

174th ANNUAL GENERAL MEETING

Thursday 30 March 2023

9 hrs 30

Caudan Arts Centre, Port- Louis

Speech of the President of the MCCI, Mrs Namita Jagarnath Hardowar

It gives me immense pleasure to welcome you today to the 174th Annual General Meeting of the Mauritius Chamber of Commerce and Industry. It has been an **honour and privilege** for me to chair this long-established institution for the past year, the importance of which, in the economic life of our country continues to **remain crucial**.

When I took office as president last year, Mauritius had already embarked on a steady recovery path, hence demonstrating its **resilience**. Thanks to the **agility** of our key economic operators, **timely decisions** taken by the government and the **remarkable ability** of all stakeholders to work together, we managed to swiftly and safely resume our economic activities in key sectors despite a number of challenges that stemmed from the Covid-19 pandemic and the Russo-Ukrainian war.

International Economic Environment

Whilst the pandemic receded in most economies in 2022, the Russo-Ukrainian war unleashed a new crisis, disrupting food and energy markets, and exacerbating food insecurity in many developing countries. Persistently high inflation, which averaged over 9% in 2022 has prompted rapid and aggressive monetary policy responses. Countries have **synchronously hiked** their key interest rates in a bid to curb inflationary pressures. This has subsequently triggered significant capital outflows and currency depreciations in many developing countries. Against this backdrop, the global economy is projected to grow at a rate of 2.9% in 2023, lower than the estimated 3.4% growth in 2022. Whilst inflationary pressures are projected to gradually subside amid weakening aggregate demand in the global economy, the near-term economic outlook remains highly uncertain. However a myriad of economic, financial, geopolitical, and environmental risks persist.

Ladies and Gentlemen, let's now turn to our local context

Despite the highly volatile and uncertain global economic environment, the Mauritian economy has **continued its recovery path** at a gradual, albeit more moderate pace. GDP at market prices in 2022 has been estimated at 7.8% for 2022

and is projected at 5% for 2023, on account of the testing conditions in our main markets. However, just as almost every country in the world, Mauritius **has not been spared** from the adverse consequences of inflation in 2022. Domestic inflation has been mainly influenced by supply-side disturbances stemming from a rise in commodity and energy prices, the depreciation of the Mauritian rupee, weather-related disturbances, as well as freight costs despite a notable recovery since early 2023. In January 2023, **headline inflation stood at 11.8%** and fell to 11.0% in February 2023.

According to the Bank of Mauritius (BOM), the domestic inflation rate is expected to gradually decrease to around 5.0 - 6.0% in 2023. Unemployment is also on a declining trend. While it rose to 9.1% in 2021 in the aftermath of the pandemic, the unemployment rate was **estimated at 7.5%** for the third quarter of 2022.

Sectoral performance

The local economy registered **better sectoral performance** in 2022, driven by a pickup in the manufacturing, tourism and ICT sectors. The manufacturing industry, especially the textile sector, fared well over the past months. The tourism sector, which accounted directly for over 50% of the economic growth outcome was

severely hit by the pandemic **but was quick enough** to gradually get back on its feet and is now on track to recover to its pre-Covid performance level.

Toutefois, ces résultats ne doivent **en aucun cas nous dévier des défis** à venir ni dissimuler nos vulnérabilités multiples.

Ladies and Gentlemen

Speaking of External Vulnerabilities

Let me now focus on climate change and sustainability

Indeed, our structural vulnerabilities as a Small Island Developing State (SIDS) have been compounded, or even exacerbated, by new and emerging threats. As a SIDS, we are among the most vulnerable countries in the world when it comes to natural disasters, especially those caused by climate change.

Intense cyclones, torrential rains and flash floods are already occurring. According to the Intergovernmental Panel on Climate Change, sea levels around Mauritius are already rising at a pace of 3 mm annually.

Our tourism industry is already feeling the strain of extreme climatic conditions. Agriculture as well is being highly affected by changes in temperature and rainfall patterns, which are affecting crop yields. Mauritian planters have to adapt to these new conditions and contain their repercussions on production costs, availability and price of their products.

Going forward, according to climate experts, extreme weather conditions, such as intense cyclones and flash floods, will become more and more frequent. The economic costs thereof are substantial as business continuity is increasingly compromised. Since the beginning of this year, the occurrence of such events has resulted in the loss of precious working hours in almost all economic sectors. Even though the impact is mitigated thanks to remote working, these losses are still very significant.

According to a report of the Mauritius Institute of Economic and Statistical Studies, the cost of climate change to the country's economy could be as much as 1.5% of GDP by 2030, and up to 3.9% by 2050 if no proper action is taken. This includes the cost of infrastructure damage, loss of biodiversity, and the impact on human health.

Ladies and Gentlemen

I now turn to the Industrial sector.

Over the years, Mauritius has built a strong base in many sectors, such as traditional manufacturing, notably textile, apparel, tuna and sugar which accounted for over 50% of our total exports in 2022. Whilst the country has gained international recognition for these products, we must nonetheless admit that we have become over-reliant on them. Any disturbance or shock on these key sectors would have a substantial impact on the economy and on export revenues, thereby increasing our economic vulnerability. This, therefore underscores the need to diversify the export base and explore new growth avenues while bringing in innovation in well-established sectors.

It is noteworthy to mention that export performance has been commendable in 2022. However, whilst Export Oriented Enterprises (EOEs) are well geared towards increasing export value, the industrial base needs to be consolidated and the range of products broadened.

We note that Domestic-Oriented Enterprises (DOEs) have emerged as a strong pillar, producing a wide variety of goods such as dairy products, instant noodles, beverages, soap/detergent, paints amongst others. It is very encouraging to see that many of these industries have become leading brands in Mauritius and are also successfully exporting to the region. There is a need to accelerate the implementation of the industrial policy framework to support and transform Domestic-Oriented Enterprises (DOEs) into the next generation of Export Oriented Enterprises (EOEs).

In addition, in view of our external challenges, it is now more than ever critical to leverage on our free trade agreements to strengthen our exports. Of note, Mauritius has signed several new trade agreements namely African Continental FTA (AFCFTA), CECPA with India and the FTA with China. These preferential trade agreements provide tremendous opportunities for local and international businesses to enter into and expand across continents.

Combined, the FTAs can serve as catalysts to boost trade and investment. The potential is huge and to tap in these opportunities, it is vital that private business operators explore new possibilities in terms of joint ventures with foreign companies or move towards value-added products. This would require a three-

pronged strategy focusing on awareness, promotion and support to industries to make it happen.

Ladies and gentlemen,

Besides reforming our existing pillars, we must also fast track the following high potential and high value addition sectors.

The first one is Healthcare and Pharma

The Healthcare and pharmaceutical sector is an example of a promising sector. The healthcare sector provides a wide range of services, which ranges from basic healthcare services to high-value activities such as hi-tech medicine, medical tourism, medical education, and wellness. For example, Nutraceuticals and clinical research offer tremendous diversification opportunities, as preventive medicine and supplements are gaining prominence. As a matter of fact, the Pharmaceuticals market worldwide is projected to grow by 5.39% (2023-2027) resulting in a market volume of **US\$1435.00bn** in 2027, representing a huge potential for Mauritius. The development of the healthcare and pharmaceutical industry should be part of our

economic agenda and diversification strategy in the development of a new economic pillar servicing primarily the African continent.

I now turn to the Blue Economy

With our **vast Exclusive Economic Zone of 2.3 million square kilometres**, the potential of the Blue Economy remains largely untapped. We note that the sector currently represents 10% of the Gross Domestic Product (GDP) and employs around 7,000 people. The government's aim is to increase the share of GDP of the blue economy to 20% in the medium term.

Potential activities such as mineral resources development, ship building, ship registration, communication cable laying, pharmaceutical enterprises, sustainable energy from waves and currents, seaside leisure tourism, and fisheries and aquaculture have been identified. Now, there is a need for action. We need to come up with a clear strategy, framework and an implementation plan with short, medium and long term outcomes to encourage private sector investment.

I will now move to the **Export of Services**

The services sector is today considered as the **backbone of the modern economy**. It remains imperative to rapidly transcend from conventional services to modern, high value added and niche sectors to ensure its sustainable growth. Expert and internationally recognised level of competence has been built over the past decades in sectors, such as Financial Services (Banking & Non-Banking), ICT, Professional Services including Accounting, Auditing and legal services/Consulting, and Research & Development. The Mauritian economy will need to strategically position itself regionally and internationally as **a reliable and trusted provider** of such services. These strategies will need to be supported by **the right incentives** and appropriate regulatory framework to **boost the export of services**.

Ladies and Gentlemen

However, the consolidation of our existing economic pillars and the development of new burgeoning ones raise other challenges that need to be addressed.

The Human Resource Challenge

One which is very close to my heart is the people dimension.

The Human Resource Challenge is impacting all sectors and all levels, irrespective of whether it is the agricultural, manufacturing or services sector. The lack of both skilled and unskilled manpower is a **serious concern for the business community**, and this is curbing the growth and expansion of business activity.

Given the **severity of this problem**, this needs to be thoroughly assessed in order to have an accurate understanding of the root causes. We can already identify some of the main factors: the ageing population, the declining birth rate, the skills mismatch, **the increasing and disturbing brain drain trend**, and last but not least the **New Generation phenomenon**. The younger generation, namely the Millennials and the Gen Zees are finding it increasingly difficult to adapt to the traditional work culture and set up. This calls for some **deep reflections** on the way we structure our organisations to make them more **agile and responsive** to the aspirations of the youth, who are driven by values closely related to the ESG agenda.

There is a dire need **to ramp up our efforts** in terms of training and upskilling of our existing workforce, whilst maintaining our investments in education, research and development, and innovation. The brain drain issue needs to be tackled through

bold measures to create better job opportunities coupled with conducive working conditions alongside **a culture of meritocracy and equal opportunity**.

The growth of local talent coupled with foreign competence are paramount for us to gravitate to the next level of our development. Our immigration policies need to be revisited to attract high-skilled foreign talent in areas where we do not have sufficient and adequate capacity and competence. **Knowledge transfer** needs to rank high on our Agenda. The attractiveness of our jurisdiction to foreign competence is key and we need to explore all avenues to make it happen, including our fiscal regime and other related incentives.

Ensuring that Mauritius is equipped with the right knowledge, skills and competence in the key sectors of our economy is paramount to boosting our productivity and competitiveness and ensuring, *in fine*, the sustainability of our economic prosperity.

This brings me to the critical need to come up with a **National Human Capital Strategy** so as to address the challenges in a systemic and systematic manner.

Ladies and Gentlemen

Cost of doing business

Let me now turn to the **cost of doing business**.

Businesses are confronted by a **multitude of challenges** in respect of the cost of doing business. The recent rise in electricity tariffs, the high prices of fuel, the depreciation of the Mauritian rupee versus major currencies, the increase in the key rate which makes the cost of borrowing more expensive for businesses and the high labour costs have impacted heavily on the cost of doing business. This may **constrain the sustainability of business operations**, impacting on their overall growth and competitiveness. Moreover, a simple, predictable and competitive tax regime will help Mauritius improve its business climate and spur foreign investment.

Creating a conducive environment for our businesses is essential for the development of economic growth.

Embracing technology

Another key challenge is the leap towards new technology

Today, one of our main objectives will be to fully harness the power of digitalisation, Artificial Intelligence and other Emerging Technologies, which are reshaping societies and create new opportunities. People now live and work in a new environment where **physical and virtual worlds are intertwined**.

The enormous contribution of digital technology and its potential to stimulate inclusive and sustainable growth through innovation, efficiency gains and improved services cannot be underestimated.

The digital economy presents opportunities, but also challenges, such as **the high cost of sophisticated digital technologies**, and lack of competencies. It is essential to promote the adoption of these digital technologies, as they translate into operational efficiency gains and cost reductions while generating more revenues over the long term. That is why building an agile culture through digital transformation is important, as it will not only **spur innovation**, but will also, simultaneously, increase our productivity and competitiveness in a sustainable way.

The wake-up call

Ladies and gentlemen this should be our wake up call.

We have to **take stock of our vulnerabilities** in an evolving economic, social and geopolitical environment, and foresee their enduring consequences on our industries, our economy, and therefore on our livelihoods. It is essential to understand the socio-economic challenges that are common to all SIDS around the world, and from which we are not immune.

Building the resilience of Mauritius through time-worn actions will **definitely not usher in the new development we all dream of**. Charting this desired future for all requires **rigorous macroeconomic and strategic planning** whilst focusing on stewardship and **speedy implementation**. Given the current context, we are of the view that a thorough **Country Risk and Vulnerability assessment** should be carried out to identify and analyse the country's vulnerabilities from an economic, social, demographical, technological, regulatory and governance standpoint.

In fact, our country is at a crossroads. It is currently in a vicious circle with changing demographics, on the one hand, and economic vulnerabilities, namely over-dependency on imports, high level of public debt and its ensuing potential impact of the rating of our country, low production capacities and labour market inefficiencies, on the other.

Time is of essence and we all need to act swiftly and steer the ship towards a more inclusive and sustainable future for all Mauritians. To do so, we need a clear vision with bold policy measures as well as a strong commitment from all stakeholders.

Charting the way forward

Over the past 55 years, as an independent nation, we have demonstrated our ability to overcome a lot of hurdles and a **high degree of resilience as a nation**.

Our aim should be to focus on where we want to position ourselves as a country from the economic, social, and environmental perspectives and accordingly **define our national priorities with clear sectoral roadmaps** to be articulated in close partnership with the private sector.

A **constant and proactive dynamic and constructive** public-private dialogue **remains key**. We should spare no effort in fostering a true consensus culture, whereby we can discuss, share our ideas and come up with informed decisions.

Mesdames et messieurs,

Je tiens à présent à m'adresser à vous, membres de la communauté des affaires

Les défis d'aujourd'hui sont les opportunités de demain. Si nous voulons les saisir, c'est **maintenant que nous devons agir** et créer les conditions d'une croissance durable et inclusive. Nous sommes tous conscients que le monde qui se dessine, nous appelle à revoir nos approches et nous invite à assumer des responsabilités nouvelles.

Je fais un appel à la communauté des affaires afin qu'on s'engage tous ensemble dans cette mouvance pour mieux relever les défis devant nous.

Soyons tous responsables. Soyons tous solidaires.

The **stakes are too high** and we cannot afford to turn a blind eye to all the pressing issues we are facing. We need to roll up our sleeves and work together *en bonne intelligence*.

Conclusion

Notre économie est à la croisée des chemins. Le monde dans lequel nous évoluons change, et le *business as usual* n'est plus une option. **Mettons au centre de toute réflexion ces trois piliers**, qui sont : la croissance inclusive, le développement durable et la prospérité. Ce n'est qu'ainsi que nous pourrons créer une économie résiliente et une qui répond aux attentes des générations futures.

Je vous remercie de votre attention.