

## Mauritius: An Economic Update

Mauritius continues to register fairly stable growth amid international economic uncertainties. However, the economic slowdown in the Eurozone has had an impact on the country's economy given its dependence on tourism, trade and foreign direct investment (FDI). The country nevertheless continues to be one of the most prosperous economies in Africa, enjoying the highest per capita GDP in the region.

We provide here an overview of some of the key economic indicators for the country to illustrate the country's economic environment and performance.

### GDP and Investments:

- The GDP growth rate at the market prices for Mauritius stood at 3.5% in the year 2015, marginally lower than the 3.6% growth attained in 2014. The gross value added (GVA) at basic prices grew by 3.1%, lower than the growth rate of 3.4% in 2014. This moderation can be attributed to the lower than expected performances of some sectors such as sugar, manufacturing, construction etc.
- The country's economy is supported by hospitality sector, financial services, information and communication services, support services, wholesale & retail trade and other services.
- The final consumption expenditure grew by 2.7% in 2015, lower than the growth of 2.9% in 2014, mainly due to lower growth of government final consumption expenditure.
- Gross Domestic Saving (GDS) as a percentage of GDP at market prices for 2015 was 11.4 compared to 11.5 in 2014.
- Growth in investment declined in 2015- total investment declined by (-) 5.2%, largely owing to the decline in private sector investments (-7.3%).
  - Investment rate, as a percentage of GDP at market prices, decreased to 17.7% in 2015, from 19.2% in 2014.
  - Private investment as a percentage of GDP decreased to 12.9% in 2015 from 14.3% in 2014 while that of public sector declined marginally to 4.8% in 2015 against 4.9% in 2014.

**Table 1: Overview of the Economy (%)**

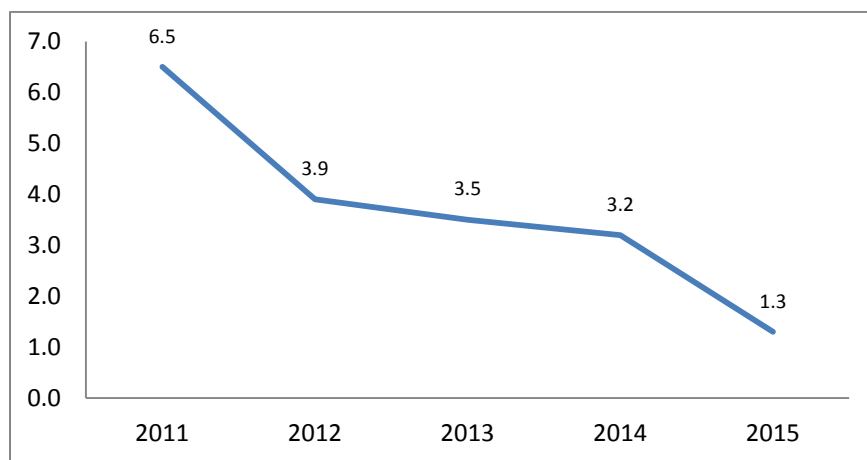
Year	GDP at basic prices	GDP at market prices	Final consumption expenditure	Investment (GDFCF)*	Gross Domestic Saving (GDS)	Capital Formation (GDFCF)
<b>2013</b>	+3.2	+3.2	+2.3	21.2	11.8	-3.3
<b>2014</b>	+3.4	+3.6	+2.9	19.2	11.5	-6.0
<b>2015<sup>1</sup></b>	+3.1	+3.5	+2.7	17.7	11.4	-5.2
<b>2016<sup>2</sup></b>	+3.9	+3.9	+2.9	18.2	11.5	7.3

<sup>1</sup> Revised <sup>2</sup> Forecast, \* % of GDP at market price

Source: National Accounts Estimates, March 2016, Statistics Mauritius

## Inflation

Inflation moderated further owing to low commodity prices and the weakness in the economy. Headline inflation rate was 1.3% for 2015 compared with 3.2% for 2014.

**Exhibit 1: Annual Inflation Rate (%)**

Source: Statistics Mauritius

**Table 2: Producer Price Index (PPI)**

Year	Agri (%)	Mfg (%)
2012	4.0	3.2
2013	3.2	4.8
2014	-8.0	-0.1
2015	-3.4	1.0

Source: Statistics Mauritius

## Monetary policy

Mauritius central bank, Bank of Mauritius, left its benchmark repo rate unchanged at 4.4% at its March 2016 meeting (interest rate was cut by 25 basis points in November last year in the first change in rates since June 2013), as it expects inflation to be contained below 3% (i.e. quite low inflation). However, the central bank is keeping a watch on the increasing liquidity in the banking system. The current policy stance is considered to be accommodative for growth.

## Trade

There has been a decline in the exports. Exports of goods and services contracted by -0.5% in 2015, against the 10.8% growth in 2014 owing to the lower overseas demand viz Europe and USA. Around 60% of the country's exports are accounted for by sugar and clothing; and Europe and USA are the main markets for the country's exports (nearly 50% share of exports).

Imports of goods and services grew at a lower rate of 6.0% in 2015, compared to 8.8% in 2014. This can be attributed largely to the decline in global commodity prices.

The fall in both exports and imports saw the trade balance decline to 9.8% of GDP, lower than the 11.6% registered in 2014.

Considering the monthly scenario of trade;

- Mauritius recorded a trade deficit of 4,365 MUR Million in January of 2016.
- Exports in Mauritius decreased to 7,343 MUR Million in January from 7,557 MUR Million in December of 2015.
- Imports in Mauritius decreased to 11708 MUR Million in January from 14800 MUR Million in December of 2015

**Table 3: Balance of Trade (MUR million)**

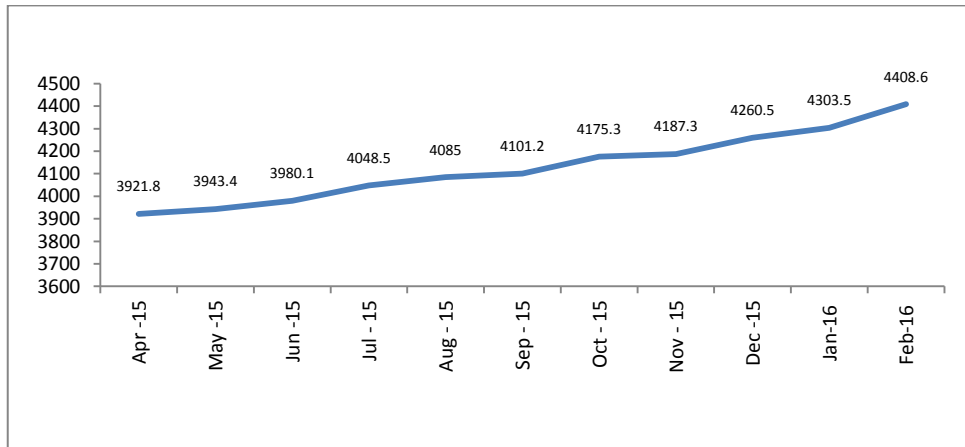
Month	Export	Import	Balance of Trade
Apr -15	8,513	14,716	-6,203
May -15	8,245	13,640	-5,395
Jun -15	8,908	14,484	-5,576
Jul - 15	8,600	15,797	-7,197
Aug - 15	8,383	13,316	-4,933
Sep - 15	7,780	13,284	-5,504
Oct - 15	7,973	14,348	-6,375
Nov - 15	7,164	15,185	-8,021
Dec -15	7,557	14,800	-7,243
Jan-16	7,343	11,708	-4,365

Source: Trading Economics

Forex

The foreign exchange reserves of the country have been rising steadily since January 2015. Foreign Exchange Reserves in Mauritius increased to 4,408.60 USD Million in February from 4,303.50 USD Million in January of 2016.

**Exhibit 2: Foreign Exchange Reserves (USD million)**

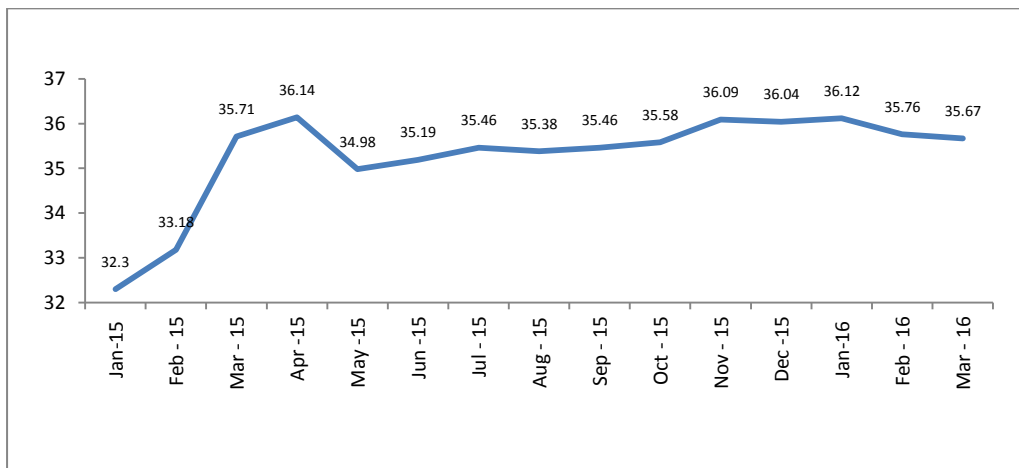


Source: Trading Economics

Exchange rate

The Mauritius Rupee (MUR) depreciated with respect to the US \$ (USD) by around 10% in 2015. The average nominal exchange rate of MUR against USD stood at 35.12 in 2015. The depreciation is mainly on the account of stronger dollar in the international markets.

**Exhibit 3: Nominal Exchange Rate: MUR/USD**

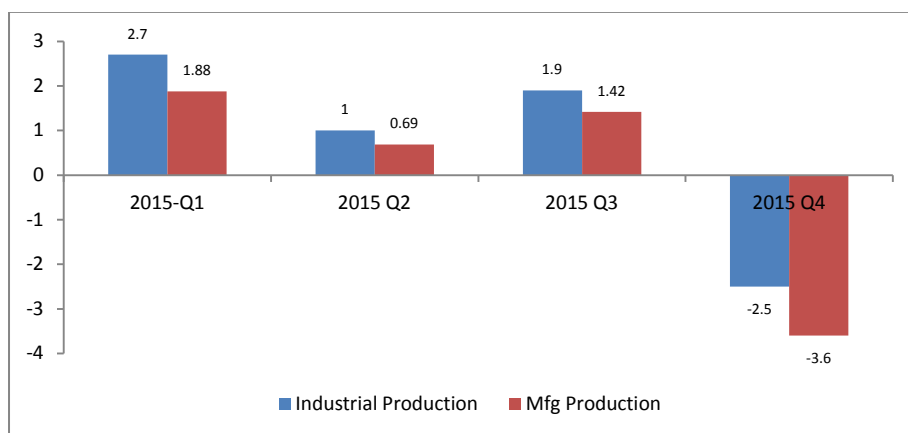


Source: Bank of Mauritius

**Industrial Production**

- Industrial Production in Mauritius decreased to 2.5% in the fourth quarter of 2015 over the same quarter in the previous year.
- Manufacturing Production in Mauritius decreased to 3.6% in December of 2015 over the same month in the previous year.

**Exhibit 4: Industrial and Manufacturing production growth (%)**

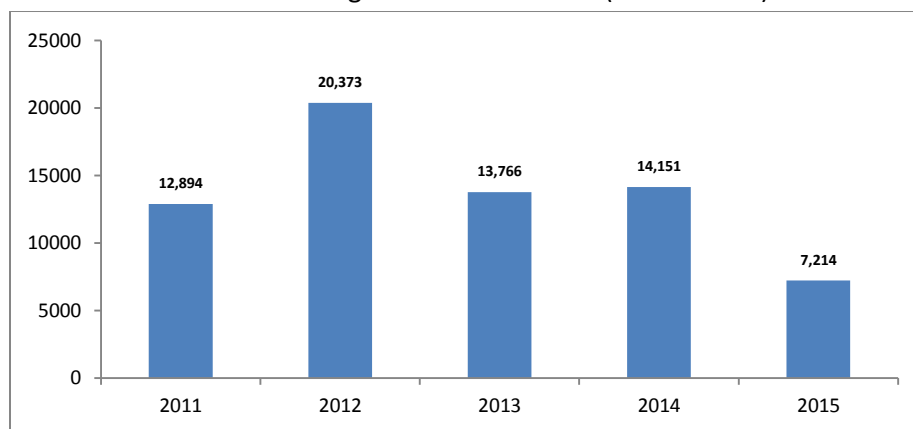


Source: Trading Economics

**Capital flows**

Foreign Direct Investment in Mauritius was recorded at 7,214 MUR Million in the first nine months of 2015. Foreign Direct Investment in Mauritius averaged 12,674.67 MUR Million from 2007 until 2015.

**Exhibit 5: Foreign Direct Investment (MUR million)**



Source: Trading Economics

### Forecast for 2016

- Mauritius Commercial Bank Focus (MCB) forecasts growth of the national economy of 3.8% in 2015
- The World Bank and the International Monetary Fund (IMF) align a forecasted growth estimated around 3.9%.
- As per the national accounts statistics of Mauritius in the 2015/16 budget, GDP/GVA at basic prices is forecasted to grow by around 3.9% in 2016, higher than the 3.1% growth in 2015
- On the other hand, GDP at market prices is also predicted to stand at 3.9% in 2016 compared to current estimate of 3.5% in 2015. Investment rate would attain 18.2% in 2016 from 17.7% in 2015.

**Contact:**

***Madan Sabnavis, Chief Economist, 022-6754 3489***

***Dr. Rucha Ranadive, Associate Economist, 022-6754 3531***

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