

## Africa's Singapore to hold on

### General Information



|                           |  |
|---------------------------|--|
| <b>GDP</b>                | USD12.2bn (World ranking 122, World Bank 2016)   |
| <b>Population</b>         | 1.3 million (World ranking 156, World Bank 2015) |
| <b>Form of state</b>      | Parliamentary Democracy                          |
| <b>Head of government</b> | Pravind Kumar Jugnauth                           |
| <b>Next elections</b>     | 2019, legislative. 2020, presidential            |



### Strengths

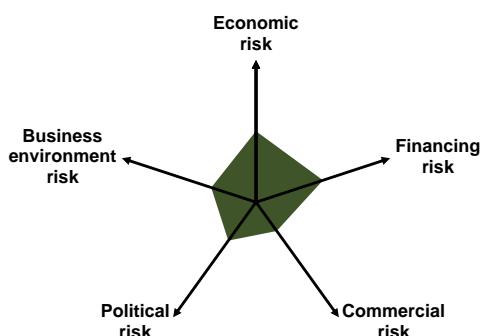
- Well-developed and stable political system with regular peaceful transfers of power (most recently December 2014).
- Solid track record with regards to policy implementation.
- Few ethnic/religious tensions, despite significant cultural diversity.
- Strong inward FDI inflows, driven by supportive general business environment.
- Ranked by international agencies as the best Sub-Saharan economy for ease of doing business and in relation to economic freedoms.
- The country has not required a financial facility from the IMF since the mid-1980s.

### Weaknesses

- Subject to adverse weather conditions (including periodic cyclones).
- Small island state dependent on external trade and therefore vulnerable to external shocks. Finance and trade links with Europe remain strong and economic prospects depend on the strength of that region.
- Unemployment is high (currently estimated at 7.5%) and there is a shortage of skilled labour.
- Fiscal deficits have been reduced but current account deficits remain large (even with reduced oil import costs) and require careful management.

### Country Rating

**BB1**



Source: Euler Hermes

### Trade Structure

By destination/origin (% of total)

| Exports            | Rank | Imports         |
|--------------------|------|-----------------|
| France 15%         | 1    | China 18%       |
| United Kingdom 12% | 2    | India 16%       |
| United States 11%  | 3    | France 8%       |
| South Africa 8%    | 4    | South Africa 7% |
| Madagascar 7%      | 5    | Germany 3%      |

By product (% of total)

| Exports  | Rank | Imports   |
|--|------|---|
| Articles of apparel & clothing accessories 30%           | 1    | Petroleum, petroleum products and related materials 11% |
| Fish, crustaceans, molluscs and preparations thereof 18% | 2    | Fish, crustaceans, molluscs and preparations thereof 7% |
| Sugar, sugar preparations and honey 11%                  | 3    | Road vehicles 6%  |

Source: UNCTAD (2016)

### A robust and sustainable growth

The Mauritian economy grew by 3.6% in 2016. The financial and insurance sectors along with the information and communication sectors contributed the most. EH forecasts this will continue, with +4% both in 2017 and 2018. Growth will be mainly driven by tourism, and by the financial and construction sectors. The latest will be boosted by major investment projects. In August, the \$560 million "Metro Express" project was launched. The completion of the biggest dockyard in the country will be a big step towards modernization.

In the 2017 World Bank Doing Business survey Mauritius is ranked #1 in Africa and 49<sup>th</sup> worldwide. Besides a very favorable business climate, the country benefits from a stable political environment and proper governance. These strong growth catalysts may help catapult Mauritius into a high income economy by 2030.

### Vulnerabilities and Challenges

The economy is vulnerable to external shocks because of reliance on food and energy imports and faces increasing inflationary pressures. The Bank of Mauritius slashed the key policy rate by 40 bps to 4% in July 2016, which may have aggravated inflation. As a result, real interest rate fell into negative territory. This could lead to portfolio reallocations, and thus capital outflows.

The current account deficit narrowed to -4.5% of GDP in 2016 thanks to tourism and low oil prices. EH expects the current account deficit to widen to -6% in 2017 due to high value added imports (capital goods, aircrafts) before receding to the 2015 level of -5%.

Economic growth is dependent on the export sector, which is oriented towards advanced economies such as the UK, the US, and France. Risks posed by Brexit could weigh on Mauritius' growth potential.

### A tax haven? For how long?

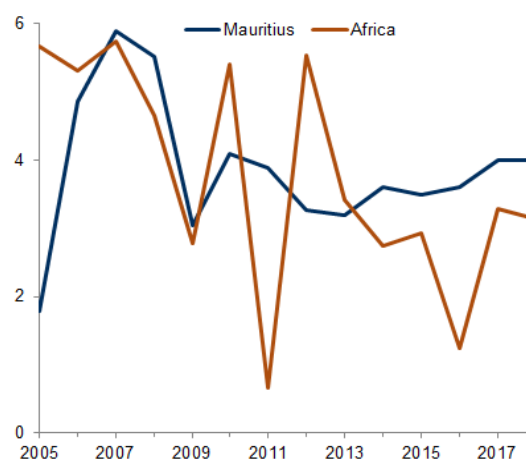
To date, Mauritius ratified 43 Double Taxation Avoidance Agreements (DTAA) over the world, restricting the right of states to tax foreigners investing through Mauritius. The country has a very favourable tax system, boosting FDI's and the offshore sector. In addition, its strategic geographical position between Africa and Asia, and the good business climate, position it as a genuine hub for global trade and international finance. Yet global concerns about tax avoidance and the willingness to fight it are on the rise. The European Commission put Mauritius on its list of uncooperative tax havens. In May 2016, India and Mauritius signed a protocol amending the Double Taxation Avoidance Agreement (DTAA) between the two countries. The country may have to adhere more closely to international rules in order to stay attractive to foreign investors.

### Key economic forecasts

|                            | 2015 | 2016 | 2017f | 2018f |
|----------------------------|------|------|-------|-------|
| GDP growth (% change)      | 3,5  | 3,6  | 4     | 4     |
| Inflation (%)              | 1,3  | 1    | 2     | 2,5   |
| Fiscal balance (% of GDP)  | -3,6 | -3,3 | -2,5  | -2    |
| Public debt (% of GDP)     | 62,3 | 63   | 62    | 60    |
| Current account (% of GDP) | -5,0 | -4,5 | -6    | -5    |
| External debt (% of GDP)   | 93,0 | 86   | 88    | 89    |

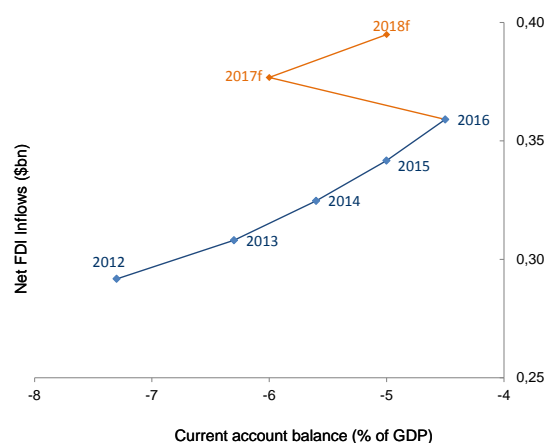
Sources: National statistics, IHS, Euler Hermes

### Mauritius and Africa: GDP growth(%)



Sources: IHS, Euler Hermes

### FDI inflows and Current Account



Sources: National sources, IHS, Euler Hermes

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