

171st ANNUAL GENERAL MEETING

**Thursday 23rd July 2020 Labourdonnais Waterfront Hotel, Port- Louis
'State of the Economy Address' by Mr. Marday Venkatasamy, GOSK, President of MCCI**

Protocols

**Dr The Honourable Renganaden PADAYACHY, Minister of Finance,
Economic Planning and Development.**

**The Honourable Nandcoomar BODHA, Minister of Foreign Affairs, Regional
Integration and International Trade**

**The Honourable Soomilduth BHOLAH, Minister of Industrial Development,
SMEs and Cooperatives**

**The Honourable Yogida SAWMYNADEN, Minister of Commerce and
Consumer Protection**

Vice President , Secretary General , Past Presidents, Council members and
valuable members of MCCI,

Members of the Diplomatic Corps and Honorary Consuls,

High Officials, Chairpersons and CEOs of public and private sector organisations

Representatives of the Media

Ladies and Gentlemen,

It is indeed a great pleasure and privilege for me to welcome you once more to this
171st Annual General Meeting of the Mauritius Chamber of Commerce and
Industry. Our apology for the postponement of the AGM for obvious reason.

Let me start by paying tribute and convey my deepest thanks to the Prime Minister and Ministers and all front liners, essential services providers and their employees, the health care personnel and the police force for their tremendous effort and contribution to our country during the national lockdown.

My sincere condolences to the families affected, with a special thought to Dr Bruno Cheong and Mr Carl Ah-Teck.

I would like to extend this morning my heartfelt thanks to the Honourable Ministers present, the Ambassadors and High officials of the public sector and captains of the private sectors, present today in this august assembly to honour this function.

This year has been vivid for all of us. It is a year where the MCCI has celebrated a legacy of 170 years of marked history, with a proven track record of business facilitation, advocacy and enhancing public private dialogue and cooperation on behalf of the business community.

The COVID-19 pandemic has emerged as a humanitarian pandemonium of global significance, affecting the livelihood of the world population and their communities causing unprecedented disruption to daily lives.

Let me however remind that in **May 1919** during the outbreak of the Spanish Flu, MCCI also played an important role to facilitate and ensure that essential supplies are not disrupted.

100 year later, the MCCI played again a significant role in supporting and collaborating with the Government during the global lockdown. The MCCI has been the focal point for the gradual reopening of essential services from port to household to ensure food supplies, energy supply and other necessities through an inhouse designed and established protocols with the alphabetical orders. In addition, 40,000 social food packs have been prepared by our members and distributed to the vulnerable.

In my speech at last AGM in 2019, You will recall that I raised a number of challenges and issues.

- 1) Global and increasing Uncertainties Ahead
- 2) Issues in the Financial sector
- 3) significant contraction in our exports of goods and services.
- 4) weather disruptions and climate change
- 5) De-industrialisation and food insecurity.

You will also recall, I quoted the IMF chief, Christine Lagarde, "**we are on the brink of a perfect economic storm**"

Hon Ministers , Ladies & Gentlemen,

The economic situation remains highly volatile, unpredictable and uncertain. Uncertainty about the length and depth of the health crisis-related economic effects are fuelling perceptions of risk and volatility in financial markets and corporate

decision-making. It is to be noted that the sheer magnitude of the current shock introduces an unprecedented complexity to economic forecasting.

A global recession is now confirmed, albeit that the unprecedented nature of the crisis makes it difficult to predict the severity, duration, nature of the downturn, and the trajectory of the subsequent recovery. It is unclear how deep and prolonged the downturn will be. There is now a balance to be made between health, social and economy. That is the Challenge, not only for Government but for all of us !!!

Regardless of the prediction of the V shape, U shape, L shape and W shape,

We must above all ensure business survival, protecting jobs and build resiliency across all sectors of the economy without compromising the health of the nation.

On the Global economy , Many countries are facing a multi-layered crisis comprising a health shock, domestic economic disruptions, supply shocks, plummeting external demand, capital flow reversals, and a collapse in commodity prices. On the International Front, according to IMF, it is very likely that this year the global economy is experiencing its worst recession since the Great Depression. The Great Lockdown, as one might call it, is projected to shrink global growth dramatically. A slow and painful recovery is projected for 2021, but the level of GDP will remain below the pre-virus trend, with considerable uncertainty about the strength of the rebound.

The IMF has revised its projection in June this year, on the world economic growth rate to be negative at **-4.9%** for 2020, caused by a massive contraction in economic activities due to global lockdown, resulting in loss economic output, production and supply chains. It also notes that the tourism sector would be the hardest blow in terms of sectoral contraction linking directly and indirectly across all other sectors.

With Covid-19, nearly 90% of the World's population is subject to some form of international travel restrictions. This has halted travel demand, with significant implications for travel industry. However, the most impacted countries will be those small economies dependent on trade and tourism.

Mauritius, will witness to experience over 60% decrease in passengers in 2020 in comparison to 2019, losing over USD 2 billion in GDP and over 73,000 jobs may be lost in tourism without government support .

On the Mauritian economy , Mauritius will witness its first recession since independence with a contraction of between -10.5 and -12.5%.

Foreign direct investment, will shrink from MUR 18.5 bn last year to MUR 12.1 bn.

From its lowest level of 6.8% last year , Unemployment is currently estimated at **9%** due to resulting technical and cyclical unemployment risk and expected to rise to 17% without Government Intervention.

we expect Inflation to rise to **5.1%** from its lowest level last year .

Hon Ministers . ladies and Gentlemen

Let me now come to Covid-19 Sectoral Impact on the Mauritian Economy The Magnitude and depth of the contraction varies from sector to sector. The Tourism Sector has taken the worst hit with a projected sectoral contraction of **-70%** followed by the manufacturing sector with **-29%**. Wholesale & Retail sector is also expected a significant downfall with a projected contraction of **-23%**. Financial services, aftermath of the EU listing, is projected to contract by **-18%**. Furthermore, the shrivelling in ICT and Construction are projected to be **-13%** and **-11%** respectively. Agriculture and Food Services are the least affected with a single digit contraction of **-9%** and **-8%** respectively.

I would like to thank the Government for the bold initiatives to protect its citizen and ensure business continuity.

- 1) Distribution of food packs to the vulnerable.
- 2) Ensuring essential supplies
- 3) Introduction of the Covid-19 bill
- 4) Government Wage Assistance Scheme amounting to over Rs 10 bn to all companies during the lock down
- 5) The Self-employed Financial Assistance Scheme
- 6) The Deferral of lease and rental payment for the business firms till December 2020
- 7) Moratorium and waive of interest payments on business loans until June 2021.
- 8) The Creation of the Mauritius Investment Corporation ltd , a sovereign wealth fund, is essential to assist systemic companies in distress during covid-19 and at the same time to invest in the future generation and sunrise industries that

will lead to value creation, employment and value addition to Mauritius. MIC should be inspired by the TEMASEK of Singapore.

- 9) The waiving of Port Dues and Terminal handling charge on exports from July to December 2020 and reduction by 50% from January to July 2021 .
- 10) The extension of freight rebate scheme and export credit scheme

Hon Ministers , Ladies & Gentlemen,

Besides the Covid-19 impact, Mauritius is also bearing the brunt of the EU Blacklisting.

The financial services sector will be significantly affected by the EU blacklisting. It is bringing more uncertainty in terms of predictability and visibility in the financial sector and spilling over trade. Both Government and members of the business community must ensure and promote financial transparency, discipline and full compliance in the financial services. Along with all the necessary legislations already passed , Government must address urgently the remaining issues of compliance of FATF requirements and the critical issues of efficiency and effectiveness. We also urge Government to use all necessary economic diplomacy to have Mauritius removed from the black list. It is worth to recall that Mauritius is the only graded International Financial Center in sub Saharan Africa . But others are catching fast .

Re-industrialising Mauritius - The New Normal- Charting a New Destiny and Hope for Mauritius :

The New Normal, is the economy of lives, an economy that ensures food and energy security. An economy that optimises on its available land and marine resources. An economy that creates a synergy with its neighbours and embark on a regional cooperation and integration. The MCCI, has pressed over the years for the re-industrialisation of the country which has been well lauded by the Government. Mauritius has taken note of its vulnerability during the global lockdown in ensuring food security, highlighting the significance of local food and agricultural supply and consumption. It's time to embark on a partial import substitution strategy and shift to local production and export promotion. It's time to unlearn and relearn new business practices in a new covid-19 Business eco system. Furthermore, it is imperative for the business community to embrace an innovative, skill-intensive and technology-driven strategy to enhance its competitiveness.

Governments all around the world are heavily investing in productive capacity. The Government of France, for example has allocated last week **40 Billion Euro** to re-steer and restructure its economy by promoting and charting a new re-industrialisation roadmap.

The MCCI fully supports the Government's initiative to spearhead and ensure effective implementation of the re-industrialisation policy. But we Also need to address the issue of intellectual property rights to safeguard know how, trade marks and address the critical issue of counterfeits , which is a threat to our export industries . Once again , efficiency needs to be seen .

Embracing Digitalisation, and Regional Cooperation :

This is the time to embrace digitalisation and the MCCI is on the verge of developing a business intelligence platform for Mauritius and the SADC region to ensure a synergy of regional cooperation and complementary business development opportunities within the region and provide a tool set for businesses in the region to absorb, organize, discover, and analyse data to reveal actionable insights that can help improve decision-making. It is also vital for us to enhance our connectivity to the African market through a regional feeder vessel.

On Regional Trade and Regional Connectivity, Air access and connectivity is primordial for the economic transformation of our country – tourism and also for our ability to attract investors to the country. Mauritius should continue to fully support its national carrier.

Last year we raised concerns on port efficiency and this year, we are raising more serious concerns that shipping lines are relocating their transshipments and thus are impacting on ease and cost of doing business.

We need to have a freight carrier and a maritime & Air cargo strategy for Mauritius that enables us to be connected to our main markets, to emerging markets with a high frequency and most importantly to a few strategic locations across Africa. Mauritius needs direct connectivity with Africa both in terms of maritime access and air access to develop business opportunities and regional cooperation. The MCCI also welcomes the setting up of warehouses in Mozambique and Tanzania to promote regional trade.

Hon Ministers , Ladies & Gentlemen

We addressed last year the demographic challenges . The MCCI has been advocating for the adoption a Migration and Openness Policy for Mauritius to address the growing demographic imbalances in Mauritius. The working age population is being downsized with respect to the fast-growing aging population in the country due to drastic decline in the fertility rate in Mauritius over the last 15 years. It is imperative that we need to look at our labour market integration through the targeting of specialised foreign talents. With an ageing population, the current financing model of both public and private pension is not sustainable. The MCCI, advocates a fair and equitable burden sharing, between Government, employer and employee. We encourage a thorough discussion and dialogue on the critical pension issues.

SME as the locomotive for inclusive Development and Growth

SMEs constitute a key driver of growth in the industrial landscape. The SME sector contributes around **40%** to the GDP of Mauritius and represents **54.6%** of total employment. Over the last decade, the SME sector has transformed as a strong pillar the economy. The MCCI has always supported the vision to transform the SME sector by making it more vibrant and resilient. In fact, SMEs are called to assume a more impactful role in the economy not only as an enabler but as a key driver of inclusive and balanced growth. We welcome a number of fiscal measures in the last budget to give a boost to Smes .

It is paramount to adopt a coherent framework to ensure transparency and business facilitation for SMEs vis a vis support institutions, Banks, the private sector and Government with the goal to develop a synergy of working together to ensure survival and sustainability of SMEs in Mauritius during this Covid-19 business environment and at the same time to enhance their competitiveness and consolidate their robustness.

We all agree that All the above initiatives can however only happen if we have the right skills in the country.

Mesdames et messieurs : L'économie du savoir.

Le pays et la région ont besoin de compétences, d'expertises et d'expériences dans des secteurs clés. Il est vital de nourrir et de développer l'île Maurice en tant que pôle de connaissances et se basant sur l'économie du savoir.

L'économie du savoir s'articule sur les 3 fondamentaux

- L'Education et la Formation,
- La recherche et le développement, et
- L'innovation et les nouvelles technologies.

We invite our partner countries through the ambassadors, here, present to further engage and support our initiatives in achieving excellence in up-skilling, research

and innovation with both public and private institutions . I am pleased to inform that MCCI Business School has set up a School of Entrepreneurship and Innovation precisely to upskill our Youth . MCCI has also signed a Memorandum of Understanding with La Chambre de Métiers de la Réunion . The 8 years tax holiday period for Top 1000 education institute worldwide together with the double deduction on R and D and the data Technology park are welcomed .

Hon Ministers, Ladies and Gentlemen,

Let me conclude on The Ease and Cost of Doing Business in Mauritius

The World Bank considers several indicators in assessing the ease of doing business; in the latest report, Mauritius improved significantly in the area of construction permits and registration of properties. Streamlined procedures, resulting from the automation of licensing permits, have contributed to major reforms in dealing with construction permits in Mauritius. The submission of business licensing (including Building and Land Use Permit, Occupation Certificate, etc) can now be done electronically with the implementation of the National Electronic Licensing System which originates from the MCCI. Furthermore, the MCCI commends the Government for the introduction of a single maritime window to ensure timely

clearance of vessels. Mauritius need now to move to a fully modern integrated single window for trade.

The MCCI as an advocator of free healthy competition has always been supporting that the prevailing market prices reflects the phenomenon of market forces to ensure a true and fair pricing policy for both the consumers and the suppliers. The MCCI, as over the years, collaborates fully with the Ministry of Commerce & Consumer Protection and the competition commission to ensure competitive pricing.

To transform the economy, Mauritius needs to have labour, capital and total factor productivity. This is the key to our success. Although, ease of doing business remains a challenge, to be competitive, cost of doing business should not be an impediment to our economic operators. it is paramount to ensure predictability, visibility and clarity in business practices. We can fully understand the difficult situation , and that measures are meant to be temporary but we should not depart from established low and simplified fiscal regime which has been instrumental to the success of the Mauritian economy . In this challenging time, Government can rely on the solidarity spirit of the business Community . It is a time when we all have to be united, the Business community, the Government and the people of Mauritius to put back the country on a new transformative journey of economic

prosperity, business growth and ensure inclusive growth and sustainable livelihoods of the people of Mauritius.

Thank you for your attention