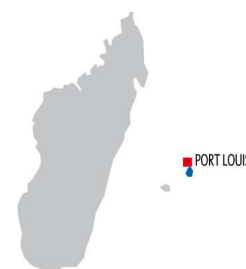


## Dynamic island economy



### General Information

<b>Form of state</b>	USD11.3bn (World ranking 126, World Bank 2011)
<b>Population</b>	1.29 millions (World ranking 155, World Bank 2011)
<b>Form of state</b>	Parliamentary Democracy
<b>Head of government</b>	Navinchandra RAMGOOLAM
<b>Next elections</b>	2015, legislative



### Strengths

- Well-developed and stable political system with regular peaceful transfers of power.
- Sound track record with regard to policy implementation.
- Few ethnic/religious tensions, despite significant cultural diversity.
- Strong inward FDI inflows, reflecting supportive general business environment.

### Weaknesses

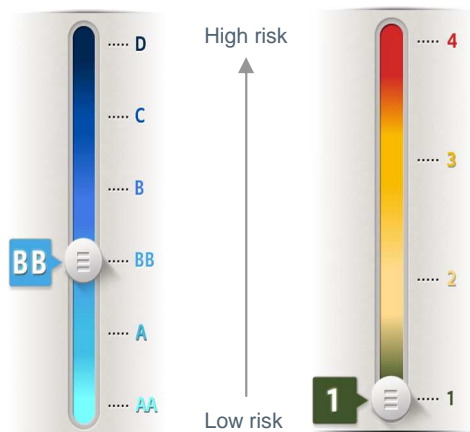
- Subject to adverse weather conditions (including periodic cyclones).
- Small island state dependent on external trade and therefore vulnerable to external shocks.
- Unemployment is high (currently estimated at 7.6%).
- Fiscal deficits have been reduced but current account deficits remain large and require careful management.

### Country Rating

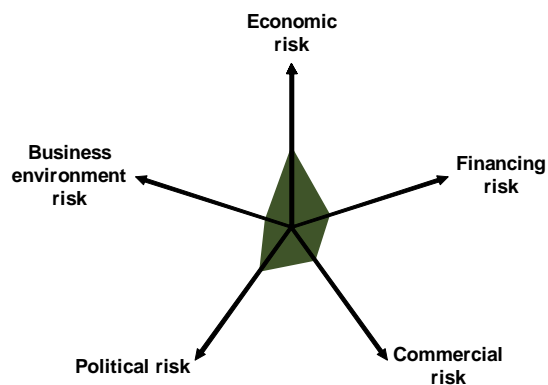
**BB1**

Country Grade

Country Risk Level

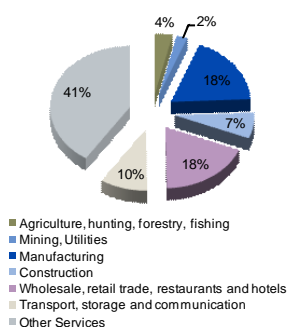


### Risk Dimensions



## Economic Structure

### GDP breakdown (% of total, 2010)



Sources: Chelem, UnctadStat, IHS Global Insight, Euler Hermes

### Trade structure (% of total, 2010)

By destination/origin

Exports	Rank	Imports
United Kingdom	21% 1	27% India
France	17% 2	10% China
United States	10% 3	9% France
Italy	8% 4	7% Singapore
South Africa	8% 5	6% South Africa

By product

Exports (% of total)	Rank	Imports (% of total)
Articles of apparel & clothing accessories	40% 1	19% Petroleum, petroleum products and related
Fish, crustaceans, molluscs and preparations thereof	15% 2	6% Fish, crustaceans, molluscs and preparations thereof
Sugar, sugar preparations and honey	14% 3	6% Textile yarn and related products
Miscellaneous manufactured articles, n.e.s.	5% 4	5% Road vehicles
Textile yarn and related products	5% 5	4% Non metallic mineral manufactures, n.e.s.

## Economic Forecasts

	Average 2000-08	2009	2010	2011	2012f	2013f	2014f
GDP growth (% change)	4.5	3.0	4.0	4.1	3.5	3.5	4.0
Inflation (% end-year)	6.2	1.5	6.1	4.9	4.0	4.1	3.9
Fiscal balance (% of GDP)	-4.5	-3.6	-3.2	-3.2	-0.3	-0.6	-0.2
Public debt (% of GDP)	49.7	50.7	50.6	50.9	50.9	51.7	52.2
Current account (% of GDP)	-2.2	-7.4	-8.2	-12.6	-12.0	-11.6	-11.1
External debt (% of GDP)	14.3	11.1	12.6	12.7	29.1	31.8	32.9

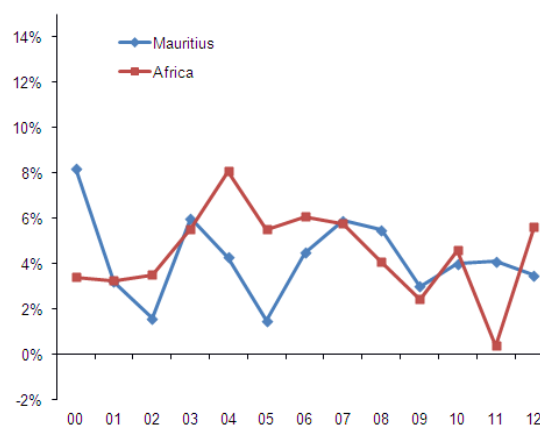
Sources: IHS Global Insight, National sources, Euler Hermes

## Economic Overview

Reflecting the size of the country and its geographic location (island status), the economy is vulnerable to external shocks because of its relative openness and requirement to import a high proportion of its food and energy requirements. In addition, economic growth is dependent on the vibrancy of the export sector, which is oriented towards developed markets in Europe and North America. Growth of GDP is estimated at +3.5% in 2012, down from +4.1% in 2011 and compared with a long-term annual average of +4.5%.

EH forecasts GDP growth of +3.5% and +4% in 2013 and 2014, respectively. Economic growth will continue to be subdued by a lacklustre rebound in exports, reflecting the global environment, and key tourism and textile sectors will continue to be adversely affected by relatively weak European markets.

GDP growth (annual %)



Sources: IHS Global Insight, Euler Hermes

Fiscal deficits have been reduced but current account shortfalls, reflecting export-dependency, require careful management. In this respect, current account deficits, which recorded an annual average of -2.2% of GDP in 2000-08, turned to double-digit levels in 2011. EH forecasts a deficit of -11.6% of GDP for the current account in 2013, although shortfalls of this magnitude are covered by the continuing buoyancy of inward FDI flows. Foreign debt levels and ratios are relatively low (debt/GDP of 29% in 2012), although they have been increasing in recent years. Payment obligations on external debt are not onerous. Foreign exchange reserves currently cover over three months of imports.

Governments of all political persuasions espouse a market-oriented policy framework and this will continue in 2013 and 2014. A business-friendly environment is seen as key to investment promotion, given the economy's small size and the country's geographic location. The pragmatic stance in relation to economic management is a positive in attracting foreign investment, partly reflecting the country's status as a gateway into Sub-Saharan Africa markets. Accordingly, in recent years, inward investments have been particularly strong from India and China.

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