HOUSEHOLD INDEBTEDNESS IN MAURITIUS

By Harshana Kasseeah
University of Mauritius

The rise in household debt can be attributed to several factors:

- Cost of living
- Higher loan or credit card interest rates
- COVID-19 pandemic, which has led to job losses and greater financial instability for many households

Source IMF, 2023

Household Debt, Loans and Debt Securities (as a % of GDP)

Source: IMF, 2023

Household Debt, Loans and Debt Securities (as a % of GDP)

Data for Mauritius, Source IMF

Recent data

- Household debt in Mauritius has increased by Rs1.661 billion over the past year
- As of September 2023, households in the country owed Rs157.41 billion, with Rs110.52 billion for **mortgage loans** (Source: Bank of Mauritius, 2023)
- Household debt has financial stability implications
- Mauritius is a small island economy highly vulnerable to external shocks and climate change

WHY ARE HOUSEHOLDS INDEBTED AND WHAT ARE THEY SPENDING ON?
CASE OF MAURITIUS

Household Budget Surveys 2001/02, 2006/07, 2012, 2017				
	2001/02	**2006/07**	**2012**	**2017**
Breakdown of Monthly Household Expenditure as a % of Total Expenditure				
Food & non-alcoholic beverages	31.6	28.5	27.3	28.1
Alcoholic beverages & tobacco	9.1	9.2	9.6	3.6
Clothing & footwear	6.4	5.1	4.5	5.2
Housing & utilities	9.3	13.1	12	9.0
Furnishing, household equipment & routine household maintenance	6	6.5	6.1	6.7
Health	2.5	3	3.9	4.3
Transport	12.6	14.6	15.2	16.4
Communication	3.3	3.6	3.9	5.0
Recreation & culture	4.6	4.8	4.3	4.9
Education	3.7	3.2	4.5	5.7
Restaurants & hotels	6.1	4.3	4.6	5.4
Miscellaneous goods & services	4.8	4	4.1	5.7

Source: Statistics Mauritius

Survey Details

- **Study "An in-depth analysis of rising household indebtedness in an upper middle – income economy – the case of mauritius"**

  Authors: Sanjeev K. Sobhee, Verena Tandrayen-Ragoobur, Harshana Kasseeah, and Ruben Thoplan (Department of Economics and Statistics, University of Mauritius Reduit, Mauritius)
- **Survey carried out among 400 households**
- Why survey data? Allows **detailed examination** of the various causes of indebtedness
- Different enumeration areas to ensure representative data
- Survey was undertaken in different parts of the island to have a good coverage of Mauritians households
- Questionnaires were administered by fieldworkers and answered by the head of the household

Expenses of the Household

Expenses Item	N	Min	Max	Mean	Std. Deviation
Food & non-alcoholic drinks	400	500	15,000	6,314.0	2,779.9
Electricity	399	80	5,000	795.5	541.3
CWA & Waste water	398	15	1,000	240.0	175.1
Clothing & Footwear	253	100	9,000	653.5	751.3
Gas	397	200	3,300	485.3	245.2
Home maintenance, gardener/maid salary	115	0	12,000	564.4	1,214.5
Health	220	0	10,000	716.1	886.2
Transport & Fuel	348	100	10,000	2,143.8	1,874.0
Internet	177	0	1,500	893.3	211.4
Hobbies (Movies, pub, etc)	115	0	3,000	600.0	492.9
Education & Tuition fees (Uniform, exam fees, stationery)	239	0	20,000	1,720.1	2,233.7
Restaurants & Hotels	156	0	3,000	666.5	537.9
Betting (Loto, horse racing, etc)	237	40	10,000	439.5	806.8
Insurance	72	100	7,000	1,011.3	1,043.3
Private TV (canal + etc)	125	0	8,000	947.4	709.0
Telephone & Mobile	376	50	7,000	453.9	549.3
Municipal tax	88	100	5,000	513.6	748.6
Rent	21	0	5,500	1,914.3	1,460.9
Cigarette	149	0	6,000	838.0	727.0
Alcohol	221	100	2,000	779.2	399.7
Other Expenses	6	500	5,000	2,350.0	1,770.6

Probability of having at Least One Debt (Participation in the Debt Market by Mauritian Households)

Sources of Debt

High income and High Indebtedness tend to go hand in hand

Monthly Income Categories	Monthly Expenditure (including debts)	Average Total Debt	Average Monthly Debt Repayment	Average Total Debt as a Share of Income
≤ 5000	9,500	18,450	1,548	4.5
5,001-7,500	9,480.8	77,690.5	1,354.3	11.1
7,501-10,000	11,275.4	65,955.6	1,484. 7	7.3
10,001-15,000	15,157.2	133,384.1	3,023.4	10.2
15,001-20,000	17,401.4	166,200.7	4,349. 9	9.2
20,001-25,000	23,973.8	373,898	6,387.5	16.5
25,001-30,000	27,886.3	510,208.3	8,454.2	18.3
30,001-35,000	37,692.3	835,384.6	15,153.9	24.7
>35,000	90,610.0	1,243,500	32,612.2	27.9

Age of Heads of Household and Average Debt Level

Purpose of Debt

Findings

- Higher income households are more heavily indebted
- Many senior citizens are indebted
- The Mauritian household indebtedness arises from borrowings from depository corporations
- Households also remain among the largest borrower groups in the banking sector, with household funding mainly channelled to **asset-building**.
- However, it is not only the real estate loans that have resulted in the high debt levels but also personal and business loans used to finance the costs of education or purchase of vehicles.

Implications

- Financial literacy
- Importance of subscribing to medical insurance schemes to avoid debt related to medical treatment
- Having education plans for children to avoid debt at later age for parents
- Urgent need to look at the demographic transition
- The investments in regards to real estate are well ingrained in the population however this needs to be monitored to avoid excessive speculation
- Policy as it relates to financial consumer protection and market conduct supervisors

- Thank you!