STATE OF THE ECONOMY

THE MAURITIUS CHAMBER OF COMMERCE AND INDUSTRY

May 2023

Executive Summary

While economies across the world are experiencing a deceleration in their economic activities, the Mauritian economy continues to recover at a gradual, albeit moderate pace. Economic resurgence has progressed well in 2022, supported by greater dynamism across key sectors and this momentum is expected to be sustained in 2023, but remains largely exposed to vulnerabilities on the international market.

In the face of rising global economic uncertainty, high inflation and energy costs, and frequent natural disasters which continue to have devastating impacts on many communities, it is more important than ever to take steps to respond to our challenges and create opportunities to build a stronger, more resilient, and inclusive economy. To this end, structural deficiencies and weaknesses need to be addressed and determined and systemic actions for a comprehensive reform agenda across a wide range of policy areas that needs to be adopted to help the country address some of its main challenges.

Besides consolidating our existing pillars, the fast tracking of the development of high potential and high value addition sectors should be part of our economic agenda and diversification strategy. For this, a clear strategy, framework and an implementation plan with short-, medium- and long-term outcomes to encourage private sector investment is deemed essential.

Moving quickly from conventional services to modern, high value-added and niche sectors is also seen as important for sustainable growth. as a dependable and trustworthy service provider. These strategies will need to be supported by the right incentives and appropriate regulatory framework to boost the export of services. Finally, a strong public-private partnership and collaboration also remains imperative to support the implementation of these measures and position the country on a path of higher and sustained growth.

List of Figures

Figure 1 Average Crude Oil (USD/Barrel) 11
Figure 2 IMF Debt Record (% GDP) 13
Figure 3 Foreign Direct Investment Inflows and Outflows, 2021 (% of world total) 13
Figure 4 Inflows and Outflows of Developing Countries 14
Figure 5 Global Trade Trends 15
Figure 6 Growth in Africa 17
Figure 7 GDP Growth Rate (%) 19
Figure 8 Monthly Headline Inflation (%) (2021-23) 20
Figure 9 Public Sector Debt as a % of GDP 22
Figure 10 Foreign Direct Investment (Mauritius) 23
Figure 11 Repo Rates 25
Figure 12 Exchange Rate (MUR/USD) (Jan 20 – Mar 23) 27
Figure 13 Agricultural Sector (%) GVA and Employment 31
Figure 14 Manufacturing Sector Performance (2019-2022) 32
Figure 15 Manufacturing sub-sector Performance (2019-2023) 32
Figure 16 Productivity Indicators (2018-2021) 33
Figure 17 Greenhouse Gas Emissions in Mauritius 35
Figure 18 Global Competitiveness Index 36
Figure 19 Global Competitiveness Talent Country Profile 39
Figure 20 Mauritius Dependency Ratio 41
Figure 21 Import and Export of Goods 44
Figure 22 Green Budgeting Framework 51
Figure 23 Logistic Performance Index 2023 57
Figure 24 Cargo Traffic in Mauritius 59
Figure 25 Vessel Traffic 60
Figure 26 The State of Digital in Mauritius In January 2023 61

List of Tables

Table 1 Overview of the World Economic Outlook Projections, IMF April 2023 9
Table 2 Consumer Price Index (Base 2017 = 100) 21
Table 3 Employment Statistics 23
Table 4 Exchange Rates (MUR/USD/GBP/EUR) 26
Table 5 Sectoral Performance (2019-2023) 29
Table 6 Overview of EOE sector 33
Table 7 Areas of concern on the Global Competitiveness Index 36
Table 8 Ten Best Performer in Sub-Saharan Africa 40
Table 9 Top 10 Products of Export 2020-2022 44
Table 10 Top 10 Products of Import 2020-2022 45
Table 11 Logistic Performance Index (Scores and Ranks) 57

List of Abbreviations

AfCFTA – African Continental Free Trade Agreements

BIS – Bank for International Settlements

BOM – Bank of Mauritius

CPI – Consumer Price Index

ECB – European Central Bank

EOE – Export-Oriented Enterprises

ESG – Environmental, Social and Governance

EEZ – Export Economic Zones

FDI – Foreign Direct Investment

FED – Federal Reserve

GBP – Pound Sterling

GDP – Gross Domestic Product

GII – Global Innovation Index

GOIR – Gross Official International Reserves

GVA – Gross Value Added

IMF – International Monetary Fund

KRR – Key Repo Rate

MCCI – Mauritius Chamber of Commerce and Industry

MPF – Monetary Policy Framework

MSME - Micro, Small and Medium-Sized Enterprise

MUR – Mauritian Rupee

SDGs – Sustainable Development Goals

SWIFT – Society for Worldwide Interbank Financial Telecommunication

TVET – Technical and Vocational Education and Training

UNCTAD - United Nations Conference on Trade and Development

USD – US Dollar

Table of Contents

Executive Summary 2

List of Figures 3

List of Tables 4

List of Abbreviations 5

1 THE GLOBAL ECONOMY 9

1.1 Forces Shaping Outlook 2023/24 10

1.1.1 Inflationary Pressures 11

1.1.2 Energy Crisis 11

1.1.3 Global Debt 12

1.2 Global Investment 13

1.3 Global Trade 15

1.3.1 Trends In Global Trade 15

1.3.2 Trade Outlook 16

1.4 Regional Economy 16

2 THE MAURITIAN ECONOMY 19

2.1 Macroeconomic Overview 19

2.1.1 Economic Growth 19

2.1.2 Inflation 19

2.1.3 Public Finance 21

2.1.4 Foreign Direct Investment (FDI) 22

2.1.5 Unemployment 23

2.1.6 Monetary Policy 24

2.1.7 Depreciation of the Mauritian Rupee 26

2.1.8 Fiscal Policy 28

2.2 Economic Outlook 28

2.3 Sectoral Analysis 29

2.3.1 Agriculture and Agri-Food Industry 31
2.3.2 Manufacturing 32
2.3.3 Export-Oriented Enterprises (EOE) sector 33
2.4 Energy Sector 35
2.5 Productivity and Competitiveness 36
2.5.1 Human Capital & Productivity 37
2.5.2 Global Talent Competitiveness Index 2022 39
2.5.3 Ageing Population 40
2.5.4 Market Inefficiencies 42
2.6 External Trade 43
3 KEY PRIORITIES TO SUSTAIN RECOVERY AND BUILD RESILIENCE 46
3.1 Economic Diversification & Development of Priority Sectors 46
3.2 Modernisation of Healthcare Sector 46
3.2.1 Digitalisation of healthcare 46
3.2.2 Export of Healthcare services 47
3.3 Value-added knowledge-based economy 47
3.4 Research and Innovation-driven economy 48
3.5 Sustainable Development and Greening of the Economy 49
3.5.1 Climate Change 49
3.5.2 Green Budgeting 50
3.5.3 Circular Economy 51
3.5.4 Biotechnology and Pharmaceutical Industries 52
3.5.5 Blue Economy 54
3.5.6 Data-Driven and Digitalisation 60
3.6 Consolidating the Industrial Base 62
3.7 Reforms 63
3.7.1 Legal and Regulatory Reforms 63

3.7.2 Fiscal Reforms 63

4 CONCLUDING REMARKS 65

SOURCES 66

1 THE GLOBAL ECONOMY

Throughout 2021, the COVID-19 pandemic remained the central issue that impacted the global economy. Recovery efforts varied significantly across different regions of the world, but with the onset of the Russo-Ukrainian war in February 2022, the world economy has been confronted with a series of severe and mutually interconnected shocks.

The war unleashed a new crisis, disrupting food and energy markets, resulting in food insecurity in many developing countries. The continuous price hike consequently led to reduced real income, triggering a global cost of living crisis, with heavy impact on the most vulnerable groups. These shocks and the resulting high global inflation have prompted rapid and aggressive monetary policy responses. Brisk rises in interest rates by major developed countries have triggered significant capital outflows and currency depreciations in many developing countries. All these flagging shocks have globally resulted in declines in purchasing power, consumer confidence and investment sentiment.

Simultaneously, the climate crisis is increasing its intensity and reach, with floods and hurricanes, droughts, and heatwaves, resulting in significant economic damages and humanitarian crises in many countries.

Table 1 Overview of the World Economic Outlook Projections, IMF April 2023

			Projections	
	2021	**2022**	**2023**	**2024**
World Output	**6.2**	**3.4**	**2.8**	**3.0**
Advanced Economies	5.4	2.7	1.3	1.4
United States	5.9	2.1	1.6	1.1
Euro Area	5.3	3.5	0.8	1.4
United Kingdom	7.6	4.0	-0.3	1.0
Emerging and Developing Economies	**6.7**	**4.0**	**3.9**	**4.2**
Emerging and Developing Asia	**7.4**	**4.4**	**5.3**	**5.1**
China	8.4	3.0	5.2	4.5
India*	8.7	6.8	5.9	6.3
Emerging and Developing Europe	**6.9**	**0.8**	**1.2**	**2.5**
Middle East and Central Asia	**4.5**	**5.3**	**2.9**	**3.5**
Sub-Saharan Africa	**4.7**	**3.9**	**3.6**	**4.2**

Source: International Monetary Fund

According to the International Monetary Funds (IMF), due to these challenges, the growth rate slowed down to 3.4% in 2022 and is projected to grow at a sluggish pace of 2.8% in 2023. Advanced economies' growth rate dropped to 2.7% in 2022, and it is expected to grow at a lethargic rate of 1.3% in 2023, as depicted in Table 1.

However, the economic slowdown remains broad-based across both developed and developing economies. Given the current economic fragilities, any new adverse development such as significant hike in inflation, unexpected further rise in interest rates, depreciating currencies, high fright costs, or escalating geopolitical tensions, increased pressures in trade activities, and anticipated slowdowns in major trading partners, could push the global economy into a recession.

There is no doubt that global growth prospects have darkened substantially amidst the continued effects of negative shocks exacerbated by the war, necessitating sound fiscal and monetary policy frameworks. Policymakers will therefore need to come up with comprehensive economic reforms to further consolidate their economies and improve long-term growth prospects, ensure resilience to climate change, build economic consolidation and, improve efficiency, and ensure debt sustainability, in line with the objective of adhering to the Sustainable Development Goals (SDGs).

1.1 Forces Shaping Outlook 2023/24

Whilst risks have to some extent become better balanced, they remain tilted to the downside. Uncertainty about the course of the war in Ukraine and its broader consequences is a key concern. In addition, the strength of the impact from monetary policy changes is difficult to gauge and could potentially continue to expose financial vulnerabilities from high debt. Pressures in global energy markets could also reappear, leading to renewed price spikes and elevate inflation further. The disruption from the war in Ukraine is also likely to continue to weigh on global output both directly and indirectly through the impact on uncertainty and continuing risks to food security.

Against these backdrops, global growth is projected to remain at a below-trend rate in 2023-24. with inflation moderating gradually as the quick and synchronised monetary policy tightening over the past year takes full effect. Global growth, as estimated by the IMF is projected to fall to 2.8% in 2023 before rising to 3.0% in 2024.

1.1.1 Inflationary Pressures

A significant force shaping the outlook is the persistent and ballooning inflationary pressures that many countries are undergoing. Inflation has emerged as the pivotal economic narrative since the onset of 2021, characterised by an unprecedented upswing in living expenses. The cost-of-living crisis is triggered by several factors, including soaring commodity prices. These inflationary pressures are expected to lead to further escalation in the cost of living, thus exerting additional strain on household budgets (purchasing power) and exacerbating the gap in income inequalities.

Simultaneously, many households are confronted with shrinking real incomes as wages cannot compete with rising costs, thus leading to a deepening debt burden as more households borrow to tide them over. The debt burden is bound to put further strain on the economy as households struggle to service their debts and curb their spending.

1.1.2 Energy Crisis

The global energy market is expected to continue its roller-coaster ride in 2022, with countries turning their attention towards the emerging energy map of post-war Ukraine. As the world grapples with the ongoing energy crisis, countries are exploring ways to leverage the situation to accelerate the shift towards renewable energy and reduce their carbon footprint.

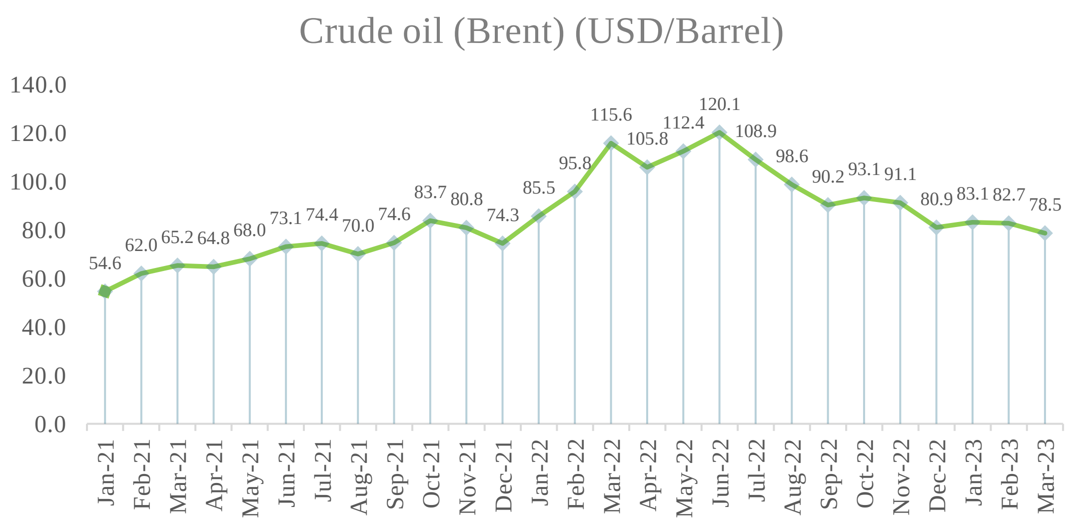


Figure 1 Average Crude Oil (USD/Barrel)

Source: World Bank

The volatility of commodity prices is evident when the trend dating back to 2020 is observed. The initial days of the COVID-19 pandemic saw the global economy come to a standstill, causing crude oil prices to plummet to just USD 21.04 per barrel in April 2020. However, crude oil prices started to recover in 2021, and by the end of the year, brent crude was trading at around USD 80 per barrel. In 2022, prices have continued to rise and fall, with brent crude reaching a high of USD 120.1 per barrel in June, before dropping back to around USD 79 per barrel in March 2023, as shown in Figure 1.

1.1.3 Global Debt

Waves of broad-based debt accumulation have been a recurrent feature of the global economy over the past 50 years. Following the global pandemic and the Russia-Ukraine mayhem, lower growth and higher borrowing costs have raised public debt ratios in several economies. Policy supports during the pandemic stabilised financial markets and gradually eased liquidity and credit conditions around the world, contributing to the recovery. As demonstrated in Figure 2, deficits have widened and debt has accumulated at a much faster rate than in previous recessions, including the global financial crisis.

According to the IMF’s Global Debt Database, overall borrowing jumped by 28 percentage points to 256% of GDP in 2020. Around 50% of this rise was attributed to government borrowing, while the remaining portion was from nonfinancial businesses and households. Public debt now represents close to 40% of the global total—the most in almost six decades.

Governments are now struggling with rising import prices and debt bills in a highly uncertain environment of elevated inflation and a slowdown in growth. As monetary policy tightens to curb inflation, sovereign borrowing costs are also rising, thus narrowing the scope for government spending and increasing debt vulnerabilities, especially in emerging market and developing economies.

Figure 2 IMF Debt Record (% GDP)

Source: International Monetary Fund

1.2 Global Investment

In 2021, global foreign direct investment (FDI) flows increased by 64% to reach USD 1.58 trillion, compared to the unusually low levels in 2020. The recovery in FDI displayed strong momentum, with thriving merger and acquisition (M&A) markets and swift expansion in international project finance due to favourable financing conditions and significant infrastructure stimulus packages.

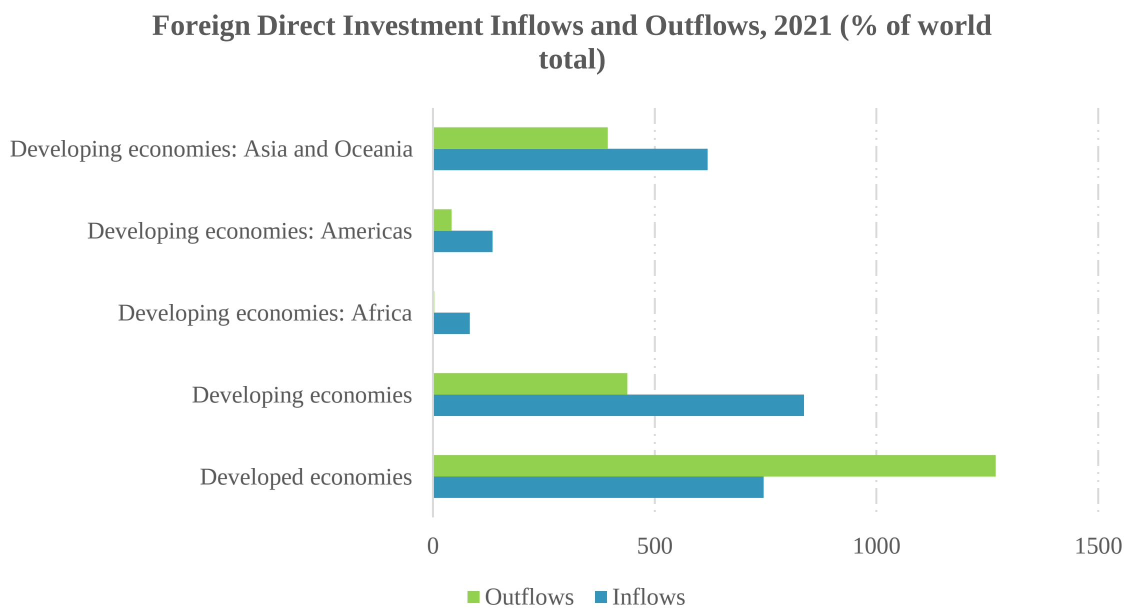


Figure 3 Foreign Direct Investment Inflows and Outflows, 2021 (% of world total)

Source: International Monetary Fund

Developed economies' share of global inflows, which accounted for only one third in 2020, returned to pre-pandemic levels in 2021, representing about half of the total. Developing economies' share of global inflows remained just above 50%. FDI flows to Africa accounted for 5.2% of global FDI, while FDI to developing Asia and Oceania, the region that received the most FDI, accounted for 39.1% of global inflows (Figure 4).

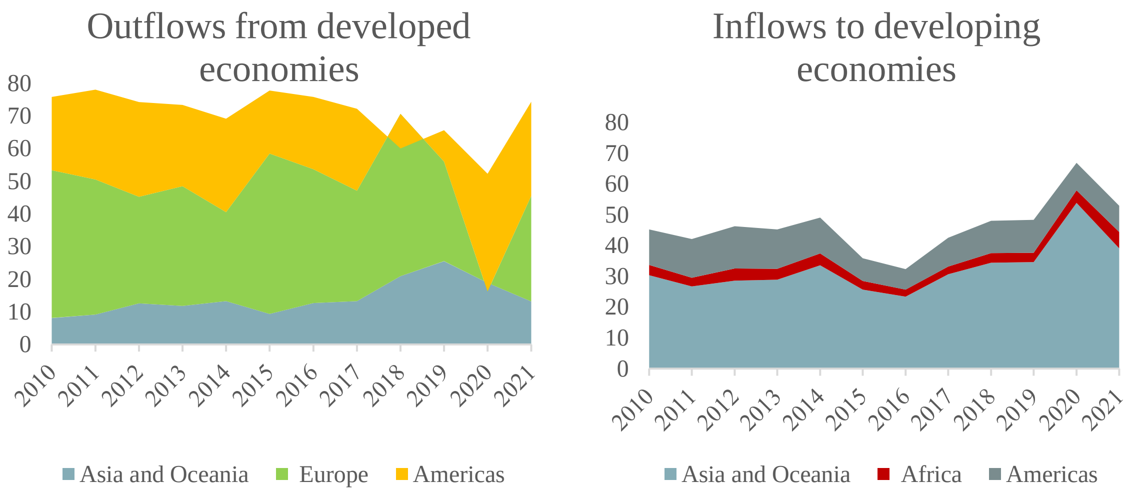


Figure 4 Inflows and Outflows of Developing Countries

Source: International Monetary Fund

In 2021, the share of developed economies in global outward foreign direct investment (FDI) flows increased from 52.3% in 2020 to 74.3%, while the share of developing economies decreased from 47.7% to 25.7%. Developed Europe was the leading source of global FDI outflows (32.3%), followed by the developed economies in the Americas (28.9%). However, the outlook for global FDI in 2023 appears bleak, as per the UNCTAD's projections. Several factors, including negative or slow growth in many economies, worsening financing conditions, investor uncertainty due to multiple crises, and growing debt-related risks in developing countries, will exert significant downward pressure on FDI.

1.3 Global Trade

1.3.1 Trends In Global Trade

The global challenges associated with the lingering effects of factors such as high energy prices, rising interest rates, sustained inflation, negative spill overs from the Russia-Ukraine War and the slowdown in China have all affected global trade and activity for many emerging market and developing economies.

However, according to UNCTAD, global trade set a record of USD 32 trillion in 2022. Trade in goods amounted to around USD 25 trillion, which saw a growth of approximately 10% from the previous year, whilst trade in services reached about USD 7 trillion, showing a growth of about 15% from 2021.

The primary reason for such high levels of trade was the robust growth in the first half of 2022. However, the growth rate slowed down in the second half of the year, with a significant decline in trade in goods of approximately USD 250 billion in Q4 2022, as opposed to Q3 2022. In contrast, trade in services remained relatively stable. The current UNCTAD forecast for the first quarter of 2023, according to Figure 5, is for 1% growth in trade in goods and 3% growth in trade in services.

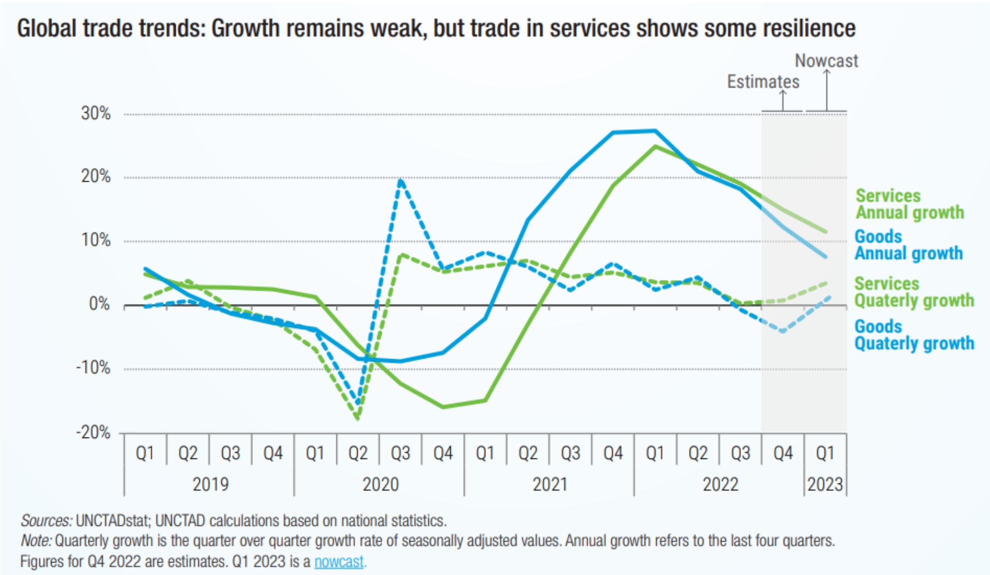


Figure 5 Global Trade Trends

Source: UNCTAD

1.3.2 Trade Outlook

The trade patterns in 2023 could be impacted by two primary factors: the development of global supply chains and the shift towards a more environmentally friendly global economy. Measures such as supplier diversification, reshoring, and near-shoring are likely to influence global trade patterns in the upcoming year. Additionally, the push towards a greener global economy is anticipated to increase the demand for environmentally sustainable products while decreasing the demand for goods with high carbon content and fossil fuels. For 2023, negative factors appear to outweigh positive trends such as lower economic growth, high prices of traded goods and the record levels of global debt and the increase in interest rates pose significant concerns for debt sustainability.

Some positive factors on the other hand can include improvements in the logistics of global trade where ports and shipping companies have adjusted to the challenges of COVID-19 pandemic. New ships are entering service and port congestion are improved. Another positive factor includes trade agreements coming into fruition with the largest continental free trade agreements, African Continental Free Trade Agreements (AfCFTA) which provide a momentum for international trade.

1.4 Regional Economy

Even with the impressive recovery from the COVID-19 pandemic shock in 2021, African economies experienced a slowdown in 2022 due to various challenges. These challenges include the growing impact of climate change, persistent COVID-19 risks both in Africa and globally, and the spill over effects of rising geopolitical tensions, such as conflicts and insecurity on the continent, and Russia's invasion of Ukraine. These internal and external shocks have caused significant volatility in global financial markets, leading to inflationary pressures, increased costs of capital and debt servicing, disrupted global supply chains (especially in food and energy markets), and reduced demand in major export markets, notably Europe and China, which are Africa's primary trading partners. Despite these difficulties, African economies remain resilient, with a stable outlook.

Like many emerging market economies, African economies have suffered from tightening financial conditions and the strengthening of the US dollar. These developments have had significant negative consequences, including higher debt servicing costs, increased risk of debt distress, restricted access to international capital markets for new financing to address fiscal needs, greater instability in foreign exchange markets, and challenges for most central banks to maintain price stability.

All these challenges come at a time when African countries have been struggling with stretched fiscal positions due to COVID-19 policy responses, support for vulnerable populations, and rising food and energy prices, compounded by high debt and the physical impacts of climate change.

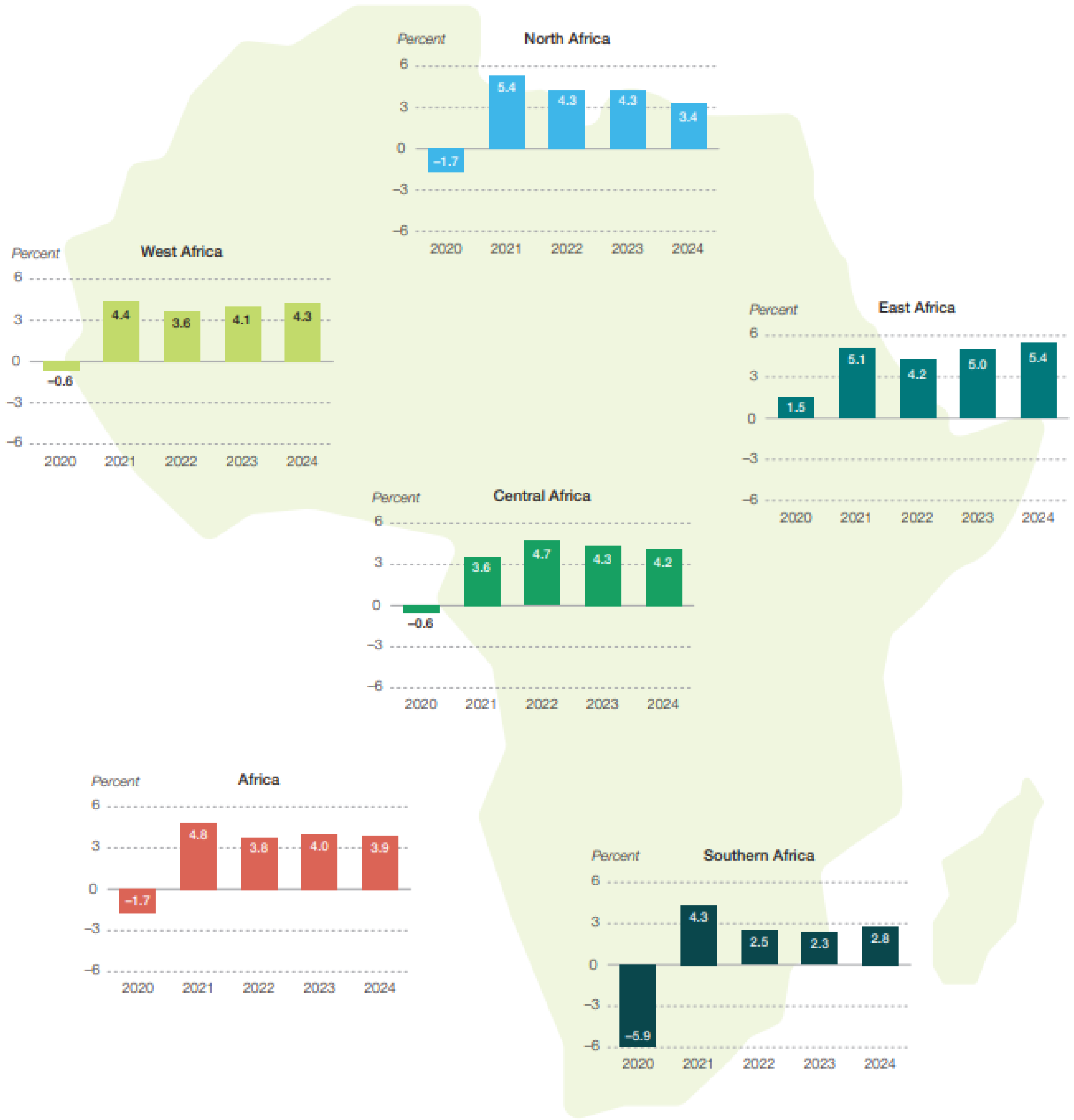


Figure 6 Growth in Africa

Source: African Development Bank (AfDB)

As a result, the estimated average growth of real gross domestic product (GDP) in Africa slowed to 3.8% in 2022 from 4.8% in 2021 and is projected to stabilise at 4% over the period 2023-24. Despite the confluence of multiple shocks, growth across all five African regions was positive in 2022 and the outlook for 2023–24 is projected to be stable.

2 THE MAURITIAN ECONOMY

2.1 Macroeconomic Overview

2.1.1 Economic Growth

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 has been estimated at 8.7% for 2022.

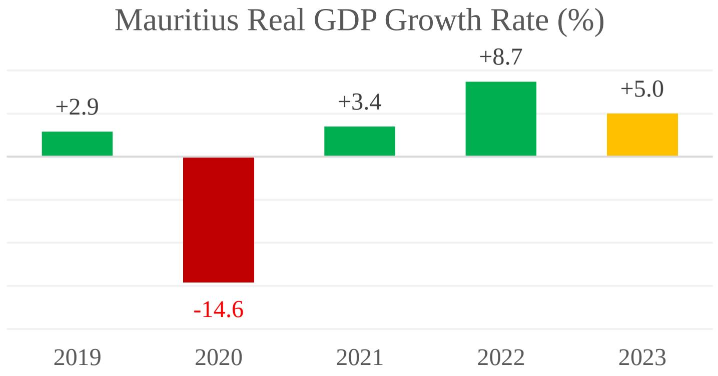


Figure 7 GDP Growth Rate (%)

Source: Statistics Mauritius, Bank of Mauritius

Due to unfavourable global and local economic conditions, the country faced several obstacles in 2021 and 2022. Amongst them, disruptions in global and local economic value chains, inflationary pressures, rising interest rates, high freight costs and pressure on the domestic currency.

2.1.2 Inflation

Just as almost every country in the world, Mauritius has not been spared from the pernicious effects 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.

The inflationary trend can be seen in the monthly headline and annual average Consumer Price Index (CPI) inflation rates. The CPI inflation rate was at 7.4% in January 2022 and peaked at

12.2% in December 2022. In early 2023, there was a slight drop in the CPI inflation rate to 11.1% in January 2023, followed by a further decline to 9.1% in March 2023.

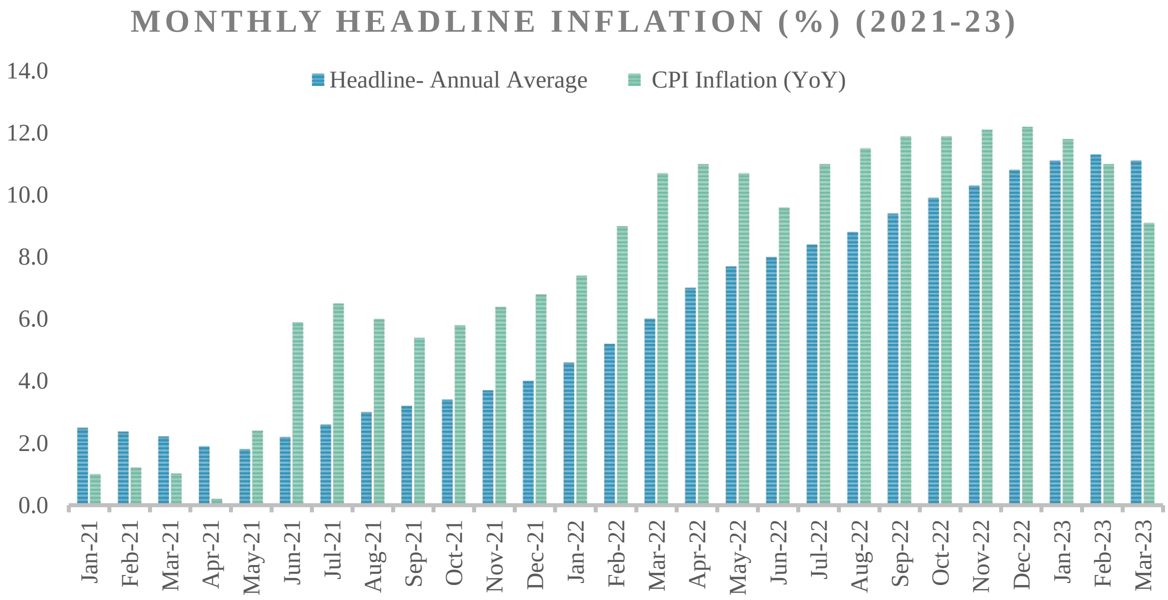


Figure 8 Monthly Headline Inflation (%) (2021-23)

Source: Statistics Mauritius

During 2022, domestic inflation has been mainly influenced by supply-side disturbances stemming from a rise in commodity and energy prices, depreciation of the Mauritian rupee, weather-related disturbances, as well as freight issues despite a recovery. Moreover, the economy has witnessed a rise in the CPI of all categories of products and services. Soaring prices were mainly driven by higher utility costs (+19.3%), transport costs (+18.3%), and elevated food and beverage prices (+11.1%).

Table 2 represents the CPI for different categories of goods and services in Mauritius, with a base year of 2017. The CPI for food and non-alcoholic beverages increased by 7.3% from March 2022 to March 2023. Alcoholic beverages and tobacco saw an increase of 12.0% during the same period. Housing, water, electricity, gas and other fuels rose by 18.1%. Furnishings, household equipment, and routine household maintenance increased by 8.3%, while transport increased by 13.7%. Education services witnessed an increase of 2.4%, and restaurants and accommodation services increased by 11.9%. It is further observed that for the corresponding period, a high increase was registered in utility expenses.

Table 2 Consumer Price Index (Base 2017 = 100)

Consumer Price Index (base 2017 = 100)						% Change Between Mar-22 to Mar-23
Description	**Mar-22**	**Dec-22**	**Jan-23**	**Feb-23**	**Mar-23**	
Food and non-alcoholic beverages	138.2	141.0	142.4	147.4	148.3	+7.3
Alcoholic beverages and tobacco	118.4	128.3	128.6	131.3	132.6	+12.0
Clothing and footwear	111.1	114.3	115.9	116.2	116.2	+4.6
Housing, water, electricity, gas and other fuels	92.4	104.6	106.5	110.3	110.3	+18.1
Furnishings, household equipment and routine household maintenance	124.4	129.7	133.0	134.2	134.7	+8.3
Health	122.7	123.9	130.8	130.7	130.8	+6.6
Transport	125.0	141.5	141.6	141.6	142.1	+13.7
Education services	111.9	111.9	112.6	113.0	114.6	+2.4
Restaurants and accommodation services	117.1	130.8	130.8	130.8	131.0	+11.9
Total	**120.1**	**127.1**	**128.5**	**130.5**	**131.1**	**+9.1**

Source: Statistics Mauritius

The rise in CPI can be attributed to supply-side disruptions, including a rise in commodity and energy prices, a depreciation of the Mauritian rupee, weather-related disturbances, and freight costs. These factors have led to an increase in the prices of goods and services, causing inflation in Mauritius.

2.1.3 Public Finance

To counteract the adverse effects of the pandemic, the government increased its spending considerably. As a result, the public sector's share of the GDP rose significantly, from 65.4% in 2019 to 83.4% in 2020 and 96.1% in 2021. The government's decision to increase spending was aimed at providing support to those most affected by the pandemic, such as households and businesses. With the gradual containment of the virus spread and the recovery of the tourism sector, public sector debt decreased to an estimated 83.4% in December 2022 (Figure 9) with another drop estimated at 81.9% in March 2023.

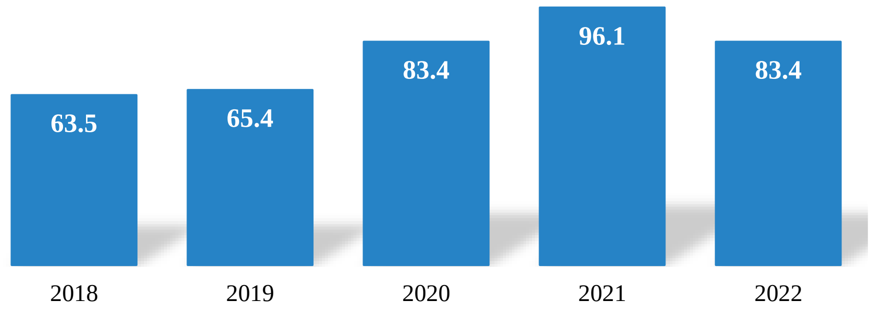


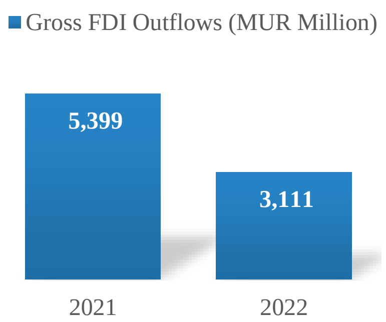
Figure 9 Public Sector Debt as a % of GDP

Source: Statistics Mauritius

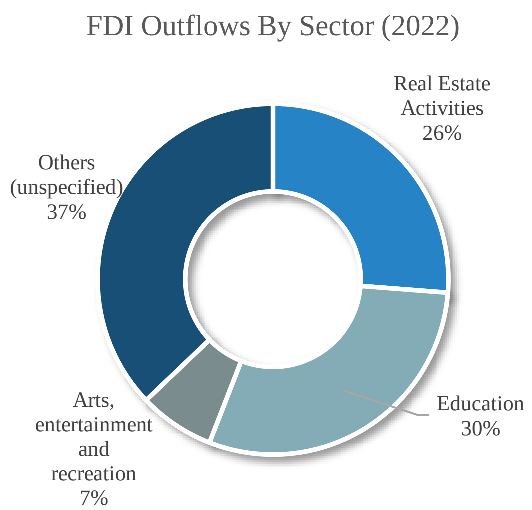
It is considered crucial for the government to prioritise expenditures with a view to addressing the growing divergence between expenditures and revenues. Therefore, the accommodative fiscal policy should be maintained, whilst improving the economy's resilience and competitiveness, and simultaneously adopting concrete structural reforms to pave the way towards sustained growth.

2.1.4 Foreign Direct Investment (FDI)

Mauritius has not been spared from the financial fallout of the Russo-Ukrainian war. Gross direct investment abroad has been estimated at MUR 3.1 billion in 2022 compared to MUR 5.4 billion in 2021. These were mainly directed towards to the education sector and real estate activities.



Main Investment Destinations:
US (30%), France (18%)



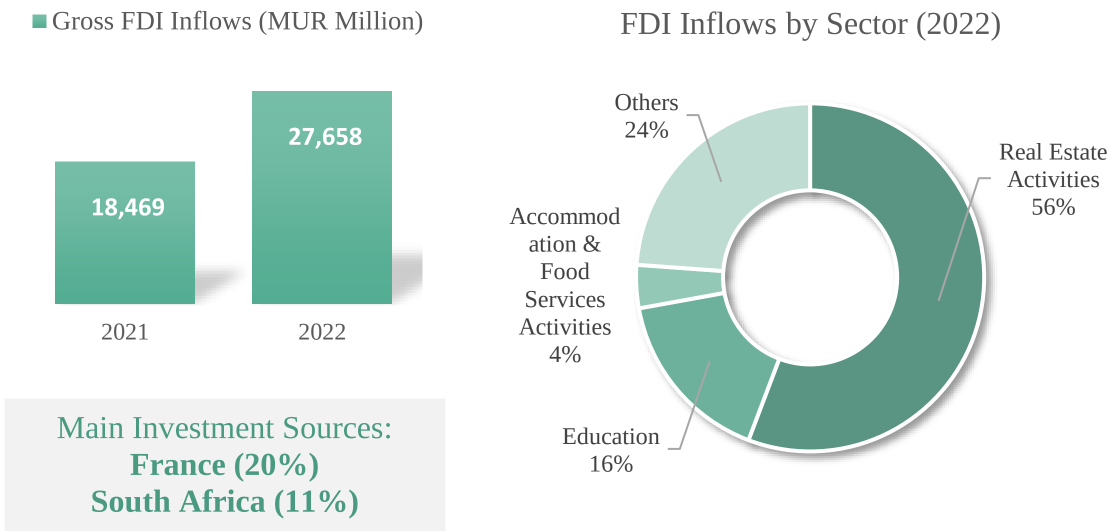


Figure 10 Foreign Direct Investment (Mauritius)

Source: Statistics Mauritius, Bank of Mauritius

2.1.5 Unemployment

In the wake of the pandemic, the unemployment rate in Mauritius climbed significantly. However, recent estimates indicate that the situation may eventually begin to stabilise. The unemployment rate is estimated at 7.7% for the year 2022 compared to 9.1% in 2021. These figures indicate that the labour market is gradually reversing the fall-out from the pandemic. It is noteworthy that the number of employed Mauritians has also steadily crept up over the past year, from 484,400 in 2021 to 519,600 in 2022.

The improvement in employment is a favourable development for Mauritian labour force, signalling that the economy is inching its way back on to course. The quality of new jobs generated, as well as the specific sectors where employment growth is strongest or weakest, is important to monitor. By and large, these latest employment figures suggest that Mauritius is moving forward in the process of restoring economic stability and creating more opportunities for its citizens.

Table 3 Employment Statistics

	Male	**Female**	**Total**
In employment (‘000)	318.0	201.6	**519.6**

Unemployed ('000)	20.4	22.8	**43.2**
Labour force ('000)	338.4	224.4	**562.8**
Population outside labour force ('000)	150.8	297.4.1	**448.2**
Total Population ('000)	489.2	521.8	**1011.0**
Employment rate (%)	94.0	89.8	**92.3**
Unemployment rate (%)	6.0	10.2	**7.7**
Activity rate (%)	69.2	43.0	**55.7**

Source: Statistics Mauritius

2.1.5.1 Gender Gap

Albeit some progress can be reported in lowering the overall unemployment rate in Mauritius, a substantial gender gap still sticks. Women continue to be more exposed to unemployment than men, with a rate of 10.2% compared to 6.0% for men in 2022.By implication, of the total employed population, only 201,600 are women, while the number of men is much higher at 318,000 – indicating significant barriers that prevent women from acceding to the labour market and securing opportunities in the workplace.

Addressing women's employment gaps, especially those working in the micro, small and medium-sized enterprise (MSME) sector, is therefore of utmost concern. By empowering women in business and supporting them to access training, financial resources and networking opportunities, bridging the gender gap in employment and forging a more inclusive and egalitarian society is a feasible option. Furthermore, tackling the root causes of underlying gender inequalities in the labour market has the potential to have a positive impact on the economy at large. Boosting women's participation in the labour market can spur economic growth, lift productivity and alleviate poverty and inequality.

2.1.6 Monetary Policy

Amid the pace of economic recovery and mounting inflation pressures in 2022, the Key Repo Rate (KRR) in Mauritius was raised at different intervals throughout the year, reaching 4.50% by the end of December 2022. This was a response to the need to stabilise the monetary environment and normalise inflation. However, in January 2023, the BOM introduced a new Monetary Policy Framework (MPF), which replaced the existing KRR with the Key Rate as the policy rate. Under this new framework, the BOM may explicitly adopt an inflation target, which provides a benchmark for members of the public to gauge inflationary pressures and assess the Bank's success in keeping inflation under control.

The introduction of the Key Rate at the same level as the KRR, i.e., 4.50%, indicates the Bank's intention to continue with its monetary policy stance, even under the new framework. The significant rise in the Key Rate witnessed in November and December 2022 also suggests that the BOM was committed to taking measures to stabilise the monetary environment and maintain control over inflationary pressures. By explicitly targeting inflation, the Bank can help to maintain price stability and promote long-term economic growth. It also enables businesses and consumers to make better-informed decisions, based on their expectations of future inflation and interest rates.

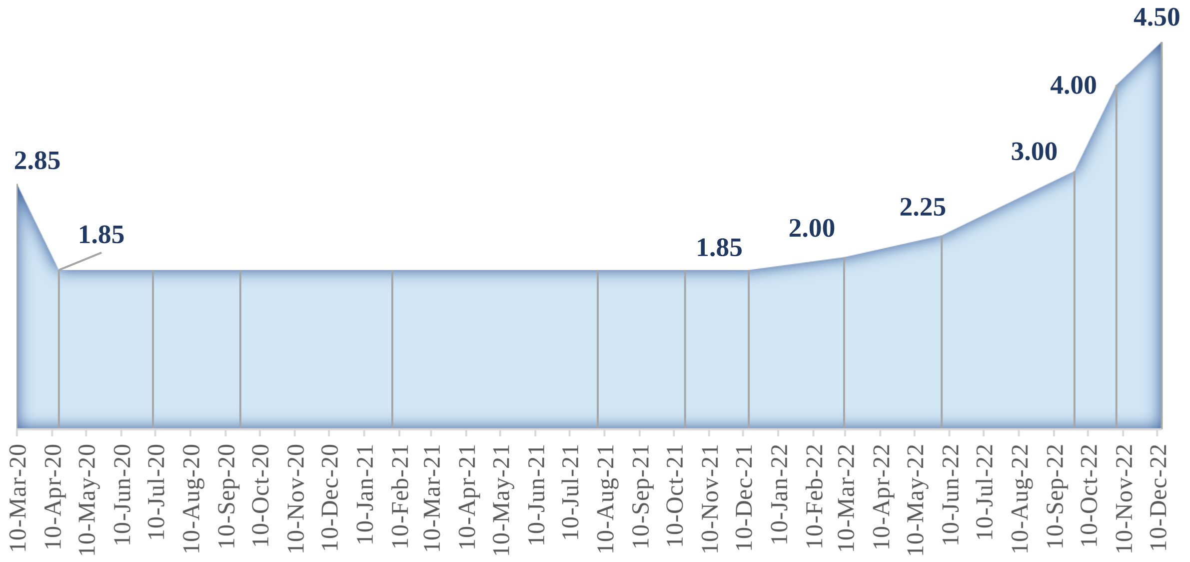


Figure 11 Repo Rates

Source: Bank of Mauritius

Increasing interest rates can help control demand-side factors and are more effective in reducing core inflation. However, even with rising interest rates, inflation is expected to remain high in the short term. Nevertheless, the projected economic slowdown in 2023, along with moderating inflation, may prompt the BOM to lower the Key Rate.

The rise in interest rates is aimed at curbing demand and reducing capital outflows to some extent, but it is not expected to be sufficient to bring down inflation significantly. Inflationary pressures have been building up in Mauritius due to a combination of as previously mentioned including, demand-side pressures from government stimulus measures.

Lowering the Key Rate could stimulate demand, encourage investment and borrowing, and help revive economic growth. At the same time, the Bank will need to balance the need for economic stimulus with the risk of reigniting inflationary pressures. The decision to lower the Key Rate will depend on a range of factors, including the state of the economy, inflation trends, and global economic conditions.

2.1.7 Depreciation of the Mauritian Rupee

This sharp price hike of most of the commodity prices is attributable to the depreciation of the Mauritian rupee (MUR) against major foreign currencies, particularly the USD. As a result, the investment conditions for import-led local businesses have become unfavourable, heading to a drastic rise in the cost of imports and ultimately translated to the shelves.

The Mauritian rupee operates under a free-floating exchange rate regime, which means that its value is determined by the market forces of supply and demand. In 2020, following the outbreak of the COVID-19 pandemic, the value of the MUR weakened by over 10% against major currencies. In 2021, the MUR continued to decline, albeit at a slower pace, except for the GBP. However, in 2022, the MUR appreciated against the GBP and the EUR by 4.3% and 5.2%, respectively.

Table 4 Exchange Rates (MUR/USD/GBP/EUR)

	Average Annual Rate					Annual Change (%)		
	2019	2020	2021	2022	Apr-23	2020	2021	2022
USD/MUR	36.0	39.7	42.0	44.5	44.3	10.2%	5.7%	6.2%
GBP/MUR	45.9	51.0	57.8	55.3	54.9	10.9%	13.4%	-4.3%
EUR/MUR	40.3	45.4	49.7	47.2	48.2	12.6%	9.6%	-5.2%

Source: Statistics Mauritius

The depreciation of the Mauritian rupee can have several implications for Mauritius. A weaker currency can make imported goods more expensive, running to higher inflation, which can be a burden for consumers. Moreover, businesses that rely on imports for their raw materials or finished products may face challenges in maintaining their profit margins if the cost of imports increases. This can also affect the balance of trade and the overall economic growth of Mauritius.

The new MPF stipulates that the exchange rate of the Mauritian rupee will still be subject to market forces in a floating exchange rate regime. However, the BOM will strive to mitigate excessive volatility of the exchange rate. As of February 2023, the Gross Official International Reserves (GOIR) of the country stood at around MUR 306 billion, equivalent to 14.4 months of imports. This indicates that the country has currently foreign exchange reserves to try to maintain some stability in the exchange rate and balance of payments.

To minimise the risks associated with exchange rate fluctuations, the BOM should seek to ensure a smooth flow of foreign exchange into the country by encouraging foreign investment. This strategy can help to boost foreign exchange reserves, which can in-turn help stabilise the exchange rate during periods of volatility. The GOIR is an important indicator of the country's ability to meet its external obligations and maintain macroeconomic stability. In this context, a higher GOIR implies greater resilience to external shocks and a lower risk of balance of payments crises.

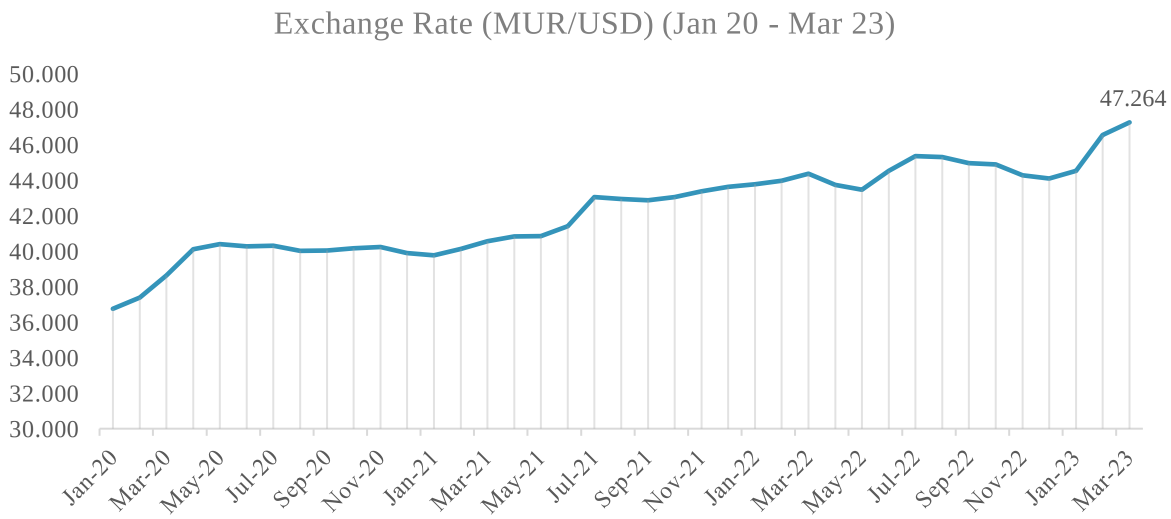


Figure 12 Exchange Rate (MUR/USD) (Jan 20 – Mar 23)

Source: Bank of Mauritius

Of note, this tendency is anticipated to persist in 2023, thence, the BOM is bound to intervene to ensure a smooth flow of foreign exchange into the country by fostering foreign investment, with all these feeding into the trajectory of the Mauritian rupee. In a strong economy, even though a depreciation of the currency is considered natural and therefore even desirable, strictly speaking, it is necessary that this depreciation is kept under control and consistent. Failing to do so can result in an upward movement in prices, thereby rendering it challenging for sustaining the same profit margin for some businesses.

2.1.8 Fiscal Policy

The fiscal budget of Mauritius is facing challenges similar to most countries due to commodity price shocks and the ongoing impact of the COVID-19 pandemic and the geopolitical crisis. In the fiscal year 2019/20, the Budget Deficit as a percentage of GDP was high at 13.6%, but it decreased to 5.0% in 2021/22. It is estimated that the deficit for the current fiscal year 2022/23 will account for 4.0% of GDP, largely due to the increase in tourism earnings.

To boot, Mauritius' budget deficit has been consistently high over the years, and the pandemic has only added to the pressure. The drop from 13.6% to 5.0% in 2021/22 suggests that the government has taken some measures to control the deficit, but it is still significant. The estimated 4.0% deficit in 2022/23 reflects the positive impact of the revival of the tourism sector, which is a key driver of the Mauritian economy.

The government will need to continue to implement policies to reduce the budget deficit, as high deficits can lead to negative consequences such as further fuelling inflationary pressures and high levels of public debt. It is important for the authorities to focus on attracting foreign investment to strengthen the economy and achieve fiscal sustainability.

2.2 Economic Outlook

The ongoing geopolitical conflict, if prolonged, may also slow down recovery in external demand and, hence affect tourism and export activities – leading to slower economic growth. Mauritius is set to continue to maintain its recovery path, supported by further upturns in tourism coupled with the continuing good performance in financial services, ICT and manufacturing sectors.

In line Statistics Mauritius, real GDP growth is projected to be around 5% in 2023, thus implying that the country would return close to its pre-pandemic level. In April 2023, the IMF has revised its projected growth rate to 4.6% for Mauritius which is lower than the October 2022 growth estimate of 5.4%.

The 2023 growth forecast remains subject to downside risks, on account of rising global uncertainties, along with potential further hikes in interest rates and the persistent inflationary pressures. The evolution of international commodity and energy prices will therefore require close monitoring to avoid major shocks on inflation and currency dynamics.

On another note, whilst remaining elevated, it is anticipated that a relative narrowing of the current account deficits as a % of GDP is expected this year on the back of the projected lessening of the import bill. Whilst sustained capital and financial flows are projected to support the balance of payment surplus, the protracted volatility worldwide especially amidst the tightening of financial conditions also require monitoring.

2.3 Sectoral Analysis

Over years, the Mauritian economy has undergone structural changes from a monocrop economy to a well-diversified economy – driven by some ten sectors. Financial and insurance services, manufacturing, and wholesale and retail trade contribute mostly to the Gross Value Added (GVA) of the economy. Table 5 illustrates the performance of the main sectors of the Mauritian Economy.

The manufacturing sector, which is the second largest contributor to the country's value-added growth, witnessed a growth rate of 10.4% in 2022 compared to 8.3% in 2021. The sugar sub-sector continued to decline in 2022, dropping by 9.0% after a decline of 5.1% in 2021. On the other hand, the food processing sub-sector had an outstanding performance with growth of 15.4% compared to 4.9% in 2021. Textile manufacturing and other manufacturing grew moderately at 6.8% and 8.2%, respectively, in 2022 compared to 8.9% and 12.0% in 2021.

Economic activities in the accommodation and food service sector improved significantly in 2022 from a contraction of 12.1% in 2021 to a whopping 200.8% in 2022, contributing significantly to the economy's growth. Other sectors such as financial and insurance activities, wholesale and retail trade, and public administration and defence, also made significant contributions to the economy's growth.

Table 5 Sectoral Performance (2021-2023)

	2021[1]	2022[2]	2023 (f)	Share of Total GVA (2022)	Contribution to GVA Growth (2022)
Agriculture, forestry and fishing	+7.2	+3.4	+3.8	3.9%	+0.1
- *Sugarcane*	*-7.2*	*-10.9*	*+0.0*	*0.3%*	*0.0*
Mining and quarrying	+10.9	+8.8	+5.0	0.4%	0.0
Manufacturing	+8.3	+10.4	+3.5	13.8%	+1.4
- *Sugar*	*-5.1*	*-9.0*	*+0.0*	*0.2%*	*0.0*
- *Food (excluding sugar)*	*+4.9*	*+15.4*	*+4.0*	*5.6%*	*+0.8*
- *Textile*	*+8.9*	*+6.8*	*+2.0*	*3.1%*	*+0.2*
Electricity, gas, steam and air conditioning supply	+1.7	+5.8	+3.0	1.3%	+0.1
Water supply; sewerage, waste management and remediation activities	+5.4	+3.9	+3.0	0.3%	0.0
Construction	+22.7	+1.3	+5.2	5.2%	+0.1
Wholesale & retail trade; repair of motor vehicles and motorcycles	+4.1	+3.0	+3.0	11.0%	+0.4
Transportation and storage	+2.7	+4.2	+4.0	5.0%	+0.2
Accommodation and food service activities	-13.7	+200.8	+25.7	6.4%	+5.1
Information and communication	+7.2	+4.0	+4.0	4.5%	+0.2
Financial and insurance activities	+4.2	+4.2	+4.2	13.6%	+0.6
Real estate activities	+1.4	+1.5	+1.8	5.5%	+0.1
Professional, scientific and technical activities	+5.1	+5.1	+4.0	5.6%	+0.3
Administrative and support service activities	+2.8	+4.1	+4.0	2.8%	+0.1
Public administration and defence; compulsory social security	+0.9	+4.1	+2.5	6.7%	+0.3
Education	-0.4	+1.5	+1.8	4.5%	+0.1
Human health and social work activities	+5.1	+5.6	+3.7	5.0%	+0.3
Arts, entertainment and recreation	-9.4	+7.8	+4.8	2.8%	+0.2
Other service activities	+2.5	+9.7	+4.0	1.3%	+0.1
Gross Value Added (GVA) at basic prices	**+4.0**	**+9.7**	**+5.0**		+9.7
Gross Domestic Product (GDP) at market prices	**+3.4**	**+8.7**	**+5.0**		

Source: Statistics Mauritius

Hence, the Mauritian economy showed resilience in 2022, bouncing back from the economic slowdown in 2021, with several sectors making notable contributions to its growth.

Major driver sectors of the economy include the EOE sector which an estimated growth rate of 11.8% in 2022. Seafood sector also increased by 2.6%, while the tourism sector has outgrown all sectors – rising by 253.6%. Nevertheless, next year's global economic slowdown is expected to slow down the island's ongoing economic recovery and inhibit tourism from

Europe. Additionally, mounting external pressures, high inflation, and heightened uncertainty still feature as downside risks and should remain pronounced in the near term.

2.3.1 Agriculture and Agri-Food Industry

The food crisis stemming from the Russo-Ukrainian conflict in 2022 has distressed many countries, especially developing economies that are profoundly dependent on imported resources, and Mauritius was not spared. The latter had a spill-over effect which created a notable surge in prices for agricultural commodities. Consumption of food and nutrients constituted about 77% of Mauritius' imports in 2020, thereby stressing the susceptibility of the food security systems of the economy to external shocks.

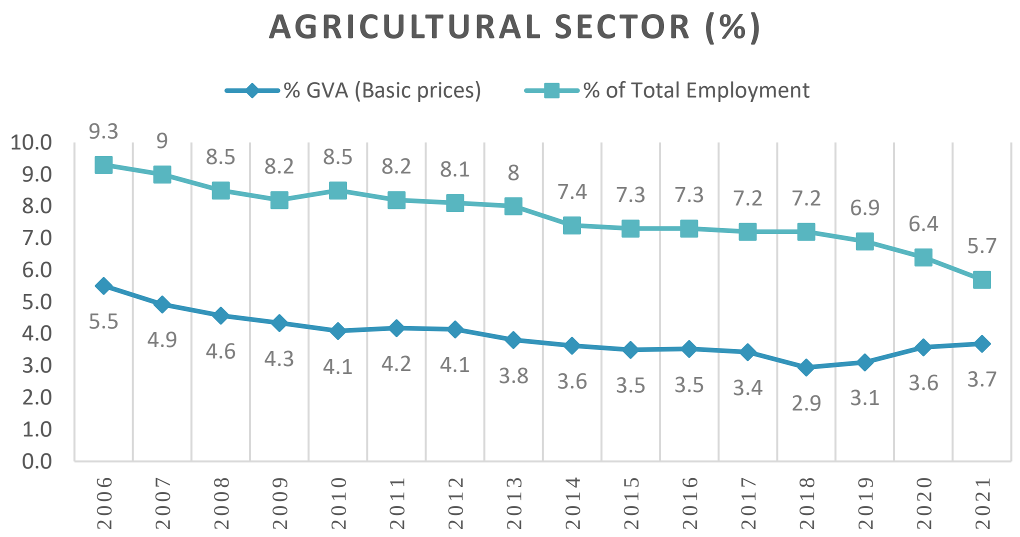


Figure 13 Agricultural Sector (%) GVA and Employment

Source: Statistics Mauritius

Mauritius has a comparatively small-scale agricultural sector, whereby a majority of the land is allocated to sugarcane production, with a 6% contraction in harvested area in hectares from 2021 to 2022. Although the share of the agricultural sector in GVA has increased from 3.6% in 2020 to 3.7% in 2021, the production of sugar has experienced a declining trend of 6% from 2021 to 2022.

The agricultural sector in Mauritius, albeit limited in size, is significant for the country's food security and the sustenance of the surrounding rural population. The government has initiated efforts to diversify the sector in recent years by fostering the cultivation of other crops such as nutraceuticals, and by promoting the use of new technologies for example, vertical farming, to increase productivity and efficiency.

2.3.2 Manufacturing

The manufacturing sector, the second-largest contributor to the country's value-added growth, saw growth of 10.9% in 2021 and an estimated 8.8% in 2022, as per the Figure 14.

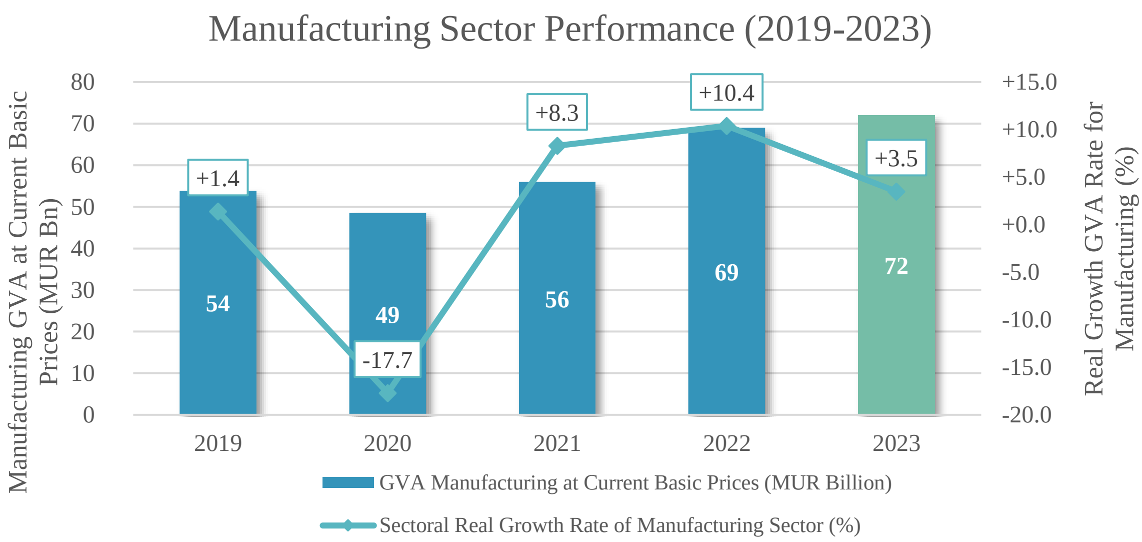


Figure 14 Manufacturing Sector Performance (2019-2022)

Source: Statistics Mauritius

Whilst the food processing sub-sector saw significant growth of 15.4% in 2022 compared to 4.9% in 2021, the sugar milling sub-sector witnessed a decline of 17.2% and 9.0% in 2021 and 2022, respectively. The textile manufacturing and other manufacturing sectors grew moderately at 6.8% and 8.2%, respectively, in 2022 compared to 8.9% and 12.0% in 2021.

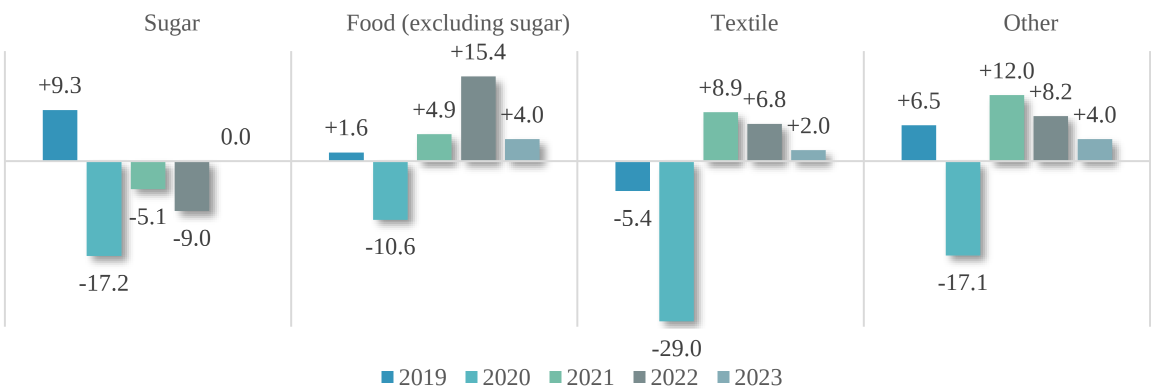


Figure 15 Manufacturing sub-sector Performance (2019-2023)

Source: Statistics Mauritius

2.3.3 Export-Oriented Enterprises (EOE) sector

There is no doubt that the manufacturing sector is the major driver for exports. In 2022, the EOE sector grew by 11.8% and brought a share of 4.3% to the GVA growth. Employment in the EOE sector accounted for some 7% of total employment, and has been on a declining trend, which has become a matter of concern.

Table 6 Overview of EOE sector

	2019	2020	2021	2022
Value added at basic prices (MUR Million)	18,711	16,039	18,430	21,770
Real Growth Rate (%)	-3.2	-21.9	+6.5	+11.8
Share in Manufacturing (%)	35	33	33	32
Share in Gross value added (%)	4.2	4.1	4.4	4.3
Number of Enterprises	239	235	233	232
- Closures	*(24)*	*(4)*	*(2)*	*(1)*
Total Employment in EOE sector	44,160	36,736	35,024	36,109
- Net change	*-5,706*	*-7,424*	*-1,712*	*+1,085*

Source: Statistics Mauritius

Productivity and competitiveness of the industrial sector has declined over the past recent years.

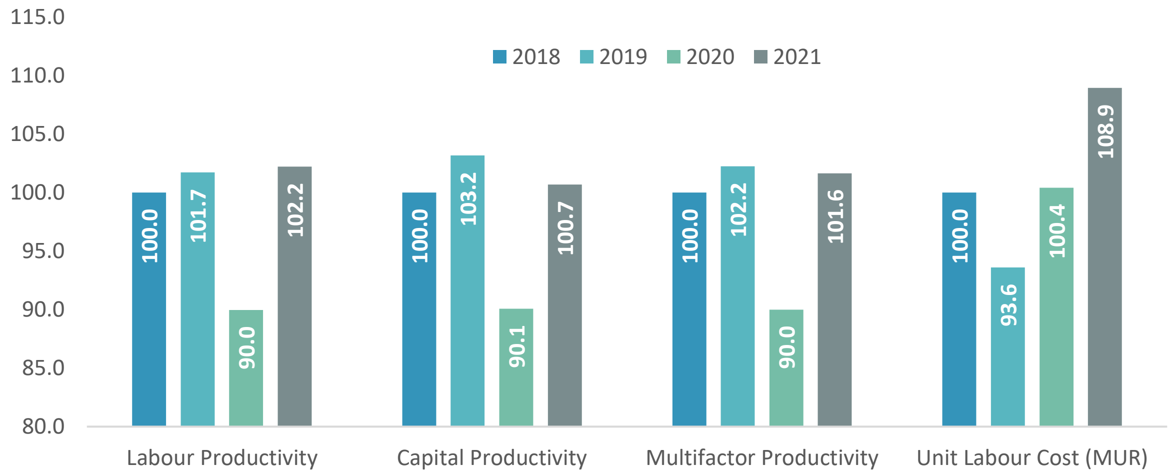


Figure 16 Productivity Indicators (2018-2021)

Source: Statistics Mauritius

Although an improvement can be noted in productivity levels from 2020 to 2021, the index level remains slightly below the pre-COVID level (2019) for capital productivity and multifactor productivity. Unit Labour Cost has also increased significantly in 2021 – by 8.5% in 2021.

Labour productivity growth has been the main engine for driving the industrial sector in Mauritius. Although there is noted improvement in infrastructure upgrading and ICT adoption, progress in the industrial and manufacturing sector has lost pace in recent years where the labour market remains somewhat rigid and does not fully match pay and productivity, limiting talent development. In fact, the manufacturing sector has remained non-dynamic over the past decade.

With the objective of transforming the island into a knowledge-intensive and inclusive economy of the Fourth Industrial Revolution, improving productivity and competitiveness of the manufacturing sector is critical. These will require a re-orientation of existing policies and incentive schemes towards improving the competitiveness of labour-intensive firms and attracting FDI in value-added sectors. With the urgent need to transitioning to green energy, ensuring sustainability of the industrial sector remains imperative. Greater emphasis on self-sufficiency and developing non-sugar lands is also critical for a revival amidst the high cost-of-living crisis.

2.3.3.1 Smart Manufacturing for a Sustainable Future

Given the current gloomy economic outlook fraught with an impeding energy crisis and political instability, with heightening risks of natural disasters and climatic conditions, along with the ongoing issues related to skills gap and labour productivity, a renewed commitment to building sustainable manufacturing processes for a sustainable future has become critical. Digital transformation has also become of paramount importance.

Harnessing the industrial and manufacturing sectors to expanding their productive capacity and transitioning to sustainable development will require targeted and sector-specific strategies that aim to simultaneously promote dynamic transformation as well as support structural transformation and build innovative capabilities. On a path of sustainability, synergies between productive capacity and the SDGs should be enhanced by adopting inclusive social policies. There is the need to further close the gender gaps in education, employment opportunities, wages and distribution of unpaid care work in families and to address the issue of youth unemployment on a priority basis.

UNCTAD has long defined productive capacities as “the productive resources, entrepreneurial capabilities and production linkages, which together determine the capacity of a country to produce goods and services and enable it to grow and develop.”

Driving sustainable and inclusive growth indefinitely necessitate a re-engineering and improvement of the different aspects and indicators of the Global Competitive Indicators. The challenges of these recent years require deep, responsible industry transformation along entire value chains. These ambitions can only be achieved through broad collaboration of all stakeholders along the value chain.

2.4 Energy Sector

As a cornerstone of the global economy, energy has been a major economic challenge and consequently the crisis compelled Mauritius to radically reconsider the way we consume, generate and, most crucially, supply energy. However, contesting the current status quo and reconciling sustainability, energy sufficiency, and affordability is a massive and extremely comprehensive task, and one that poses a multitude of significant stakes.

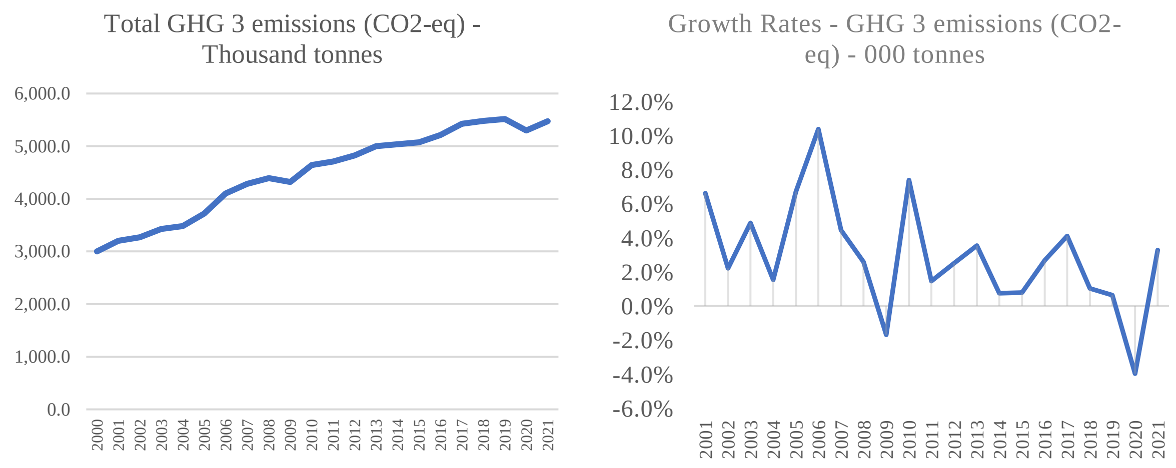


Figure 17 Greenhouse Gas Emissions in Mauritius

According to a report by Statistics Mauritius, greenhouse gas emissions have been on the rise in Mauritius from 2020 to 2021. The country’s total GHG emissions increased by 3.3%, reaching 5,472 thousand tonnes of CO^2 equivalent. The report also highlights an increase in net emissions from forest and land use practices, which rose from 4,975 to 5,136 thousand tonnes of CO^2 equivalent. This increase in emissions is a cause for concern, as Mauritius has committed to increasing the share of renewables in its electricity mix to 60% by 2030.

Large-scale investments, switchovers and rollouts are foreseen to eventually be able to hit this benchmark. The report hints that the current share of renewable energy in Mauritius' electricity mix is sub-optimal and that considerable inroads are required to progress further to the goal. In the absence of any significant advancements, Mauritius may face difficulty in complying with its climate mitigation targets and may have to contend with negative climate change impacts.

2.5 Productivity and Competitiveness

Mauritius' ranking of first in Sub-Saharan Africa and 52^{nd} globally out of 141 economies on the Global Competitiveness Index 2018 is a positive sign for the country's economic development. However, the productivity and competitiveness indices signal that several pockets of unmet economic challenges still exist and need to be tackled.

Figure 18 Global Competitiveness Index

Both the productivity and the competitiveness indices indicate a growing concern for the Mauritian economy. Areas of concern on the Global Competitiveness Index are shown in Table 7 below.

Table 7 Areas of concern on the Global Competitiveness Index

	Rank out of 141
Road Connectivity	136
Airport Connectivity	86
Reliability of water supply	97
Healthy Life Expectancy	81
Current workforce	96
Ease of finding skilled employees	82
Extent of market dominance	107
Redundancy Costs	138

Flexibility in wage determination	91
Multi-stakeholder collaboration	106
Research and Development	105
Research Institutions Prominence	113

Facilitating the movement of goods and people and upgrading road and airport connectivity could boost the country's economic growth. Guaranteeing a regular water supply is also decisive for agricultural, industrial and recreational operations. Increased life expectancy of the population in an environment of improved healthy living could on the other hand translate into higher productivity of the labour force.

In industries that rely on a high level of expertise, such as finance and information technology, ensuring that skilled workers are available easily is paramount. The magnitude of market domination and firing costs could hamper market competition, and policies that deal with these concerns could spur innovation and entrepreneurship.

In addition, flexibility in wage setting and multi-stakeholder cooperation agreements amongst stakeholders could potentially benefit the country's business environment and foster cooperation between the government, the private sector and civil society. Opportunities to invest in research and development and support the prominence of research institutions in the country could also aid the nation's long-term economic growth.

2.5.1 Human Capital & Productivity

The COVID-19 pandemic has fundamentally changed the way people live, work and interact. In particular, the global war for talent has been heightened. Significant geopolitical and economic uncertainties are driving some countries to adopt inward-looking policies to protect their workforce, while others have launched more open initiatives to attract talent from around the world. The talent shortage also makes it difficult for companies to recruit and place the right people in the right jobs. Yet pay and benefits alone are not enough to retain employees. The purpose of the job and career development are other reasons why employees consider changing jobs. Developing talent and creating the right conditions for employees to thrive in their roles have therefore become key objectives for many organisations today.

The challenge of human resources is also a serious constraint on the Mauritian economy, cutting across all sectors of activity. The lack of skilled and unskilled labour is a serious concern for the business community and hinders the growth and expansion of business activity. Consequently, securing a stable and skilled workforce for the foreseeable future has recently become one of the greatest challenges for Mauritian businesses.

The severity of this problem requires a proper assessment of the underlying causes. The main factors include: the ageing population, the declining birth rate, the skills mismatch, the increasing brain drain and, last but not least, the new generation phenomenon. The younger generation, namely the Millennials and Gen Z, are finding it increasingly difficult to adapt to the traditional work culture and organisation. A thorough rethink of the organisational structure is needed to make the business world more agile and responsive to the aspirations of young people, who are driven by values closely linked to the Environmental, Social and Governance (ESG) agenda.

Aligned with a goal of developing and attracting talent, identifying the root causes of the human resource problem in Mauritius is necessary to provide crucial information to help leaders develop better informed policies, business decisions and talent strategies that can help the local economy and businesses remain competitive. Careful calibration of policies targeted at nurturing the ecosystem as a structure focused on human capital development and value creation is of absolute necessity.

Prioritising the development of its human capital is essential to achieving sustainable development in Mauritius. To ensure that Mauritius reaches a sustainable development, priority needs to be given to the development of its human capital, which can be done by investing in education, research and development, and innovation. The brain drain phenomenon also entails pursuing policies that facilitate better employment opportunities and favourable working conditions, while simultaneously fostering meritocracy and equality of opportunity.

The promotion of local talent growth and the attraction of foreign skills require a review of immigration policies to attract high-qualified foreign talent in sectors lacking capacity and skills. Emphasis on the transfer of knowledge is also crucial to ascertain that the skills and knowledge built up by the foreign talent are shared with the local talent. The attractiveness of the jurisdiction for foreign talent should also be enhanced by tapping into various avenues, comprising tax schemes and other related incentives.

To boost productivity and competitiveness, Mauritius needs to have the right knowledge, skills and competencies in key sectors of the economy. This in turn will contribute to the sustainability of economic prosperity. Hence, by investing in the training and upgrading of its existing workforce and by creating an environment that promotes and supports personal development, capacity building and human resource development, it is vital that Mauritius invests in the development of its labour force. Only then can Mauritius successfully pursue sustainable human development and become a leader in the region.

2.5.2 Global Talent Competitiveness Index 2022

According to the 2022 Global Talent Competitiveness Index report, Mauritius was ranked 51st globally out of 133 nations and 1st in Sub-Saharan Africa. As an upper middle-income country, Mauritius was placed in the talent limper quadrant, which, according to the report can be partly attributed to a weakening enabling environment and a lower ability to grow talent.

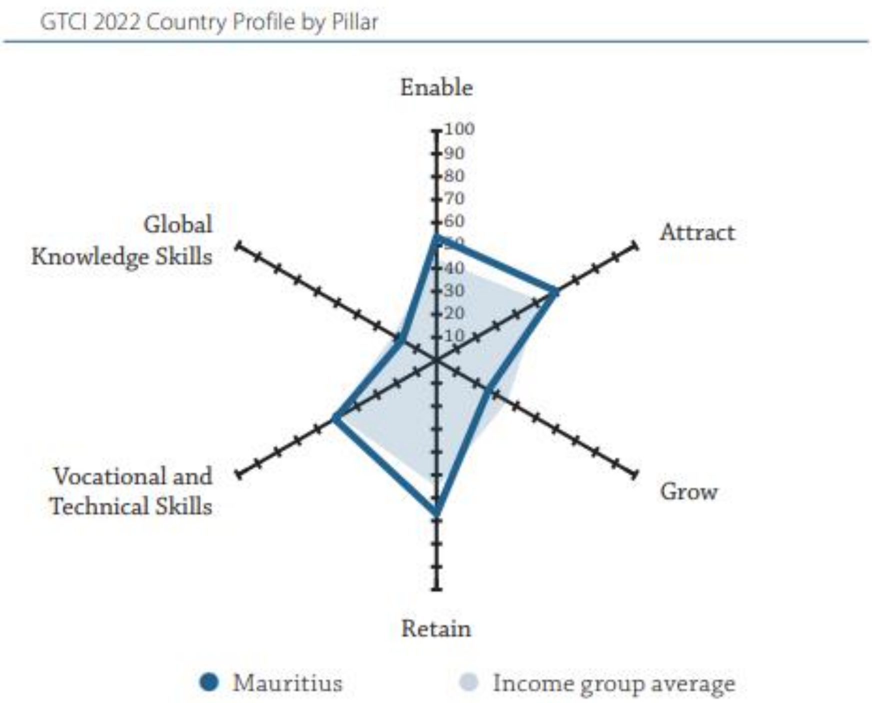


Figure 19 Global Competitiveness Talent Country Profile

Source: Global Talent Competitiveness Index

The 2022 Global Talent Competitiveness Index report has ranked Mauritius as the 51st most competitive nation globally in terms of talent, out of a total of 133 countries surveyed. While this ranking places Mauritius above the global average, it is still a relatively low ranking for an upper-middle-income country, indicating that there is room for improvement in terms of the country's talent competitiveness.

Table 8 Ten Best Performer in Sub-Saharan Africa

GTCI	ENABLE	ATTRACT	GROW	RETAIN	VOCATIONAL AND TECHNICAL SKILLS	GLOBAL KNOWLEDGE
Mauritius (51)	Mauritius (39)	Mauritius (38)	South Africa (81)	Mauritius (38)	Mauritius (53)	Nigeria (54)
Botswana (70)	Botswana (52)	Gambia (46)	Mauritius (90)	Botswana (53)	Cabo Verde (79)	Botswana (57)
South Africa (77)	Cabo Verde (54)	South Africa (56)	Botswana (92)	Cabo Verde (56)	Benin (80)	South Africa (60)
Cabo Verde (79)	South Africa (55)	Namibia (61)	Kenya (96)	Namibia (77)	Ghana (81)	Mauritius (78)
Namibia (90)	Ghana (67)	Zambia (62)	Cameroon (100)	South Africa (84)	Gambia (88)	Cabo Verde (79)
Gambia (94)	Namibia (71)	Cabo Verde (68)	Ghana (101)	Lesotho (92)	Kenya (89)	Kenya (92)
Ghana (95)	Rwanda (82)	Botswana (76)	Namibia (103)	Gambia (93)	Zimbabwe (90)	Eswatini (98)
Kenya (97)	Benin (84)	Benin (81)	Nigeria (106)	Senegal (94)	Mauritania (92)	Namibia (101)
Eswatini (100)	Gambia (93)	Côte d'Ivoire (84)	Côte d'Ivoire (107)	Eswatini (99)	Namibia (94)	Angola (102)
Zambia (102)	Senegal (96)	Rwanda (86)	Eswatini (108)	Ghana (101)	Botswana (97)	Cameroon (103)

Source: Global Talent Competitiveness Index

Out of the many factors contributing to Mauritius's lower ranking is its sluggish talent environment, which may refer to factors such as education and training (including TVET), labour market policies, and the availability of opportunities for workers to develop their skills and advance their careers. Another factor is the country's lower capabilities to retain talent, which may be related to issues such as salaries and benefits, job security, and the availability of career advancement opportunities.

Improving talent competitiveness should be an important goal for Mauritius, as it can have significant economic and social benefits. A more competitive talent environment can help attract investment and support economic growth, while also providing workers with better opportunities for career development and higher earnings.

2.5.3 Ageing Population

Mauritius is certainly not immune to the demographic ageing phenomenon. The small island of Mauritius is one of the vanguard African countries and is seeking to temper the repercussions of ageing through the enactment of various policies and schemes and measures, notably family planning, from which its citizens are reaping the benefits. Yet Mauritius finds itself confronted today with a very different predicament, common to a few African nations and a majority of industrialised countries, characterised by an ageing demographic.

The transformation of the population's aging structure in Mauritius will have manifold implications, for example on family dynamics, the provision of social services, such as health and social welfare services, employment and education. The economic dimension will be the most prominent in Mauritius, as it will be more and more cumbersome to sustain the reasonably ample social welfare system, which is already burdening the state with about 20.3% of total government expenditure.

The vision 2030 of the authorities anticipates that Mauritius will ascend to the ranks of upper-income economies in the coming decade through a radical restructuring of the economy in the direction of a more widely diversified and advanced economy. Yet, declining productivity, spiralling unit labour costs and unfavourable demographic trends represented by an ageing population and a swiftly contracting labour force constitute a daunting challenge to the realisation of this ambition.

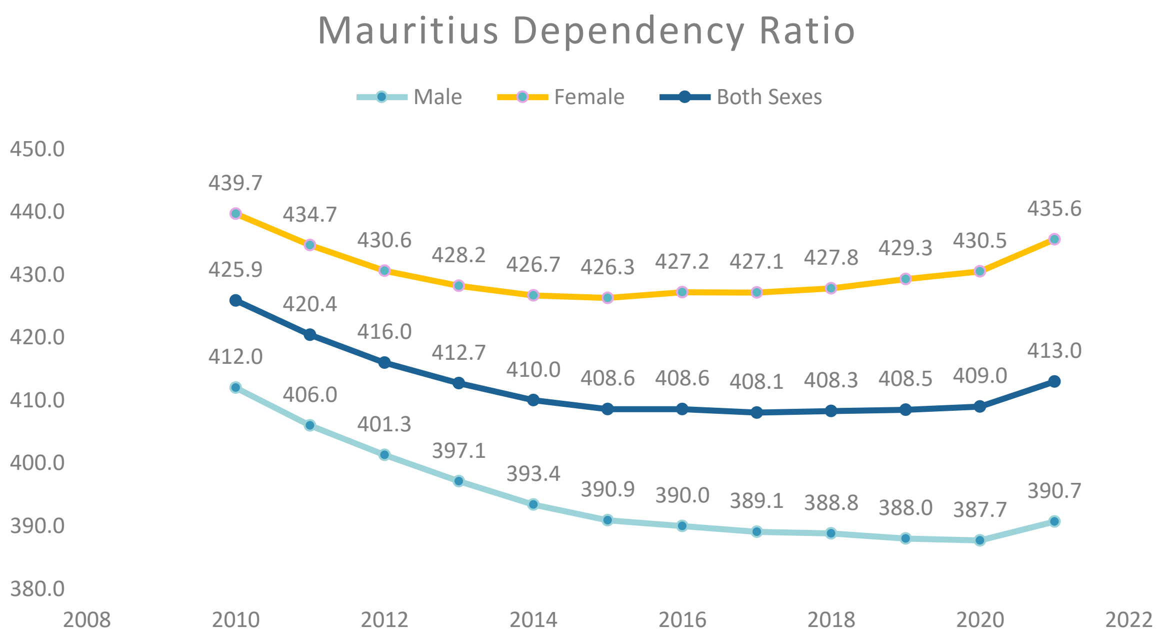


Figure 20 Mauritius Dependency Ratio

Source: Statistics Mauritius

A high dependency ratio indicates that a large proportion of the population is dependent on those who are of working age, which puts pressure on the labour market and the government's finances. According to the figures released by Statistics Mauritius in 2021, the dependency ratio in Mauritius has surged from 425.9 in 2010 to 413.0 in 2021, signifying that there are now more dependents for each person who is economically active in 2021 than in 2010.

The implication for women is that they have to support more dependents in their households, which might be linked to a combination of factors that include higher life expectancy for women, the fact that more women stay at home to cater for children and elderly parents, and lower labour force participation rates. This is evidence that the burden of dependency still weighs disproportionately on women, despite some positive improvements in gender equality in recent years. Policies to address gender disparities in the labour market and in care provision could contribute to narrowing and indirectly improve the gender gap concerning old-age and dependency ratios.

The increase in the dependency ratio could have a number of implications for the Mauritian economy which could result in a decrease in the available workforce, as more individuals are needed to care for dependents. In addition, social protection systems may come under pressure as additional resources are needed to support the growing number of dependent people. Furthermore, an increase in the dependency ratio could also impact the government's revenue streams. Fewer individuals who are economically active will potentially signify a decrease in tax revenues, thereby impacting the government's ability to invest in social and economic development initiatives.

2.5.4 Market Inefficiencies

In an effort to support critical parts of the economy that are thought to be vulnerable to external forces and protect the purchasing power of the population, the government has granted subsidies and imposed maximum prices on certain products since 2021. Whilst subsidies may have a direct positive impact on targeted industries or segments of the population, they also work against free trade and create market inefficiencies. If prolonged over extensive periods, subsidies can also interfere with market functioning therefore causing anomalies or inefficiencies. They can also create unfair conditions that favour some industries and segments over others thus leading to unfair competition.

To this end, the implementation of policies and regulations should be carried out in a phased guided manner with a mutually acceptable transition time. The competition law in Mauritius should aim to encourage sound competition by ensuring the principles of market forces to prevail. Market forces should not be artificially manipulated as it disrupts market fundamentals. It is paramount to foster a transparent environment for conducting business activities, promote free market policies, justice meritocracy and the rule of law.

The cost of doing business in Mauritius has spiralled significantly over the past few years. The recent increase in electricity tariffs in Mauritius from February 2023, has impacted significantly on the country's competitiveness, especially in the commerce, industry and ICT/BPO sectors. Mauritius has become less competitive as compared to other countries in the region, which could potentially lead to the potential de-localisation of many businesses to more cost-effective markets. The increase in electricity prices will also have long-term consequences, including higher debt burdens, impact on business continuity, and may further delay the green transition, as businesses struggle to find the necessary funds for investment.

It is worth noting that the ICT/BPO sector, which is a significant contributor to the Mauritian economy, has been particularly affected by the tariff increase due to its high dependency on electricity. This has resulted in a major overall hike in the operating costs of businesses operating in this sector. The surge in electricity tariffs also has heavy implications on the export sector, which could lead to a contraction in our overall exports, our export competitiveness, thus resulting in possible downsizing or de-localisation of activities of enterprises.

It is of paramount importance that the cost of doing business be competitive to allow industries to operate, develop, invest and grow in a business-friendly environment, as they play a central role in the modernisation and competitiveness of the economy.

2.6 External Trade

As an export-driven economy, international trade is one of the key drivers of economic growth for Mauritius. In 2022, Mauritius' total exports and total imports amounted to MUR 83 billion and MUR 292 billion, respectively. This represented an increase of 19% and 36%, respectively from 2021. Exports went mainly to Europe – accounting for 45% of total exports, followed by the African region (29%). Imports on the other hand were mainly sourced from Asia, amounting to MUR 164 billion and representing 56% of total imports.

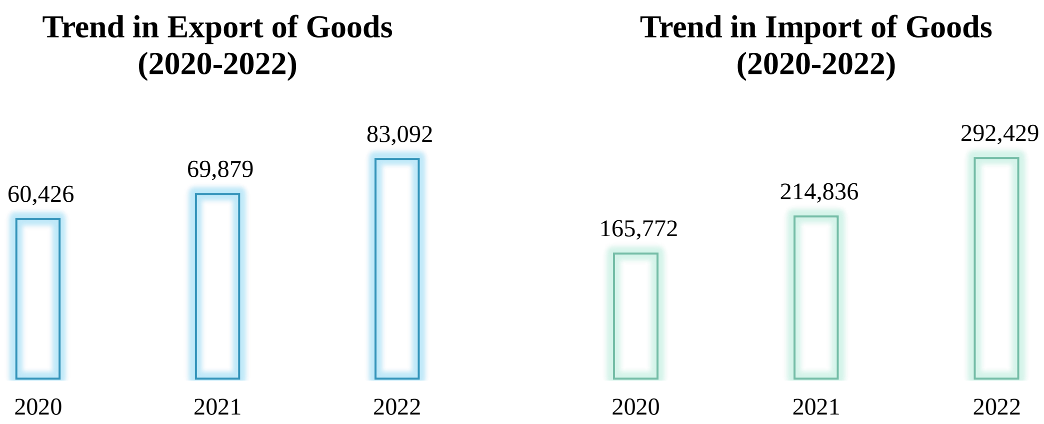


Figure 21 Import and Export of Goods

Source: Statistics Mauritius

It should be noted that leading export markets were from Africa, namely South Africa (MUR 11.1 Bn) and Madagascar (MUR 7.5 Bn). Main export markets in Europe included France (19%), UK (19%) and Spain (15%). Exports to US amounted to MUR 6.7 billion. With regards to imports, China and India were the main supplying markets, with a share of 16% and 9%, respectively, of total imports, followed by South Africa (9%). Mauritius' exports remain dominated by the textiles (22%), preserved fish (14%) and sugar (10%). A breakdown of the top 10 products of export is illustrated in Table 9 below. The top 10 products represented 77% of our total exports to the world in 2022.

Table 9 Top 10 Products of Export 2020-2022

Top 10 Products of Export (MUR Million)					
Description	**2020**	**2021**	**2022**	**% Change 2020-2022**	**Main Export Markets 2022**
Garments	15,329	17,050	18,556	21%	South Africa (40%), UK (11%), France (8)
Processed tuna	9,102	9,453	11,334	25%	UK (28%), Spain (27%), Italy (18%)
Cane sugar	7,273	7,028	8,689	19%	Kenya (23%), Spain (11%), Italy (8%)
Polished diamonds	1,997	2,852	4,236	112%	Vietnam (80%), Belgium (13%), usa (5%)
Frozen fish	2,970	1,954	2,657	-11%	Thailand (26%), Spain (21%), Japan (17%)
Other knitted or crocheted fabrics	1,654	2,183	2,503	51%	Madagascar (68%), South Africa (28%), Bangladesh (2%)
Live animals	1,296	2,040	2,157	66%	USA (61%), Spain (20%), UK (9%)
Medical devices	1,288	1,752	1,871	45%	France (44%), India (39%), USA (6%)

Medicaments	948	1,344	1,443	52%	China (43%), Belgium (27%), Singapore (12%)
Articles of plastics, pet bottles	730	884	1,221	67%	Madagascar (47%), Mozambique (13%), Reunion (11%)

Source: Statistics Mauritius

In 2022, main products of import included petroleum oils, motor vehicles, frozen fish and coal amongst others. A breakdown of the top 10 products of import is illustrated in Table 10 below. The top 10 products of imports represent 48% of our total imports from the world in 2022.

Table 10 Top 10 Products of Import 2020-2022

Top 10 Products of Import (MUR Million)					
Description	**2020**	**2021**	**2022**	**% Change 2020-2022**	**Main Countries of Import 2022**
Petroleum oils	20,542	30,323	55,727	171%	UAE (41%), Oman (40%)
Motor vehicles	6,838	8,425	11,760	72%	Japan 926%), India (19%), Germany (18%)
Frozen fish	7,559	7,656	9,205	22%	Seychelles (32%), Spain (24%), France (13%)
Coal	2,381	4,176	7,546	217%	South Africa (100%)
Cellular phones	3,981	4,569	7,451	87%	China (61%), South Africa (15%), Vietnam (13%)
Medicaments	5,552	9,230	6,906	24%	India (40%), France (12%), Germany (7%)
Diamonds, unworked	1,692	3,220	4,712	179%	Belgium (98%)
Milk powder	2,512	2,373	3,389	35%	New Zealand (77%), France (6%)
Cigarettes	2,088	2,368	3,123	50%	Kenya (63%), South Africa (22%)
Cotton	1,187	1,548	3,069	159%	Zimbabwe (19%), Mozambique (12%), Benin (12%)

Source: Statistics Mauritius

3 KEY PRIORITIES TO SUSTAIN RECOVERY AND BUILD RESILIENCE

3.1 Economic Diversification & Development of Priority Sectors

Further diversifying the economy remains critical to sustain recovery and support the country's aspiration to become a high-income country. Industrial transformation coupled with the diversification strategies have till date contributed to both enhancing long-term growth and significantly reducing cyclical fluctuations in real output. However, there is a need to further pull up efforts to consolidate our existing sectors and develop priority sectors to mitigate our vulnerabilities to external shocks and enhance prospects for longer-term economic growth.

3.2 Modernisation of Healthcare Sector

3.2.1 Digitalisation of healthcare

The modernisation of the healthcare sector to pursue health systems goals that include high quality, efficiency, equity, affordability and accessibility of health care remains a necessity. One of the factors influencing the performance of health care systems is technological change, including the ongoing process of digitalisation of health services. Digital technologies and the digital environment offer new opportunities for identifying needs and delivering health care (from prevention and health promotion to curative interventions and self-management). As such, they have the potential to transform healthcare services in ways that may contribute to health system goals.

Today, as the Mauritian population is ageing rapidly not only marks a dramatic change in our demographic structure, but also requires devoting more attention to modern and sustained healthcare. For instance, digital initiatives like telemedicine and data-driven healthcare can help healthcare workers better care for patients with chronic illness, which is more common in old age. Extending healthcare services beyond medical premises with efficient remote diagnostics and assessments will provide increased convenience and access to both specialists and patients.

3.2.2 Export of Healthcare services

Trade in healthcare services is growing globally and covers a wide range of services including medical and health tourism, telemedicine, clinical trial, contract research, distant health education, and temporary overseas movement of medical personnel. There is a huge opportunity for Mauritius to position itself as a niche market for the export of healthcare services regionally and internationally. Of note, the healthcare and wellbeing sphere embraces more than allopathic (occidental) healthcare, including alternative medicine (homoeopathy, Ayurveda, acupuncture, and acupressure) with oriental and natural origins, as well as cosmetic (for example, plastic surgery, hair transplants, dermatology etc.) and wellbeing therapies (such as yoga, weight-loss, addiction treatment and meditation etc.) conducted in specialised spas or centres. Networks should be built up based on unique selling propositions such as regional proximity and highly qualified medical staffs.

3.3 Value-Added Knowledge-Based Economy

The "knowledge economy", which is growing at an astonishing pace, refers to an economy built around ideas and intellectual capital, from software to patents, and driven by technology. The challenging economic context calls even more for higher levels of competencies to usher a culture of high productivity and competitiveness across all sectors of our economy. Building a high value-added knowledge-based economy is even more of relevance for Mauritius, as it aspires to become a high-income country. Our future economic prospects will inextricably be linked not only to the capacity of consolidating our current workforce, but to also acquire high productive, skilled and qualified human capital. The aim is to transition to a value-added knowledge-based economy, that will strategically bolster a new generation of investment and drive innovation.

The successful transition to knowledge-based economy and developing the country as a knowledge-hub depends will depend on the quality of education and on the key contribution from higher education institutions. For this, special emphasis needs to be placed on the development of educational infrastructure, curriculum, research & development, innovation, as well as on the improvement of generic skills (e.g., communication, teamwork, leadership, planning and organising, self and stress management, analytical thinking and enterprise skills) and enhancement of the use of technology in teaching and learning process, including online and distant learning.

The aim should be to (i) bring higher education in line with the social, cultural and economic needs of the country, (ii) ensure high quality curriculum is in place so that students are best prepared for the knowledge economy, (iii) strengthen research, innovation and entrepreneurship, (iv) increase role of higher education institutions as strategic partners in socio-economic development, and (v) develop specialised education programme. Today, as higher education has become market-driven, educational institutions have to be constantly in line with and meeting the demands of the market, thus working in close collaboration with the industry to understand their needs in terms of skills requirements. There is also a need to address life-long learning, as there is unfortunately a high professional obsolescence rate. Therefore, the pooling together of resources is also important.

3.4 Research and Innovation-driven economy

Mauritius is bound to shift and adapt to a research and innovation-driven economy that relies heavily on scientific research and technological innovation to drive economic growth and development. Research and development (R&D) are considered critical components economy and are heavily invested in by both the public and private sectors. Mauritius' ranking as the most innovative country in Africa is a testament to the country's commitment to research and innovation. The government has been actively promoting innovation through various policies and initiatives, including tax incentives for R&D activities, funding for start-ups, and support for technology transfer and commercialization. The country's efforts have also been recognised by the World Intellectual Property Organisation (WIPO), which ranks economies based on their innovation capacity and performance. Mauritius' ranking as 45th globally in the 2022 Global Innovation Index (GII) is a significant achievement, especially given the country's small size and limited resources. The ranking indicates that Mauritius has made significant progress in building a conducive environment for innovation, including strong institutions, a skilled workforce, and advanced technological infrastructure.

The transition to a research and innovation-driven economy bodes well for the country's economic future, as innovation-driven economies tend to be more resilient and sustainable over the long term. This will however require subsequent future-oriented investment in human capital. The digital skills of the workforce will need to be matched and adapted to the innovation ecosystem.

In addition, a more integrated national innovation system with, as one key component, the establishment of a cluster of private and public universities partnering and leveraging their respective strengths for the creation of research and knowledge towards identified common goals could help in addressing our innovation challenges. Based on the GII 2022, hopes are put in two novel innovation waves:

i. An upcoming Digital Age innovation wave built on supercomputing, artificial intelligence and automation that is on the verge of making ample productivity impacts across all sectors – including services – and helping to achieve scientific breakthroughs in basic sciences of all fields; and

ii. A Deep Science innovation wave built on breakthroughs in biotechnologies, nanotechnologies, new materials and other sciences that is revolutionizing innovations in four fields of key importance to society: health, food, environment, and mobility.

Whilst the implementation of the two above mentioned waves will require significant investments, laying the ground by looking at key obstacles particularly in the area of technology adoption and diffusion that need to be urgently addressed.

3.5 Sustainable Development and Greening of the Economy

Mauritius is a small island nation in the Indian Ocean, with limited natural resources and a vulnerable environment. The country faces a range of environmental challenges, including deforestation, soil erosion, and marine pollution. The circular economy offers an opportunity to address these challenges while promoting sustainable economic growth.

3.5.1 Climate Change

As the global climate crisis continues to escalate and its detrimental effects on communities around the world become more evident, there is an imperative need to transition towards a green and circular economy that fosters long-term sustainability. A critical aspect of this transition is investing in resilient infrastructure, particularly in high-risk regions and roads such as Port Louis.

Investing in resilient infrastructure means developing an emergency response plan to effectively address potential climate-related disasters, such as flash floods and other potential climate-related disasters. Proactive measures are essential to minimise the impact of natural disasters and ensure the safety of citizens and businesses in the affected areas. Building infrastructure that is resilient to the impacts of climate change would definitely facilitate the shift towards a low-carbon economy. Thence, it is of utmost importance for the authorities to prioritise investment in resilient infrastructure and emergency preparedness in high-risk regions to build a sustainable and climate-resilient future.

3.5.2 Green Budgeting

For Mauritius to succeed in its environmental and climate goals and to foster sustainable development, the implementation of green budgeting practices by the authorities would be a key step. The process requires evaluating the environmental impact of budgetary and fiscal policies and guaranteeing their consistency with domestic and international engagements. Informed and evidence-based sustainable growth discussions can thereby be moderated.

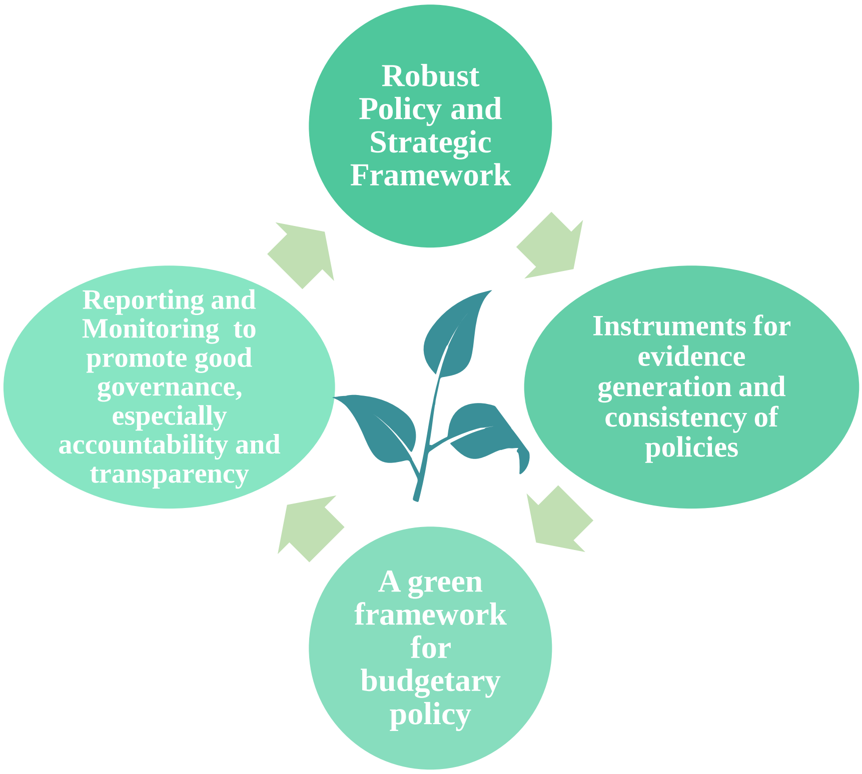


Figure 22 Green Budgeting Framework

To strengthen Mauritius' environmental and climate goals, a strong national strategic framework should be established. The framework would encompass a set of priorities and objectives with well-defined targets for the achievement of environmental and climate goals. It should also incorporate national climate change and/or environmental protection strategies, in line with the identified priorities and indicators.

3.5.3 Circular Economy

Whilst Mauritius has made substantial inroads in economic and social development, the linear approach to waste management has culminated in an excessive accumulation of waste at the Mare Chicose landfill site. Unsustainable practices of both production and consumption, along with the traditional business model of "taking-creating-using-discarding", for instance, have combined to generate significant ecological and environmental vulnerabilities in the management of solid wastes. Furthermore, the current global environmental crunch and the anticipated slowdown in natural resource extraction and global traffic constitute a severe threat to the country's economic growth.

In Mauritius, waste management is identified as a critical area for the circular economy, as the country generates a significant amount of waste, with only a relatively small proportion being recycled. According to figures released by the government, around 1.3 million tons of waste are generated in Mauritius each year, with only around 35% of this waste currently being recycled. This highlights the need for greater investment in waste management infrastructure and the development of more effective recycling systems.

To address this issue, the Mauritian government has set a target of achieving a 50% recycling rate by 2030. This will require a significant increase in recycling infrastructure, as well as the development of new waste management policies and practices. There are several policy gaps that need to be addressed in order to achieve this goal, including the lack of a comprehensive waste management strategy and the limited funding available for waste management infrastructure projects.

Moreover, the government has introduced a number of initiatives, including the development of a National Waste Management Strategy, the establishment of a National Solid Waste Management Authority, and the launch of a Green Energy Fund to support renewable energy and waste management projects. The government is also working to improve public awareness of the importance of recycling and waste reduction, and to encourage businesses to adopt more sustainable practices.

Albeit Mauritius is at a nascent phase of adopting the circular economy, the transformation is both inevitable and demands a comprehensive approach grounded in an integrated waste management framework and a more profound level of understanding of the socio-economic merits of the circular economy.

3.5.4 Biotechnology and Pharmaceutical Industries

The establishment of the Mauritius Institute of Biotechnology Ltd (MIBL) with a funding of about USD 25 million and the extension of its mandate beyond vaccine manufacturing, announced in the Budget 2022/23, marks an encouraging milestone in the development of Mauritius' biotechnology and pharmaceutical industries. Such an initiative holds the inherent potential to establish a promising new industry that will stimulate job creation and attract foreign investment.

The technical committee's establishment of priorities in the short, medium and long term, inclusive of the cultivation and manufacture of nutraceutical products, the setting up of clinical research institutions to pursue clinical trials activities and the manufacture of active pharmaceutical ingredients, with a view to diversifying the pharmaceutical industry and enhancing its competitiveness, enabling Mauritius to scale up and bolster regional exports of such products. Incentives and fast-track licensing and permitting by the government, as well as the availability of financing and export facilities, combine so that Mauritius stands out as an attractive destination for pharmaceutical companies keen to ramp up their business in the African region.

Furthermore, the necessary legal and regulatory frameworks should also be laid down to accommodate the development of the biotechnology and pharmaceutical industries. Offering the inter-ministerial committee, including setting up of PPPs, the level of support that is necessary to ensure that short-, medium- and long-term priorities can be achieved. Local and foreign investors in the sector will be incentivised to capitalise on the investment avenues extended by the authorities in a bid to bring about a thriving and sustainable pharmaceutical industry in Mauritius.

3.5.4.1 Opportunities for Mauritius

For covering domestic pharmaceutical requirements, Mauritius currently leans on imports, which stood at a total value of MUR 6.9 billion for 5,731 tonnes of products in 2022. Pharmaceutical and biotechnology business opportunities identified for Mauritius comprise of strong export prospects in medical instruments and devices as well as pharmaceuticals, and expansion of production of biologics, medical devices and pre-clinical research services to meet international demand.

In addition, the establishment of a Research Centre of Excellence, the promotion of cooperation between universities, industry and the local population, and investments in vaccine production, genome testing and filling and packaging facilities for pharmaceutical products could further strengthen the industry.

Moreover, collaboration with international players in areas such as pharmaceuticals, nutraceuticals, cosmeceuticals, quality assurance of medicines, biotechnology and manufacturing of medical devices activities could also prove advantageous. The partnerships should, particularly focus on health research, and offer opportunities for exchange programmes, collaborative investment in research, development and innovation.

3.5.4.2 Blue Biotechnology

The global market for the blue biotechnology industry is anticipated to hover by around USD 1,180.9 million from 2022-2030. Meanwhile, Mauritius has great potential in blue biotechnology, with a focus on the marine sector, analytical and extraction chemistry and DNA sequencing. The advances ease the detection and extraction of bioactive compounds from a wide range of marine organisms, including molluscs, corals and microbes, to name a few. Such compounds have a wide range of applications in diverse industries, including pharmaceuticals, cosmetics, food, biofuels, and aquaculture, highlighting the promising potential of the blue biotechnology sector.

Since 2000, both public and private institutions have conducted multiple studies on marine biotechnology, resulting in an extensive database of marketable projects. Companies seeking to engage in the bioprospecting, extraction and commercialisation of biotechnological organisms ought to take up these opportunities to boost the competitiveness of the sector. Having an EEZ abundant in marine species with biotechnological potential, Mauritius is in a unique position to capitalise on the blue biotechnology sector, especially in the pharmaceutical industry.

3.5.5 Blue Economy

The ocean which surrounds Mauritius plays a critical role in its economy. In recent years, Mauritius has made significant strides in advancements pertaining to the blue economy and is poised to reap the benefits in the 20s and beyond. Similarly, Mauritius has a large Exclusive Economic Zone (EEZ) and continental shelf that present a considerable economic development opportunity for growth and job opportunities. Whilst traditional marine operations such as tourism, fishing and seafood processing have accounted for the country's GDP around 10% (EDB), nascent sectors including aquaculture and marine biotechnology have also been singled-out as avenues for significant growth.

Developing the marine economy sustainably, to safeguard the marine environment, human well-being and social equity, is, nonetheless, of utmost essence. The authorities intend to double the contribution of the sea to the economy by 2030, yet this goal encounters several stumbling blocks, among them climate change, uncertainty at sea, substandard gear and manning shortages.

The development of the blue economy of Mauritius, in the absence of a comprehensive and integrated approach, is facing major inroads. As a result, there is fragmentation of attempts to ascertain supply chains and synergies between different level of activities. The fisheries and seafood industry experiences myriad of market hitches, among them shortage of labour (lack of interest), absence of proper marketing and distribution channels, constrained and costly warehousing capacity, and rising electricity tariffs. Resultantly, private investment in emergent areas is inhibited and the dearth of coordination amongst the appropriate state institutions stems from the paucity of a proper institutional framework.

The health of marine ecosystems is somehow jeopardised by multiple factors such as overfishing, tourism, pollution, climate change and erosion. The depletion of coral cover, reaching approximately 70%, along with escalating erosion, degradation of beaches, and the proliferation of around 17% of areas without corals, seaweeds or seagrasses are quite alarming. As such, having the government and stakeholders collaborate to tackle these challenges and design a sustainable blue economy plan incorporating the economic, social and environmental attributes of marine-related activities is mission-critical. Achieving a sustainable blue economy plan will require to actualise the Blue Economy Roadmap and Action Plan, providing guidance for the sustainable development of the sector.

3.5.5.1 Tourism Sector

The local tourism industry in Mauritius has established a benchmark to boost tourism earnings to the level recorded in 2019, pre-COVID-19 pandemic. Said target is USD 1.773 billion, considered achievable given Statistics Mauritius' upbeat figures on tourist arrivals covering the period January to March 2023. Data shows that tourist arrivals reached 105,663 in March 2023, a marked surge from 66,066 in March 2022, hinting at a resounding bullish trend following the lifting of the COVID-19 restrictions. In all, Mauritius welcomed 997,290 tourists from 1st of January to 31st of December 2022, leading to a notable upswing in earnings. This influx of tourists is encouraging for the entire industry.

Significant impediments somehow exist for the scaling up of the tourism sector in Mauritius especially post-COVID era. These hurdles include the construction of hotels, as the tourism industry on the island is already mature. Further expansion of the sector could lead to an imbalance of scale, resulting in low returns for investors.

With a view to establishing a more resilient blue economy tourism sector in Mauritius, the recommendation is to actively pursue the exploration of innovative viable and sustainable eco-tourism opportunities such as cultural ecosystem services, marine recreational and sports activities, cruise tourism and inter-island tourism. Thus, diversifying the tourism sector and mitigating some of the risks associated with over-reliance on traditional coastal tourism and thereby creating a more vibrant, sustainable and resilient tourism sector in Mauritius in the long run. Nevertheless, a demand for skilled manpower and expertise is evident in various sectors of the blue economy, such as aquaculture, renewable energy and deep-sea mining.

To bridge this gap, an investment effort in training and education programmes is an absolute necessity. Ultimately, the environmental ramifications are also of concern, and a mismanaged development pattern may lead to environmental degradation and depletion of biodiversity. Thus, it is recommended to guarantee that any development is carried out from both private and public sector are in a sustainable and responsible manner, with a focus on minimising environmental impacts and maintaining ocean health.

3.5.5.2 Port Efficiency and Competitiveness

The COVID-19 pandemic and the Ukraine crisis have highlighted challenges in the port sector both internationally and locally. Although the container shipping industry is recovering after two years of de-stabilisation caused by the pandemic, port efficiency still faces hurdles such as congestion, fuel prices, lockdowns, and wars.

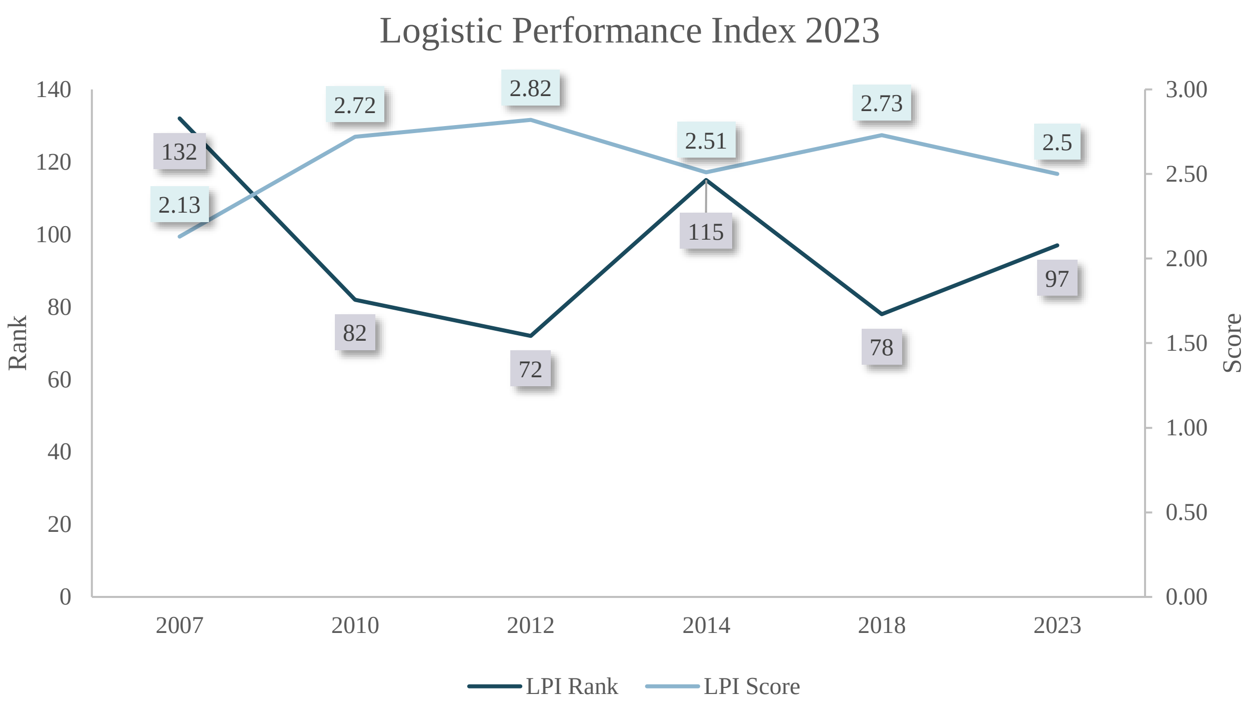


Figure 23 Logistic Performance Index 2023

The Logistics Performance Index 2023 for Mauritius fluctuated substantially in recent years, highlighting the need for significant improvement in port efficiency to become more competitive on the import/export market. Mauritius' aggregate LPI rank has shown improvement over time, spiking from 2.13 in 2007 to a peak of 2.82 in 2012, although it has declined steadily thereafter and is anticipated to languish at 2.5 until 2023. Somewhat similarly, Mauritius' LPI rank has hovered between 72 in 2012 and 132 in 2007 and is projected to be 97 in 2023. When the components are scrutinised individually, Mauritius is perceived to be exhibiting difficulties consistently in international shipments (1.9 in 2023) and customs clearance (2.4 in 2023). Both these components scored the lowest over the years. On the flip side, the quality of infrastructure was universally rated the best, with a score of 2.5 in 2023.

Table 11 Logistic Performance Index (Scores and Ranks)

Year	*LPI Rank*	*LPI Score*	*Customs Rank*	*Customs Score*	*Infrastructure Rank*	*Infrastructure Score*	*International Shipments Rank*	*International Shipments Score*	*Logistics Competence Rank*	*Logistics Competence Score*
2007	132	2.13	130	2	84	2.29	121	2.2	147	1.75
2010	82	2.72	50	2.71	96	2.29	33	3.24	97	2.43
2012	72	2.82	72	2.58	59	2.83	113	2.5	85	2.67
2014	115	2.51	128	2.25	91	2.5	109	2.62	110	2.48
2018	78	2.73	59	2.7	59	2.8	151	2.12	59	2.86
2023	97	2.5	90	2.4	80	2.5	137	1.9	103	2.5

Inefficient ports can discourage foreign investors and negatively impact economic growth. There is a potential risk of losing market share to Madagascar, which has been investing heavily in port infrastructure and operations. To sustain competitiveness of locally manufactured products in export markets, it is crucial for the Mauritian Port to boost its facilities and improve its services in freight and cargo handling, bulk shipping, bunkering, vessel maintenance, towing, and other port services.

Investments in the efficiency and capacity of Mauritius' ports can reap considerable benefits towards overcoming the disruptions to the global supply chain caused by the COVID-19 pandemic. Mauritius can undertake improvements and modernisation of its port infrastructure, deploy progressive and advanced technologies, boost port handling capacity, develop logistics parks and streamline customs clearance formalities with a view to achieving these objectives.

Moreover, the advent of digitisation offers a promising opportunity to simplify customs clearance procedures by introducing electronic customs systems and paperless processes. Hence, cutting down on the time and cost of clearance procedures can make cross-border trade more efficient and attractive to companies interested in trading with Mauritius. Such measures can alleviate bottlenecks and ease the movement of goods, eventually rendering Mauritius economically and commercially more competitive.

3.5.5.2.1 Port Traffic

According to the data presented in Figure 23, Mauritius' freight and shipping activities experienced fluctuations from 2018 to 2022. The data shows that the volume of imported goods grew by 4.6% from 6,787 thousand tonnes in 2018 to 7,103 thousand tonnes in 2019, indicating that there was an increase in demand.

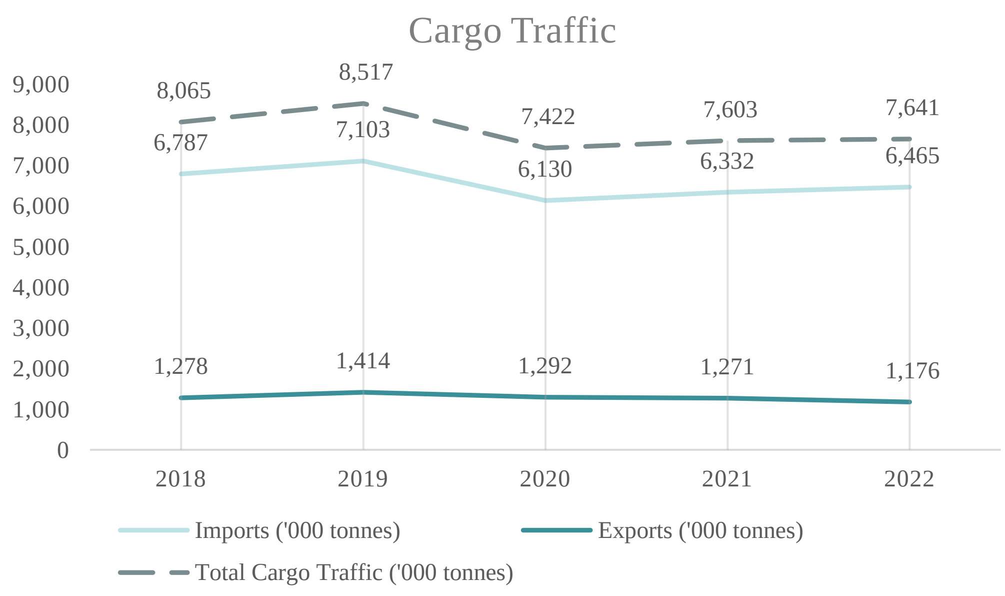


Figure 24 Cargo Traffic in Mauritius

However, the volume of imports decreased significantly by 13.8% to 6,130 thousand tonnes in 2020, which may have been due to the impact of the COVID-19 pandemic on global trade. The data then shows a slight increase in imports by 3.4% to 6,332 thousand tonnes in 2021. For 2022, further rise of 2.1% to 6,465 thousand tonnes in the volume of imported goods is reported.

As revealed by Figure 24, the number of vessels operating in Mauritius surged by 4.6% from 3,379 in 2018 to 3,536 in 2019. By 2020, a significant contraction of 21.9% was however registered as only 2,776 vessels operated in Mauritius. Meanwhile, this trend resumed in 2021 with a sizable further decline of 8.0% to 2,550 vessels. Nonetheless, the number of vessels operational in Mauritius increased by 4.1% in 2022, pointing to a gradual upturn in the shipping industry after the COVID-19 pandemic. The percentage changes observed in the number of vessels navigating to Mauritius illustrates the pandemic's implications on the shipping industry, causing a substantial downturn in 2020 and 2021, whilst a modest recovery was noted in 2022.

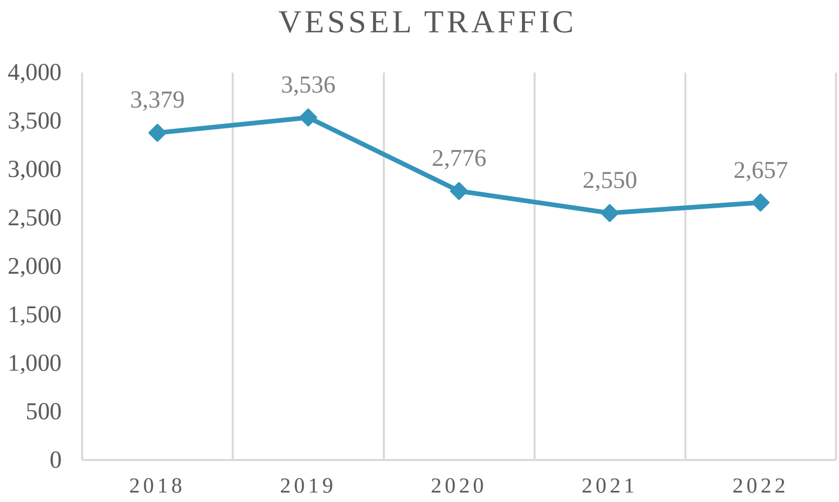


Figure 25 Vessel Traffic

Over the past two years, the dwindling of vessels operating in Mauritius has had a notable knock-on effect within the shipping industry, specifically in the cargo and trade sectors. Hence, assessing the eventual implications of those trends and formulating recommendations to sustain and boost the recovery of the Mauritian shipping sector are of cardinal importance. Potential mitigation strategies in this regard could be to leverage on existing free trade agreements and to explore the possibility of new trade partnerships aimed at diversifying the types of goods that Mauritius imports and exports. As such, new trade agreements featuring countries within and outside the region may be pursued, thus lessening the blow of prospective trade disturbances and aiding in upholding the competitiveness and resilience of the shipping industry.

3.5.6 Data-Driven and Digitalisation

In addition to the promotion of structural physical infrastructure, the focus that the government has placed on the development of digital public infrastructure in recent years has been instrumental in boosting the level of economic capability of opportunities for initiatives by individuals and businesses. The e-commerce industry demonstrated outstanding levels of resilience throughout the COVID-19 pandemic, due to expedited technology implementation and embracing digital transformation. The government's move to stimulate the digital economy, expanding internet pervasiveness, increasing smartphone proliferation and heightened adoption of digital payments have also boosted these industries.

In recent years, many digital sharing platforms have sprung up to offer diverse services, such as the recent announcement of the issuance of e-certificate of character and the e-register passport to increase labour productivity.

THE STATE OF DIGITAL IN MAURITIUS IN JANUARY 2023			
878.7 Thousand Internet Users	67.6 % Internet Penetration	67.3 % Social Media Users	1.95 million Cellular Mobile Connections

Figure 26 The State of Digital in Mauritius In January 2023

Source: DataReportal

The penetration of the internet has significantly expanded and access to the internet is progressively being further popularised. Increasing internet penetration has spurred e-commerce across the island, gradually shifting e-shopping for commodities and services into a lifestyle that hastily mushroomed as the pandemic unfolded. This trend is all but anticipated to further accelerate in the coming future. The rise of e-commerce was also underpinned by heightened sensitisation via the social media, more information and communication technology (ICT) and digital and financial literacy, stronger technological penetration, enhanced interest in online shopping, particularly targeted at young people, fairly powerful levels of advertising, and the opportunity to economise in terms of timing.

Also, in Mauritius, business is becoming more and more competitive. However, while there is ample e-commerce implementation related success stories, several businesses are still dragging their feet when it comes to setting up a presence locally online. Several hurdles are in the way of e-commerce faced by Mauritius. As such, a large number of Mauritians still favour the traditional method of purchasing i.e., in retail stores as opposed to purchasing online.

Although there are certain payment channels in place, a lot of Mauritians lack full reliance on making online payments. As a matter of fact, many e-commerce websites, like Amazon, impose hefty fees for shipping goods to Mauritius, posing a hindrance to e-commerce. Barriers exist in the form of restricted internet facilities and penetration, potentially resulting in reduced connection capacity, including low speeds and restricted access to some locations.

3.6 Consolidating the Industrial Base

Strengthening the industrial base and transforming the sector into an innovative and high value-added pillar of the economy will necessitate the creation of the appropriate combination of skills, a committed workforce and an attuned culture. In turn, to successfully overcome the acute labour and talent bottlenecks, top companies will have to invest massively in strategies that ensure the right skills - motivational incentives, capacity building, improving operational efficiency through the development of new digital skills and the relevant training to enhance employee competencies.

Forging system-wide collaborations is imperative to create a "local on-demand manufacturing ecosystem". "Companies must bring forward new sets of stakeholders and partners to establish a joined-up value proposition, build trust, overcome 'not invented here' prejudices, break down old paradigms and shape win-win scenarios." In the wake of the COVID-19 onset in late 2019, the manufacturing sector underwent considerable disturbances in logistics and supply chain in the guise of high freight costs, limited shipments, connectivity bottlenecks, with a marked decline in exports and imports of goods and services. The various incentives and support measures put in place by the government have nevertheless helped the sector to recover.

Mauritius relies significantly on the tourism sector and its exports for its revenues, and hence local production strengthening is a major catalyst for driving exports. Beyond industrial consolidation, developing and consolidating the country's supply-chain system is critical with the growing interest in regional and international trade. Lots of efforts is therefore needed to attract investors to propel the manufacturing sector into a sustainable and innovative sector. The "Africa Strategy", aimed at improving the country's development through economic diversification and regional value chain developments should become a priority for the economic development of Mauritius to increase trade in both goods and services in Africa as well as enhance investment potential.

3.7 Reforms

In line with global challenges and to develop more resilience, a new generation of reforms is deemed essential. This is in line with efforts to fine-tune multiple, mostly well-functioning institutions and improve microeconomic policies policy coordination so as to benefit from new synergies. The reform agenda should comprise of regulatory, structural, administrative and institutional changes, requiring both changes in policies as well as attention to coordinated implementation. In addition, further strengthening of the public sector, in terms of policy coherence in complex, multi-sector reforms, and implementation capacity whilst maintaining close collaboration with the private sector is also key.

3.7.1 Legal and Regulatory Reforms

Regulations will continue to be an important tool for preserving and advancing public and private interests. However, regulations which impede innovation or create unnecessary barriers to investment and economic efficiency, are outdated or poorly designed to achieve their intended policy goals can be challenging for a country. To this end, it is important to have a consultative process in place to create a sound regulatory environment that creates a level playing field for all stakeholders.

In addition, Mauritius needs to have a well-performing regulatory system that provides necessary protections whilst enabling the development of trade and investment and limiting administrative burdens. A robust regulatory impact assessment (RIA) framework can enhance Mauritius' business environment and attractiveness as a trade and investment partner. In particular, RIA can help Mauritius strengthen its rule-making framework, for example by increasing scrutiny and taking a more evidence-based approach to policymaking.

3.7.2 Fiscal Reforms

Mauritius has encountered fiscal sustainability concerns in recent years, as recurrent welfare and government spending has led to rising budget deficits and further build-up of debt. To remedy these shortcomings, the introduction of enduring fiscal reforms that encourage fiscal prudence and fiscal discipline is of paramount importance. Such reforms would allow the government to widen its fiscal space and streamline its tax system, thereby rendering it simpler and more efficient.

Creating a simple, low-tax regime that would enhance the attractiveness of Mauritius to investors and boost tax compliance is seen as essential. Such a simple tax regime will encourage individuals and companies to contribute their fair share of taxes and to participate in the economic growth of the country. In contrast, complicated tax calculations and high tax rates promote tax evasion, potentially leading to lower-than-expected tax collections.

4 CONCLUDING REMARKS

The global trends of rising geopolitical tensions and deepening economic uncertainty are posing a challenge for countries worldwide. Mauritius, being a Small Island Developing State (SIDS), is particularly vulnerable to the interweaving of these global trends, along with a range of internal challenges such as over-dependency on imports, high public debt, low production capacity, and labour market inefficiencies. The year 2023 therefore emerges as a pivotal year for Mauritius, as the combination of these challenges may increase the country's vulnerabilities further.

The challenges awaiting Mauritius in 2023 seem daunting and manifold, with global trends and internal vulnerabilities posing a conundrum in which, the country has to successfully navigate. It is paramount that with strategic planning and decisive action, efforts are made to take stock of existing and emerging vulnerabilities and to build up resilience. Furthermore, the transition towards sustainable and green practices by shifting from a linear to a circular economy that protect the environment and promote long-term growth is gaining momentum.

To boot, it is of utmost importance to foster the establishment of a favourable business environment, transitioning to sustainable practices, prudent spending and fiscal discipline, as well as leveraging the potential of Free Trade Agreements (FTAs). The consolidation and development of the traditional and emerging economic cornerstones, as well as the implementation of reforms, are also prerequisites for ensuring that economic to burgeon which is somehow achieved in a sustainable fashion.

Ultimately, the nurturing of a strong and cohesive public-private sector dialogue and policy consensus culture is pivotal to ensuring robust and inclusive decision making and effective policy implementation. By tackling these challenges, Mauritius can be positioned for a more comprehensive and environmentally resilient future.

SOURCES

African Development Bank

Bank of Mauritius

Bloomberg

Food and Agricultural Organisations

Goldman Sachs

Government Information Service (Mauritius)

International Labour Organisation

International Monetary Fund

Ministry of Finance, Economic Planning and Development

Ministry of Industrial Development, SMEs and Cooperatives

Other Sources (Articles/Reports)

Statistics Mauritius

United Nations Conference on Trade and Development

United Nations Development Programme

United Nations World Tourism Organisation

World Bank

World Economic Forum

World Trade Organisation