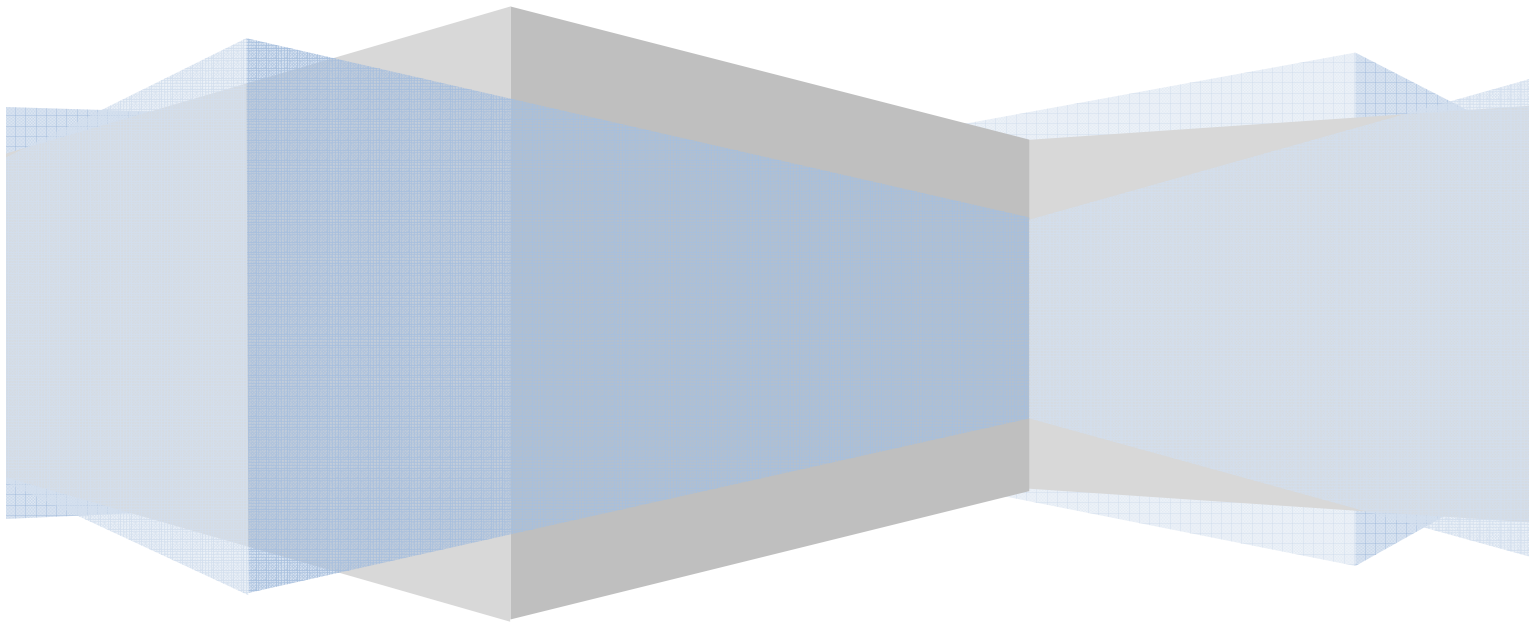


The Mauritius Chamber of Commerce and Industry

Economic Review and Outlook



Economic Review and Outlook

1. World Economic Situation

There were fears that the Great Recession in 2009 could bring the World into a depression like that of the early 1930s. World real GDP declined by 0.6 percent against the previous year, according to the latest International Monetary Fund (IMF) forecasts¹, making 2009 the first year with negative global growth since World War II. But the worst is over.

Since the second semester 2009, the world economy is gradually recovering, mainly driven by the improvement of global trade. Other temporary factors, including the unprecedented scale of policy measures taken by Governments worldwide during the early stage of the crisis and positive inventory cycles, are also behind the rebound. World growth is expected to rise by 4.6 percent in 2010 and global trade is likely to expand by 11.4 percent, following an 11 percent contraction in 2009.

	2007	2008	2009	2010 (e)	2011 (f)
World Output	5.2	2.8	-0.6	4.8	4.2
Advanced economies	2.7	0.2	-3.2	2.7	2.2
United States	2.0	0.0	-2.6	2.6	2.3
Euro Area	2.6	0.5	-4.1	1.7	1.5
Japan	2.4	-1.2	-5.2	2.8	1.5
Other Advanced economies	4.6	1.7	-1.2	5.4	3.7
Emerging and developing economies	8.3	6.0	2.5	7.1	6.4
Sub-Saharan Africa	6.2	5.5	2.6	5.0	5.5
Commonwealth of Independent States	8.6	5.3	-6.5	4.3	4.6
Central and eastern Europe	5.4	3.0	-3.6	3.7	3.1
Developing Asia	10.6	7.7	6.9	9.4	8.4
Middle East and North Africa	6.4	5.0	2.0	4.1	5.1
World trade volume	7.2	2.9	-11.0	11.4	7.0

(e) estimates (f) forecasts

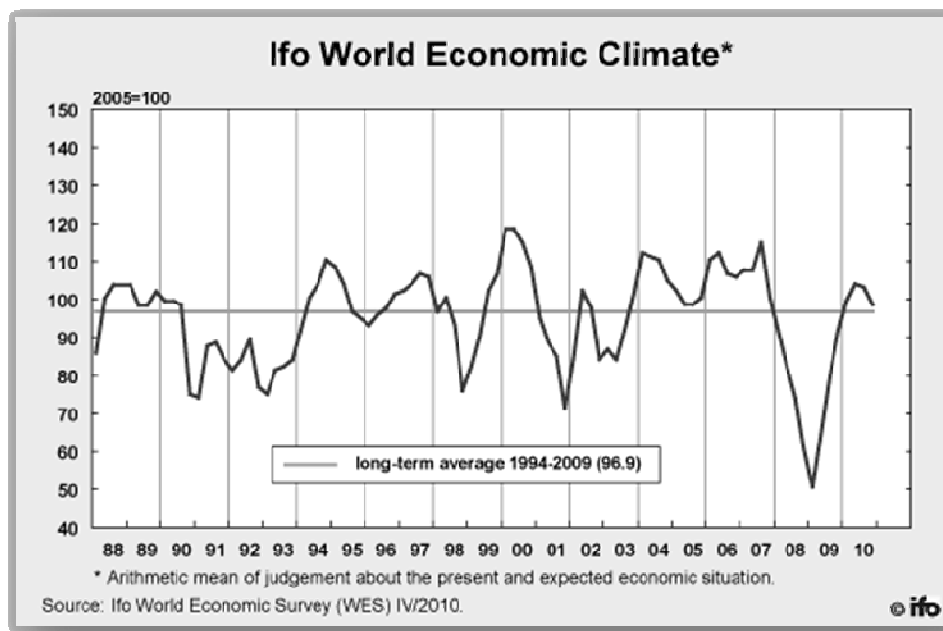
Source: World Economic Outlook (October 2010), International Monetary Fund

Besides, the worldwide business confidence indicator has bounced back since the historical low of 50.1, reached in January 2009. According to IFO institute and based on its World Economic

¹ IMF World Economic Outlook, Oct. 2010

Economic Review and Outlook

Survey, the world economic climate has strongly improved as from June 2009 and in the early months of 2010.



However, the global recovery is precarious. Since the second semester 2010, global economic activity has started to decelerate and this slower growth is expected to continue into 2011. The IMF forecasts for the growth of world output is 4.2 percent for 2011, which is below the 4.8 percent estimated for 2010 and the pre-crisis pace of global growth. World trade volume is expected to increase by only 7 percent in 2011. Furthermore, the worldwide business sentiment indicator has gone down again as from the second semester 2010. It had settled at 98.6 for October 2010.

Structural and policy weaknesses in major developed countries continue to drag down the global recovery. The premature withdrawal of policy stimuli, increased exchange rate volatility, high unemployment rate and the widening of the global imbalances pose risks for world economic stability. In addition, the fiscal consolidation plans that have been announced so far by Governments of many developed countries will impact negatively on economic growth for the outlook of 2011.

The structural problems that led to the crisis and those that were created by it pose enormous policy challenges and the road to full recovery should be long, winding and treacherous.

Economic Review and Outlook

For the advanced economies, the IMF report predicts an economic growth in 2010 and 2011 of 2.7 and 2.2 percent respectively, well below potential. Amongst, the economy of the United States of America is expected to grow by 2.6 percent in 2010 and to moderate at 2.2 percent in 2011. The weakness of the recovery, the weakest in the country's post-recession experience, is due to sluggish consumption. High unemployment and reduced household income and wealth (house prices have fallen by 30 percent over the past three years) are holding consumption down. According to the IMF experts, at these rates, the level of GDP will return to its pre-crisis peak by 2011. But a full recovery of employment would take at least another four years.

The growth prospects for the European Union and Japan are even dimmer. Constrained by the sovereign debt crisis, the euro area is facing a gradual and uneven recovery. GDP growth in this part of the world is estimated to stagnate at 1.7 percent in 2010 and projected to moderate at 1.5 percent in 2011. Many European countries will even see less growth, especially those having drastic fiscal cuts, competitiveness imbalances and high unemployment. This is especially the case of Greece, Ireland, Portugal and Spain. In Japan the recovery was mainly driven by net export growth. According to the IMF, the economy should expand by 2.8 percent in 2010. However, the rebound has started to falter in the course of 2010, due to the sporadic appreciation of the yen and the cooling of the US economy. Hence for 2011, the institution expects a meagre 1.5 percent growth. That was before the earthquake and tsunami that hit Japan two weeks ago.

This contrasts with the strong GDP growth in many emerging and developing countries, which continues to drive the global recovery. These countries have been contributing to more than half of the expansion of the world economy since the third quarter 2009. Many developing countries have used the policy shields, mainly from vast foreign-exchange reserves they had generated in the years before the crisis, to adopt massive stimulus packages. These have helped boost domestic demand and have thus facilitated a relatively quick recovery from the global downturn. A 7.1 percent growth is expected in 2010. Developing Asia, led by China and India, continues to show the strongest growth performance. A rate of 9.4 percent is expected for 2010.

As for Sub-Saharan Africa, output growth is likely to accelerate from a mere 2.6 percent in 2009 to 5 percent in 2010. The recovery is supported by the upturn in exports and commodity prices and buoyant domestic demand in a number of economies. Foreign inflows to the region were less affected by the global downturn than had been feared.

However, it is uncertain whether emerging and developing economies can sustain the same robust pace of growth in 2011. Despite strengthened trade ties amongst these countries, they

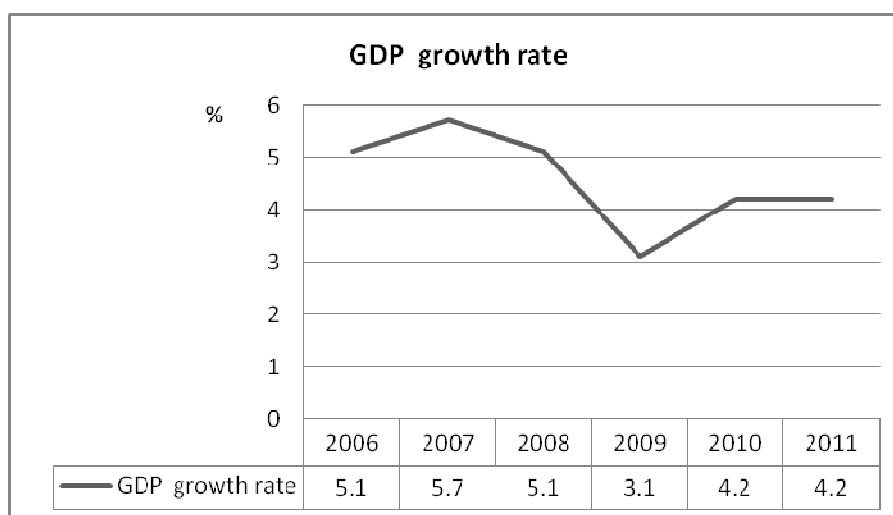
Economic Review and Outlook

remain highly dependent on demand in the developed countries for their exports. The timid recovery of those economies should moderate growth in 2011 for developing economies, according to the IMF report.

2. The Mauritian Economy

In spite of the outbreak of the global financial crisis, which has undercut external demand, reduced private inflows and increased uncertainty, the Mauritian economy has performed relatively well in 2009, regardless of its multiple vulnerabilities. GDP growth in 2009 is estimated at 3.1 percent. This performance was in large part driven by a strong recovery in the agricultural sector, a solid growth for the financial and business activities and also a dynamic expansionary macroeconomic policy pursued by the government.

As from mid 2009, the local economy has gained momentum, benefitting from the additional stimulus packages. The higher government consumption and public sector investment had contributed to boost the economy. In line with the global economic recovery, growth has started to pick up by the end of 2009 (a growth rate of 5 percent on a year-on-year basis for the final quarter 2009).



However the recovery has started to weaken in the course of 2010.

Economic Review and Outlook

According to the latest estimates of the Central Statistics Office of Mauritius, a 4.2 percent real GDP growth rate is expected for 2010. The major contributors to GDP growth are real estate, renting and business activities (0.7 percentage points), transport, storage and communications (0.5 percentage points) and financial intermediation (0.5 percentage points). Historical facts show that this is a relatively modest achievement and is well below potential.

We can identify three main factors behind this timid performance. First, the turmoil in the euro area has cast a shadow on the recovery of our economy. The lower than average growth on our key markets has put downward pressures on the external demand thus hindering the full advantage that Mauritius could have taken following the rebound in the world economy. Second, the appreciation of the rupee has hampered our growth potential by undermining the competitiveness and the profitability rates of our industries, particularly businesses facing global competition. This unfavorable rupee dynamics has cropped up just after the global economic crisis which has very seriously affected these companies. Third, the activity levels were affected by moderate growth in household consumption and private investment due to a decreasing confidence amongst our economic agents.

For 2011, the MCCI, using the latest econometric modelling, forecasts an economic growth of 4.5 percent for the country, all things being equal. This implies that economic growth would be better in 2011 compared to 2010, but still lower than the pre-crisis level.

This estimation is based on certain facts and assumptions: on the positive side, the decrease in the repo rates in September 2010 could encourage private investment and thereby stimulate the economic activity in 2011. Furthermore, the decrease in the interest rates could trigger a positive dynamics of our currency and make our exports more competitive. We have also noticed an improvement in the business climate during the last economic survey conducted by the MCCI in December 2010.

However, according to the IMF, a slower global growth is expected in 2011. We should bear in mind that the timid recovery of developed economies could moderate the economic growth in 2011 as the country is highly dependent on demand in the developed countries for its exports and its tourism industry. Besides, the low level of confidence amongst the consumers, following two years of crisis, could limit the increase of household expenditure.

Economic Review and Outlook

2.1 Main Aggregates

In 2010, GDP at current basic prices is estimated to increase by 5.5 percent to reach Rs 266.5 billion from 252.6 billion in 2009. The growth rate of 4.2 percent was obtained after removing the price effect estimated at 1.3 percent.

GDP at market prices increased by almost the same rate to Rs 299.5 billion from Rs 283.3 billion in 2009. The three components of GDP at market prices have experienced increases in 2010. Compensation of employees was estimated at Rs 102.4 billion in 2010, representing a nominal increase of 5.8 percent over the 2009 figure of Rs 96.8 billion. Gross operating surplus increased by 5.1 percent to Rs 161.3 billion in 2010 from Rs 153.6 billion in 2009 while taxes (net of subsidies) on production and imports increased by 8.5 percent to Rs 35.8 billion from Rs 33 billion in 2009.

GROSS DOMESTIC PRODUCT						
	Unit	2006	2007	2008	2009	2010
GDP at current basic prices	Rs Bn	185.3	215.4	243.1	252.6	266.5
GDP per capita at market prices	Rs	164,669	193,543	216,192	221,723	233,754
GDP per capita at market prices	US\$	5,286	6,170	7,623	6,942	7,567
GDP per capita at market prices	€	4,168	4,509	5,196	4,980	5,708
Exchange rate	US\$ to Rs	31.15	31.37	28.36	31.94	30.89
Exchange rate	€ to Rs	39.51	42.92	41.61	44.52	40.95

As for Per Capita GDP at market prices, in nominal terms, an increase of 5.4 percent has been observed in 2010, bringing the indicator to Rs 233,754. In 2009, the year of the Great Crisis, a modest increase of 2.6 percent was noted. In terms of US Dollar and Euro, GDP per capita registered higher growth rates. It increased by 9 percent from \$6,942 in 2009 to \$ 7,567 in 2010, and by 14.6 percent from €4,980 to €5,708. It is the appreciation of the rupee which explains this situation. In fact, the average exchange rate of the US Dollar and the Euro went down by 3.3 and 8.0 percent, respectively, in 2010. It should be noted that between 2008 and 2009, it was the exact opposite.

Economic Review and Outlook

SECTORAL GROWTH RATES				
Sector	2007	2008	2009	2010
Sugar	-13.6	+3.7	+15.0	+2.3
Electricity, gas and water supply	+2.7	+6.1	+0.1	+4.3
Construction	+16.0	+11.6	+6.2	+4.3
Wholesale & retail trade	+4.5	+4.4	+0.3	+3.1
Hotel and restaurant	+12.0	+1.3	-5.9	+3.8
Transport, storage and communications	+7.5	+6.1	+4.7	+5.5
Financial intermediation:	+7.6	+10.2	+3.8	+4.3
<i>Of which, Banks</i>	+8.8	+12.7	+3.0	+3.9
Real estate, renting and business activities	+9.0	+8.7	+6.1	+6.3
Other community, social and personal service	+8.0	+8.4	+7.8	+7.9
Export oriented enterprises	+11.2	+1.6	-1.3	+4.1

A sectoral analysis shows, firstly, that all sectors have experienced a positive growth in 2010 compared to 2009. This reflects the general belief that 2010 was marked by renewed economic activity even if this recovery can be considered as modest. Secondly, the sectors that were hardly hit in 2009, namely Hotels and Restaurants and Export Oriented Enterprises, have shown reasonable growth in 2010 at 3.8 and 4.1 percent, respectively. Thirdly, growth rate for construction and sugar industry have dropped compared to 2009.

The construction sector had registered a good performance in 2009, 6.2 percent, supported mainly by the massive development of public infrastructures in several areas. In 2010, the delays in the realisation of public projects and the timidity of private sector expenses, characterised by the weakening of the economic activity, has tempered the overall outcome of this sector and the expected growth rate should be 4.3 percent. For the sugar sector, the growth pace has dropped from 15 percent in 2009 to 2.3 percent in 2010, even if the export production is now only focused on refined sugar, thus benefitting of higher prices with regards to export revenue (in 2009, less than half of the output was transformed into refined sugar). The anticipated decrease in the production level, due to bad weather conditions, and the appreciation of the rupee are the main reasons limiting the performance of this industry.

2.2 Investment

Economic Review and Outlook

One of the main concerns for the Mauritian economy is the investment rate. In 2010, Gross Domestic Fixed Capital Formation (GDFCF) went down by Rs 0.9 billion or, -1.2 percent, reaching Rs 73.5 billion from Rs 74.4 billion in 2009. Nevertheless, exclusive of the acquisition of an aircraft (Rs 3.4 billion) in 2009, investment in 2010 was higher than in 2009 by Rs 2.5 billion or 3.5 percent.

More importantly, after removing the price effect, estimated at 0.7 percent, total investment declined in 2010 by 1.9 percent. Let us recall that in 2009, GDFCF grew by 8.9 percent. The situation is alarming in regards of private investment. In 2010, in real terms, there was a drop of 0.6 percent of private investment after a drop of 1.3 percent in 2009. If we want to have in the future a significant economic growth, which would reduce unemployment, we need to encourage investment, particularly private investment. As for public investment, the drop is deeper with a negative growth of 5.7 percent in 2010, compared to the comfortable growth rate of 59.7 percent registered in 2009, boosted by the implementation of massive infrastructural projects.

In spite of this, it should be noted that over the last five years, total investment at constant prices has increased by nearly 55 percent in the country. It has been mainly driven by private investment which has grown by more than 72 percent during the same period. With regards to public investment, a rise of about 18 percent has been recorded.

The breakdown of GDFCF by industrial use shows that 'Real estate' and 'Hotel and restaurant' together represent nearly half of total investment in 2010. The growth rate of these two items together is about 1.5 percent in 2010 after the comfortable increases of 35.8 percent and 10.9 percent in 2008 and 2009 respectively.

In the manufacturing sector, a decrease in the level of investment was noted. A negative growth rate of 26.7 percent was recorded for 2010. This figure confirms the negative trend that has started in 2008. The share of this item in total investment has dropped steadily from 14 percent in 2007 to 7 percent in 2010.

Economic Review and Outlook

Overall, the investment rate, measured by the ratio of investment to GDP at market prices, dropped from 26.3 percent in 2009 to 24.6 percent in 2010, the same rate as in 2008. Exclusive of aircraft and marine vessel, the rate for 2010 was 24.6 compared to 25.1 in 2009.

INVESTMENT						
	Unit	2006	2007	2008	2009	2010
Gross Domestic Fixed Capital Formation	Rs Bn	50.0	61.2	67.5	74.4	73.5
GDFCF (excluding aircraft & marine vessel)	Rs Bn	44.4	58.7	66.9	71.0	73.5
Private sector investment / GDFCF	%	68.3	78.6	83.2	75.0	75.9
Public sector investment / GDFCF	%	31.7	21.4	16.8	25.0	24.1
GDFCF /GDP at market prices	%	24.3	25.1	24.6	26.3	24.6
Annual Real Growth of GDFCF	%	+19.0	+5.9	+1.3	+8.9	-1.9
Private investment real growth rate	%	+15.1	+20.6	+7.2	-1.3	-0.6
Public investment real growth rate	%	+28.3	-26.6	-20.2	+59.5	-5.7

An in-depth analysis on 2010 total investment by type of capital goods points out some facts.

Firstly, the drop in total investment was a result of the sharp decline of investment in machinery and equipment, -18.9 percent, which has prevailed over the growth registered for building and construction work, 7 percent.

Secondly, the growth of building and construction work was mainly driven by the increase of 20 percent of other construction, explained by the implementation of public projects. However, there is a little concern for investment in non-residential building. The contraction from 2009 was deepened in 2010, respectively -0.8 percent and -3.7 percent.

Thirdly, the downward trend in machinery and equipment has intensified in 2010 with a severe contraction of 18.8 percent. It should be noted that the 2010 figure of investment in machinery and equipment at constant prices represent merely 93 percent of the 2006 figure. After removing the price effect, it fell down to Rs 20.7 billion in 2010 from Rs 22.2 billion in 2006.

Fourthly, the distribution pattern of investment has changed significantly during the last five years. In 2006, the distribution of GDFCF at constant prices was more or less balanced between

Economic Review and Outlook

‘building and construction work’ and ‘machinery and equipment’. Since then, the trend has changed in favour of investment in building and construction. In 2010, the share of building and construction, in real terms, represents more than 70 percent of total investment.

These observations are worrisome regarding the economic development of our country. Much of the literature on New Growth Theory point out three potential influences on output and long-run productivity growth: investment in human capital, Research and Development and investment in physical capital, mainly machinery and equipment (M&E). Most economists agree that M&E investment is vital to promoting long-run economic growth through improvements in productivity and the productive capacity. Industries often invest in new machinery and equipment to exploit internal economies of scale. This, together with technological advances that are often built into new machinery, is vital to improve competitiveness and to cause an upward shift in the country’s production possibility frontier.

The negative trend during the recent years of M&E investment can partly explain the weaknesses of our current output but also could be dangerous for our future economic growth. We should note that there are econometric evidences on the positive impact of M&E investment on long-run productivity and growth. For example, DeLong and Summers² (1991) and Sala-i-Martin³ (1997) find that increasing the M&E investment share by one percentage point could increase long-run productivity growth by 0.2 to 0.3 percentage points and leads to a 0.2 percentage point increase in output growth. While a one-percentage point increase in non-equipment investment leads to only a 0.06 percentage point increase in output growth.

GDPCF GROWTH BY TYPE OF CAPITAL GOODS						
	Unit	2006	2007	2008	2009	2010
A. Building & construction work	%	6.7	17.0	13.3	7.7	7.0
Residential building	%	10.3	6.8	18.0	8.1	13.1
Non-residential building	%	3.9	49.2	12.2	-0.8	-3.7
Other construction work	%	6.3	-17.4	8.1	30.8	20.0

² DeLong, Bradford J., and Lawrence Summers, 1991, Equipment Investment and Economic Growth, *Quarterly Journal of Economics*, 106 (2), 445—502.

³ Sala-i Martin, Xavier. 1997, I Just Ran Four Million Regressions, *American Economic Review*, May 1997, v. 87, pp. 178-83.

Economic Review and Outlook

<i>B. Machinery and equipment</i>	%	36.9	-6.7	-15.8	11.4	-18.8
Passenger car	%	4.2	32.7	5.6	-25.8	4.1
Other transport equipment	%	296.5	-38.0	-41.1	70.3	-62.7
Other machinery and equipment	%	3.1	3.3	-12.7	9.2	-8.3

As for Foreign Direct Investment, it was estimated at Rs 13.9 billion in 2010, representing an increase of 58.6 percent over the 2009 figure of Rs 8.8 billion. As a percentage of total investment, FDI grew from 11.8 percent in 2009 to 18.9 percent in 2010. The main sectors benefiting from FDI, were 'Financial and insurance activities', 'Real estate activities' and 'Human health and social work activities', representing together about 77 percent of the total. We should note the outstanding performance of 'Human health and social work activities'. FDI towards this sector has registered a growth rate of about 1,800 percent in 2010. This performance relies on the fact that the country is developing a fast growing Healthcare and Life Sciences industry and wants to become a healthcare, wellness and medical outsourcing hub.

The main countries of origin for FDI in 2010 were United Kingdom (Rs 4.6 billion), India (Rs 2.9 billion), France (Rs 1.6 billion) and South Africa (Rs 1.5 billion).

FOREIGN DIRECT INVESTMENT						
Sector	Unit	2006	2007	2008	2009	2010
Total FDI	Rs M	7,222	11,514	11,419	8,793	13,948
Agriculture	Rs M	26	12	447	-	-
Manufacturing	Rs M	181	271	149	485	63
Construction	Rs M	12	45	68	211	1,292
Accommodation and food services activities	Rs M	1,382	3,189	1,348	1,850	836
Financial and insurance activities	Rs M	3,593	4,056	4,564	1,371	4,645
Human health and social work activities	Rs M	2	29	120	145	2,732
Real estate activities	Rs M	1,701	3,820	4,525	4,305	3,422
<i>of which – IRS/RES</i>	Rs M	1,228	2,791	2,637	2,074	2,033
Others	Rs M	325	92	198	426	958
Direct Investment abroad	Rs M	1,134	1,826	1,612	1,412	4,009
Net Foreign Direct Investment	Rs M	6,088	9,688	9,807	7,381	9,939

For 2011, the MCCI forecasts an increase of about 2 percent of total investment in real terms. The factors that can influence the level of investment are: real interest rates, the rate of growth

Economic Review and Outlook

of demand, corporate taxes, technological change, degree of market competition and business confidence.

The decrease in the repo rates of September 2010 should provide adequate support to investment. Furthermore, the improvement of the business climate could be decisive as confidence is essential in determining whether to go ahead with an investment project. There could be a significant rise in the level of investment, particularly private investment, to compensate the fall of last year.

2.3 Consumption and Savings

Final consumption expenditure, the major component of expenditure on GDP, registered a growth at current prices of 5.2 percent to reach Rs 261.5 billion in 2010 from Rs 248.6 billion in 2009. After removing price effects real growth rate works out to 2.5 percent, slightly higher than the 2.4 percent in 2009.

Consumption expenditure of households, which represented 84.3 percent of the total, grew in real terms by 2.6 percent in 2010 (5.5 percent at current prices) after 2.1 percent in 2009 (4.1 percent at current prices). The growth rate is much slower than in 2008, nearly 7 percent in real terms (18.4 percent at current prices). It is a consequence of the slower trend concerning growth rate of 'Compensation of Employees'. This item rose by 14.1 percent, in nominal terms, in 2008, 7.1 percent in 2009 and only 5.8 percent in 2010. Taking into account the above trends, it confirms that the impact of demand on inflation has decreased.

Concerning Gross National Savings (GNS), it has dropped from a peak of Rs 52.2 billion in 2007 to Rs 47.4 billion in 2010. As a ratio of Gross National Disposable Income, GNS has decreased significantly from 20.7 percent in 2007 to 15.3 percent in 2010. The resource gap, which is the difference between investment and savings, has considerably widened from Rs 8.8 billion in 2007 to 26.2 billion in 2010, with a peak of Rs 34 billion reached in 2009.

Economic Review and Outlook

In 2010, GNS represents 64.4 percent of GDFCF (85.6 percent in 2007) and 15.8 percent of GDP at market prices (21.5 percent in 2007). However compared to the historical low reached in 2009, the statistics for savings has gone up in 2010. The economic crisis of 2009 and the low sentiment among consumers may have changed the consumption pattern.

CONSUMPTION, SAVINGS						
	Unit	2006	2007	2008	2009	2010
Consumption						
Final consumption expenditure:	Rs Bn	174.8	201	235.5	248.6	261.5
- <i>Households</i>	Rs Bn	145.5	169.5	200.7	208.9	220.3
- <i>Government</i>	Rs Bn	29.3	31.5	34.8	39.7	41.2
Final consumption expenditure as a % of GDP at market prices	%	84.7	82.4	85.9	87.7	87.3
Final Consumption growth	%	5.5	3.7	5.2	2.4	2.5
- <i>Household</i>	%	5.9	4.5	6.7	2.1	2.6
- <i>Government</i>	%	3.8	0.6	-1.4	5.1	2.7
Savings						
Gross National Savings	Rs Bn	35.4	52.4	47.2	40.4	47.3
GNS / Gross National Disposable Income	%	16.8	20.7	16.7	14	15.3

2.4 External Trade

Preliminary estimates show that total value of trade has increased by 12.4 percent from Rs 180.1 billion in 2009 to Rs 202.5 billion in 2010, following the international trend where global trade is about to expand by 11.4 percent.

Total exports increased by 7.8 percent to Rs 66.5 billion, compared to Rs 61.7 billion in 2009. It was mainly due to the reinvigoration of domestic exports, which represent nearly 65 percent of the increase.

As for imports, there was a decrease between 2008 and 2009 from Rs 132.2 billion to Rs 118.4 billion due to the Great Crisis. In 2010, the latest forecasts suggest that total imports should be

Economic Review and Outlook

around Rs 136 billion, resulting in a trade deficit of Rs 69.5 billion, representing more than 23 percent of GDP. Compared to 2009, the deficit is higher by 22.4 percent, in nominal terms.

	EXTERNAL TRADE			Rs Billion	
	2006	2007	2008	2009	2010
Trade in Goods					
Domestic Exports	47.6	50.5	46.4	45.8	48.9
Re-export	21.3	13.8	12.6	10.4	11.0
Ships' stores and Bunkers	5.1	5.4	9.0	5.5	6.6
Total Exports (f.o.b)	74.0	69.7	68.0	61.7	66.5
Total Imports (c.i.f)	115.5	121.0	132.2	118.4	136.0
Balance of trade in goods	-41.5	-51.3	-64.2	-56.8	-69.5
Balance of trade (exports - imports (f.o.b))	-34.5	-43.9	-56.5	-49.1	-59.9
Trade in services					
Export	55.0	71.5	77.2	76.5	82.8
Import	42.9	50.2	56.8	53.5	59.9
Balance of trade in services	12.1	21.3	20.4	23.0	22.9
Overall balance in goods and services	-22.4	-22.7	-36.1	-26.2	-37.0

On the services account, exports are expected to increase to Rs 82.8 billion and imports to Rs 59.9 billion. Thus the balance of trade in services would register a surplus of about Rs 22.9 billion, a little less than in 2009.

However, the surplus is too low to compensate for the deficit of the merchandise account. On the whole, the deficit of trade in goods and services has deteriorated substantially from Rs 26.2 billion in 2009 to Rs 37 billion in 2010. Let us recall that since 2003 the overall balance of trade in goods and services is showing a deficit.

The counterpart of this deficit is an inflow of capital and Net International Reserves have increased from Rs 100.5 billion to 106.2 billion.

Concerning the surplus of the balance of payments, it is expected to be well below the 2009 figure of Rs 12.1 billion. According to the latest estimates, it should be around Rs 2 billion.

Economic Review and Outlook

2.5 Inflation

In 2009, reflecting the international trends, both headline inflation and its core rates have experienced a fall mainly driven by the negative impact of the world crisis on the evolution of imported commodities prices, gloomy domestic demand and the appreciation of the rupee in the second half of 2009. Overall these factors have limited the growth of the Consumer Price Index (CPI), bringing the headline inflation rate down to 2.5 percent.

Since then, the CPI went up from 117.2 in December 2009 to 124.4 in December 2010. The yearly average CPI increased from 116.8 in 2009 to 120.2 in 2010 bringing a rise in both headline and Core 1 inflation, which excludes excludes “Food, Beverages and Tobacco” components and mortgage interest on housing loan from the CPI basket. It should be noted that Core 2 inflation, which excludes “Food, Beverages and Tobacco” components, mortgage interest, energy prices and administered prices from the CPI basket, has decreased. On the whole, the headline inflation rate stood at 2.9 percent in 2010 and the core 1 and core 2 at respectively 3.2 percent and 2.8 percent.

The highest increases were recorded in the following sub-indices:

The ‘food and non alcoholic beverages’ representing 29 percent of CPI increased by 6.3 percent; ‘transport’, making up 15 percent of CPI, rose by 7.2 percent; the alcoholic beverages and tobacco’ sub-index showed the highest increase with 17.7 percent, but its share in the index is lower with 9.2 percent. These increases are the consequences of rising international prices of imported commodities, higher taxes on some products and also the upward revisions of administered prices.

INFLATION						
	Unit	2006	2007	2008	2009	2010
Consumer Price Index		95.4	103.8	113.9	116.8	120.2
Headline inflation	%	8.9	8.8	9.7	2.5	2.9
Core 1 inflation	%	7.4	5	8.7	2.4	3.2
Core 2 inflation	%	7.2	5.7	6.1	3.8	2.8

Economic Review and Outlook

The Import Price Index went up from 103.9 in the third quarter 2009 to 111.3 for the third quarter 2010, indicating an increase of 7.1 percent. This was mainly the effect of increases in the prices of the 'fuels' groups (a rise of nearly 15 percent) and the 'manufactured goods classified chiefly by material' (a rise of 12 percent). As for the latter, it should be noted that the index went up due to mainly a 20 percent increase in 'textile yarn, fabrics and made-up-articles'.

As for the Construction Price, the index went up from 100.3 in December 2009 to 101.6 in December 2010 as a result of increases in the following input categories: steel bars, timber carpentry, sanitary installation and paint.

Similarly, the Producer Price Index for the Domestic Oriented Enterprises rose from 111.8 in October 2009 to 114.8 in September 2010, while the Producer Price Index for Agriculture increased from 94.8 in September 2009 to 105.2 in February 2010, and decreased considerably to 92.0 in September 2010.

Since the second half of 2010, there is a rise in the commodity prices, sometimes reaching the 2008 levels. This is due to increased demand from emerging countries like China, India and some Latin American countries. In addition, climatic disasters, distortions related to speculation and the recent events in the Middle East have put upward pressures on prices. All these elements could increase the global inflation. Taking into account these facts and the recent estimates of CSO and BOM, the MCCI forecast an inflation rate, which will still be limited by less pressure from the demand side, of more or less 6 percent for 2011.

2.6 Employment

In recent years, efforts have been made to improve the situation on the labour market and as a consequence the national unemployment rate has dropped from 9.1 percent in 2006 to 7.2 in 2008. This downward movement have been stopped in 2009 due to the Great Crisis where the unemployment rate has increased to 7.3 percent.

Economic Review and Outlook

For 2010, reflecting our modest economic growth, the upward trend is projected to continue and according to the latest estimates of the Central statistics Office, the unemployment rate should be around 7.5 percent.

Labour Force, excluding foreign workers, is expected to reach 586.6 thousands, up by 2.5 percent compared to 2009. Employment increased from 536.4 thousands in 2009 to 542.2 in 2010, otherwise about 1 percent. This increase is too low to compensate for the increase in the labour force, hence the increase in the unemployment rate.

	EMPLOYMENT			thousands	
	2006	2007	2008	2009	2010
Labour Force (Mauritian)	548.4	548.9	559.4	572.2	586.6
Male	351.4	353.6	355.6	360.3	367.1
Female	197.0	195.3	203.8	211.9	219.5
Employment (Mauritian)	498.6	502.1	519.0	536.4	542.2
Foreign workers	16.7	21.6	24.0	21.0	21.6
Total employment	515.3	523.7	543.0	557.4	563.8
Unemployment	49.8	46.8	40.4	41.5	44.4
Male	19.2	18.6	14.6	15.8	16.2
Female	30.6	28.2	25.8	25.7	28.2
Unemployment rate (%)	9.1	8.5	7.2	7.3	7.5

As far as foreign workers are concerned, a slight increase from 21,000 to 21,600 is noted and the vast majority, more than 80 percent, are employed in Export Oriented Enterprises.

According to the survey on employment from the Central Statistics Office, employment in large establishments, which represents about 54 percent of total employment, increased by 1.3 percent from 298.5 thousands in March 2009 to 302.2 in March 2010. Two sectors account for more than 98 percent of this increase. It is 'health and social work', 59.2 percent of the rise, and 'real estate, renting and business activities', representing 38.9 percent of the increase. The large increase noted in 'Health and social work' is explained by the recruitment of personnel in the health sector, due to the development of the medical outsourcing hub. On the other hand, 'Manufacturing registered a drop of 2 418 persons.

Economic Review and Outlook

2.7 Public Finance

Given the relatively modest growth rate expected in 2011 which is well below potential, the negative trend concerning the fiscal balance is set to continue. The budget estimates for 2011 indicates that total revenue is projected to increase by 11.7 percent to reach Rs 70.3 billion, representing 21.8 percent of GDP, somewhat above the 2010 ratio of 21.2 percent. Total expenses are expected to go up by 4.3 percent to attain Rs 84 billion, i.e. 26.1 percent of GDP, in contrast to 25.7 percent of GDP in 2010. Consequently, the budget deficit would be around 4.3 percent, slightly lower than the 2010 figure (4.5 percent).

	PUBLIC FINANCE			(RS Million)
	Jul-Dec 2009 Actual	2010 Revised Estimates	2011 Estimates	
Revenue	33,183	62,925	70,300	
Expenses	34,096	67,870	72,593	
Gross Operating Balance	-913	-4,945	-2,293	
Net Acquisition of Non-Financial Assets	4,946	8,407	11,436	
Net Acquisition of Financial Assets	-114	-1,030	3,810	
Borrowing Requirements	5,450	14,160	17,040	
Borrowing Requirements / GDP	3.7%	4.8%	5.4%	
Primary Balance	-533	-3,182	-2,579	
Primary Balance / GDP	-1.1%	-1.1%	-0.8%	

It is to be noted that the Primary Balance would continue to be negative at Rs 2.6 billion, representing 0.8 percent of GDP. Since the July to December Transition budget the figure for this indicator is negative. It is important to limit this deficit because this performance indicator forms part of the criteria for disbursement used by development partners. It should also be underlined that 'Net acquisition of Non-Financial Assets', which was Rs 5.5 billion in 2008/2009, has more than doubled in 2011 with R 11.3 bn. For 2010, it was Rs 8.4 bn.

Economic Review and Outlook

Regarding Public Sector Debt, it should increase from Rs 180.4 billion in 2009 to R 194.2 in 2010, representing a rise of 7.6 percent. However, as a percentage of GDP, it will go down slightly from 60.7 percent to 60.3 percent. Since 2009, we have exceeded the psychological barrier of 60 percent as for the ratio Public debt to GDP.

The Government is committed to limit the fiscal deficit. The challenge going forward will be to accelerate public investment while continuing medium term fiscal consolidation to reduce economic vulnerabilities.

GOVERNMENT DEBT			(Rs Million)
	Dec 2009 Actual	Dec 2010 Revised Estimates	Dec 2011 Estimates
Domestic Government Debt	125,644	133,108	140,198
External Government Debt	16,990	22,686	29,636
Total government debt	142,634	155,794	169,834
<i>as % of GDP</i>	50.9%	52.5%	52.7%
Domestic Public Sector Debt	140,862	147,333	153,391
External Public Sector Debt	27,271	33,023	40,797
Total Public Sector Debt	168,133	180,356	194,188
<i>as % of GDP</i>	60.0%	60.7%	60.3%

3. Sectoral Analysis

Sectorwise, developments were uneven. In 2009 the sectors the most exposed to external environment were more severely hit by the global economic recession whereas domestic market-oriented ones had shown some resilience. The slowdown of the national expansion was mostly driven by the low growth rates of the tertiary sector, the most important contributor to economic growth, and to a lesser extent the secondary segment. As for the primary sector, an excellent expansion rate was registered which has helped to maintain a good economic growth in the crisis year.

Economic Review and Outlook

For 2010, the performance of the tertiary sector has improved due to the global economic recovery; a growth of 4.8 percent is expected in 2010 compared to 2.8 percent growth in 2009. The primary and the secondary sectors have witnessed lower growth rates, respectively of 2.5 percent and 2.9 percent compared to the 2009 figures of 8.9 percent and 3 percent.

CONTRIBUTION TO GDP GROWTH (% points)					
	2006	2007	2008	2009	2010
Primary Sector	0.0	-0.3	0.1	0.4	0.1
Secondary Sector	1.2	1.4	1.4	0.8	0.8
Tertiary Sector	3.9	4.6	3.9	1.9	3.3
Real GDP Growth	5.1	5.7	5.1	3.1	4.2

3.1 Agriculture

According to the latest estimates, there has been a decrease of 2.8 percent for the value added at current prices of the agricultural sector, including sugar milling, from Rs 10.8 billion to Rs 10.5 billion in 2010, although the sugar industry had switched completely to the production of high-value added refined sugar. In addition, the ratio of the agricultural sector to GDP has decreased from 3.9 percent in 2009 to 3.6 percent in 2010.

The anticipated decrease in the production level of sugar, due to bad weather conditions, and the average weakening of the value of euro are the main reasons limiting the performance of this industry.

AGRICULTURE						
		2006	2007	2008	2009	2010
Sugarcane value added	Rs Bn	4.8	4.3	4.2	3.5	2.8
Sugar Milling value added	Rs Bn	1.3	1.2	1.1	1	0.8
Non-Sugar value added	Rs Bn	5	5.3	5.8	6.3	6.9
Total Agriculture value added (including Sugar Milling)	Rs Bn	11.1	10.8	11.1	10.8	10.5
Sugar/GDP	%	3.2	2.5	2.2	1.8	1.3

Economic Review and Outlook

Non-Sugar /GDP	%	2.6	2.5	2.4	2.5	2.6
Total Agriculture / GDP	%	5.8	5	4.6	4.3	3.9
Growth rates						
Sugar	%	-2.6	-13.6	3.7	15	2.3
Non-sugar	%	6.6	3.4	1.5	6.2	3.7
Agriculture	%	0.9	-5.4	3	8.9	2.5
Employment	No.	47900	47200	46,200	46200	
Sugar/Total employment	%	3.5	3.4	2.9	2.8	
Non-Sugar/Total employment	%	5.8	5.6	5.6	5.6	
Agriculture/Total employment	%	9.3	9	8.5	8.5	

3.1.1 Sugar

For the crop year of 2010, production of sugar is estimated at 450,000 tons against more than 467,000 tons in 2009, well below the long term target of 500,000 to 550,000 tonnes. This element mixed with the unfavourable exchange rate dynamics of our currency has limited the performance of this industry.

There has been a decrease of 25 percent in value added at current prices of sugar cane and sugar from Rs 4.5 billion in 2009 to R 3.6 billion in 2010.

Employment in large establishment declined from 11,019 in March 2009 to 10,517 in March 2010. The tonnage of sugar exported as at September 2010 rose by 11.5 percent compared to the same period in 2009.

3.1.2 Non-sugar

The non-sugar agricultural sector, which includes activities related to hunting, forestry and fishing, grew by 3.7 percent in 2010 after a growth of 8 percent in 2009. Based on the latest statistics available, the MCCI estimates for agricultural production in 2010 are as follows.

Economic Review and Outlook

For the production of tea, a drop of 5 percent in green leaves and 0.6 percent in manufactured tea is projected, in comparison to 2009. Production of tobacco should decline by nearly 25 percent in 2010. This is explained by a decrease in the area under tobacco cultivation of 22.4 percent.

But concerning food crops, an increase of 5.8 percent is expected compared to 2009. This is mostly explained by a 4.8 percent increase in the area of cultivation.

Tonnage of beef from live cattle should increase by 10.4 percent. It should be noted that the local production of beef, which accounts for 5.2 percent of total production, should increase by nearly 150 percent. Similarly, the production of pork should expand by more than 75 percent in 2010.

As for employment in large enterprises, there was a slight increase of 43 employees, totalling 7,466 employees in March 2010 compared 7,423 in March 2009, with a decrease of 35 male employees and an increase of 78 female employees.

	AGRICULTURE				
	(tons)				
	2006	2007	2008	2009	2010
Tea (green leaves)	7649	8,027	8,672	7,663	7,280
Tea (manufactures)	1567	1,563	1,668	1,481	1,472
Tobacco	298	316	349	314	244
Food crops	106,902	99,130	93,021	113,943	120,552
Livestock (beef, goat meat and pork)	813	635	389	501	553
Poultry	36,000	40,000	42,000	44,000	45,452
Fish	8845	6,377	5,660	6,978	6,462

3.2 Manufacturing

Value added of the manufacturing segment, exclusive of sugar milling, went up by 2.1 percent in current rupees from Rs 47.4 billion in 2009 to Rs 48.4 billion in 2010. Globally, real growth rate increased from 1.9 percent in 2009 to 2.2 percent in 2010, despite the difficult business

Economic Review and Outlook

environment and significant weaknesses on the country's main markets. The increase is explained by the good performance of the food and other sub-sector. As for textiles industry, there is a decrease between 2009 and 2010 if we compare in current rupees. But it should be noted that in real terms, this sub-sector rose by 0.7 percent in 2010 after a negative growth of 0.7 percent in 2009.

Total employment in the manufacturing sector exclusive of sugar milling decreased from 82,217 employees in March 2009 to 80,217 in March 2010. This is mainly due to lay-offs in the textile industry.

MANUFACTURING						
		2006	2007	2008	2009	2010
Food	Rs bn	10.2	12.2	15.9	16.4	17.0
Textile	Rs bn	12.9	14.7	13.9	14.1	13.8
Other	Rs bn	12.4	13.3	16.2	16.9	17.6
Total manufacturing (excluding sugar milling)	Rs bn	35.5	40.2	46.0	47.4	48.4
Food/GDP	%	5.4	5.7	6.5	6.5	6.4
Textile/GDP	%	6.8	6.8	5.7	5.6	5.2
Other sector/GDP	%	6.6	6.2	6.7	6.7	6.6
Total manufacturing/GDP	%	18.8	18.7	18.9	18.8	18.2
Growth rates						
Food	%	10.2	2.5	7.6	4.0	3.9
Textile	%	5.2	9.9	0.1	-0.7	0.7
Other	%	1.2	-4.4	2.3	2.0	2.0
Total manufacturing (excluding sugar milling)	%	5.1	2.9	3.1	1.9	2.2
Employment in large establishments	No	91,021	92,261	93,877	82,635	80,217
Employment in manufacturing/total employment in large enterprises	%	31	30.8	30.5	27.8	26.5

As for the export oriented manufacturing enterprises, activities are expected to increase slightly by 1.1 percent from Rs 18.1 billion in 2009 to reach Rs 18.3 billion in 2010, despite the average weakening of the major currencies against the rupee and the low consumer sentiment on our

Economic Review and Outlook

main markets limiting the consumer expenditure. Its contribution to GDP should amount to 6.9 percent in 2010 against 7.2 percent in 2009.

The number of EOE, according to the latest statistics, dropped from 414 in September 2009 to 386 in September 2010. More than half of the decrease originates from the wearing apparel, leather products and footwear enterprises and jewellery and related articles sub-sectors. The latest employment figures for export oriented enterprises indicate a decrease from 57,107 in September 2009 to 56,624 in September 2010.

Export value from the export oriented enterprises, which accounted for about 59 percent of total exports in 2010, rose by 9.2 percent to Rs 39.3 billion in 2010. The highest increases in the export value are for: Jewellery, goldsmiths & silversmiths wares (108 percent); Pearls, precious and semi-precious stones (58.5 percent) and Crude materials except fuels (47 percent).

The value of total imports, for EOE, increased by 22.9 percent from Rs 17.3 billion in 2009 to Rs 21.3 billion in 2010. Imports of raw materials represented 86.5 percent of EOE import bills in 2010 compared to 84.9 percent over the corresponding period in 2009.

EXPORT ORIENTED ENTERPRISES						
	Unit	2006	2007	2008	2009	2010
Value added at current basic prices	Rs Bn	15.2	17.8	17.8	18.1	18.3
Value added/GDP	%	8	8.3	7.3	7.2	6.9
No. of enterprises	No.	441	404	412	414	386
Employment	No.	64,962	67,314	62,276	58,566	57,836
Investment	Rs Bn	2.4	4.5	2.2	1.1	0.6
Exports	Rs Bn	33.6	37.8	35.1	36.0	39.3
Exports/total exports	%	45.4	54.3	51.6	58.3	59.1
Imports	Rs Bn	19	21	20.2	17.3	21.3
Imports of raw materials/Imports	%	88.3	86.8	94.3	84.9	86.5

3.3 Hotels and restaurants

Economic Review and Outlook

After a year marked by the global recession which has severely affected the tourism industry of the country, 2010 is the year of recovery for this sector. Value Added in current rupees which went down from Rs 20.0 billion in 2008 to Rs 19.5 billion in 2009, rose to Rs 21.8 billion in 2010. In real terms, the sector recorded a growth rate of 5 percent in 2010 compared to the negative growth of 2 percent in 2009. Consequently, the share of 'Hotels and Restaurants' in GDP went up from 7.9 percent in 2009 to 8.2 percent in 2010.

According to preliminary estimates, the number of tourists increased by more than 48,000 (5.6 percent) in 2010 from 871,356 to 920,000. Let us recall that in 2009, a sharp drop of 59,100 visitors was recorded.

Following the increase in tourist arrivals, the room occupancy rate increased from 58 percent in 2009 to 63 percent in 2010. However, the indicator is still well below the 2007 level.

HOTELS AND RESTAURANTS						
	Unit	2006	2007	2008	2009	2010
Value added	Rs Bn	15.5	19.5	20.0	19.9	21.8
Value added/GDP	%	8.5	9.4	8.6	7.9	8.2
Real Growth rate	%	+3.5	+14.0	+2.7	-2.0	+5.0
Tourist arrivals	No.	788,276	906,971	930,456	871,356	920,000
Gross earnings	Rs Bn	31.9	40.7	41.2	35.7	39.0
Employment	No.	21,341	22,245	24,565	22,909	23,311
Investment	Rs Bn	6.6	10.2	12.0	12.8	11.7
As a % of total investment	%	14.8	16.7	17.8	17.2	15.9
Real Growth rate	%	+46.8	+37.7	+6.6	+6.7	-9.2
Number of hotels	No.	98	97	102	102	104
Number of rooms	No.	10666	10857	11488	11,456	11,383
Room occupancy rate	%	66	76	68	58	63

The rise in the number of tourists was noted in most of our main markets, with two exceptions. Firstly, the number of tourists from United Kingdom dropped by 3.1 percent from 101,996 to 98,834. In 2008, there were about ten thousand more British visitors who came on vacation in the country. The second one is Italy, with a decrease of 1.2 percent from 56,736 to 56,056. Since 2007, the number of Italian tourists is constantly decreasing.

Economic Review and Outlook

It should be noted that, if we bring together the figures of Reunion Island, a French department, with France, the number of tourists should be around 389,000, representing more than 42 percent of the tourist arrivals in the country.

As for gross earnings from tourism, it has increased by 9.2 percent from Rs 35.7 billion in 2009 to Rs 39 billion in 2010. In 2008, the receipt was more than Rs 41 billion.

Investment in hotels which has gone up constantly in the recent years has dropped considerably, in real terms, by 9.2 percent in 2010. In current prices, GDFCF for this sector is estimated at Rs 11.7 billion, representing 15.9 percent of total investment for 2010.

Total employment in the large establishments of the “Hotels and Restaurants” sector increased by 1.8 percent from 22,909 in March 2009 to 23,311 in March 2010. In the previous year, there was a drop of 7.2%.

TOURIST ARRIVALS					
Country	2006	2007	2008	2009	2010
France	182295	240,028	260,054	275,599	275,814
% change	-17.3%	31.7%	8.3%	6.0%	7.8%
United Kingdom	102333	107,297	107,919	101,996	98,834
% change	7.3%	4.9%	0.6%	-5.5%	-3.1
Reunion	89127	95,823	96,174	104,946	113,237
% change	-10.0%	7.5%	0.4%	9.1%	7.9
S. Africa, Rep. of	70796	81,733	84,448	74,176	84,041
% change	21.1%	15.4%	3.3%	-12.2%	13.3
Italy	69407	69,510	66,432	56,736	56,055
% change	59.7%	0.1%	-4.4%	-14.6%	-1.2
Germany	57251	65,165	61,484	51,279	51,587
% change	2.3%	13.8%	-5.6%	-16.6%	0.6%

3.4 Financial Intermediation

Economic Review and Outlook

As most of the sectors of the local economy, the rate of real growth for the financial intermediation sector has slowed sharply in 2009 due to the global economic downturn. Nevertheless, with regards to what happened for the banking sector in developed countries, local banks, using a prudential approach and operating mainly through domestic deposits rather than large scale interbank foreign borrowing, were well capitalized and the sector has remained one of the most dynamic sectors during the period. In 2010, in line with the worldwide recovery, the real growth rate of this segment has picked up from 3.8 percent in 2009 to 4.3 percent in 2010. However, this growth rate is well below the 2008 figure.

Its share in GDP has increased from 9.3 percent in 2006 to nearly 10 percent in 2010. The level of investment in this sector has increased, in current prices, from Rs 1.5 billion in 2009 to 2.3 billion in 2010. For 2010, it represents 3.1 percent of total investment.

As for employment in large establishments, it has been constantly increasing from 6,800 in March 2000 to 11,387 in March 2010, reflecting the dynamism of this sector. The overall situation of financial intermediation has continuously improved showing high profitability and capital levels.

FINANCIAL INTERMEDIATION						
	Unit	2006	2007	2008	2009	2010
Value added	Rs Bn	17.5	20.8	23.9	25.4	26.5
Value added/GDP	%	9.3	9.7	9.8	10.1	9.9
Growth rate	%	5.2	7.6	10.2	3.8	4.3
Investment	Rs Bn	1.7	1.5	1.3	1.5	2.3
As a % of total investment	%	3.3	2.5	1.9	2.0	3.1
Employment in large establishments	No.	9,009	9,293	10,216	10,765	11387
As a % of total employment in large establishments	%	3.1	3.1	3.3	3.6	3.8

3.5 Information and Communications Technologies

Economic Review and Outlook

The ICT industry, including its contribution for the rest of the economy, performed well and has sustained its double digit growth pattern in 2010. The real growth is expected to reach 13.6 percent in 2010 after a remarkable 13.1 percent during the Great Crisis. In current rupees the value added for this segment reached Rs 17.1 billion, representing 6.4 percent of total GDP. For 2009, the figures were respectively Rs 14.9 billion and 5.9 percent.

According to the latest estimates there were 138 large companies in the ICT industry employing a total of 12,826 people, 4.2 percent of total employment. The employment figure has increased by more than 60 percent during the last five years, showing the vitality of this sector.

ICT						
	Unit	2006	2007	2008	2009	2010
Value added in the ICT sector	Rs Bn	10	11.7	12.9	14.9	17.1
Value added/GDP	%	5.4	5.4	5.3	5.9	6.4
Growth rate in the ICT sector (%)	%	13	15.1	13.2	13.1	13.6
No of large companies	No.	108	116	129	134	138
Employment in large enterprises	No.	7,970	10,170	11,250	12,360	12826
As a % of total employment in large establishment	%	2.8	3.5	3.7	4.1	4.2

4. Conclusion

The economic review and outlook shows that in 2010, Mauritius did not take full advantage of the rebound in the global economy, although it had performed relatively well in 2009, regardless of the global financial crisis.

The turmoil in the euro area, the appreciation of the rupee and the low confidence amongst our economic agents coupled with the country's various weaknesses are behind this timid performance, well below full potential.

The main concerns for the Mauritian economy are the decline of the investment rate, particularly private investment and the worsening of the deficit of trade in goods and services.

Economic Review and Outlook

For 2011, all other things being equal, we might have a better economic performance than in 2010, given the international trends and the local situation. But the country's economic growth could still be below the pre-crisis level.

According to IMF experts, the momentum of the global recovery appears to have decelerated in the last semester 2010 and the slowdown is expected to continue in 2011 in both advanced and emerging countries. However, growth should remain above potential in many places.

Mauritius has successfully concluded reforms that improved macroeconomic policy frameworks, hence strengthening our resilience to macroeconomic shocks. However heightened economic uncertainties in our main markets imply that Mauritian economy remains vulnerable. The country is facing a number of constraints to high level growth like low-skilled labour force, infrastructure deficiencies, market informality and difficulty of accessing funds.

For Mauritius to form part of the happy few which will have sustainable growth, above potential, in the near future, and hence reduce unemployment effectively, it is important to develop tailor made policies to support export industry, encourage and promote private sector research and development, upgrade skills and development, enhance and encourage private investment and improve access to finance.