



The Mauritius Chamber of Commerce and Industry

# **Economic Review**

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## The International Context

Policy transitions and uncertainties are continuously shaping the global economic outlook towards modest growth. In 2016, with the world economy faced by new shocks, subdued demand, and ongoing re-alignments, the IMF expects a slowdown in growth to 3.1 percent.

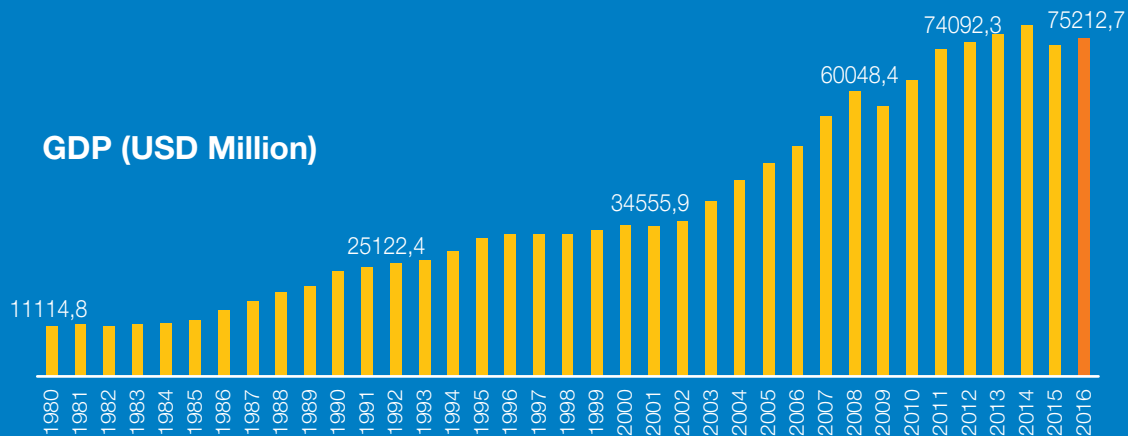
Negative output gaps and persistently low inflation combined with political discord and inward-looking policies contributed to a fall in growth in advanced economies from 2.1 percent in 2015 to 1.6 percent in 2016. Compared to the last few years, the United States and the United Kingdom experienced lower growth rates of 1.6 percent and 1.8 percent respectively. These are largely due to policy uncertainties following the June U.K vote in favour of Brexit and the election of a new President in the U.S.

In the Euro Area, the recovery seems to stagnate amidst stubbornly low inflation, high unemployment alongside structural weaknesses. The low oil prices, neutral fiscal policy stance and accommodative monetary policy have nonetheless helped to maintain growth at 1.7 percent. A slight pickup in activity was observed in Germany, with a growth rate of 1.7 percent in 2016 while France, Italy and Spain continued to show similar growth rates than 2015.

Growth in the emerging markets is expected to strengthen modestly, with a growth rate of 4.2 percent forecast for 2016, a pace which is nonetheless well below its pre-crisis average. Whilst China's economic growth continues to fall on the back of structural reforms and further shift in activity from industry to services, growth in emerging Asia, especially India continues to be resilient, with the latter experiencing a growth rate of 7.6 in 2016. The country benefited from a large improvement in terms of trade, effective policy actions, and stronger external buffers, which have all helped to boost economic sentiment.

Elsewhere in the world, Brazil and Russia are starting to show signs of stabilisation as the effects of past shocks and low commodity prices start to wear-off. Both economies nonetheless remained in recession at 3.3 and 0.8 percent respectively. Activity in the Sub-Saharan Region also continued to weaken as lower commodity prices are combined with weak domestic conditions and political instability.

Though average global inflation remained benign in 2016, fears of deflation have diminished as the pull from low oil prices subsided. In advanced economies, a slight increase in consumer prices by 0.8 percent in 2016 was observed while broadly stable exchange rates have held inflation steadily in emerging and developing economies.



## Local context 2016

Faced with an uncertain external environment, the Mauritian economy showed signs of renewed resilience. In 2016, growth rate at basic prices is expected to be around 3.6 percent according to latest figures from Statistics Mauritius, much higher than the 3 percent achieved in 2015.

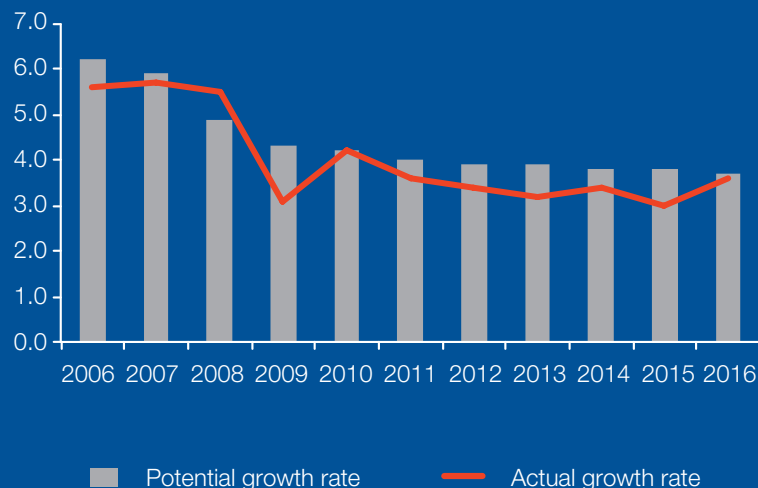
Economic activity in the country continues to be driven by internal demand. On the one hand, consumption expenditure grew by 2.9 percent, higher than the 2.7 percent rate in 2015. Consumption expenditure was balanced between a 2.9 percent increase in household expenditure and a 3.0 increase in government expenditure.

On the other hand, investment grew by 5.7 percent after several years of contraction. Public sector investment expanded by 4.3 percent compared to 1 percent in 2015. With a recovery of 6.2 percent in 2016, private sector investment remained the largest driver of investment in the country with 73 percent of total investment by the private sector.

On the external front, our exports of goods and services were marred by uncertainties and shocks in our main markets. In 2016, our exports decreased by 2.4 percent following a fall of 0.7 percent in 2015.

Driven by still low world commodity prices and modest domestic demand, inflation rate reached its lowest figure since 1986 with a 1 percent rise in prices while unemployment continued to decrease to reach 7.4 percent in 2016.

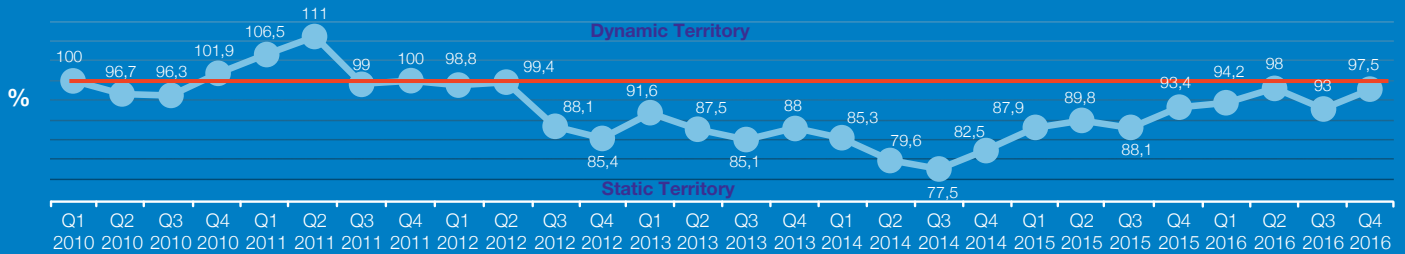
For a second consecutive year, the level of business confidence showed positive signs with a distinct rise over the year 2016 to reach 97.5 percent – its highest level since 2011. Yet, the MCCI Business Confidence Indicator remains in static territory, below its long-term average, a sign of continued uncertainty of entrepreneurs in the country's economic situation.



The Mauritian economy has made considerable progress since independence, moving from a GDP of Rs 841 Million to achieve Rs 385 Billion in 2016. In fact, the country has been growing at an average of 5.3 percent since 1968. This has been enabled through a constant transformation in the country's economic structure, moving from a mono-crop economy with a high reliance on sugar to a diversified services-oriented economic model.

While growth rates have moderated during the last few years, the country continues to show incredible resilience and dynamism.

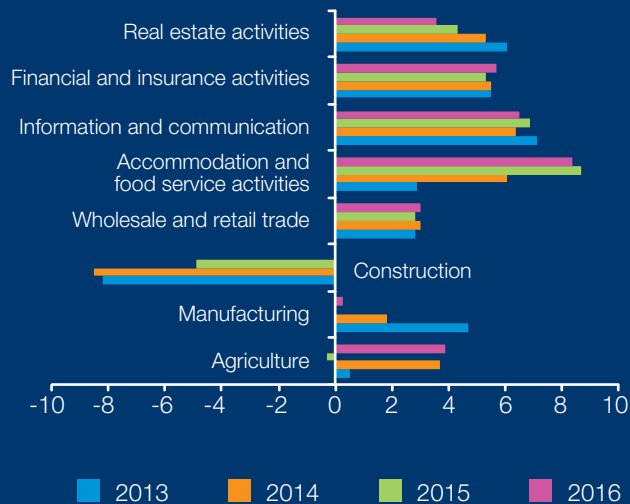
## Business Confidence Indicator



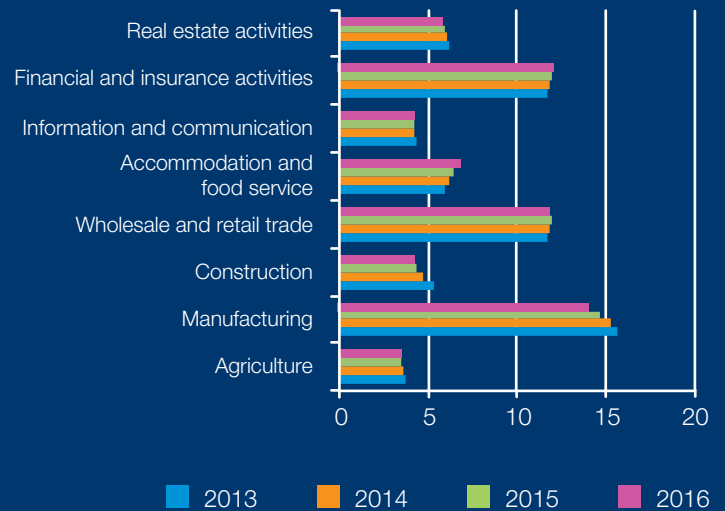
The MCCI Business Confidence Indicator summarises, in a single variable, the simultaneous changes of several variables and thus allows an instant estimate of the morale of entrepreneurs over a short time period.

The Business Confidence Indicator has witnessed a rise over all quarters of 2016, except in the third quarter where a slight fall was observed. The index settled at 97.5 points in the fourth quarter of 2016, its highest level since 2011. The BCI however remained in static territory below its long-term average of 100 basis points.

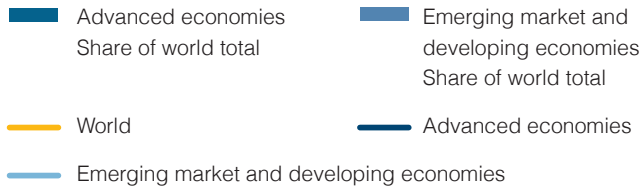
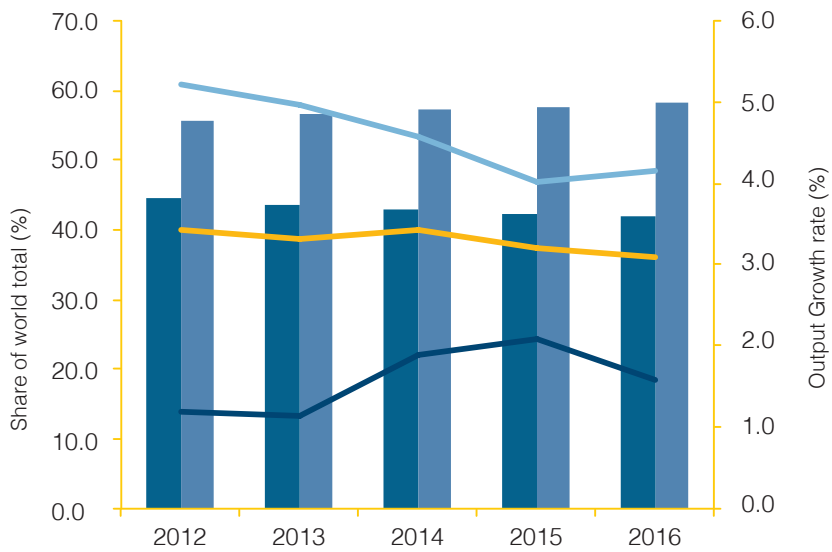
### Sectoral growth rates (%)



### Contribution to GDP (%)



Per capita income (\$) 9,322.00    Growth in exports (%) -2,4    Growth in imports (%) 0.8



### Inflation

World	2.9%
Advanced economies	0.7%
Emerging market and developing economies	4.5%



### Trade

World trade volume growth	1.7%
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### Employment

World unemployment rate	5.7%
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## Major Stock Market Growth (%)

FTSE	14.4	DOW JONES	13.4
NASDAQ	7.5	NIKKEI	0.4



1	European Union	Growth	1.9%
		Share of world total	16.7%
2	Emerging and Developing Europe	Growth	3.3%
		Share of world total	3.3%
3	Emerging and Developing Asia	Growth	6.5%
		Share of world total	31.8%
4	Latin America and the Caribbean	Growth	-0.6%
		Share of world total	7.9%
5	Middle East and North Africa	Growth	3.2%
		Share of world total	6.7%
6	Sub-Saharan Africa	Growth	1.4%
		Share of world total	3%

## Outlook 2017

On the international scene, the economic performance of advanced and developing economies in 2016 remained weak. Looking ahead, the IMF predicts global economic activity to pick up pace in 2017 and 2018, especially in emerging market and developing economies. Nonetheless, there are a number of downside risks linked to policy uncertainties concerning the global ramifications of a changing policy mix by the U.S administration and the triggering of Article 50 to leave the European Union by the U.K.

Amidst a rebound in the world economy, growth in Mauritius is expected to pick-up slightly. Latest IMF estimates point towards a growth of 3.9 percent in 2017.

Higher rates of economic growth in the Mauritian economy will largely depend on a renewal in public and private investment, driven by the intended kick-start of large-scale projects such as the Metro Express. Moreover, the opening up of life rights to foreign retirees, will likely further boost consumption expenditure, one of the most critical determinants of economic growth in the country.

### Economic Barometer



The MCCI's latest Economic Barometer shows that the country is now in an Upturn, with a sustained improvement in the current economic situation over 2016. Entrepreneurs in general remain positive in regards to future prospects for the economy.

Nevertheless, both internal and external risks remain as the country is faced with the combination low domestic demand and persistent uncertainties in the global economy. Mauritius needs to makes full use of its monetary, fiscal and structural policy levers to sustain its growth prospect.