MCCI

THE MAURITIUS CHAMBER OF COMMERCE AND INDUSTRY

Quarterly Economic Review
April-June 2020

October 2020

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Latest Developments

(i) Background

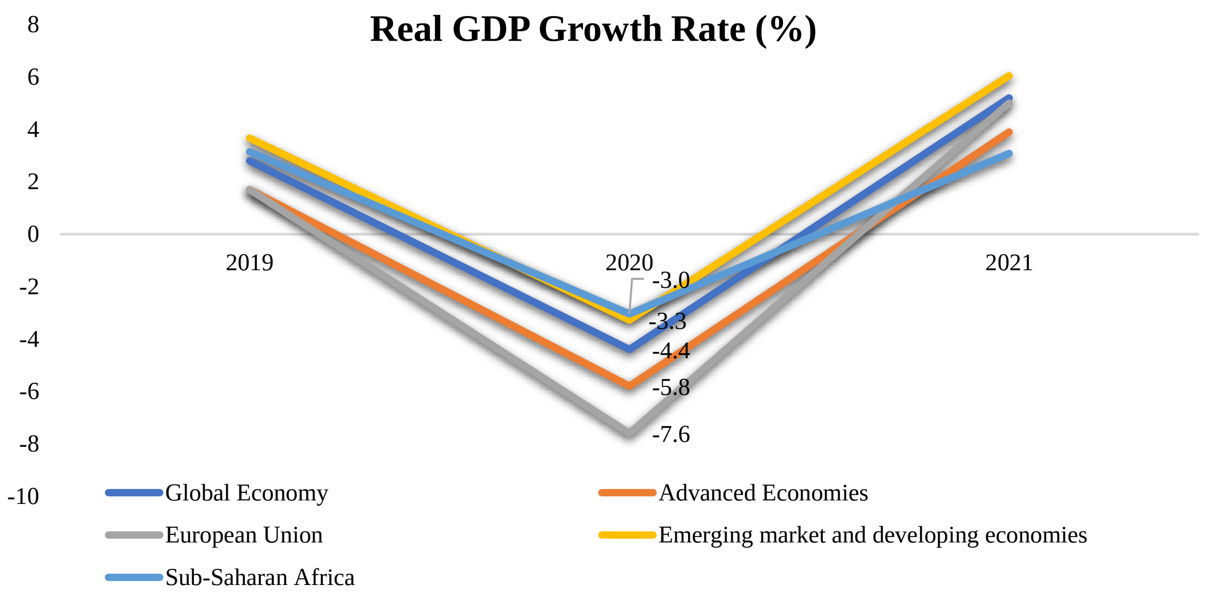
In 2020, the global economy witnessed the outbreak and rapid spread of the COVID-19 pandemic which swiftly evolved from a health emergency into a full-blown economic crisis affecting, both directly and indirectly, nearly all sectors of the economy negatively. Prior to this global emergency, the world economy was already struggling to maintain growth levels observed over the last few years. Growing trade protectionism coupled with increased geopolitical issues among major economies as well as economic uncertainties triggered by Brexit and falling commodity prices worldwide were already impacting global growth prospects.

The pandemic has adversely affected the growth and recovery rates of all economies around the world and altered the lives of 7.8 billion people since both governments and citizens have had to re-think the way in which business as usual can be maintained amidst the new normal brought on by COVID-19.

(ii) International Landscape

Current and future global prospects have drastically changed over the last few months. While at the beginning of the year there was cause for optimism over the world economy, the rapid spread of COVID-19 and its associated adverse economic ramifications quickly dampened such beliefs.

According to the IMF, the latest 2020 global economic growth rate is estimated at -4.4%, a less severe contraction than the June forecast of -4.9%. The revision reflects better-than anticipated economic recovery, mostly in advanced economies, where activity began to improve sooner than expected after lock-downs were scaled back in May and June, as well as indicators of a stronger recovery in Q3 2020. Global growth is projected at 5.2% in 2021, slightly lower than the June 2020 estimates, reflecting the more moderate downturn projected for 2020 and consistent with expectations of persistent social distancing.



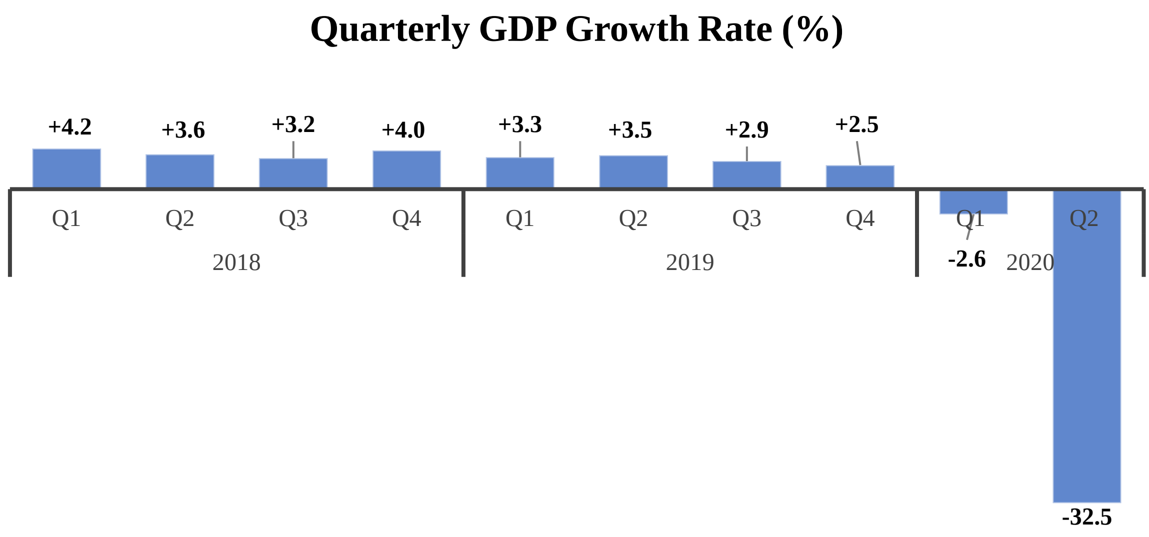
Source: World Economic Outlook Database October 2020, IMF

Economic indicators point towards a serious downturn in 2020 with most countries, especially major economies like the UK, France and the United States already facing huge recessionary pressures. Across the world, the largely labour-intensive services sector has been hardest hit. Within this sector, catastrophic disruption can be particularly witnessed in the aviation and hospitality industries. In general, on the global front, the pandemic has resulted in higher unemployment and loss of income for companies thereby leading to lower tax revenue for the government and higher pressure on public finances and debt levels.

Apart from this, according to the World Bank, the COVID-19 pandemic is jeopardising years of hard work in health and education, especially in the poorest countries. Investments in human capital, that is, the knowledge, skills, and health levels that people accumulate over their lives, are vital for them to achieve their potential and, in a broader sense, for improving economic growth prospects. The socio-economic shocks caused by the pandemic, therefore, threaten to reverse the progress made over the last decade, especially in terms of eradicating poverty and improving living standards.

(iii) Domestic Context

Mauritius has also been deeply impacted by the global pandemic due to its openness to international trade and investment. The country is presently in a recession owing to 2 consecutive quarters of negative economic growth as shown below:



Source: Statistics Mauritius

While the number of infections has stabilised with recent cases being imported ones only, the strict measures taken to control the spread of the virus have had and are expected to have serious economic implications. Given that Mauritius is a small island economy, to prevent the rapid spread of the virus, the government imposed a complete lock-down for around 2 months with only essential services being open. While this helped in mitigating the health impact of COVID-19, it had a drastic effect on businesses across most sectors of the economy. Many firms were either operating on a much smaller scale or were unable to operate for nearly 3 months or more, especially those directly related to the tourism sector.

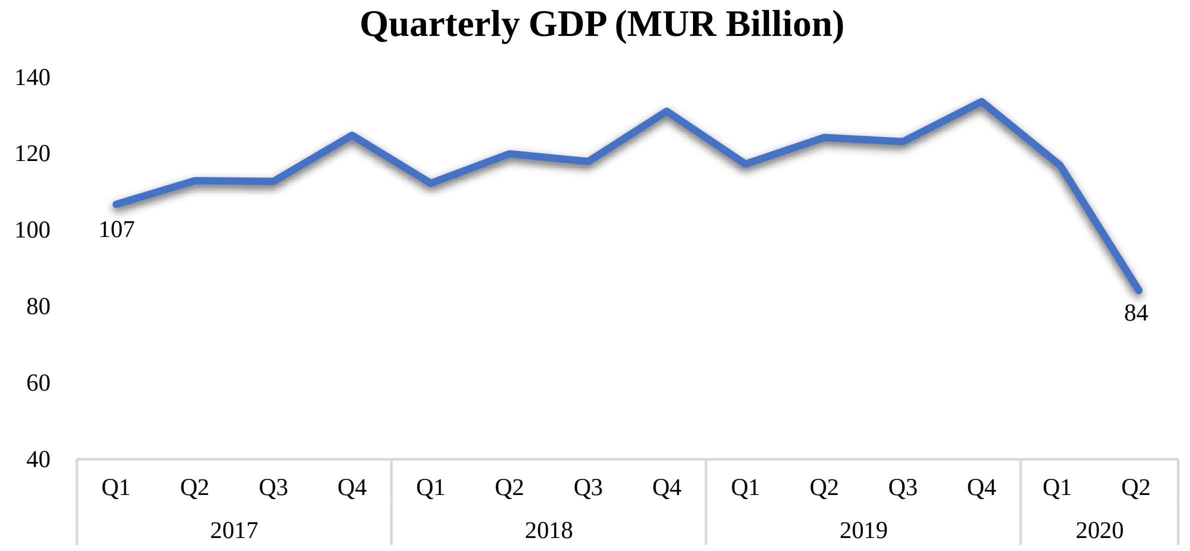
The country-wide lock-down was lifted in June but the Mauritian borders were kept closed to tourists until 1st October 2020. The removal of internal movement prohibition in June led to a pick-up in activities since businesses were able to resume operation with minimal restrictions. However, factors such as the cessation of activities during the lock-down together with nearly no tourist arrivals during the July-September quarter as well as uncertainty over trade flows due to countries worldwide being at different stages of confinement are expected to affect Mauritius' recovery rate. As it is, the IMF has revised downwards the 2020 growth projections for Mauritius to -14.2% in October from -12.2% in June. This stresses the fact that tourism-dependent economies like Mauritius have been severely hit due to cross-border travel restrictions. Mauritius relies heavily on tourism for tax revenue and foreign exchange with the sector having a significant contribution to GDP. Thus, although the pandemic has led to contractions across various sectors and is projected to lead to further shrinkages in the coming months, the magnitude and depth of the contraction remains uncertain.

(iv) Main Economic Indicators

a) Gross Domestic Product (GDP)

In Mauritius, for 2020, GDP is projected at MUR 440 billion, a downward revision from previous estimates owing to the negative economic repercussions of COVID-19. For the most part of Q2 2020, that is, over the April-June 2020 period, the Mauritian economy was under strict lock-down, implying that activity across most sectors was interrupted and, in certain cases, completely at a halt.

Gross Value Added (GVA) at current basic prices for Q2 2020 stood at MUR 73.5 billion, representing a negative growth rate of 32.9% compared to the corresponding quarter of 2019. During the same period, indirect taxes net of subsidies amounted to MUR 10.6 billion, a contraction of 29.8% compared to Q2 2019. GDP at current market prices for Q2 2020 thus stood at MUR 84.2 billion.



Source: Statistics Mauritius

Accommodation and food service activities further contracted by 98.1% after a decline of 13.4% during the previous quarter. Manufacturing decreased by 43.6% after a contraction of 0.8% observed during Q1 2020 due to declines in Sugar (11.6%), Food, excluding Sugar (27.6%), Textile (65.3%) and Other Manufacturing (46.4%). Construction shrank by 89.4% compared to the 7.2% decline registered during the previous quarter. In general, all industry groups, with the exception of Information and Communication (7% growth compared to 3.4% in Q1 2020) and Financial and Insurance activities (0.2% growth compared to 4.3% in Q1 2020) contracted during Q2 2020.

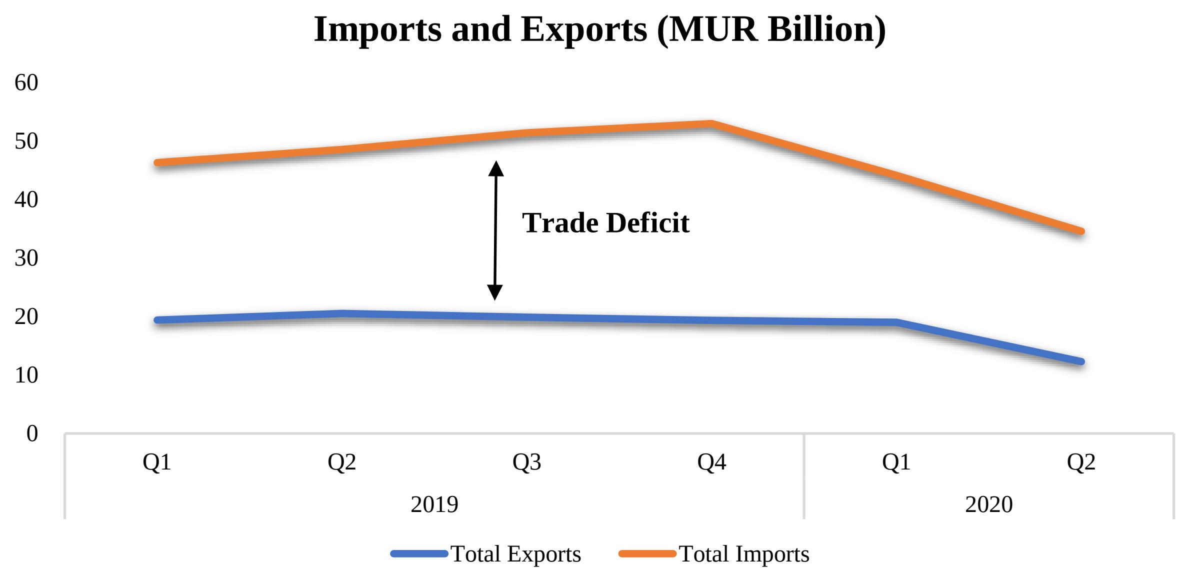
Q3 2020 GDP is also expected to be lower compared to the same period a year ago but higher than Q2 2020 since restrictions on movement had been removed and businesses were able to resume operations. Similarly, while Q4 2020 GDP would be lower than that of Q4 2019, recoveries in respect to the previous quarters are expected on account of higher business activity due to the upcoming festive season and the partial re-opening of borders as from October.

However, considering the importance of the tourism sector for the Mauritian economy, both in terms of GDP contribution and employment, growth projections paint a bleak picture for 2020. It can be confirmed now that the Mauritian economy is in the thick of a recession with a revised double-digit growth contraction. While the IMF's preliminary forecast for Mauritius in April 2020 indicated a contraction of 6.8%, such projections have been sharply revised downwards to 14.2% on account of more recent and up to date information on the state of the Mauritian economy. Given the recent inclusion of Mauritius in the list of high-income countries by the World Bank, such growth forecasts are liable to reverse the new classification.

b) <u>External Trade</u>

Reduced air and maritime traffic together with strict containment measures implemented globally led to disruptions in supply chains and in cross-border trade.

The trade deficit for Q2 2020 stood at MUR 22.3 billion, 20.6% lower than the deficit of MUR 28.0 billion for Q2 2019 and 11.3% lower than the deficit of MUR 25.1 billion for Q1 2020. Q2 2020 exports, compared to Q1 2020, fell by 35.4% to MUR 12.3 billion on account of a reduction in the exports of mineral fuels, lubricants and related material and manufactured products. Over the same period, imports fell by 21.7% to MUR 34.5 billion due to a decrease in mineral fuels, lubricants, and related materials and in machinery and transport equipment. Given that Mauritian imports exceed exports, in absolute terms, the fall in imports exceeded that in exports, thereby narrowing the trade deficit. A quarter-on-quarter analysis also highlights a similar trend whereby Q2 2020 exports and imports decreased by 40.1% and 28.8%, respectively. The trade deficit for the first 6 months of 2020 stood at MUR 47.4 billion, 13.8% lower than the deficit of MUR 54.9 billion for the first semester of 2019.



Source: Statistics Mauritius

It has been observed that appropriate measures are being introduced to curb the trade deficit through several policies aimed at increasing self-sufficiency and reducing dependence on imports. At the same time, export strategies are being devised to generate more foreign revenue and exploit trade linkages, especially within the African continent. In general, international trade in goods is expected to improve, albeit remaining below pre-pandemic levels, over the next few months due to resumption of supply chains and lower restrictions on movement.

c) ***Foreign Direct Investment (FDI)***

Inflow of FDI into Mauritius is expected to take a severe hit in 2020 due to a combination of factors. The COVID-19 pandemic has prompted capital flight across many economies, particularly emerging market ones, as investors are pulling out money due to the panic created by the spread of the virus and the strict lock-down imposed which brought economic activity to a halt over a prolonged period of time. In the absence of other pandemic-unrelated issues, the probability of huge capital flights and weak FDI prospects would have been lower for Mauritius when compared to countries where the virus has spread on a large scale.

However, the official inclusion of Mauritius in the European Commission's list of "high-risk third country" (blacklist) in October 2020 has further amplified the poor FDI prospects for Mauritius. The European Commission has triggered the alarm on Mauritius, as an international financial centre with deficiencies in combatting money laundering and terrorist financing. Mauritius is, therefore, subject to enhanced controls with monitoring by EU banks and other entities involved in the fight against money laundering, the aim being to identify any suspicious capital flows. As such, customer due diligence measures will be applied on activities related to business relations and transactions to Mauritius, as well as on every financial transaction of financial institutions from the country. Given that Mauritius was already on the Financial Action Task Force (FATF) list of "jurisdictions under enhanced monitoring", this recent development is expected to place the country under higher scrutiny with investors being more wary about investing.

Quarterly FDI Inflows (MUR Billion)

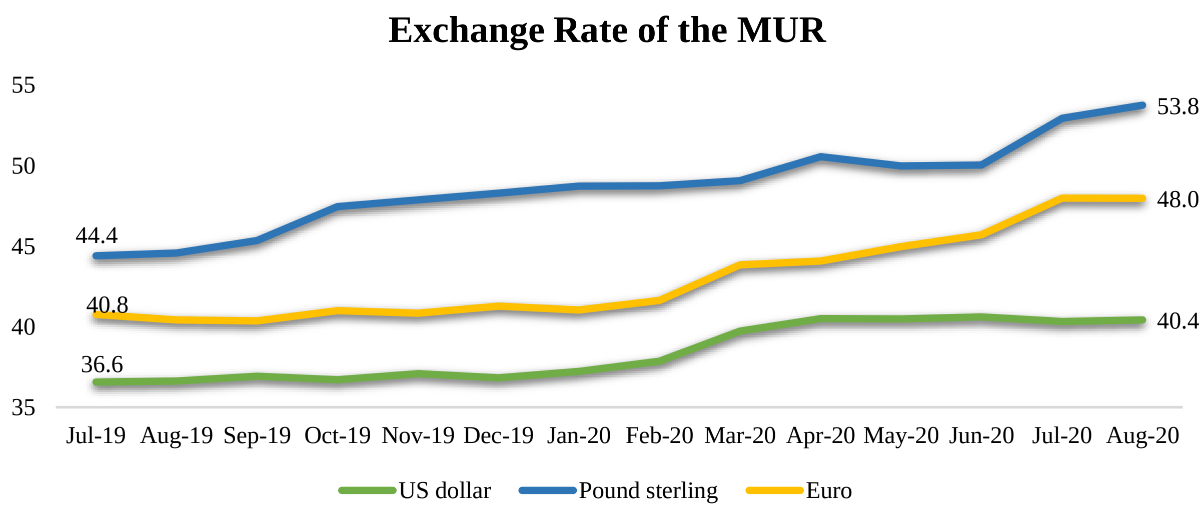
	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020
FDI Inflows	6.7	6.3	2.6	6.7	6.1	2.8	2.7	8.5	4.8	5.9	4.6	6.1	3.1

Source: Bank of Mauritius

As it is, while the increase in FDI inflow from Q3 to Q4 was quite pronounced in 2017 and 2018, this was not observed in 2019, thereby pointing towards a downward trend in FDI coming into the country from abroad. The blacklist inclusion as well as incidents such as the recent oil spill threatening to bring about an environmental crisis have put Mauritius at the forefront internationally and are risks to the country's international reputation. As it is, investments to India from Mauritius are facing increased regulatory scrutiny with reports of applications from non-banking financial companies being turned down due to their association with Mauritius. In the absence of mitigating factors restoring confidence in the Mauritian economy, the probability of such a trend being witnessed in relation to other geographical locations as well is high.

d) Inflation

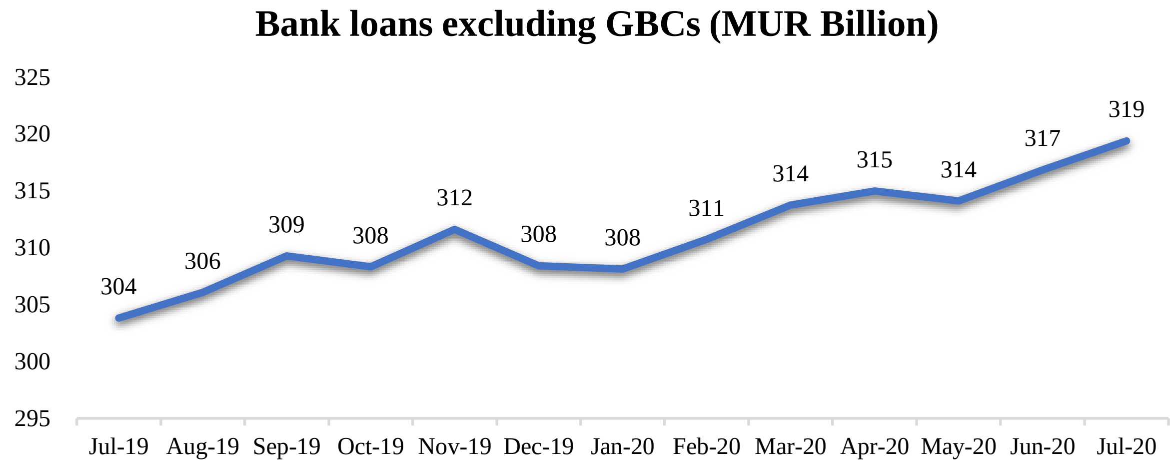
Headline inflation for the 12 months ended June 2020 stood at 1.8% compared to 1.0% for the 12-month period ended June 2019. Given supply chain disruptions due to restricted air and maritime traffic as well as lower production levels resulting from limitations on movement, headline inflation is anticipated to increase further to around 3% by the end of 2020. The expectation of higher domestic prices is also based on the rise in sugar tax introduced by the government during the Budget 2020/2021. While the sugar tax has doubled, from 3 cents per gram of sugar to 6 cents per gram, the range of products concerned has also been widened. The tax on the new range of products would be effective as from 1st November 2020, thereby justifying the case for a jump in inflation. Since producers/retailers tend to shift a large part of the tax burden on consumers, it is very probable that there would be higher inflationary pressures by December 2020. The depreciation of the Mauritian Rupee against major currencies like the Euro, US Dollar and GBP as well as against the currencies of countries from where a large proportion of its imports is sourced such as India (INR) and China (CNY) is also expected to contribute to a rise in general price levels.



Source: Bank of Mauritius

e) Employment

Countries across the globe are witnessing surges in the number of unemployed people as the pandemic leads to massive reductions in business operations across most sectors of the economy. In Mauritius, the unemployment rate was estimated at 10.2% as at May 2020, higher by 3 percentage points compared to Q1 2020. Initial evaluations pointed at a greater spike in the Mauritian unemployment rate but measures by the government such as the Wage Assistance Scheme together with financial support by the Bank of Mauritius have assisted in temporarily alleviating the financial constraints of businesses and households. Commercial banks provided moratoriums on capital and interest repayments to economic operators and this facility has been extended until December 2020. The key repo rate was also lowered twice and stands at 1.85% per annum currently, implying that the rate at which banks can borrow from the Central Bank and economic operators can borrow from commercial banks is much lower.



Source: Bank of Mauritius

While bank loans to non-financial corporations and households is on an upward trend, platforms providing SME funding such as Fundkiss are increasingly gaining popularity as a relatively quick and less bureaucratic source of capital.

The measures taken during the lock-down period have temporarily curtailed unemployment in Mauritius. However, in the absence of well-thought and formulated strategies for the medium to long term, the situation could rapidly deteriorate. The tourism and leisure sectors are the worst hit with the recovery timeline largely dependent on external factors and, therefore, uncertain. Employment re-gearing strategies should thus be aimed at re-skilling or up-skilling the relevant workers so they can integrate other sectors where there is a labour shortage or where it is foreseen that labour will be required. For instance, the Government, together with vocational institutions, can offer accredited training programmes to employees currently unable to work. A furlough programme targeted at specific sectors and guaranteeing employees a minimum salary level over a defined period of time can also be implemented. In general, young people and women are among those at greatest risk of joblessness and poverty. They have less secure and unskilled jobs and are highly represented among workers in industries most affected by the crisis, such as tourism and restaurants. Thus, when adjusting policies to better respond to the crisis brought upon by the pandemic, an intentional gender and youth/inter-generational lens should be applied.

(v) Sectoral Overview

As shown in the table below, excluding the Information and Communication and Financial and Insurance sectors, all other industry groups experienced a contraction in Q2 2020.

Sectoral Growth Rate (%)	Q1 2019	Q2 2019	Q1 2020	Q2 2020
Agriculture, Forestry, and Fishing	+6.5	+6.8	-2.9	-11.0
Manufacturing	+1.3	+1.4	-0.8	-43.6
Construction	+8.0	+9.4	-7.2	-89.4
Wholesale & Retail Trade	+3.6	+3.5	-4.1	-25.0
Transportation and Storage	+3.4	+3.1	-12.8	-64.7
Accommodation and food service activities	-1.2	+2.5	-13.4	-98.1
Information and Communication	+5.6	+5.5	+3.4	+7.0
Financial and Insurance activities	+5.2	+5.3	+4.3	+0.2
Real Estate activities	+3.1	+2.9	+2.5	-1.2
Professional, Scientific, and Technical activities	+4.9	+5.0	0.0	-42.0
Administrative and support service activities	+5.2	+5.3	+1.8	-37.8
Education	+0.3	+1.0	-1.1	-11.5
Art, Entertainment and Recreation	+4.5	+3.9	+2.1	-85.0

Source: Statistics Mauritius

Given their contribution to total GDP, Accommodation and Food service activities, Manufacturing, Construction, Transportation and Storage , Wholesale and Retail trade and Art, Entertainment, and Recreation were the main causes for the decline in GDP from Q1 2020 to Q2 2020 as well as compared to the same quarter a year ago. The higher contraction observed is due to these sectors being highly labour-intensive resulting in the restriction of movement having a deeper adverse impact on business activity. While the GDP growth prospects are likely to improve in Q3 and Q4 2020 in comparison to the first semester of the year since the lock-down period has ended and Mauritian borders have been opened to tourists, the pre-pandemic economic position that Mauritius boasted of is not expected to be observed in the short to medium term.

Sector Focus: Tourism

1) Overview

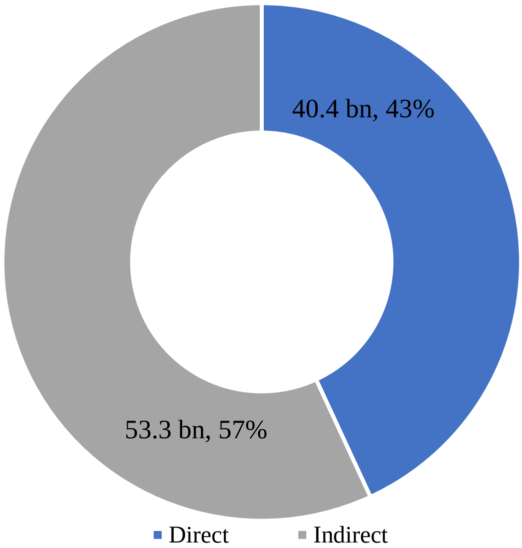
The tourism sector is currently facing unparalleled challenges as well as an existential threat due to the COVID-19 pandemic. Countries across the world are at different stages of lock-down, thereby generating higher uncertainty regarding the revival and recovery timeline of this sector. Depending on the duration of the crisis, scenario analyses point towards a 60-80% decline in international tourism in 2020.

In Mauritius, tourism is one of the main pillars for economic growth and development, having directly accounted for 8.4% of GDP over the 2017-2019 period and 5.7% of total employment in large establishments (more than 10 employees) in 2019. Through its spill over effects on other productive sectors such as transport, agriculture, fishery, crafts and entertainment, the tourism industry, according to the World Travel & Tourism Council (WTTC), contributed 18.8% to GDP, equivalent to MUR 93.7 billion, in 2019 and provided employment to around 104,200 people (19% of total employment). This is mainly due to tourism activities in Mauritius being well-linked with the local economy. Greater linkages generally translate into higher levels of local economic activity and growth, which tend to occur when tourism enterprises source their goods and services (including labour) locally. However, as witnessed recently, this also represents a source of vulnerability as inter-sectoral linkages worsen the impact of a decline in tourism.

Generally, a distinction is made between the primary/direct and the secondary (indirect and induced) effects of tourism. The former occurs as a direct result of tourism activities, that is, tourist spending, immediate employment by the tourism sector and taxes paid by tourist activities. Indirect impacts occur from the effect of tourism activities on other economic sectors such as hotels purchasing goods from retailers or sourcing food from producers. Induced effects represent the wider contribution of tourism through the expenditures of those who are directly or indirectly employed by the sector. Tourism generates a significant amount of indirect employment in areas such as construction and infrastructure development as well as through the supply of food and drink and souvenirs to tourists.

In 2019, the tourism sector's direct contribution to GDP was 8.1%, equivalent to MUR 40.4 billion.

Tourism Contribution to GDP (MUR Billion, 2019)

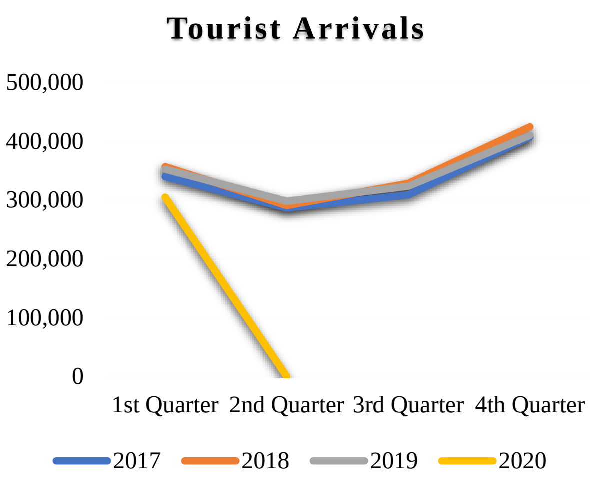


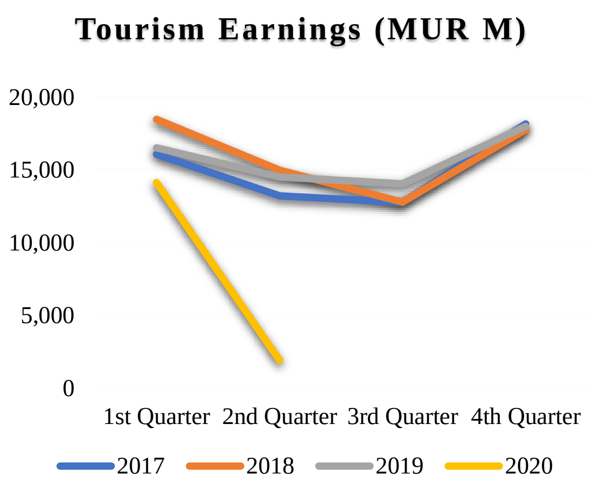
Source: Statistics Mauritius & MCCI Estimates

This highlights the multiplier impact of tourism and its vital role in supporting associated sectors. According to a report by the United Nations Conference on Trade and Development (UNCTAD), assuming a moderate scenario where international tourism was at a standstill for 4 months, sectoral output for Recreational activities and Accommodation as well as for Food and Services were expected to face a larger decline, compared to other sectors, with a contraction of 55%. Since tourism has been at a halt for 6 months, the actual sectoral contractions are expected to be even more pronounced. Based on national statistics, the hospitality industry, largely represented by accommodation and food services, is expected to contract by roughly 70%. Similarly, administrative and support service activities are projected to face a 20% decline as low tourist arrivals would affect travel agencies, tour operators and call centres.

2) Contribution of the Tourism Sector

Following the global outbreak, the Mauritian borders were closed to tourists over the 20th March 2020 – 30th September 2020 period. This represents 6 months or 2 quarters during which tourists were unable to visit the country. Tourist arrivals and earnings have been highest during the first (January-March) and last (October-December) quarters over the last 3 years. Q1 and Q4 have accounted for around 55% of total arrivals and 56% of total earnings.





Source: Statistics Mauritius

Given that, historically, the last quarter brought in more tourists and revenue, the impact of the COVID-19 pandemic on Mauritian tourism would be more acute during the October-December period. Even though in Q4 2020 tourist arrivals and spending would most likely not reach levels seen during previous years due to the ongoing pandemic, the magnitude of the impact of closed borders would have been larger when compared to Q2 and Q3 due to Q4 being the busiest period for Mauritius.

Thus, while tourism as a whole contributed MUR 93.7 billion to GDP in 2019, it can be inferred from official data, that the share of Q4 tourism would be approximately 30% of the total (both Q4 arrivals and earnings have been around 30% over the last 3 years), amounting to MUR 28.1 billion. In percentage terms, Q4 2019 contributed around 5.6% to GDP with primary and secondary GDP contributions of 2.4% and 3.2% respectively.

Usually, the most direct effects of international tourist arrivals occur within the hotel industry and aviation sector. However, through secondary channels, tourism affects most sectors of the economy. For instance, a large proportion of direct earnings would be allocated towards acquiring goods and services from other businesses and paying employee wages. This gives rise to secondary economic effects. The main secondary routes through which tourism affects the Mauritian economy include transport, hospitality, the crafts sector as well as companies providing leisure or entertainment activities. A large proportion of local produce, including seafood, are generally sold to hotels. Nearly non-existent tourist arrivals imply that hotels and other tourist accommodations are no longer able to avail of these products leading to higher wastage and/or lower prices and revenue than usual for suppliers. In case of the crafts industry, most clients are international tourists which has most likely led to a drastic drop in sales. The leisure or entertainment sector would also suffer losses as its main customers would be people from abroad on holiday. As a proportion of the total secondary contribution of tourism to GDP, the transport, hospitality, and entertainment industries would constitute a higher share since these sectors are bigger when compared to, for instance, the tourism-related administrative support services sector.

Full Year 2019 – Contribution of Tourism Sector		
Direct Contribution to GDP	**Indirect Contribution to GDP**	**Total GDP Contribution**
MUR 40.4 billion	MUR 53.3 billion	MUR 93.7 billion

Sectors	Estimated GDP Contribution	Estimated Indirect GDP Contribution of Tourism
Hospitality (accommodation & food service, agriculture, fishing, and manufacturing of food)	14.7%	MUR 27.9 billion
Transport	6.5%	MUR 12.3 billion
Entertainment & Recreation	3.7%	MUR 7.0 billion
Administrative support services (such as travel agencies and call centres)	3.2%	MUR 6.1 billion

Source: Statistics Mauritius & MCCI Estimates

The above provides a quick, albeit simplified, overview of the indirect sectoral impact of tourism to highlight its importance on business activity and employment in other sectors of the economy. Many countries are now entering a new phase in fighting the virus while at the same time managing the re-opening of the tourism economy. This is a complex and challenging task and quantifying the impact on the tourism economy is difficult due to its inter-connectedness with nearly all sectors of the economy. However, this simple analysis lays emphasis on the fact that international tourism is vital for the sustainability of many businesses, especially SMEs which are bearing the brunt of the pandemic. As it stands, the closure of borders during Q2 and Q3 2020 might have led to an estimated loss of 45% of pre-pandemic tourism GDP contribution, equivalent to MUR 42.2 billion based on 2019 figures.

3) Re-opening of borders during Quarter 4, 2020

Based on expected GDP of MUR 440 billion for 2020 and assuming that the tourism sector in Q4 2019 accounted for 5.6% of GDP, during the October-December 2020 period, should tourist arrivals and visitor characteristics reflect the previous years, the GDP contribution of tourism in that quarter should be equivalent to MUR 24.6 billion. However, the probability that arrivals would rise to previously recorded levels is quite low and thus, 3 different scenarios have been examined to get a snapshot of the GDP and earnings impact of opening borders to tourists in Q4 2020. Total plausible GDP contribution has been computed to account for the impact on both primary and secondary tourism sectors.

Estimates for Q4 2020		
Direct Contribution to GDP	**Indirect Contribution to GDP**	**Total GDP Contribution**
MUR 10.6 billion (2.4%)	MUR 14.0 billion (3.2%)	MUR 24.6 billion (5.6%)

Scenario 1 (Pessimistic): 25% of Q4 2019 tourist arrivals in Q4 2020

Q4 2019 Arrivals	Q4 2020 Arrivals	Q4 2020 Earnings	GDP Contribution
409,846	102,461	MUR 4.5 bn	MUR 6.2 bn (1.4%)

Scenario 2 (Intermediate): 50% of Q4 2019 tourist arrivals in Q4 2020

Q4 2019 Arrivals	Q4 2020 Arrivals	Q4 2020 Earnings	GDP Contribution
409,846	204,923	MUR 9.0 bn	MUR 12.3 bn (2.8%)

Scenario 3 (Optimistic): 75% of Q4 2019 tourist arrivals in Q4 2020

Q4 2019 Arrivals	Q4 2020 Arrivals	Q4 2020 Earnings	GDP Contribution
409,846	307,385	MUR 13.5 bn	MUR 18.5 bn (4.2%)

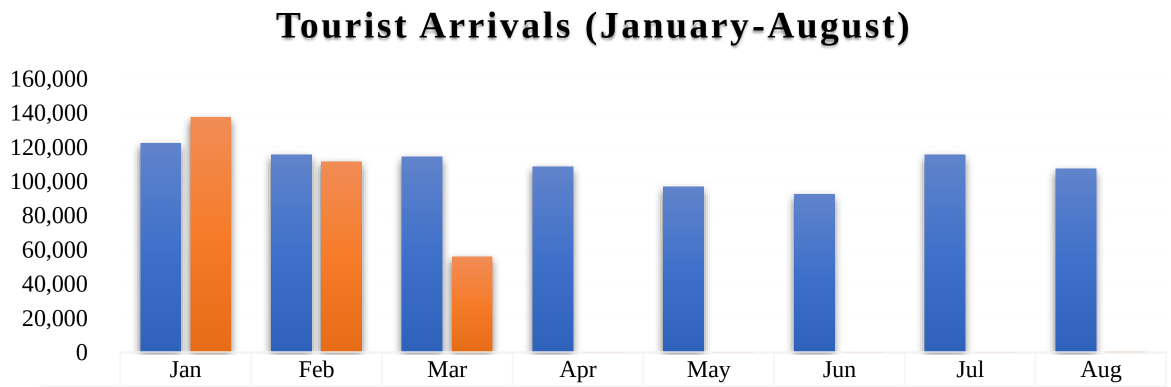
Source: Statistics Mauritius & MCCI Estimates

Earnings have been computed as a direct proportion of the Q4 2019 figure and might be lower than estimated for each scenario given that COVID-19 has negatively impacted income levels and purchasing power. Parallelly, if Q4 2020 brings the same level of tourists as the previous year, the sectoral indirect effects are estimated below:

Sectors	Estimated GDP Contribution	Estimated Indirect GDP Contribution of Tourism
Hospitality (accommodation & food service, agriculture, fishing, and manufacturing of food)	14.7%	MUR 7.4 billion
Transport	6.5%	MUR 3.3 billion
Entertainment & Recreation	3.7%	MUR 1.9 billion
Administrative support services (such as travel agencies and call centres)	3.2%	MUR 1.6 billion

Source: Statistics Mauritius & MCCI Estimates

The potential loss of income arising from non-recovery in international tourism despite the partial easing of travel restrictions would be quite significant, especially for smaller businesses. Since Mauritius is often labelled as a luxury destination, although borders are being re-opened, it might not attract the same number of tourists even under the most pessimistic scenario. Indeed, while the latest statistics point towards an increase compared to Q2 2020, the likelihood of Q4 2020 arrivals reaching even 25% of Q4 2019 is quite low:



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
2019	122,273	115,613	114,419	108,565	96,814	92,398	115,448	107,275
2020	137,419	111,560	55,863	10	20	9	45	317

Source: Statistics Mauritius

This is due to Mauritius' main source markets for visitors being countries like France, the United Kingdom, South Africa, and Reunion which have been heavily impacted by the pandemic and are still struggling with its economic repercussions. While, in Mauritius, the stabilisation in the number of active COVID-19 cases whereby the latter are only imported ones with the relevant people already in quarantine, has led to the government initiating a phased re-opening of borders as from 1st October 2020, movement restrictions and sanitary protocols elsewhere might lower the anticipated influx of tourists. In Mauritius as well, as part of the partial re-opening strategy, people coming into the country, citizens, and non-citizens alike, would have to pay for a mandatory quarantine period in hotels, a measure which might act as a deterrent for a certain category of tourists but which is imperative to prevent a second outbreak and lockdown situation.

4) Key Observations

- The partial easing of travel restrictions, along with strict and well-defined protocols to mitigate the immediate associated health risks, should provide some relief to the tourism sector which has been at a near standstill for two consecutive quarters. Indirectly, many economic operators such as merchants selling clothes and other commodities perceived as non-essential should see a boost in sales compared to the last few months of operation.

- However, traditional tourism is not expected to yield the same contribution to GDP as it used to. The government needs to consider the longer-term implications of the crisis and re-think the tourism of the future. Structural transformation is imperative to build a stronger and more resilient tourism industry.
- There is a need to review Mauritius' tourism product and re-position the country in terms of niche tourism to include sun-tourism, eco-tourism, adventure-tourism, medical-tourism, and sports-tourism.

Actions taken during the pandemic will thus guide long-term economic conditions and the measures put in place presently will shape the potential of Mauritius' tourism industry. Demand-side recovery for tourism will take time since the inter-linked health and economic crises have reduced the disposable income of millions of people. At the same time, tourism activities, in the absence of a vaccine, are likely to be among the last to re-start and even then, in a phased manner. Nonetheless, the longer the pandemic lasts without reliable signs of a vaccine, the deeper the expected fall in consumer confidence and the greater the likelihood of delayed resumption and recovery of international tourism.

Concluding Remarks

For Mauritius, and most countries across the world, the prevailing challenge for policy-makers is to properly evaluate the potential trade-offs between short, medium, and long-term priorities. The COVID-19 crisis has necessitated government intervention to urgently contain the spread of the virus. However, as countries move through different phases of the crisis depending on factors such as number of active cases, rate at which infections are increasing as well as the prevailing lock-down status, different types of policy interventions might be necessary. The first phase of the pandemic required measures which would allow the country to survive the pandemic, that is, measures targeted at ensuring people could meet their basic needs of adequate medical supplies and health services as well as food, shelter and clothing. Countries would enter the second phase once they have managed to control the number of people being infected daily and established proper protocols to prevent local transmission of the virus. During this phase, government policies need to focus on reviving the economy, that is, providing support to both individuals and firms, especially to SMEs which are the backbone of many countries including Mauritius, so that economic activities momentarily halted due to movement restrictions locally and across borders can resume.

To boot, there is a strong urge from all stakeholders of the Mauritian economy, requesting the government and other decision-makers to come up with a set of policy prescriptions to re-visit business and economic fundamentals with the aim of re-igniting growth across all sectors while simultaneously spurring the creation of new sectors of growth.

Given that the consequences of COVID-19 are expected to be felt at least over the next few years, it is vital for policy-makers to effectively design and implement measures that would ensure business continuity and economic recovery amidst the new way of life uncovered through this crisis. Growth prospects will hinge on factors such as the possibility of a second wave of COVID-19 in Mauritius, consumer and business confidence, and the extent to which government policies in relation to employment and business support are boosting demand. While government aid should continue, there is a need for such aid to become more targeted as well as flexible enough to adapt to changing conditions. What is of utmost importance is that the government demonstrates to the population that work is being done to create opportunities for all and improve their lives. In other words, it is imperative to restore confidence in the economy.

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