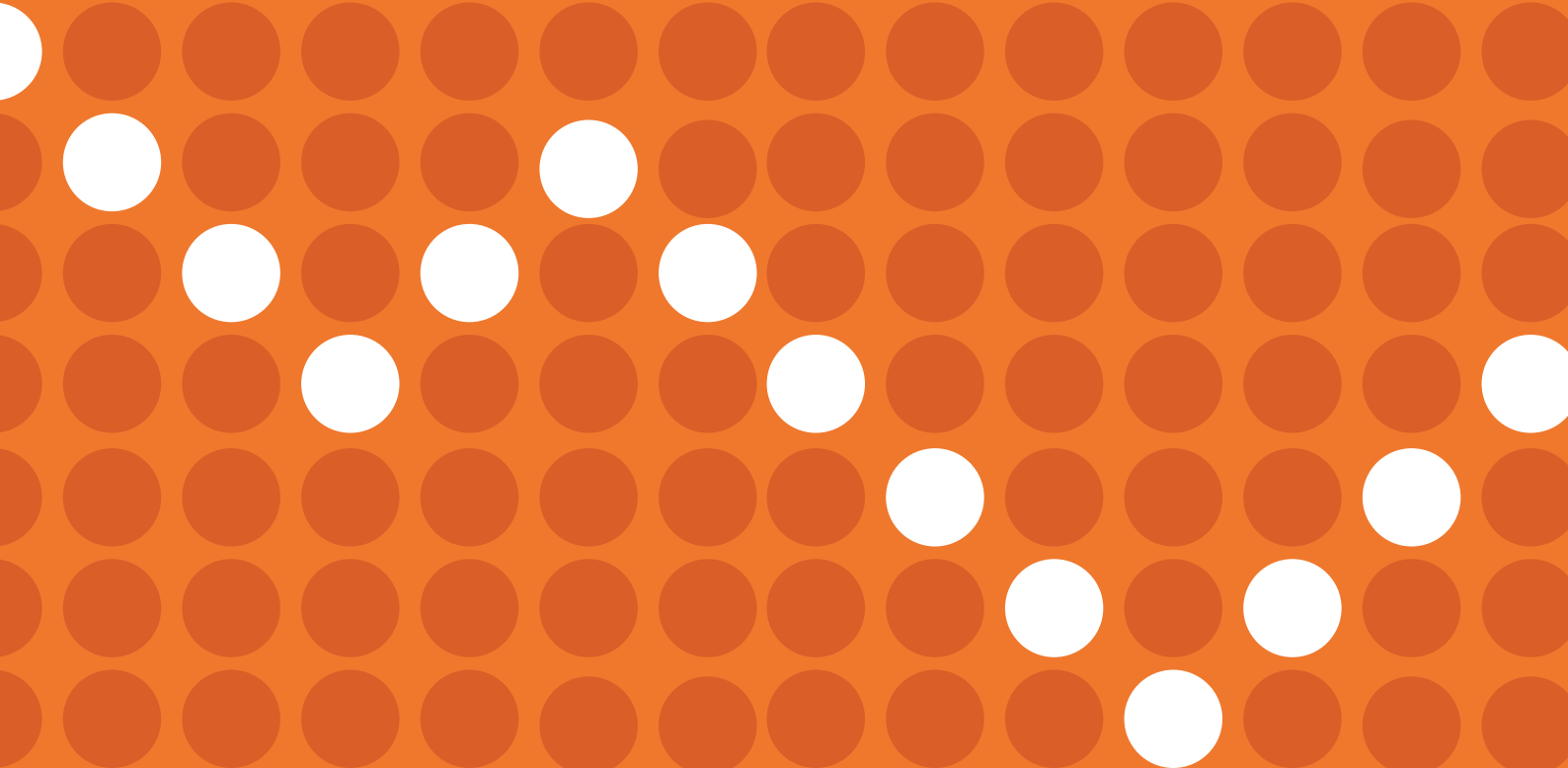


# The Economic Review





# The Economic Review

## INTERNATIONAL CONTEXT

Global economic growth aggregates remained low in 2015, marked by transitions and policy uncertainties in major advanced and emerging markets.

The IMF has estimated a feeble growth of 3.1 percent in global output in 2015, lower than the 3.4 percent registered in 2014. A continued deceleration of economic activity in emerging and developing economies overshadowed a modest recovery in major high-income countries.

Increased financial market volatility, falling commodity prices and weak aggregate demand have largely contributed to the current global economic conjuncture. These have led to a situation of low confidence, lethargic consumption and limited investment, contributing towards moderate growth globally.

Driven by stronger domestic demand, labour market and credit conditions, the recovery in major high-income countries gained traction, albeit at a slower pace than previously projected. The top performers remain the United States and the United Kingdom, with output expected to grow by 2.5 percent and 2.2 percent respectively. Japan's recovery stays fragile, with an estimated growth rate of 0.6 percent, despite substantial policy stimulus.



**2.5%**



**1.5%**



**0.6%**

In the Euro area, the lagged effect of a euro depreciation led to strengthening domestic demand and more competitive exports. For the year as a whole, the Euro area grew by an estimated 1.5 percent, better than the 0.8 percent registered in 2014. Gradual recovery in Italy and France were combined with strengthening economic activity in Spain.

Nonetheless, growth in emerging and developing economies was tampered, at a rate of 4.0 percent - its weakest showing since 2009 and at a pace well below its pre-crisis average. The simultaneous slow down of four of the major emerging markets, China, Brazil, Russia and South Africa, in 2015 is having an effect on the ability of emerging economies to remain the locomotive of global growth in the post-crisis period.

As the country embarked on a series of structural economic reforms, an anticipated slowdown in China's economy was accompanied by bouts of financial market volatility. Growth in output was at 6.9 percent in 2015, its lowest in 25 years, reflecting an ongoing correction in the property sector, and weakness in industrial activity.

Faced by global and domestic headwinds, above-target inflation, deteriorating public finances, and geopolitical tensions, Russia and Brazil experienced deepening contractions in output of 3.7 and 3.8 percent respectively.



**6.9%**



**7.3%**



**3.5%**

In contrast with other major developing countries, India's economy remained robust. Buoyed by strong investor sentiment, and the positive effect on real incomes of the recent fall in oil prices, the Indian economy experienced a growth of 7.3 percent in output. Progress in Sub-Saharan Africa, meanwhile, slowed down significantly, reaching a mere 3.5 percent growth in 2015, as commodity exporting countries struggled to maintain high growth rates.

Average global inflation remained benign, at its lowest level since 2009, triggering fears of deflation in a number of advanced economies, with consumer prices increasing by only 0.3 percent on average in 2015. Restrained economic activity in both advanced and emerging economies were combined with modest wage growth and a freefall in oil prices.

# The Economic Review

## LOCAL CONTEXT 2015

The Mauritian economy remained in a challenging zone in 2015 with a GDP growth rate of 3.1 percent, less than the previous year. The performance is underwhelming and falls short of our potential growth rate, estimated at 3.7 percent in the MCCI's Economic Perspectives 2015.

Growth in the economy was marred by yet another fall in investment, with the rate of investment reaching an all-time low of 17.8 percent. Private sector investment contracted by 5.8 percent as large projects failed to kick-start. Though public sector investment has so far not been able to offset the fall in private investment, a positive sign can be seen with a pickup of 2.4 percent in 2015.

Economic activity in the country was hence consumption-driven, with an increase of 2.9 percent in final consumption expenditure for a second consecutive year. The overall growth in expenditure is balanced between a 2.9 percent increase in household expenditure and a 3.0 percent increase in government expenditure.

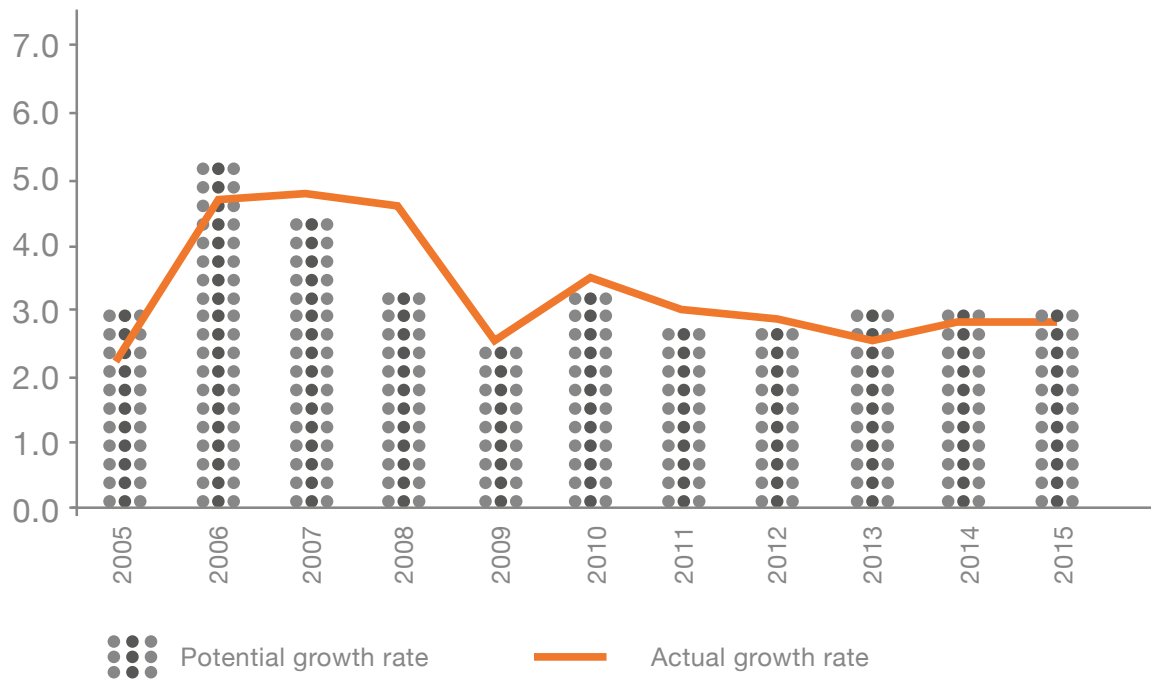
**GDP Growth**  
**3.1%**

**Investment Rate**  
**17.8%**

A slight improvement in the Savings Rate was observed, as Gross Domestic Savings, as a percentage of GDP, reached 11.9 percent. However, the persistently low level of savings raises concerns on the productive capacity of the economy.

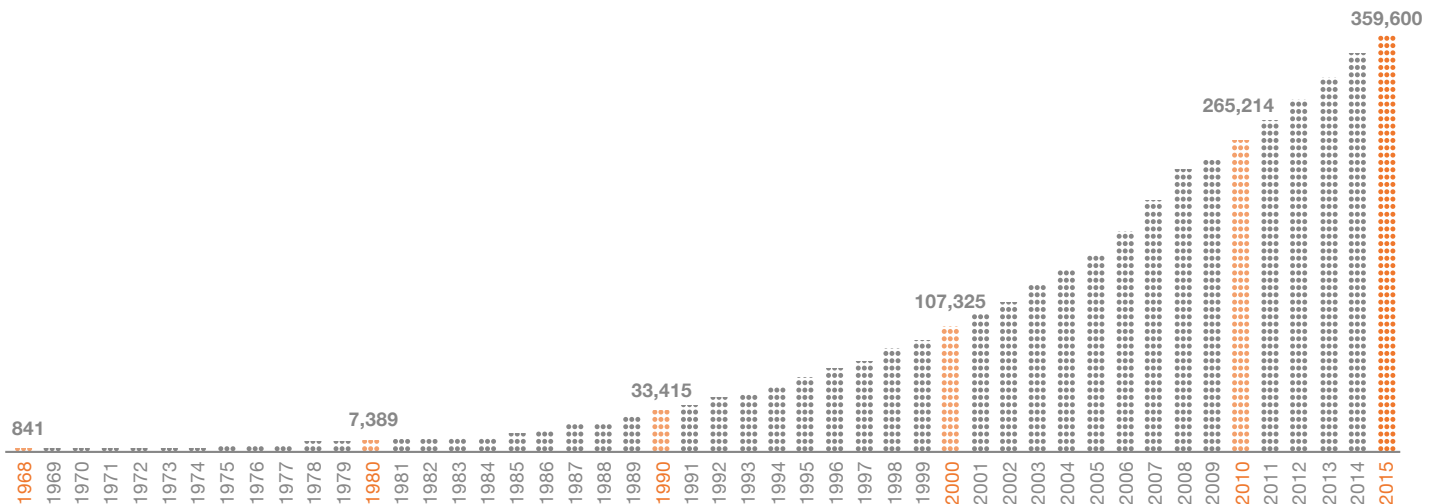
Meanwhile, driven by lower commodity prices on the world market, net exports of goods and services continued to improve and reached 10.2 percent of GDP.

## Potential and Actual GDP growth



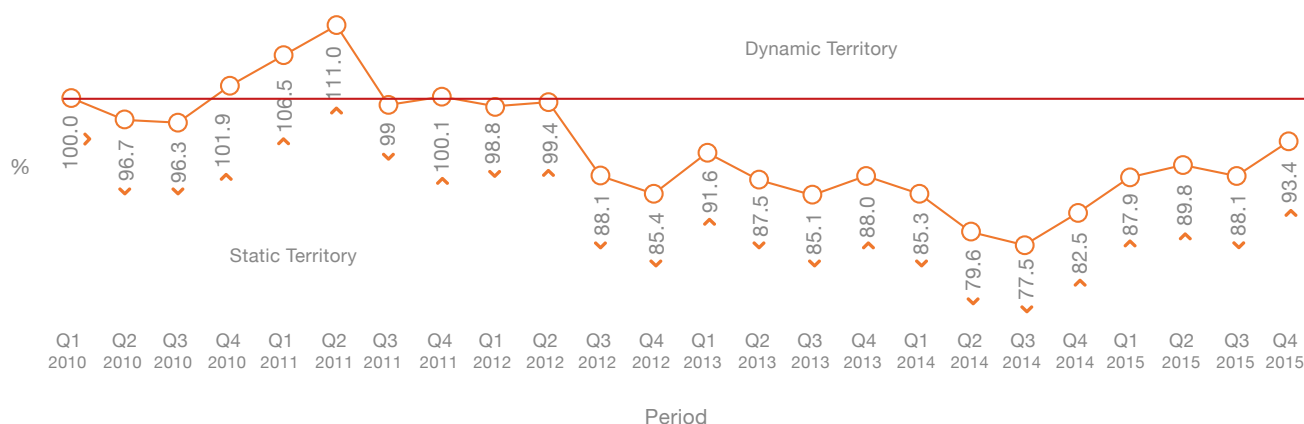
## Gross Domestic Product of Mauritius

GDP (Rs million)



# The Economic Review

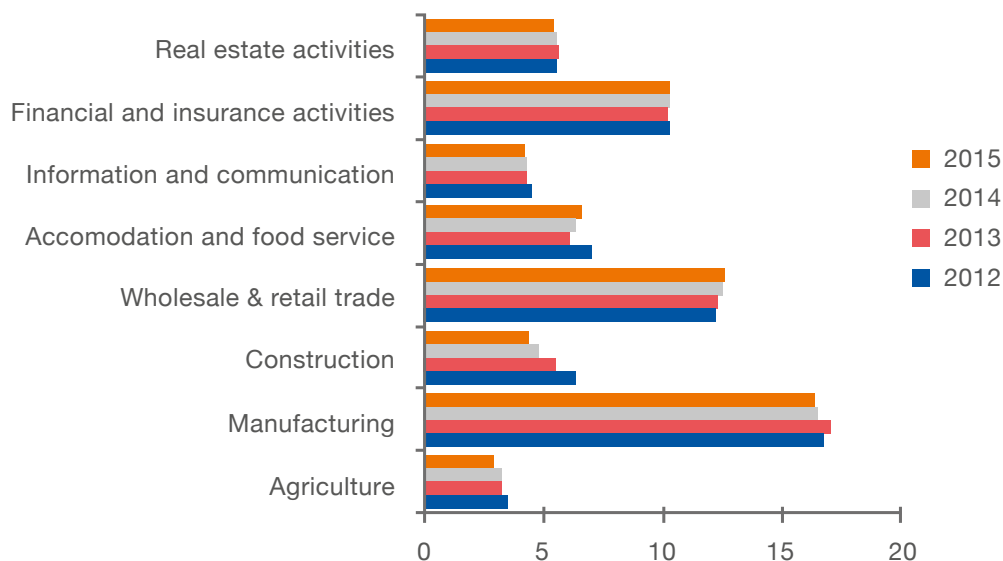
## Business Confidence Indicator



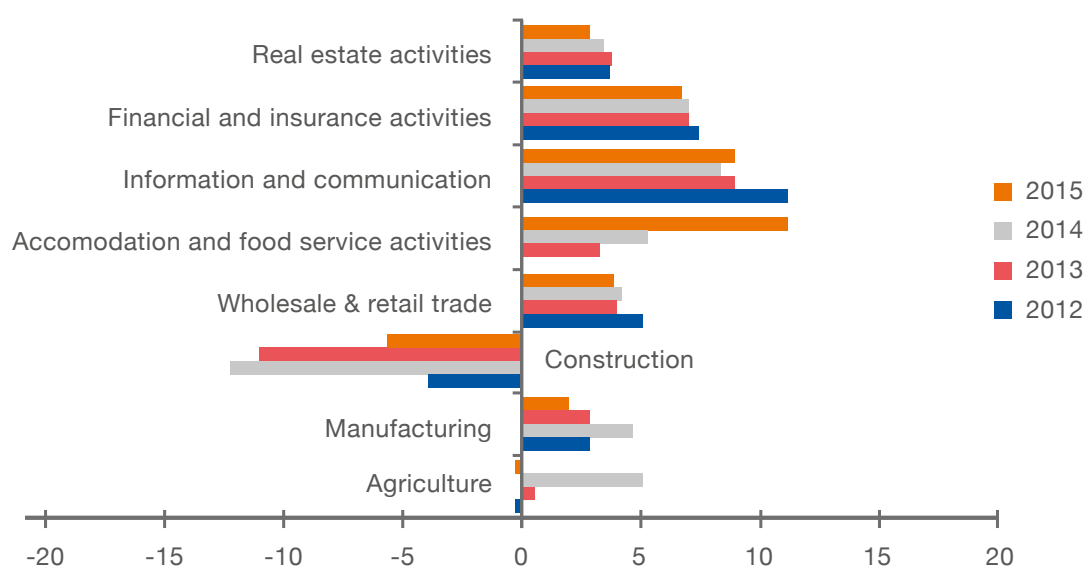
The MCCI Business Confidence Indicator summarises, in a single variable, the simultaneous changes of several variables and thus allows the transcription of the state of mind and morale of business leaders in Mauritius.

The Business Confidence Indicator has witnessed a rise over all quarters of 2015, except in the third quarter where a slight fall was observed. The index settled at 93.4 points in the fourth quarter of 2015, its highest level since 2012. The BCI however remained in static territory below its long-term average of 100 basis points.

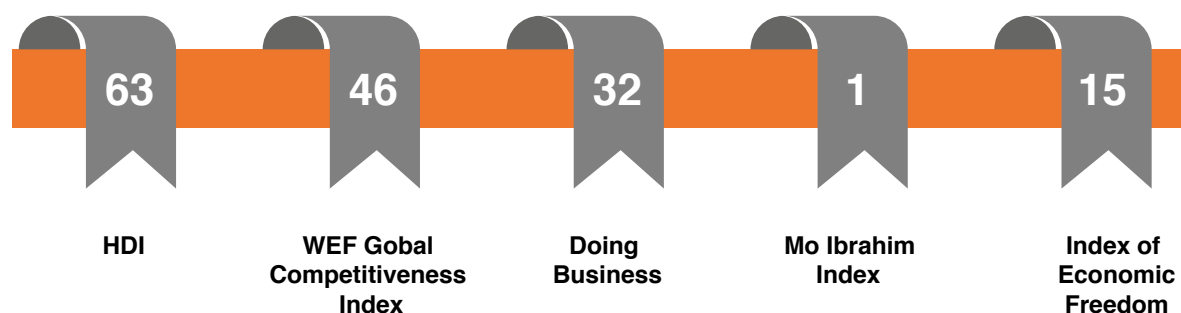
## Contribution to GDP (%)



## Sectoral growth rates (%)









## Latest Mauritius Rankings



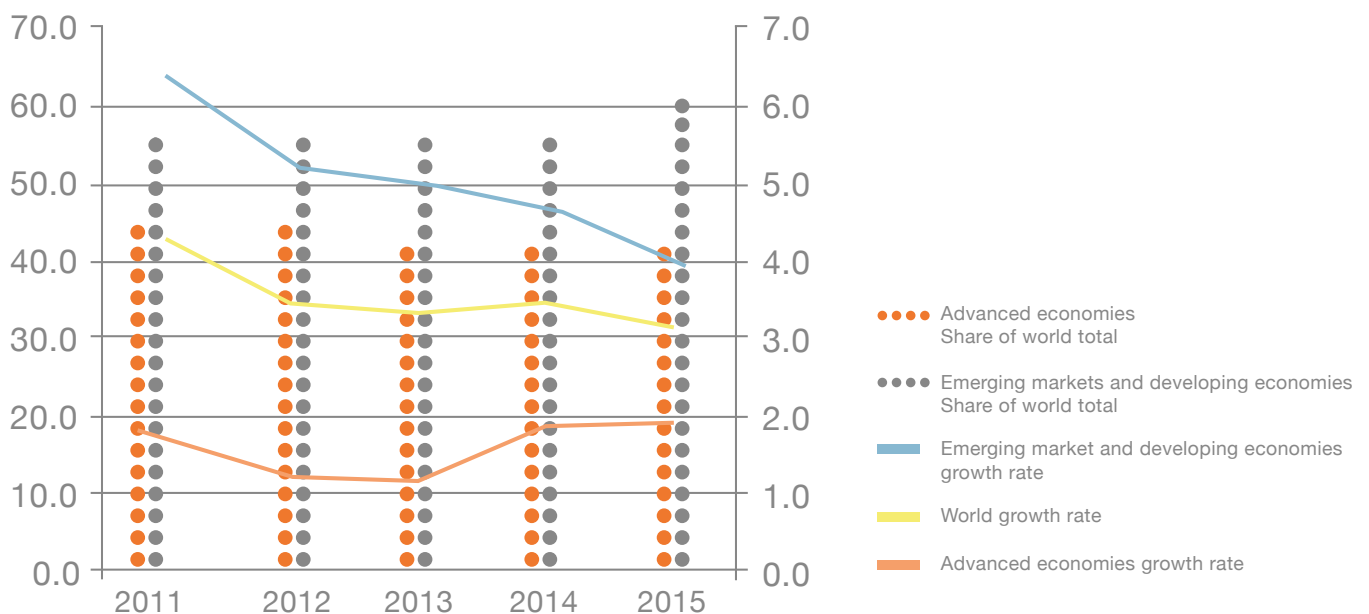


# The Economic Review

## Sectoral Analysis of Economy

	Manufacturing	Construction	Wholesale and retail trade	ICT	Tourism	Financial services
						
GROWTH	1.5	-4.3	3	6.9	8.6	5.2
CONTRIBUTION TO GDP	16.3	4.4	12.6	4.2	6.6	10.3
INVESTMENT	8.4	14.7	-15.6	8.5	-30.8	26.2

## Global Economy in 2015



## ***Inflation***

**2015**

World	<b>3.5 %</b>
Advanced economies	<b>1.4 %</b>
Emerging market and developing economies	<b>5.6 %</b>

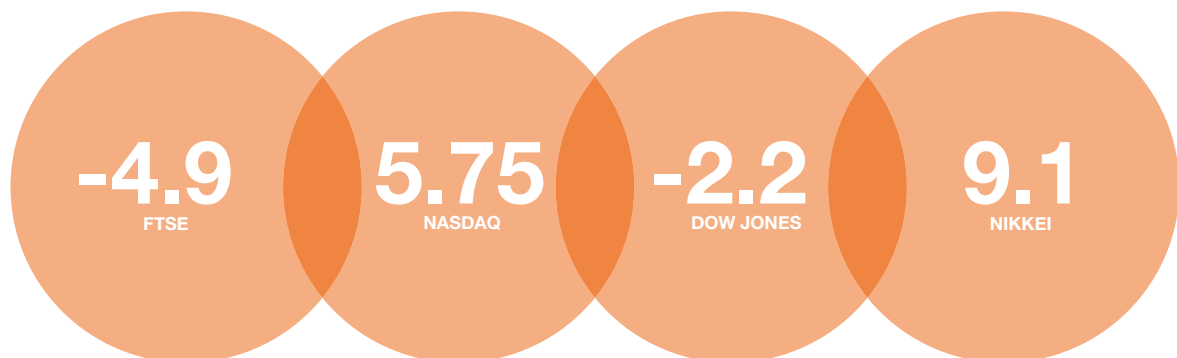
## ***Trade***

World trade volume	<b>3.2 %</b>
--------------------	--------------

## ***Employment***

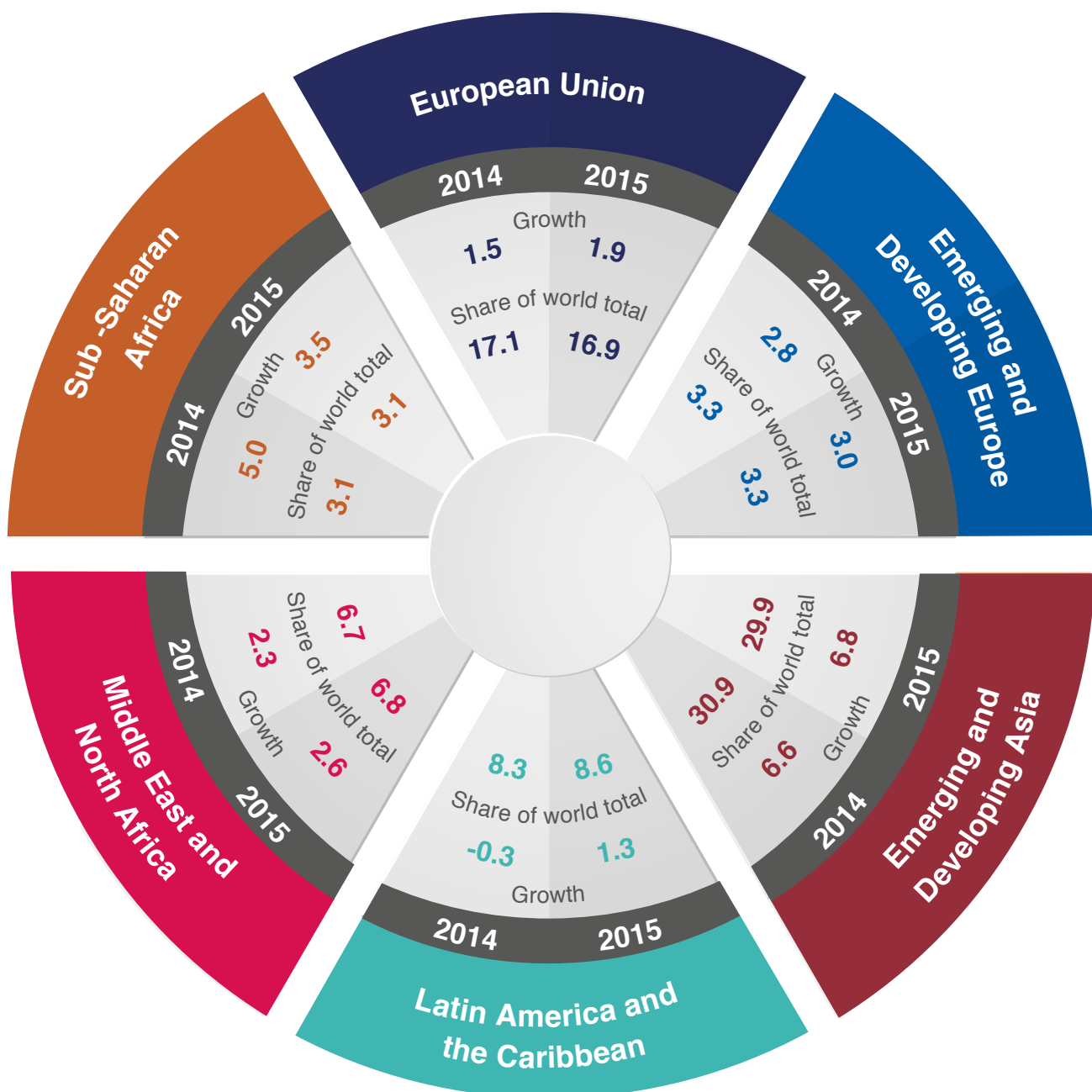
Global unemployment rate	<b>5.8 %</b>
--------------------------	--------------

## ***Major Stock Market Growth***



# The Economic Review

*World Economy at a glance*



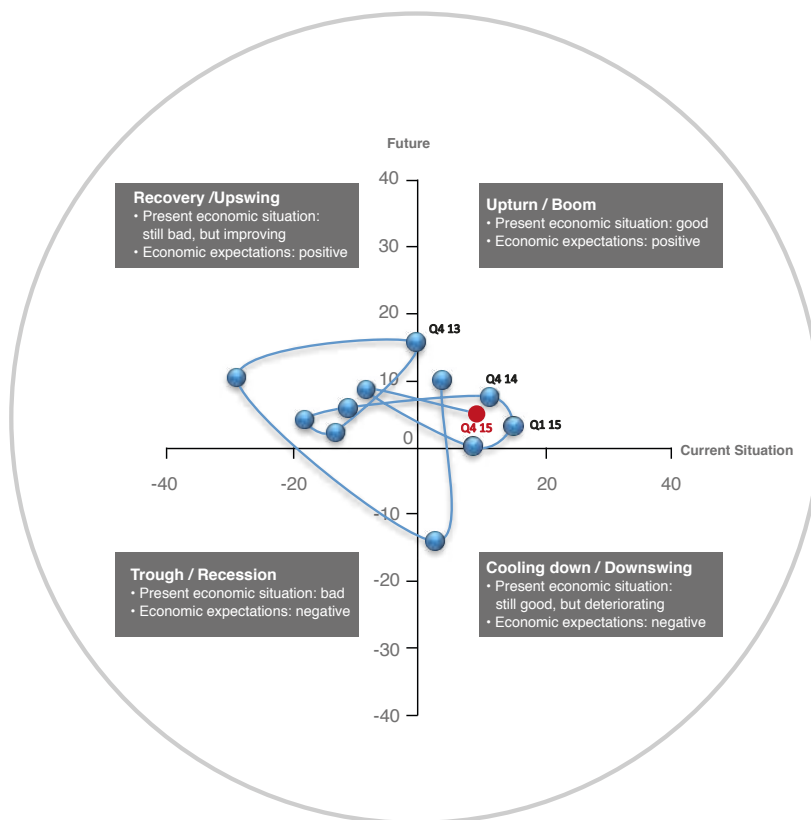
## OUTLOOK 2016

On the international scene, 2015 was a year marked by low and diminishing expectations for both advanced and developing economies. Looking ahead, the IMF predicts global GDP growth to recover modestly, by 3.4 percent in 2016, held back by persistent uncertainties and geopolitical risks to a number of large economies.

Amidst weak growth in the global economy and strong spill-over effects, growth in the Mauritian economy is expected to remain weak. Latest IMF estimates point towards a growth of 3.8 percent in 2016.

Sustained growth in the Mauritian economy is likely to be achieved through a renewal in public and private investment, driven by the recent decrease in the repo rate and large-scale projects such as the Smart Cities. The planned enactment of a minimum wage bill as well as the publication of the PRB and NRB reports to review public and private sector wages are likely to further boost consumption expenditure.

### *Economic Barometer*



The MCCI's latest Economic Barometer shows that the country is in an upturn trajectory, with a sustained improvement in the current economic situation over 2015. Entrepreneurs in general remain positive in regards to future prospects for the economy.

Nevertheless, external risks remain as the country's major export and import markets face persistent uncertainties. A resolute fiscal impetus, combined with stable monetary, exchange rate and regulatory policies will help maintain a solid economic base.