



The Mauritius Chamber of Commerce and Industry

Economic Review

2 0 1 8

The International Context

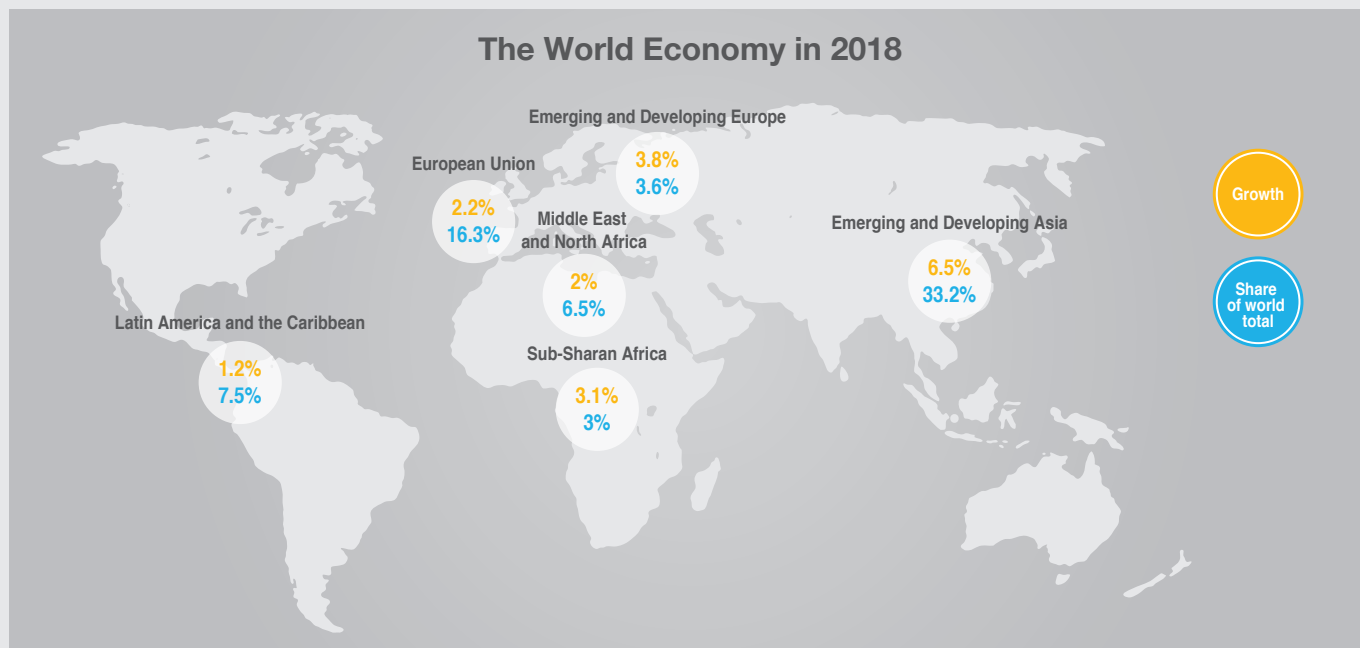
Policy transitions, fiscal stimulus and strong business and consumer confidence continue to support the recovery in the global economy, despite rising downside risks to the world economic expansion. In 2018, with a deceleration in world trade growth and a tightening of financial conditions, the IMF expects expansion in economic activity to have reached its peak, with global growth projected to remain at 3.7 percent, similar to the 2016 and 2017 figures.

The broad-based recovery from the 2009 Crisis observed in 2017 has been less balanced, with challenges to the steady growth in 2018. In advanced economies, economic activity has lost momentum in the first half of 2018, after peaking in the second half of 2017. Despite geopolitical tensions and uncertainties, as well as unpredicted policies having dampened the growth in world trade and industrial production, growth in advanced economies has increased from 2.3 percent in 2017 to 2.4 percent in 2018. In the United States, the procyclical fiscal expansion is sustaining an exceptionally robust growth of 2.9 percent, a continued exponential improvement from the 2.2 percent and 1.5 percent growth rate observed in 2016 and 2017 respectively. In the United Kingdom, low business investment

performance and uncertainties linked to Brexit continues to dampen the economic growth rate which fell to 1.4 percent in 2018. Similarly, in the Euro Area, growth fell from 2.4 percent to 2 percent in 2018. Economic growth rates for Japan and Canada further fell down with rising trade tensions and tightening financial conditions.

In emerging markets, growth rates were sustained at a rate of 4.7 percent in 2018. Whilst growth in China is expected to continue to moderate, pick-up in economic growth in India and higher growth forecasts for Russia and Brazil have contributed to maintaining a sustained growth in economic activity in the developing countries, despite the sharp decline in growth from 6 percent to 3.8 percent in Emerging and Developing Europe – notably in Turkey and the effects of US trade tariffs on Chinese imports. Activity in the Sub-Saharan Region showed a slight pick-up to reach 3.1 percent with more stable commodity prices and domestic conditions.

Average global inflation remained subdued in 2018, below central bank targets in most countries, indicating that there are still unexploited capacities. Despite higher fuel prices raising headline inflation rates in both advanced and emerging economies, core inflation (excluding food and energy) has remained subdued.



GROWTH (2018)

FTSE 9

NIKKEI 19.1

NASDAQ 28.24

SEMDEX 0.77

DOW JONES 25.08

Local Context 2018

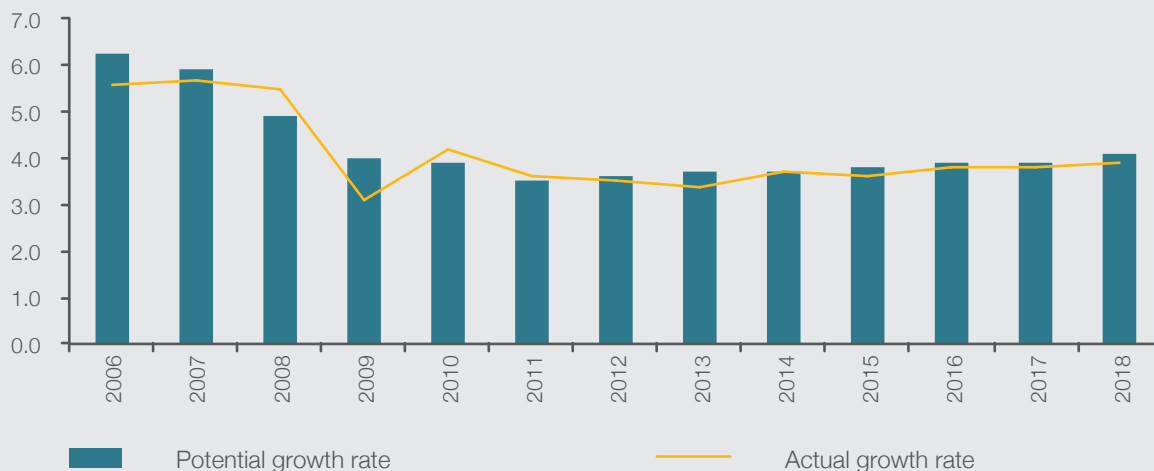
After a moderate growth cycle observed after the Global Financial Crisis between 2009 and 2015, the Mauritian economy has shown signs of renewed dynamism, with a turnaround since mid-2016. Indeed, economic growth rate at market prices has been growing at steady rate of 3.8 percent since 2016, according to latest estimates from Statistics Mauritius. In 2018, growth is estimated by Statistics Mauritius to have grown by 3.8 percent.

Economic activity in the country continues to be driven by internal demand. On the one hand, consumption expenditure grew by 3.4 percent, higher than the 2.9 percent rate in 2017. Consumption expenditure was largely balanced between a 3.4 percent increase in household expenditure and a 3.6 percent increase in government expenditure.

On the other hand, investment grew by 6.6 percent, with sustained positive growth since 2016. Public sector investment expanded by 17.8 percent compared to a contraction of 2.9 percent in 2017 – on the back of the implementation of the Metro Express and the Road Decongestion Programme. With a recovery of 3.1 percent in 2018, private sector investment remained the largest driver of investment in the country with 73.7 percent of total investment by the private sector.

On the external front, faced with uncertainties, low exchange rates and the introduction of new international norms, our exports of goods and services is expected to have fallen by approximately 0.7 percent, a third successive year of contraction.

With slight pick-up in commodity prices, most especially petroleum products, combined by an increase in domestic demand, inflation stayed at a reasonable level at 3 percent in 2018.



Investment rate



Growth in investment



Unemployment rate



Per capita income

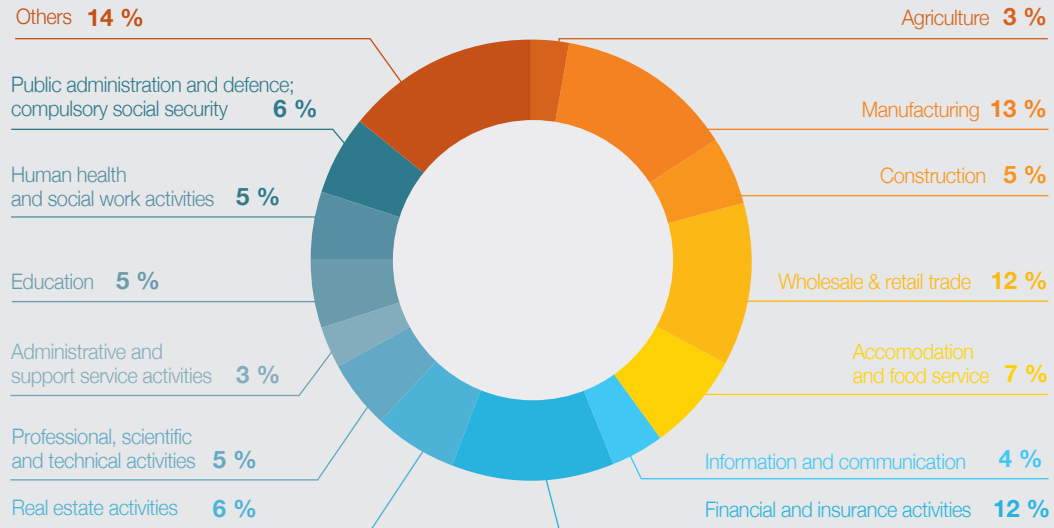


Growth in exports (%)

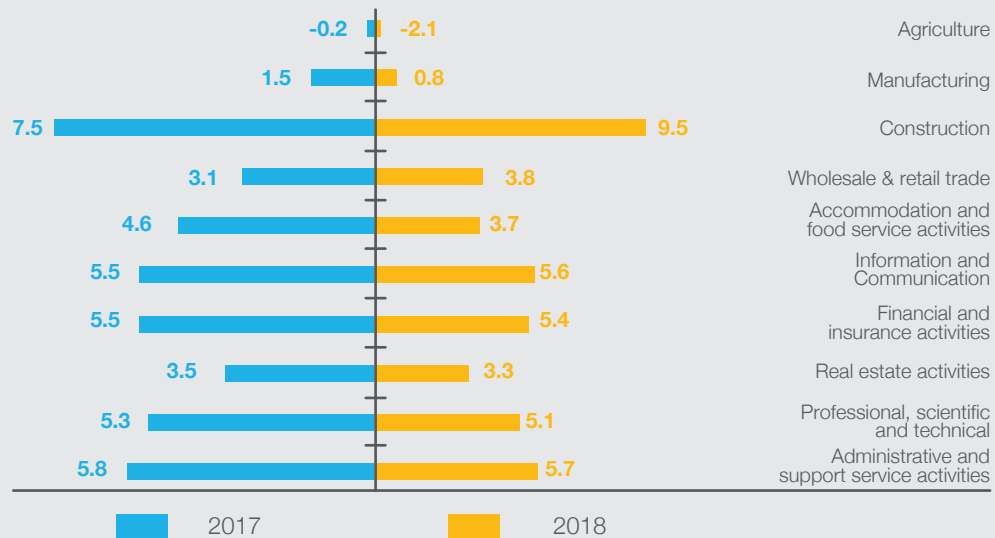


Growth in imports (%)

Contribution to GDP (%)



Sectoral growth rates (%)



Outlook 2019

On the international scene, the cyclical turnaround in the global economy observed since mid-2016 is expected to continue in 2018-19, with nonetheless, downside risks to the world economic expansion. Looking ahead, the IMF predicts an increased period of uncertainty which shall have an effect on the global economic configuration. Downside risks are linked to a tightening of financial conditions globally, geopolitical tensions and higher oil import bills in a number of emerging economies. This is accentuated with policy uncertainties surrounding Brexit, and the trade war between the US and China.

Amidst this global economic landscape, growth in Mauritius is expected to pick-up slightly with the latest Statistics Mauritius and IMF forecasts for Mauritius pointing to a 3.9 percent growth rate in 2019.

Based on our forecasts, we estimate that the unemployment rate shall continue to decrease in 2019 to reach 6.6 percent whilst inflation rate shall remain moderate at less than 3 percent.

Higher rates of economic growth in the Mauritian economy will largely be driven by continued improvement in public and private investment with the implementation of public infrastructure projects such as the Metro Express, the Road Decongestion Programme and the Cote D'Or Stadium as well as improvement in private sector investment with the implementation of the Smart Cities. Moreover, consumption expenditure is expected to continue to improve with the effects of the minimum wage, as well as tax reliefs for middle-income earners and an accommodative Monetary Policy.

On the exports side, challenges to the expansion of traditional exports shall remain, especially in the wake of lower global growth in trade and lower expansion in Europe and the United Kingdom. The country should urgently pursue its diversification strategy to tap into new markets and products for both goods and services.

The MCCI's latest Economic Barometer shows that the country is in an Upturn, with a sustained improvement in the current economic situation over 2018. Entrepreneurs in general remain positive in regards to future prospects for the economy. However, the expectations on the future has significantly decreased.

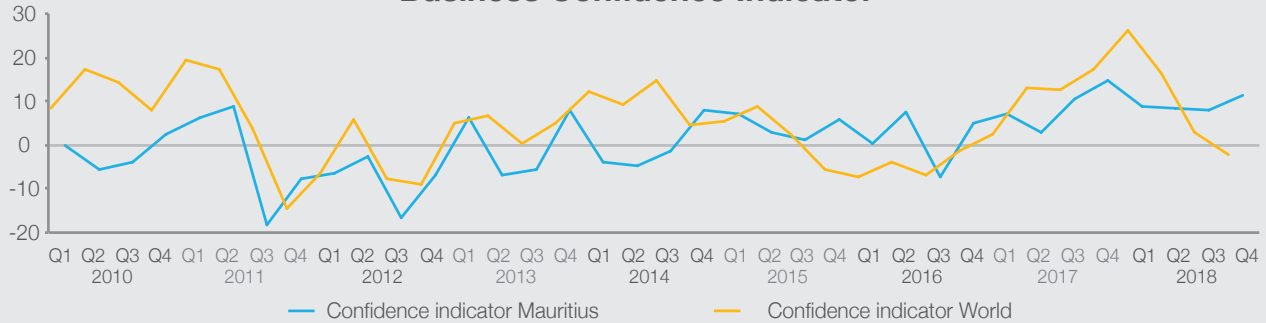
MCCI Economic Barometer



Nevertheless, both internal and external risks remain as the country is faced with the combination of negative externalities with the effect of climate change and weather disruptions, having an effect on trade operations as well as persistent uncertainties in the global economy,

most particularly in the country's major markets – the EU and UK. At the back of this economic landscape, Mauritius should continue to make full use of its monetary and fiscal expansionary mechanisms and adopt structural measures to support the economy.

Business Confidence Indicator



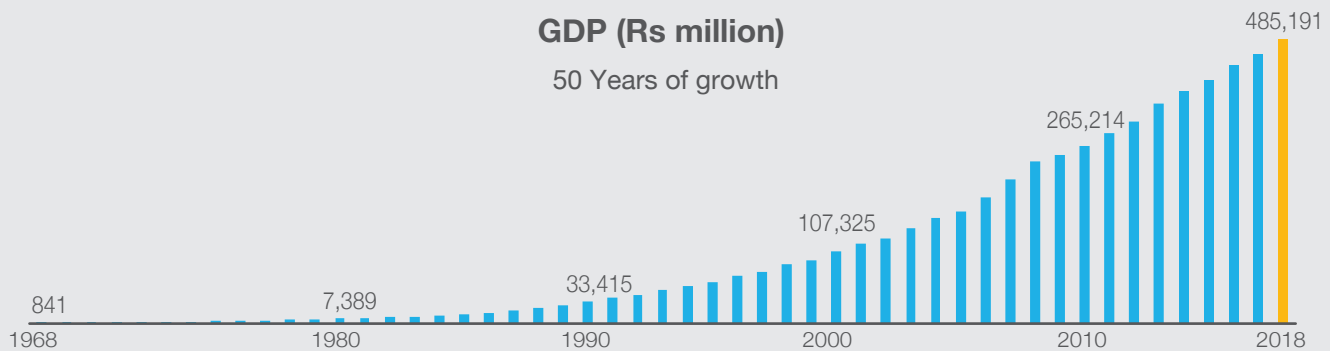
The MCCI Business Confidence Indicator summarises, in a single variable, the simultaneous changes of several variables and thus allows an instant estimate of the morale of entrepreneurs over a short time period.

For the first time since the launch of the economic tool, the MCCI Business Confidence Indicator witnessed a rise over two consecutive

years, with an increase of 11.2 in balance points in the fourth quarter of 2018. The indicator is firmly in the dynamic territory, reflecting a situation of a better present and positive expectation of the future by entrepreneurs, with nonetheless downside risks to the economic outlook. The CES-IFO World Economic Indicator has decreased and is in the negative territory at the end of 2018.

GDP (Rs million)

50 Years of growth



Over its 50 years of Independence, the Mauritian economy has championed considerable progress since independence, moving from a GDP of Rs 841 Million to achieve over Rs 485 Billion in 2018. In fact, the country has been growing at an average of 5.4 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 well diversified economic model based on business facilitation and innovation.

While growth rates have moderated since the Global Financial Crisis, the country continues to show incredible resilience and dynamism, through constantly new impetus given in traditional and emerging sectors.