

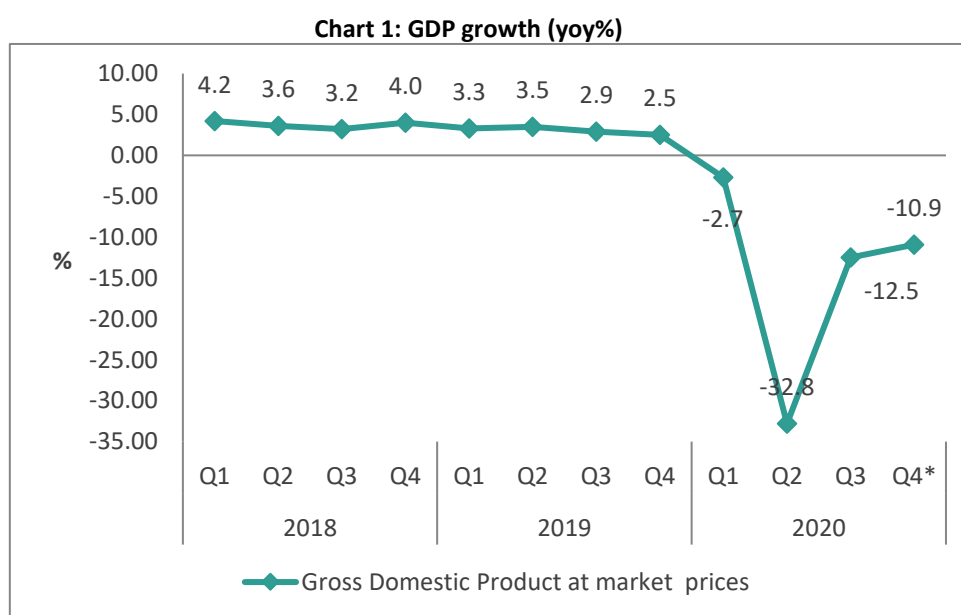
# Mauritius Economy Update

May 4, 2021

An update of the economy of Mauritius based upon the latest data for various economic indicators has been presented here. Covered here is the broad macro-economic situation, external sector scenario, fiscal position, banking indicators and monetary policy.

## GDP growth – Q4 2020

The **gross domestic product** in the fourth quarter of 2020 contracted by 10.9% (year-on-year), 12.8% lower than the 12.5% contraction in the previous quarter. The economy registered a growth of 2.5% in the corresponding quarter last year. Though there has been a sequential improvement in the GDP growth, it continues to remain significantly lower than the pre-pandemic level.



Note: \* First estimate  
Source: Bank of Mauritius

The sectoral and expenditure-wise growth rates at market prices have been captured in Table 1 and Table 2, respectively.

**Table 1: Sectoral Growth Rates (%) – Year-on-Year**

	Q4 2019	Q3 2020	Q4 2020
Agriculture, forestry and fishing	2.8	2.2	-3.3
Manufacturing	-0.5	-14.8	-11.3
Construction	8	-8.9	-0.1
Wholesale & retail trade	3.6	-12.9	-7.8
Transportation and storage	3.3	-21.1	-19.8
Accommodation and food service activities	-3.3	-87.4	-74.7
Information and communication	5.6	5.5	5.8
Financial and insurance activities	5.1	0.8	0.9
Real estate activities	3.8	0.9	1.3
Professional, scientific and technical activities	5.2	-11.7	-4.1
Public administration and defence	2.4	-1.1	-2
<b>Gross Value Added (GVA) at basic prices</b>	2.8	-12.5	-10.8
Taxes on products (net of subsidies)	0	-12.0	-12.6
<b>Gross Domestic Product at market prices</b>	2.5	-12.5	-10.9

Note: \* First estimate Source: Statistics Mauritius

**Table 2: Expenditure components of GDP (% growth – year –on –year )**

	Q4 2019	Q3 2020	Q4 2020
Final consumption expenditure	3.2	-12.3	-7.4
Households	3.2	-13.3	-8.5
General Government	3.1	-6.5	-0.6
Gross fixed capital formation	2.9	-19.9	-6.4
Exports of goods and services	-12.7	-36.6	-40.4
Imports of goods and services	-5.0	-27.9	-22.9

Note: \* First Estimate  
Source: Statistics Mauritius

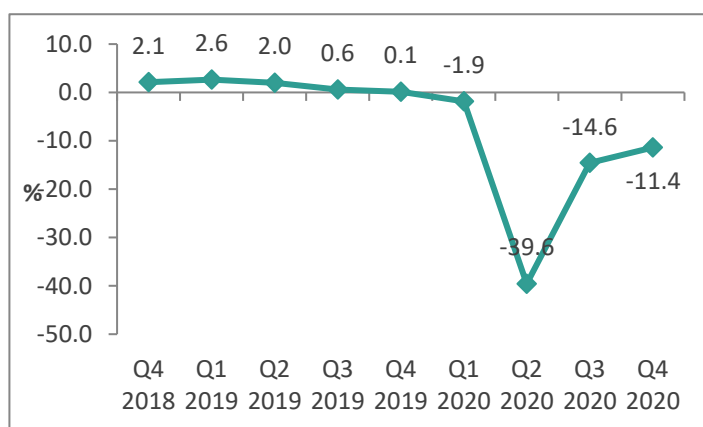
- The **gross value addition (GVA)** in Q4 2020 contracted by 10.8%, lower than 12.5% contraction in the previous quarter. During the corresponding quarter last year, the GVA registered a growth of 2.8%. Barring information and communication, financial & insurance activities and real estate activities all other sectors registered a decline in year on year growth during Q4 2020.

- **Accommodation and food service activities** (2.09% share in GVA) has recorded the highest contraction of 74.7% owing to travel restrictions imposed as a consequence of the pandemic.
- In Q4 2020, **financial and insurance activities** (11.5% share in GVA) recorded a year-on-year growth of 0.9%, the **real estate activities** (6.3% share) grew by 1.3% and **information and communication sector** (4.7% share) grew by 5.8%.
- During the fourth quarter of 2020, **final consumption expenditure** registered a year-on-year decline by 7.4%.
  - **Household consumption expenditure** has declined by 8.5% in Q4 2020 over 13.3% contraction in Q3 2020.
  - **Government expenditure** has declined by 0.6% in Q4 2020 compared with 6.5% contraction in the previous quarter.
- The contraction in **Investment** (as measured by gross fixed capital formation) has registered a sequential improvement to -6.4% growth in Q4 2020 over -19.9% in the previous quarter.
- The de-growth in **exports** has widened to 40.4% in Q4 2020 from -36.6% in Q3 2020. While the de-growth in **imports** has narrowed to 22.9% in Q4 2020 from 27.9% in the previous quarter. The deacceleration in exports and imports is on account of pandemic led trade restrictions and weak domestic as well as global demand.

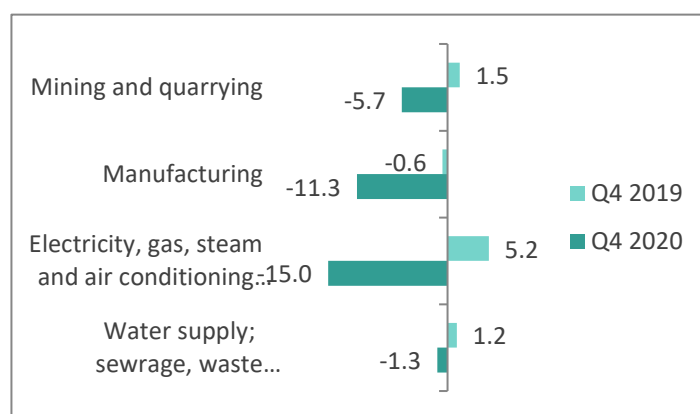
## Industrial production

**Industrial output** continued to register a de-growth for the fourth successive quarter. However, the de-growth has narrowed from -14.6% in Q3 to -11.4% in Q4 2020. During the corresponding period last year, the industrial output registered a growth of 0.1%. The contraction in industrial output has been broad-based. All sectors except manufacturing sector have recorded a widening of de-growth in Q4 2020 over the previous quarter.

Chart 2: Industrial production (y-o-y growth %)



Source: Statistics Mauritius



## Inflation

**Headline Inflation** eased marginally to 1% in March 2021 from 1.2% in February 2021 and 2.9% in March 2020. **Core inflation** excludes food, beverages, tobacco, mortgage interest, energy and administered prices. Core inflation for March 2021 was at 4.2% compared with 4.4% in previous month and 2.7% in the corresponding month last year.

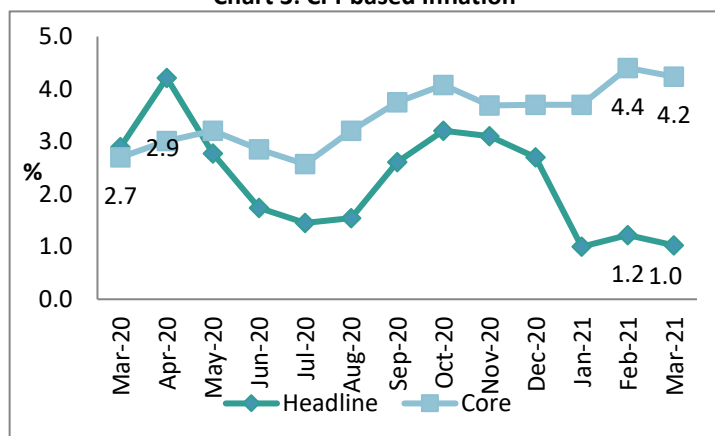
The **Producer Price Index** for the **manufacturing sector (PPI-M)** in March 2021 inched up to 118.8, 6.1% higher than March 2020. This increase in PPI-M was driven by higher prices of food and beverages, chemical & chemical products and printing & reproduction of recorded media.

The **Producer Price Index** for **agricultural sector (PPI-A)** increased to 107.8 in December 2020. It was 4.5% higher than the inflation in December 2019 (103.2).

- Sugar cane which is a major constituent of the overall index (with a weight of 35.7%) and sub group crop products (58.3%) increased to 75.8 in December 2020, 5.4% higher than December 2019.
- The price index for other crop products increased to 162.5 in December 2020 registering a growth of 8% compared with December 2019 and 3.5% compared with the previous month. This rise is account of rise in the prices of fresh vegetables.
- The prices of Animals & Animal products declined to 101.4 in December 2020 compared with the previous month (101.5 in November 2020) on account of decline in prices of eggs. However, it was 0.3% higher than the corresponding month last year.

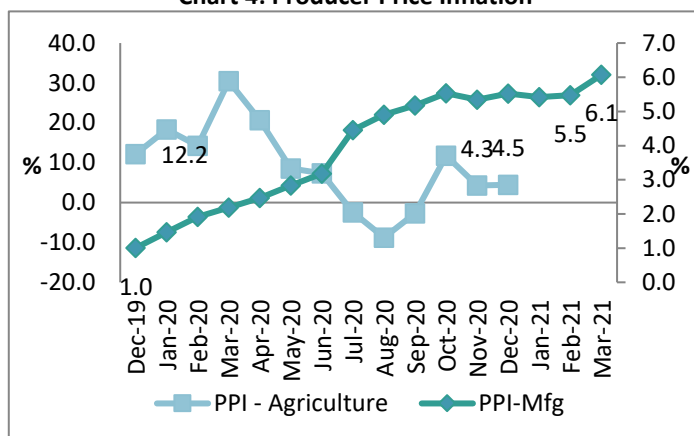
The overall PPI-A for the fourth quarter was 107.9, 7% higher compared with the previous quarter (100.7 in Q3 2020) and 5.7% higher than the corresponding quarter of the previous year (102.1 in Q4 2019). The annual agricultural price index grew by 7.8% in 2020 compared with the previous year.

Chart 3: CPI-based Inflation



Source: Statistics Mauritius

Chart 4: Producer Price Inflation



Source: Statistics Mauritius

## Fiscal position

Table 3 gives a snapshot of the central government finances FY20 (July'19-June'20) and July 2020.

- As per FY20 actuals, the revenue of the government is 25% higher than the revised estimate (RE) in the budget. Taxes accounted for the nearly 75% of the total revenues and were 3.2% higher than RE.
- Expenditure by the government increased by 6.1% than the RE in FY20. Social benefits (28% share) are the focus area of expenditure by the Government of Mauritius.
- As a result of faster growth in revenues the budget deficit declined to MUR 36.4 billion in 2020. As per FY20 actuals, the budget deficit of the government is 43% lower than the revised estimate (RE) in the budget.

Table 3: Government accounts (in MUR Mn)

	FY20 (RE)	FY20 (A)	% change	FY21 (E)*	Jul-20
Revenue	97,240	1,21,938	25.4	1,32,880	6,204
Taxes	89,025	91,852	3.2	90,635	5,542
Expense	1,41,519	1,50,169	6.1	1,32,880	9,949
Interest	13,580	13,366	-1.6	12,700	1,110
Subsidies	15,566	10,097	-35.1	9,578	113
Grants	22,696	36,505	60.8	21,203	1,957
Social benefits	42,974	41,903	-2.5	44,340	3,512
<b>Budget Balance</b>	<b>-63,579</b>	<b>-36,395</b>	<b>-42.8</b>	<b>Nil</b>	<b>-3,918</b>

Source: Statistics Mauritius, Bank of Mauritius

For FY21, the government has budgeted a balanced budget, the revenue of the government is estimated to grow by 9% while the expenditure is estimated to decline by 11%.

In the first month of FY21 (July 2020) revenues were 5% of the budget estimate for FY21 and were 29% lower than July 2019. On the other hand, expenditure was 7% of FY21 (E) and was 16% higher than July 2019 mainly due to increased grants and social benefits.

As reported by Bank of Mauritius the total outstanding **central government domestic debt** in December 2020 was MUR 259 billion, 60% of the GDP. It was lower than MUR 268 billion in September 2020. **External debt of the central government** increased to 16.1% of GDP in December 2020 (MUR 68.7 billion) compared with 15.4% of GDP in September 2020 (MUR 67.9 billion). **Public sector domestic debt** declined to MUR 271 billion in December 2020 from MUR 279 billion in September 2020. However, as a proportion of GDP it was unchanged at 63%. **Public sector external debt** stood at MUR 91 billion, 21% of GDP in December 2020.

## Banking

**Broad Money Liabilities (BML)** registered a y-o-y growth of 14% in March 2021 supported by a rise in deposit liabilities and currency with the public. All components except debt securities have recorded a y-o-y growth. Claims on other sectors (excluding financial derivatives) rose by 6.8% in March 2021 compared with March 2020.

Table 4: Components and Sources of BML

MUR mn	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21
Broad Money Liabilities	6,46,149	6,55,899	6,93,565	6,94,773	7,03,593	708,184	710,613	710,710
Currency with Public	36,482	36,167	36,624	36,908	39,611	38,498	38,230	38,931
Deposit Liabilities	5,90,931	6,00,715	6,35,491	6,36,114	6,43,951	649,072	652,503	655,895
Debt securities	18,737	19,017	21,451	21,751	20,032	20,614	19,880	15,884
Claims on other sectors (excl. financial derivatives)	5,05,872	5,00,396	5,32,073	5,31,744	5,33,239	5,45,224	5,35,927	529,364

Source: Bank of Mauritius

## Monetary policy

The meeting of the monetary policy committee was held on February 4, 2021. In the meeting held on February 4, 2021, the Monetary Policy Committee (MPC) of the Bank of Mauritius unanimously decided to keep the Key Repo Rate (KRR) unchanged at 1.85% per annum. As per projections of the Bank staff, real GDP is expected to grow at 7.9% in 2021 and supply side pressures would influence inflation. The bank staff is hence projecting headline inflation of 3% for 2021 in the absence of external shocks. Hence, the MPC has decided to maintain the KRR at 1.85% per annum.

Table 5: Key interest rates (%)

%	Key Repo Rate	Weighted average lending rate	Saving rate	Term Deposit Rate
Jul-20	1.85	4.64	0.15-0.60	0.01-3.75
Aug-20	1.85	4.71	0.15-0.60	0.00-3.40
Sept-20	1.85	4.73	0.15-0.60	0.00-2.65
Oct-20	1.85	4.70	0.15-0.60	0.00-2.65
Nov-20	1.85	4.70	0.15-0.60	0.01-2.50
Dec-20	1.85	4.70	0.15-0.60	0.00-2.60
Jan-21	1.85	4.70	0.15-0.60	0.00-2.50
Feb-21	1.85	4.67	0.15-0.60	0.00-3.25

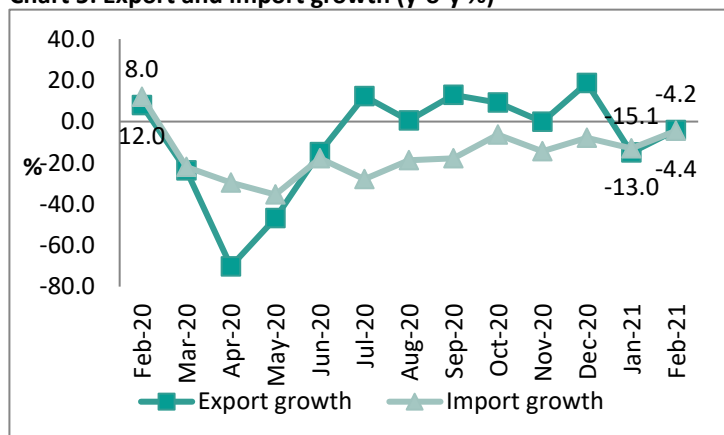
Source: Bank of Mauritius

## External sector

### 1. Exports, imports and trade deficit

- In February 2021, **trade deficit** increased by 7.2% to MUR 9.5 billion from MUR 8.9 billion in January 2021. However, it was lower by 4.5% compared with the corresponding month last year (MUR 10 billion in February 2020).
- Total imports** were 10.1% higher than January 2021 but 4.4% lower than February 2020. The increase in imports during the month is on account of an increase in all components except beverages & tobacco, crude materials, inedible, except fuels and mineral fuels, lubricants and related materials.
- Total exports** recorded a 17.1% rise compared with the previous month. However, they were lower by 8.1% compared with the corresponding month last year. Except machinery and transport equipment exports of all other components were higher during the month.
- Major export destinations** of Mauritius were South Africa (13.5%), United Kingdom (11.6%), France (8.0%), Italy (7.0%), Madagascar (6.2%) and Netherlands (6.2%). **Major import partners** were China (17.4%), U.A.E (12.4%), India (9.6%), France (6.3%), South Africa (6.2%) and Spain (4.4%).

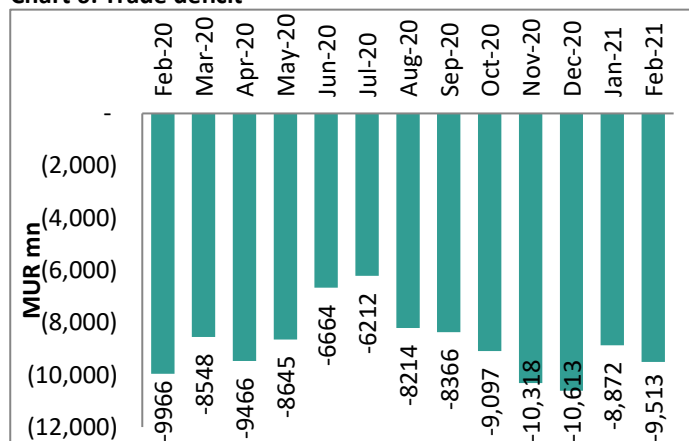
Chart 5: Export and import growth (y-o-y %)



Note: Exports includes domestic exports and re-exports

Source: Statistics Mauritius

Chart 6: Trade deficit



Source: Statistics Mauritius

### 2. Current account balance

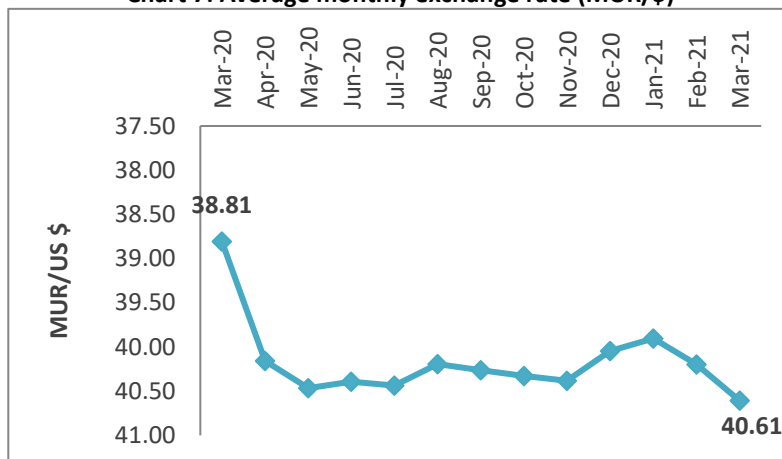
A higher current account deficit of MUR 18.6 billion has been reported in Q4 – 2020 compared with MUR 10.6 billion in Q4 – 2019. This is on account of a deficit in the services account, lower surplus in the primary income and higher secondary income deficit. The deficit in services trade stood at MUR 3.7 billion in Q4 2020 as against a surplus of MUR 8.6 billion in Q4 2019. This is on account of deficit reported by transport, travel, insurance and pension services. However, deficit in goods trade has moderated to MUR 24 billion in Q4 2020 compared with MUR 31 billion in the corresponding quarter last year.

### 3. Exchange rate

In March 2021, the Mauritian Rupee witnessed a record depreciation against the US Dollar. It weakened to MUR 40.61 per US Dollar registering a depreciation by 1% than the previous month (MUR 40.20 per US Dollar) and by 4.6% compared with March 2020 (MUR 38.81 per US Dollar).

The average MUR/USD exchange rate for 12-months period ended March 2021 was MUR 40.3 per US dollar as against the average of MUR 36.7 per US dollar for the 12 months ended March 2020.

Chart 7: Average monthly exchange rate (MUR/\$)



Source: Statistics Mauritius

### 4. Foreign exchange reserves

In March 2021 the gross official international reserves of Mauritius stood at USD 7.3 billion. The reserves were lower by 0.2% compared with February 2021, but 4.4% higher than the corresponding month last year.

In March 2021, the import cover rose to 17.4 months higher than 16.2 months in the corresponding month last year.

Table 6: International forex reserves and import cover

Month	Gross official international reserves (USD Mn)	Import cover (in months)
Apr-20	6,966.4	16.4
May-20	6,880.8	16.2
Jun-20	7,194.1	16.9
Jul-20	7,655.9	17.9
Aug-20	7,268.6	16.9
Sept-20	7,206.0	16.9
Oct-20	6,973.4	16.4
Nov-20	6,967.5	16.3
Dec-20	7,291.9	16.8
Jan-21	7,763.3	18.0
Feb-21	7,347.2	17.2
Mar-21	7,329.0	17.4

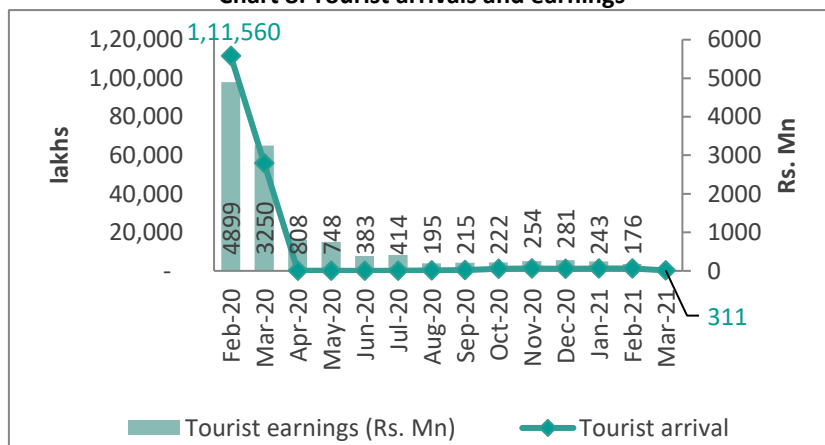
Source: Bank of Mauritius

### 5. Tourism

With the resurgence of coronavirus cases across several countries and imposition of travel restrictions the number of tourist arrivals in Mauritius during March 2021 have retreated. The tourist arrivals were 75% lower during the month compared with February 2021 and 99% lower than March 2020 with only 311 tourist arrivals being recorded.

The gross tourism earnings in February 2021 fell by 28% over the previous month.

Chart 8: Tourist arrivals and earnings



Source: Statistics Mauritius

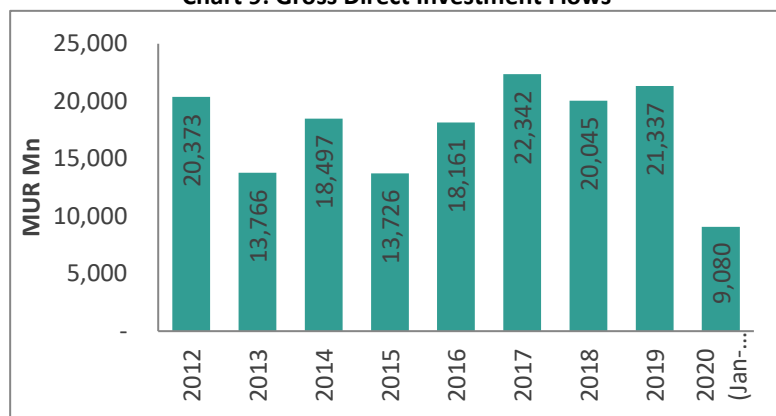
## 6. Gross Direct Investment flows

The Gross Direct Investment inflows in Mauritius stood at MUR 9.08 billion for the period January to September 2020. The inflows were mainly concentrated in the real estate activities which accounted for 73% of the total inflows.

Gross Direct Investment Flows in Mauritius for the first three quarters retreated to MUR 9.08 billion in 2020 compared with MUR 14.89 billion in the corresponding quarter of the previous year. Gross Direct Investment Flows retreated in all major segments except manufacturing, storage & transport, education, human health and social welfare activities.

Nearly 69% of the total investment flows originated from European countries.

Chart 9: Gross Direct Investment Flows



Source: Bank of Mauritius

### Contact:

#### Madan Sabnavis

Chief Economist

madan.sabnavis@careratings.com

+91-22-6837 4433

### Author:

#### Akanksha Bhende

Associate Economist

akanksha.bhende@careratings.com

+91-22-6837 4400

### Mradul Mishra

(Media Contact)

mradul.mishra@careratings.com

+91-22-6754 3573

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