to 668,471 visitors, signalling a moderation in tourism momentum following stronger inflows recorded earlier in the year. The weaker performance in June reflected softer travel demand amid heightened geopolitical uncertainty, elevated airfares, and weaker consumer confidence in key source markets.

Despite the slowdown in arrivals, tourism earnings were relatively resilient. Gross tourism earnings increased by 4.8% YoY to MUR 8.6 billion in May 2026, while cumulative tourism receipts rose by 19% YoY to MUR 48.1 billion during January-May.

Spending per tourist remains high

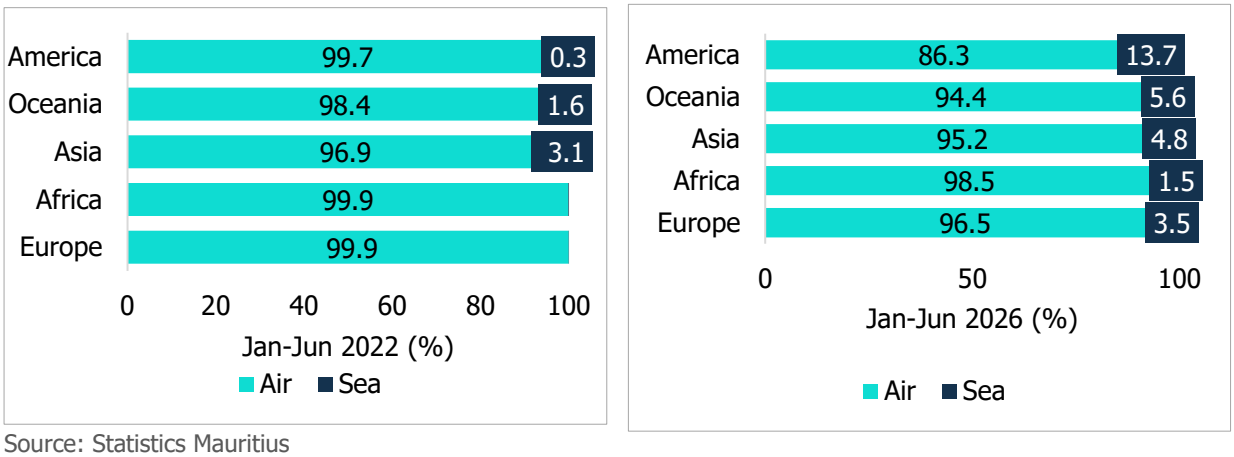


Source: Statistics Mauritius

Tourism earnings were supported by higher visitor spending, with spending per tourist up 11.9% YoY in May 2026 and 15.1% YoY on a cumulative basis. Meanwhile, average length of stay was broadly

stable at around 11 nights. The relatively long and sustained duration of stay, together with higher visitor spending, supported tourism receipts despite softer growth in tourist arrivals.

Air travel remains the primary mode of transport across regions

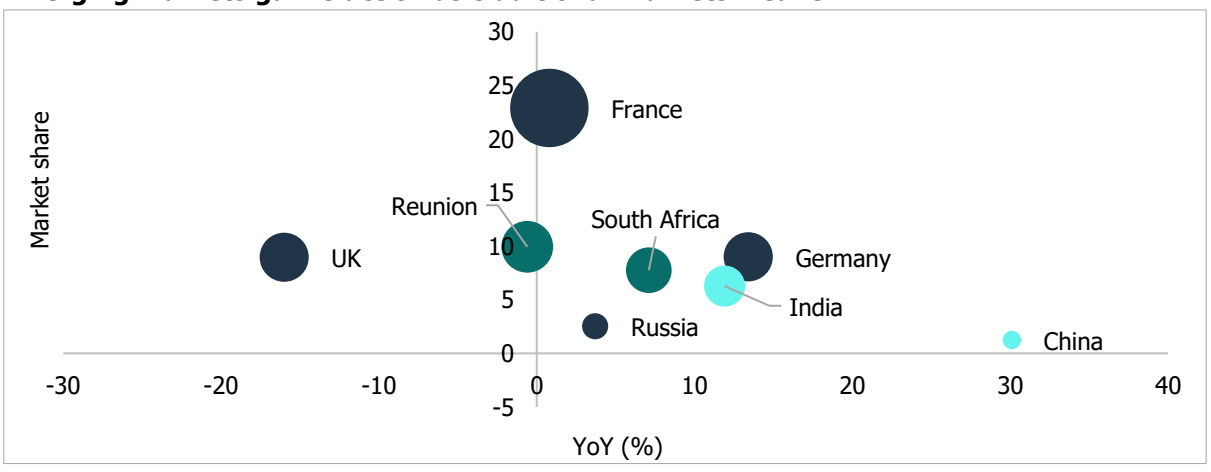


Source: Statistics Mauritius

Air travel remained the dominant mode of transport across source regions in the first half of 2026, accounting for more than 94% of arrivals from Europe, Africa, Asia, and Oceania. This highlights Mauritius' reliance on air connectivity to support demand from key source markets. Air traffic was concentrated around major international gateways, with Dubai the leading hub, followed by Paris CDG, Istanbul, and Frankfurt. Together, these hubs accounted for 44% of total passenger traffic in 2025.

Meanwhile, cruise tourism has gained momentum, supported by global ocean cruise growth and improved local infrastructure. Sea arrivals increased across regions between H1 2022 and H1 2026, especially among visitors from America, where the share rose from 0.3% to 13.7%. Europe and Oceania also increased from 0.1% to 3.5% and from 1.6% to 5.6%, respectively. The dedicated cruise terminal opened in 2023 strengthened Mauritius' capacity to receive cruise passengers. While air travel remains the dominant mode of transport, the increasing contribution of sea arrivals strengthens Mauritius' position as a regional cruise destination.

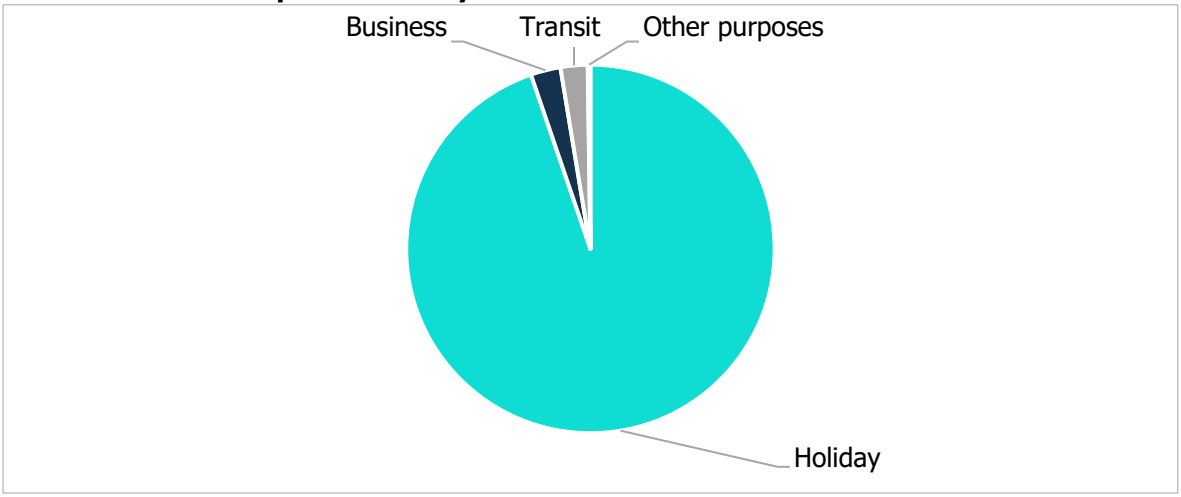
Emerging markets gain traction as traditional markets weaken



Source: Statistics Mauritius; Note: Market share and YoY % correspond to January-June 2026

France remained Mauritius' largest source market in H1 2026, accounting for 23% of arrivals, but growth was modest at 0.8% YoY. In contrast, Germany (+13.4%), India (+11.9%) and South Africa (+7.1%) increasingly supported growth, each representing 6-9% of arrivals. Traditional markets such as the United Kingdom (-16.0%) and Reunion Island (-0.6%) weakened, while China recorded the strongest growth (+30.1%) despite its smaller share. This points to gradual diversification, with emerging markets gaining importance as some traditional markets soften.

Mauritius remains a predominantly leisure tourism destination

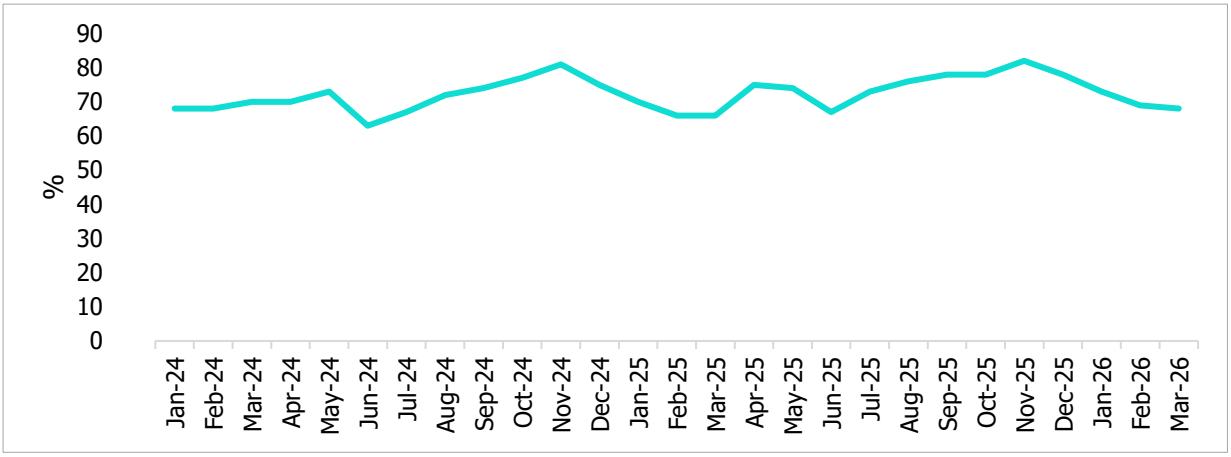


Source: Statistics Mauritius (Q1 2026 figures)
Note: Other purposes include conference and sports

Mauritius remained predominantly a leisure tourism destination during the first quarter of 2026, with holiday travel accounting for 94.8% of total tourist arrivals. The share of business and transit travel was relatively small at 2.6% and 2.4%, respectively, while arrivals for other purposes, such as conferences and sports, accounted for less than 1% of total arrivals.

Compared with the corresponding period of 2025, the share of holiday travel declined a marginal 0.2 pp, while the share of business and transit travel increased by 0.2 pp and 0.1 pp, respectively. Although leisure tourism continues to dominate visitor arrivals, the modest increase in non-leisure travel suggests a gradual broadening of Mauritius' tourism demand base. Nonetheless, the continued dominance of holiday travel highlights the country's dependence on the leisure segment, underscoring the importance of ongoing efforts to diversify its tourism offering and attracting higher-value markets such as business, events, and cruise tourism.

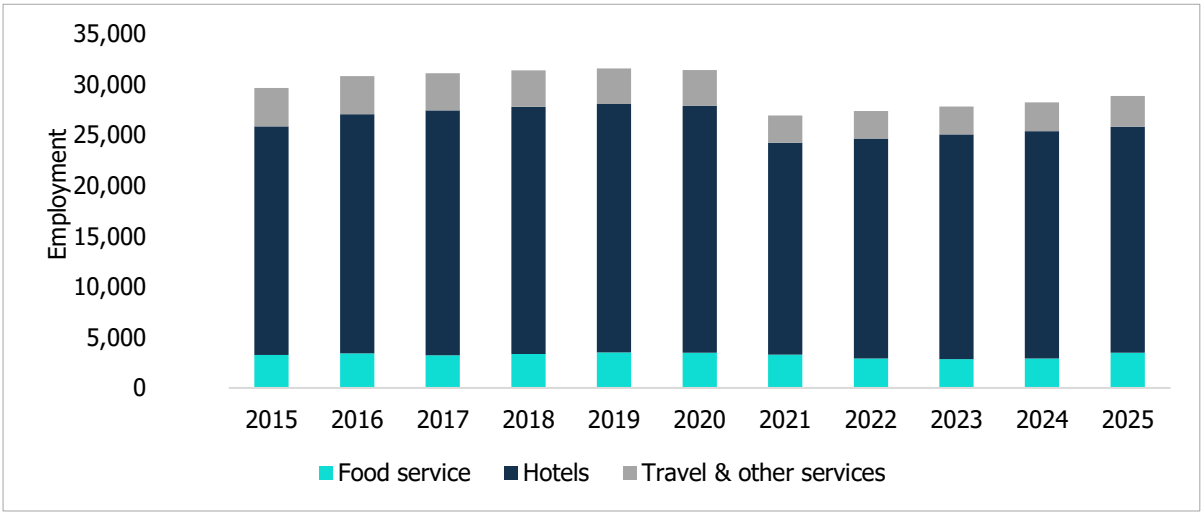
Strong hotel occupancy reflects resilient tourism demand



Source: Statistics Mauritius

The predominance of leisure travel continued to support accommodation demand in the first quarter of 2026. Hotel occupancy rates remained elevated during the first quarter of 2026, averaging 70%. Compared with 2025, occupancy was higher in January (+7 pp) and February (+3 pp), although it moderated to 68% in March, below the corresponding level recorded in March 2025. Despite this easing, occupancy was relatively high, underscoring the resilience of tourism demand and the strong utilisation of hotel capacity.

Resilient tourism demand supports employment

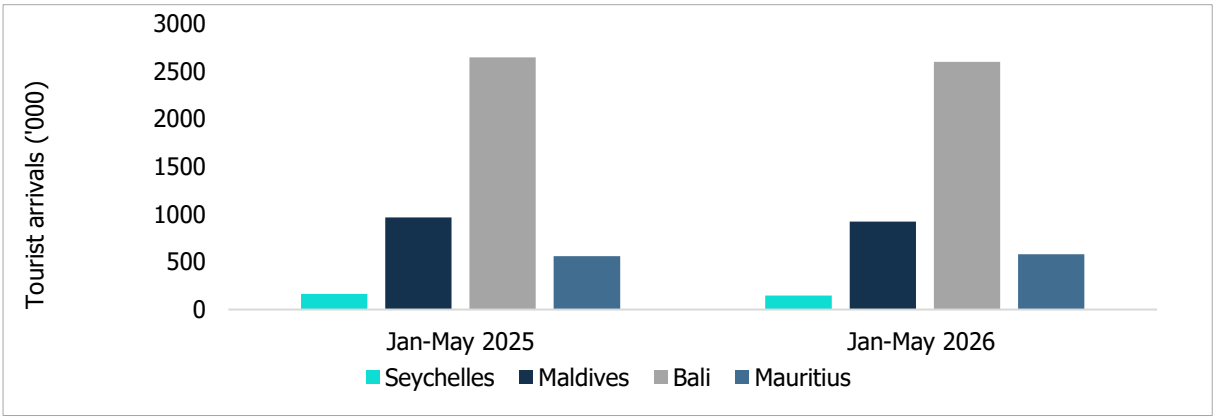


Source: Statistics Mauritius

Total tourism-related employment increased from 28,217 in 2024 to 28,834 in 2025, with the hotel segment continuing to account for the largest share of jobs in the industry. Although employment is below its pre-pandemic peak, the sustained recovery in tourism-related jobs reflects the rebound in visitor demand and strong hotel activity. Together, elevated occupancy rates and improving employment levels highlight broad-based economic benefits of the tourism sector.

Competitive benchmarking

Bali and the Maldives continue to be popular



Source: Statistics Mauritius, Maldives Monetary Authority, National Bureau of Statistics, Seychelles, BPS-Statistics Indonesia Bali Province.

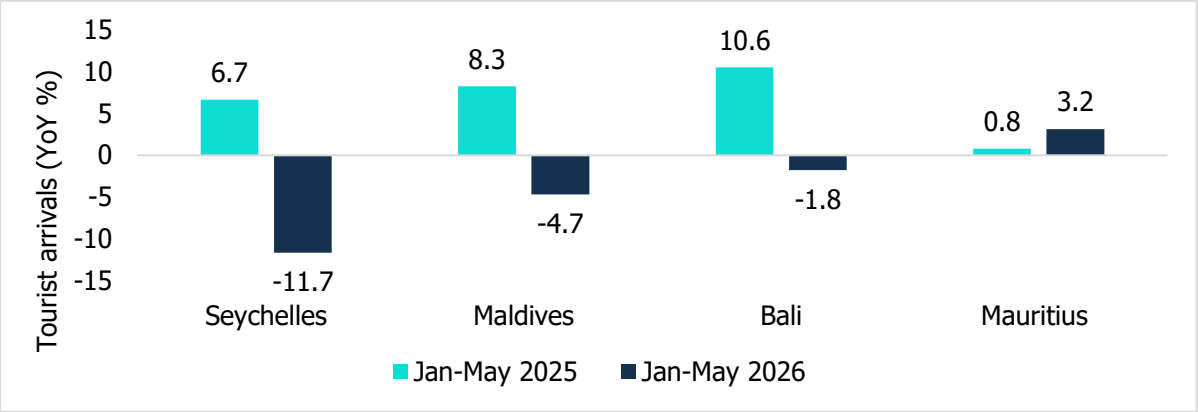
Bali and the Maldives remained the top tourism destinations in the region during the first five months of 2026, attracting 2.6 million and 0.9 million visitors, respectively, compared with 579,373 for Mauritius and 145,858 for Seychelles.

Mauritius recorded the weakest growth among the selected destinations in January-May 2025 (+0.8%) compared with Bali (+10.6%), Maldives (+8.3%), and Seychelles (+6.7%). It was the only destination to record positive growth in January-May 2026 (+3.2%) as against Seychelles (-11.7%), Maldives (-4.7%), and Bali (-1.8%).

The stronger performance of Mauritius is noteworthy given the heightened geopolitical uncertainty and travel disruptions arising from the Middle East crisis. While competing destinations experienced a moderation in tourist arrivals, Mauritius demonstrated greater resilience, maintaining growth and reinforcing its attractiveness as a tourism destination amid a more challenging global travel environment.

Mauritius recorded the highest accommodation occupancy rate (73.6%) compared with Bali (60.6%), Seychelles (61%), and Maldives (68.2%), indicating strong accommodation demand relative to available capacity and efficient utilisation of tourism infrastructure. The relatively strong occupancy reflects Mauritius' geographical insulation from the conflict, its positioning as a safe long-haul leisure destination and potential diversion of tourist demand away from Middle East-affected destinations and air routes.

Mauritius is outperforming selected peers in 2026

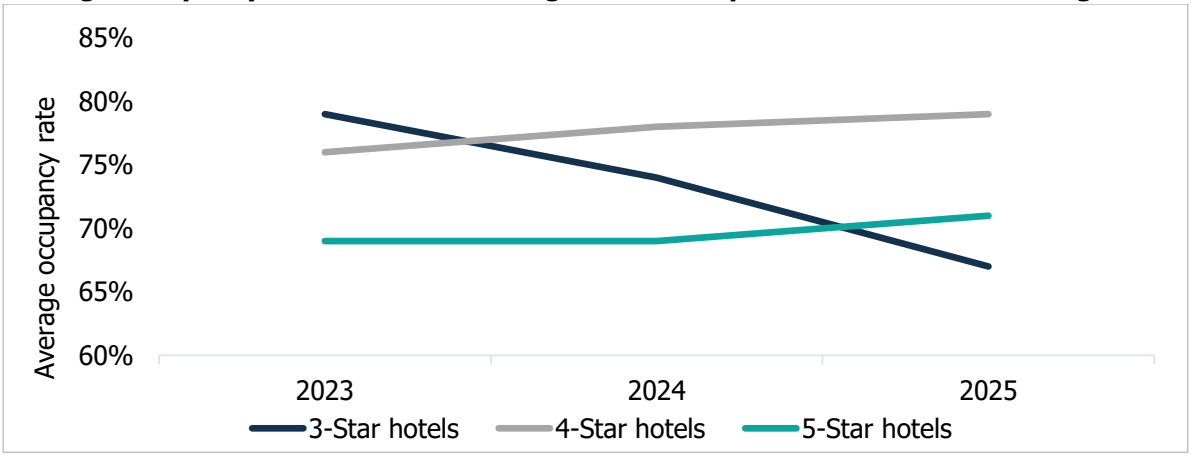


Source: Statistics Mauritius, Maldives Monetary Authority, National Bureau of Statistics, Seychelles, BPS-Statistics Indonesia Bali Province

Hotel occupancy varies across star categories

Mauritius' hotel sector performance over 2023-2025 points to an increasingly segmented market, with hotel categories following different growth paths. Overall performance improved but growth drivers varied across segments. Pricing was the main revenue driver, while occupancy reflected different levels of demand recovery across three-, four- and five-star hotels.

Average occupancy trends indicate divergent demand patterns across hotel categories



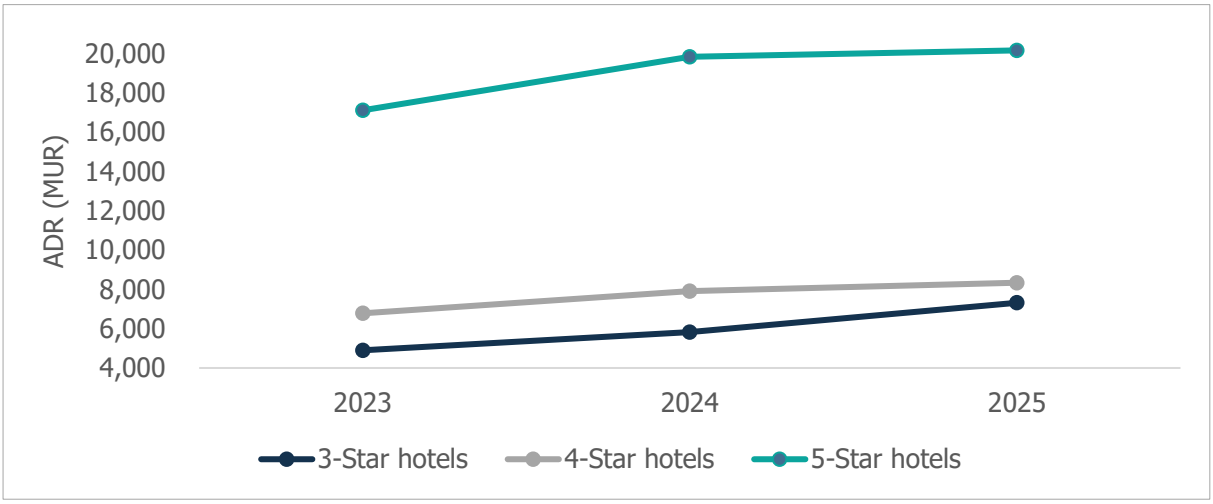
Source: CRAF estimates

Three-star hotel occupancy fell from 79% in 2023 to 67% in 2025, pointing to stronger competition, shifting demand, and changing guest preferences. Four-star hotels delivered the best occupancy performance, rising from 76% to 79% and achieving the highest level in 2025, supported by sustained demand. Five-star hotels remained stable, increasing from 69% to 71%, underpinned by premium positioning and an established demand base.

The contrasting occupancy trends highlight different recovery paths, with the four-star segment achieving the strongest balance between demand growth and occupancy performance.

On the other hand, average daily rate (ADR) increased across all categories between 2023 and 2025, reflecting stronger pricing power and improved rate positioning.

Pricing strength emerges as a key revenue driver



Source: CRAF's computation

The three-star segment recorded the strongest ADR growth, increasing by approximately 49% over the period. Pricing growth was, therefore, not limited to luxury hotels, reflecting broader improvements in pricing discipline across the market. The five-star segment continued to command a substantial pricing premium, with ADR exceeding MUR 20,000 in 2025, supported by strong brand positioning and product differentiation.

ADR distribution insight

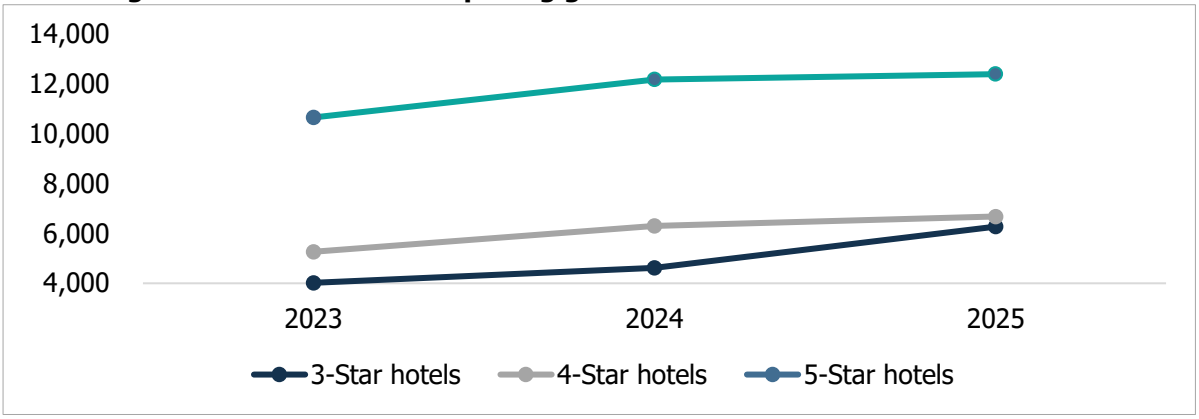
The difference between average and median ADR highlights varying levels of pricing consistency across hotel categories.

Segment	2025 average ADR MUR	2025 median ADR MUR	Difference MUR	Difference (% of median)
3-Star	7,319	6,263	1,056	16.9
4-Star	8,340	8,082	258	3.2
5-Star	20,167	18,028	2,139	11.9

Source: CRAF estimates

The five-star segment recorded the greatest variation in room rates, reflecting wider pricing differences across luxury properties. In contrast, the four-star segment exhibited the most consistent pricing profile with only a small difference between average and median ADR. The three-star segment recorded a moderate level of pricing dispersion. The variation in ADR reflects differences in product offering, brand positioning and pricing strategy across hotel categories, with the luxury segment exhibiting the widest range of room rates.

Revenue growth reflects effective pricing gains



Source: CRAF's computation

All hotel categories recorded revenue per available room (RevPAR) growth between 2023 and 2025, supported by higher room rates and improved commercial performance.

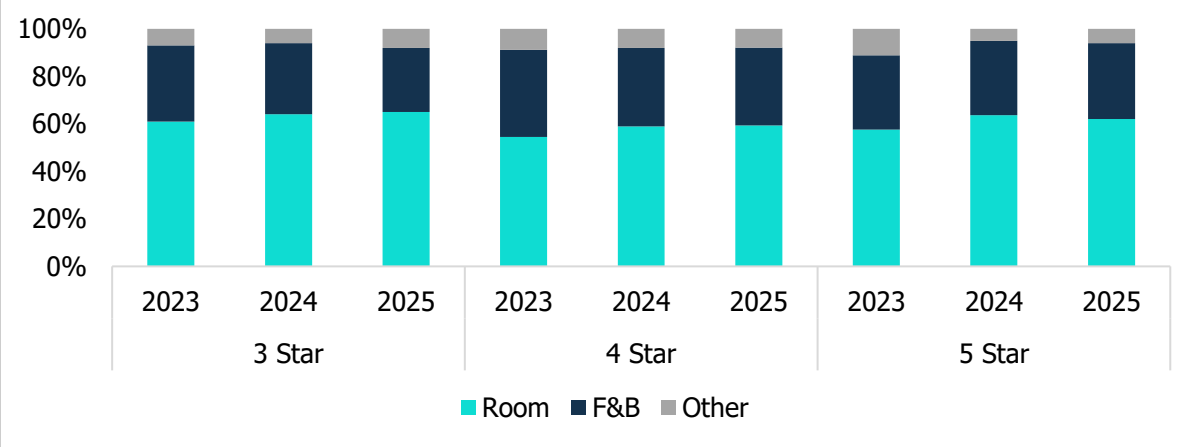
- Three-star hotels recorded the strongest RevPAR growth, at 56%, driven by higher ADR though occupancy declined. Hence, revenue improvement reflected stronger pricing rather than increased room volumes.
- Four-star hotels delivered the most balanced performance, combining higher occupancy, continued ADR growth, and consistent RevPAR improvement. The segment benefited from stronger demand as well as improved pricing.
- Five-star hotels continued to generate the highest RevPAR levels, supported by premium positioning and ability to command higher room rates. Growth moderated compared with the other segments due to the already elevated revenue base.

The improvement in RevPAR highlights the successful conversion of pricing gains into stronger room revenue performance, although the underlying drivers differed across hotel categories.

Revenue drivers

Accommodation was the main revenue source across hotel categories during 2023-2025, contributing 55-65% of total revenue, on average. Its share increased over the period, while food and beverage remained the second-largest stream. Ancillary services including banquet, conferencing and recoveries continued to represent a smaller share, although the mix varied by category.

Revenue mix by category



Source: CRAF's computation

As seen in the chart above, room revenue is the largest component across categories, followed by food and beverage, while ancillary services account for a smaller share.

The three-star segment recorded the greatest shift towards an accommodation-led revenue mix. Room revenue accounted for 61-65% of total revenue and increased steadily, while food and beverage declined. Ancillary revenue remained modest but increased at selected hotels, indicating gradual diversification beyond accommodation and dining.

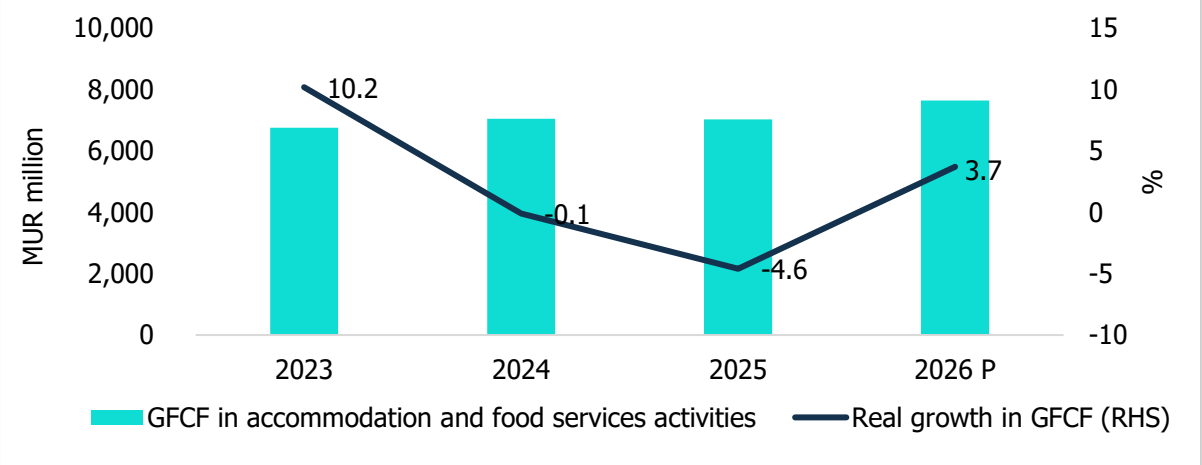
The four-star segment maintained a relatively balanced revenue mix while becoming more accommodation led. Room revenue accounted for 55-60% of total revenue, while food and beverage were stable or slightly lower. Ancillary services generally remained below 15%, although some hotels recorded higher contributions. This reinforces room sales as the segment's primary income source.

In the five-star segment also, room revenue remained the largest contributor at 57-62% of total revenue, followed by food and beverage. Other revenue generally remained below 10%, highlighting the stability of the luxury segment's revenue structure.

Investment and financing

GFCF in accommodation and food services is projected to rise from MUR 6.8 billion in 2023 to MUR 7.6 billion in 2026, supporting new hotel development as well as refurbishment and upgrades. This aligns with the sector's positive outlook, with accommodation and food service activities expected to grow by 2.0% in 2026 on higher tourist arrivals and sustained food service activity. Investment momentum has been uneven: real GFCF growth moderated from 10.0% in 2023 to near stagnation in 2024 before contracting by 4.8% in 2025. The expected rebound to 3.5% growth in 2026 signals renewed investment and continued efforts to expand and upgrade tourism infrastructure, supporting long-term competitiveness.

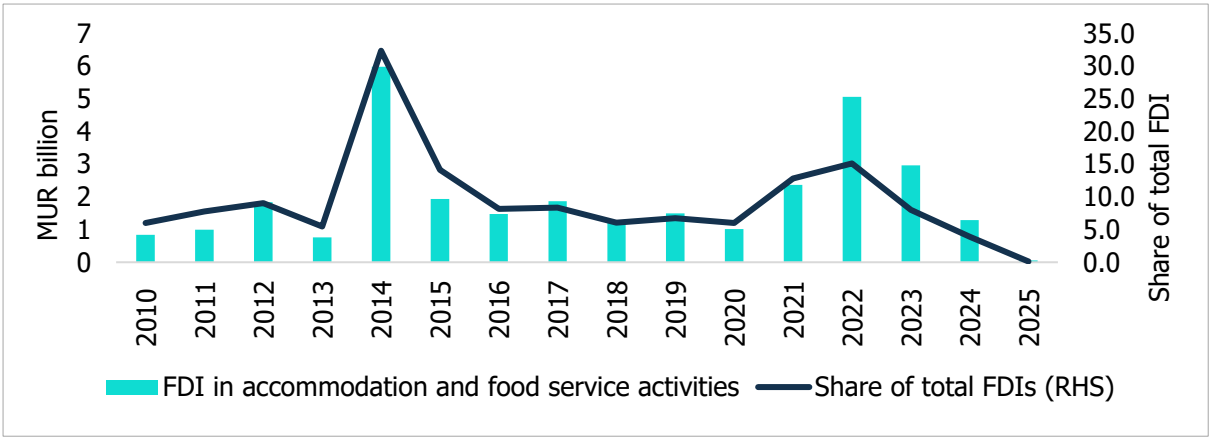
GFCF in tourism activities expected to regain momentum



Source: Statistics Mauritius

Mauritius' positioning as a premium tourism destination, supported by ongoing efforts to diversify its tourism offering, has continued to attract foreign direct investment (FDI) into tourism-related activities, including accommodation and food service segments. FDI inflows have been volatile, reflecting the project-related nature of investment in small island economies, increased from MUR 1.9 billion in 2015 to a peak of MUR 5.1 billion in 2022, before declining to virtually nil in 2025.

FDI flows into tourism have been trending down



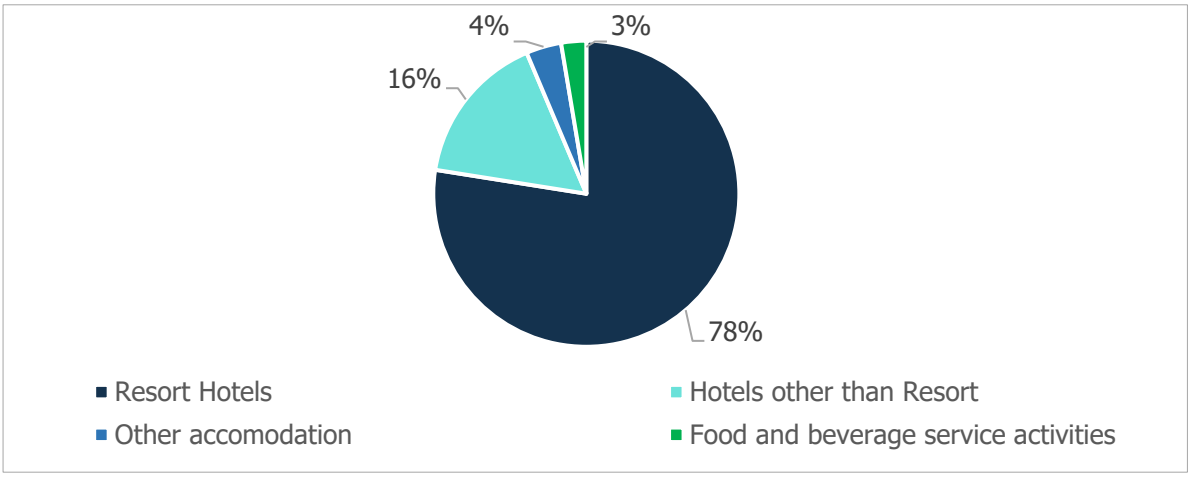
Source: Bank of Mauritius, Mauritius Statistical Bulletin June 2026

Bank lending indicators provide a more cautious view of the sector. While operating performance has improved, credit to accommodation and food services has declined, borrowing has shifted towards local currency, and higher interest rates have increased financing costs.

Resort hotels dominate bank credit, accounting for MUR 30.2 billion, or 77.5% of total lending, as of May 2026. Other hotels account for MUR 6.3 billion, or 16.1%, bringing total hotel exposure to 93.6%. This concentration reflects the capital-intensive nature of Mauritius' tourism model but leaves credit performance highly dependent on tourist arrivals, air connectivity, occupancy, ADR, labour costs, and operators' ability to pass through inflation.

Other accommodation and food services account for only 6.4% of loans, suggesting greater reliance on owner funding or short-term facilities. Their limited banking exposure provides little diversification against a downturn in the resort-hotel segment.

Bank lending to tourism has declined, with exposure concentrated in hotels



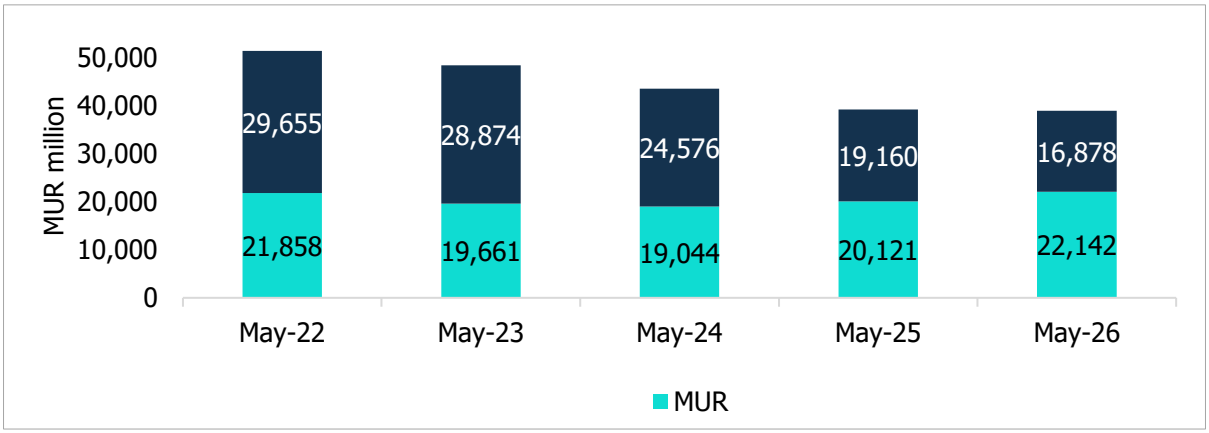
Source: BOM

The reduction in lending was concentrated in foreign currency (FCY) borrowings. FCY loans reduced by 43.1% from MUR 29.7 billion to MUR 16.9 billion. The decline accelerated in May 2024 (14.9% YoY) and May 2025 (22.0% YoY), before easing to 11.9% in May 2026. This indicates lower currency mismatch risk, likely reflecting deleveraging and refinancing with Mauritian rupees (MUR). Improved tourism earnings, arrivals, and occupancy strengthened hotel cash flows and supported repayment of FCY debt accumulated during the pandemic.

Higher international interest rates, hedging costs, and exchange rate volatility also reduced the appeal of FCY financing. While hotels benefit from a partial natural hedge through euro, pound and US dollar receipts, many expenses remain in MUR. Refinancing into local currency, therefore, better aligns debt service with domestic cash flows and reduces reported debt and finance cost volatility.

MUR-denominated loans followed a different trajectory, declining 13.2% from MUR 21.9 billion in May 2022 to MUR 19.0 billion in May 2024, before rising 5.7% in May 2025 and 10.0% in May 2026. By May 2026, MUR borrowing was 1.3% above its May 2022 level and represented 56.7% of bank debt, up from 42.4%. This improves currency alignment and suggests that recent debt stabilisation has been supported by renewed domestic borrowing.

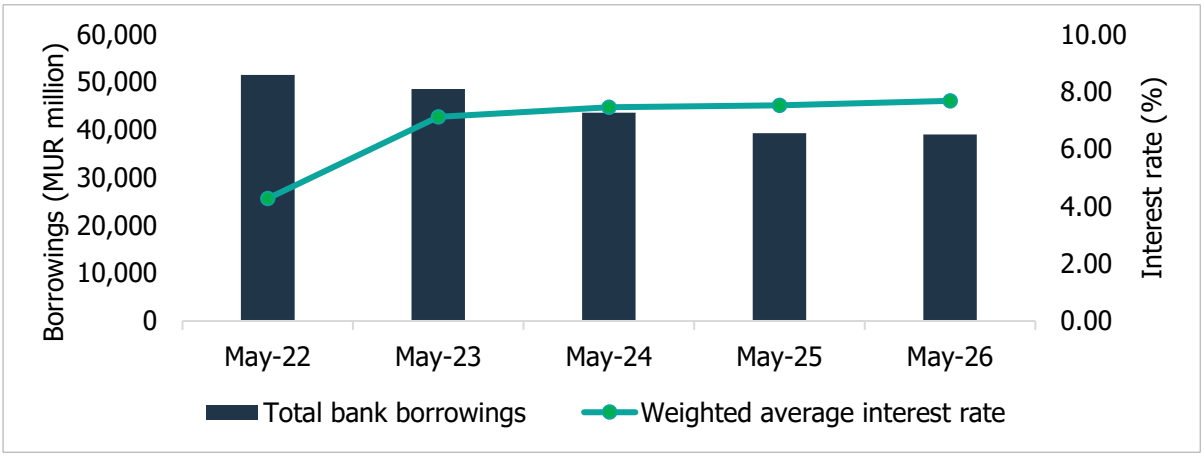
Bank lending has shifted towards local currency borrowing



Source: BOM

A divergence between the level of indebtedness and the cost of debt is noted. Outstanding bank borrowings declined by 24.3% between May 2022 and May 2026, while the weighted average interest rate jumped by 340 basis points (bps) from 4.27% to 7.68%. The largest repricing occurred between May 2022 and May 2023, when the average rate increased by 284 bps. Subsequent increases were more gradual, but the rate continued to rise each year and reached the highest level in the series in May 2026.

Borrowing costs have risen in tandem with global rates



Source: BOM

Applying the weighted average rate to outstanding debt gives an indicative interest cost proxy of MUR 2.2 billion in May 2022, MUR 3.5 billion in May 2023, and MUR 3.0 billion in May 2026. Thus, despite substantial debt reduction, the implied financing burden in May 2026 remained 36.1% above May 2022. The proxy peaked in May 2023, as the sharp rate increase outweighed the initial decline in borrowings.

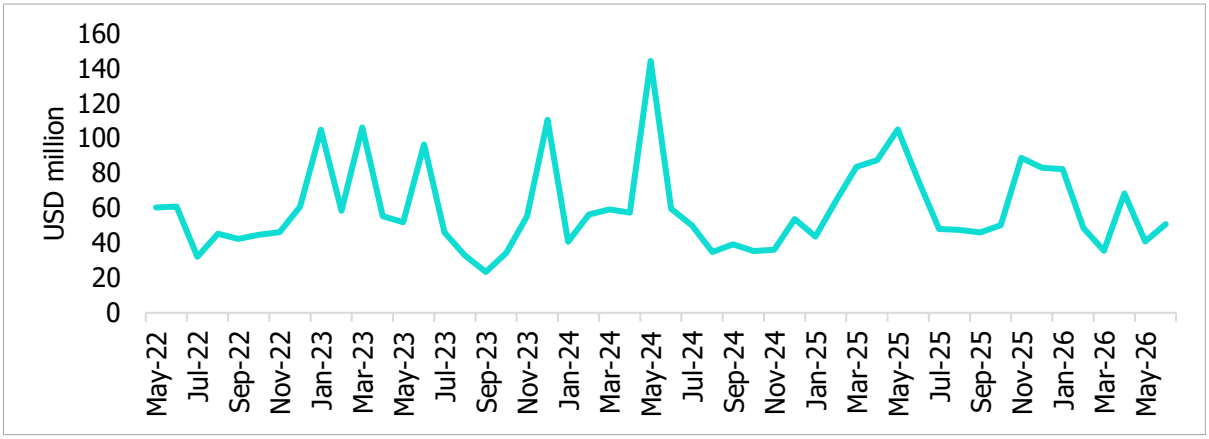
More recently, total bank debt declined by only 70 bps between May 2025 and May 2026, while the weighted rate rose 16 bps. Consequently, the interest cost proxy increased 1.5% YoY, suggesting that stronger debt-service capacity will depend increasingly on operating cash generation, refinancing, and principal reduction.

Including non-bank deposit-taking institutions (NBDTIs), total exposure was MUR 39.2 billion in May 2026, down 24.2% from MUR 51.7 billion in May 2022, broadly consistent with the bank-only trend.

NBDTI lending remains small and stable at MUR 209-223 million, representing just 0.5% of combined loans in May 2026. Commercial banks, therefore, remain the main formal source of debt financing for accommodation and food services.

The currency mix is also consistent with the bank-only series, with MUR-denominated lending rising to 57.0% of combined loans in May 2026 from 42.7% in May 2022. The negligible FCY exposure from NBDTIs indicates that FCY funding risk is concentrated almost entirely in the banking sector.

Foreign currency purchases by banks and FX dealers



Source: BOM

In the first half of 2026, purchases averaged USD 54.4 million per month and totalled USD 326.4 million, around 29.0% below the corresponding period of 2025. Notably, purchases fell from USD 82.3 million in January to USD 35.6 million in March, before recovering in April and then moderating again thereafter. The lower first-half average may indicate softer FCY availability relative to the unusually strong first half of 2025, although the conclusion should be treated cautiously because the data is market-wide and not limited to tourism proceeds.

For tourism borrowers with FCY obligations, the relevance of this chart is twofold. Stronger FCY inflows can support debt servicing and reduce conversion pressure, particularly where operating receipts are received in euros, US dollars, or pounds sterling. However, the volatility of monthly market purchases creates timing risk: borrowers may still face periods of tight liquidity or unfavourable conversion conditions even when annual FCY availability appears adequate.

Hospitality sector's credit profile resilient

The credit profile of Mauritius' hospitality sector remains resilient, supported by strong destination branding, relatively high occupancy, pricing power, and diversified international demand. The recovery in revenues and improved leverage since the pandemic have strengthened operators' capacity to

generate cash flow and service debt. FCY earnings also provide a natural hedge, largely, while the diversification of source markets reduces reliance on any single market.

However, the sector continues to face structural constraints. Seasonality, labour shortages, reliance on imported inputs and energy, and high ongoing capex can constrain margins and free cash flow. Climate-related risks, including cyclones and coastal erosion, add to operational and investment risks, while elevated financing costs could weigh on highly leveraged operators. Overall, the sector's strengths outweigh these constraints, but credit quality will remain sensitive to external shocks and individual operator's financial discipline.

Credit driver	Assessment	Rationale
Brand strength	Positive	Mauritius is a globally recognised premium tourism destination, supported by international hotel chains and reputable local operators. Strong brands enhance loyalty, repeat visitation, global tour operator partnerships, and resilience during weaker demand.
Occupancy levels	Positive	The sector has recovered strongly from the pandemic, supported by record arrivals and sustained demand from key European and regional markets. High occupancy supports revenue, operating leverage, and debt-servicing capacity.
Pricing power	Positive	Mauritius' upscale and luxury positioning enables hotels to raise room rates without materially affecting demand. Strong ADR and RevPAR provide a buffer against inflationary pressures and rising operating costs.
Diversified source markets	Positive	Although Europe remains the main visitor source, arrivals from India, South Africa, Réunion, the Middle East, and Africa have broadened the tourism base, reducing single-market dependence and improving resilience.
Recurring cash flows	Positive	Established hotels benefit from repeat guests, long-standing tour operator relationships and diversified revenues from accommodation, food and beverage, conferencing, weddings and wellness, supporting stable cash flows through the cycle.
Foreign currency earnings	Positive	Tourism receipts are largely in foreign currencies, notably euros, sterling, and US dollars. This strengthens foreign currency liquidity, supports foreign currency debt service and partly hedges Mauritian rupee depreciation.
Leverage	Neutral	Leverage has generally improved after the post-pandemic recovery, though debt remains elevated for some operators due to expansion and upgrades. Credit profiles vary by capital structure and investment strategy.
Seasonality	Neutral	Demand remains seasonal, peaking during the European winter and holidays. However, Mauritius' year-round climate, diversified markets and demand for weddings, conferences and leisure travel help

		moderate seasonal fluctuations.
Exchange rate and input cost volatility	Neutral	Despite foreign currency revenues, the sector relies on imported food, beverages, furnishings, energy, and construction materials. Exchange-rate depreciation and commodity volatility can put pressure on margins, partly offset by pricing adjustments.
Weather and climate risks	Negative	The sector is exposed to cyclones, coastal erosion, coral reef degradation, and climate change. These risks can disrupt activity, damage infrastructure, raise insurance and maintenance costs, and require adaptation investment.
Capex requirements	Negative	Hotels need ongoing investments to maintain premium standards, renovate ageing properties, meet environmental requirements, and remain internationally competitive. High recurring capex can constrain free cash flow and increase financing needs.
Labour shortages	Negative	Hospitality continues to face skilled labour shortages, especially in specialised operational and managerial roles. Wage pressures and reliance on expatriate workers raise costs and may affect service quality.
Geopolitical risk exposure	Negative	Sector performance is exposed to any escalation in geopolitical tensions, particularly in the Middle East. Such escalation can raise oil prices and airfares, disrupt air travel, and weaken travel demand in key source markets.

CareEdge Africa's view and outlook

The medium- to long-term outlook for the global hospitality sector is stable, supported by the continued expansion of global tourism and air travel. Tourism is expected to outpace global GDP growth over the next decade, while global air passenger traffic is projected to almost double by 2043. Strong growth across the Asia-Pacific, particularly in India and China, alongside the expected expansion of Africa's air market, is expected to create new opportunities for Mauritius to diversify its visitor base and expand its regional catchment.

For Mauritius, the next phase of tourism growth is likely to be driven less by a simple increase in visitor numbers and more by diversification, premiumisation, connectivity, and investments in the tourism offering. Rising demand for experience-led, authentic, and sustainable tourism is expected to support the development of higher-value offerings. However, the outlook is subject to a range of risks such as geopolitical uncertainty, air connectivity constraints, climate-related events, labour availability, and rising operating and investment costs.

CareEdge Africa expects the sector to maintain a broadly positive trajectory. The key to converting this favourable global outlook into stronger and more stable credit profiles will be the operators' ability to sustain pricing power, diversify demand, manage costs, and translate revenue growth into recurring cash flows.

Contact

Saurav Chatterjee	Chief Executive Officer	saurav.chatterjee@careratingsafrica.com	+230 - 5955 3060

Economics Team

Sanroy Seechurn	Senior Economist	sanroy.seechurn@careratingsafrica.com	+230 - 5955 3060
Girisha Algoo	Economist	girisha.algoo@careratingsafrica.com	+230 - 5955 3060
Novishka Ramma	Junior Economist	novishka.ramma@careratingsafrica.com	+230 - 5955 3060

Analytical Team

Vidhyasagar Lingesan	Chief Rating Officer	vidhya.sagar@careratingsafrica.com	+230 – 5273 1406
Naveen Kumar Dhondy	Rating Head	naveen.kumar@careratingsafrica.com	+230 – 5511 0811
Pooja Appadoo	Group Head	pooja.appadoo@careratingsafrica.com	+230 - 5955 3060
Adarsh Bahadoor	Rating Analyst	adarsh.bahadoor@careratingsafrica.com	+230 - 5955 3060

CARE Ratings (Africa) Private Limited
5th Floor, MTML Square, 63, Cyber City, Ebene, Mauritius | Phone : +230 - 58626551 | www.careratingsafrica.com

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