



Summary

Mauritius is a politically and socially stable island in the Indian Ocean. The economic diversification is limited, partly due to its size, and provides the highest vulnerability. This is mostly reflected in the country's current account deficit. The government has been able to generate an average growth rate of 4%, and to lift many out of poverty since gaining independence from the UK in 1968. The stability is the biggest asset of the country, which has a strategic location between Africa and Asia, and maintains close ties with Western Europe and the US. This somewhat reduces the risk posed by the current account deficit, as foreign funds are expected to continue to flow into the country.

Things to watch:

- Sugar prices
- Government's ability to curtail spending in order to reduce the debt load

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Mauritius			
National facts		Social and governance indicators	
Type of government	Parliamentary democracy	Human Development Index (rank)	rank / total 81 / 182
Capital	Port Louis	Ease of doing business (rank)	17 / 183
Surface area (thousand sq km)	2,040	Economic freedom index (rank)	12 / 179
Population (millions)	1.3	Corruption perceptions index (rank)	42 / 180
Main languages	Creole (80%), French (3%) English (official; 1%)	Press freedom index (rank)	51 / 175
Main religions	Hindu (52%) Christian (30%) Muslim (17%)	Gini index (income distribution)	n.a.
Head of State (president)	Anerood Jugnauth	Population below \$1 per day (PPP)	n.a.
Head of Government (PM)	Navinchandra Ramgoolam	Foreign trade	
Monetary unit	Rupee (MUR)	2010	
		<i>Main export partners (%)</i>	<i>Main import partners (%)</i>
		UK	India
		France	South Africa
		US	France
		UAE	China
		<i>Main export products (%)</i>	
		Textiles	38
		Sugar	15
		Fish	11
		<i>Main import products (%)</i>	
		Machinery & transport equipment	20
		Food & beverages	19
		Fuels	19
		<i>Openness of the economy</i>	
		Export value of G&S (% of GDP)	51
		Import value of G&S (% of GDP)	63
		Inward FDI (% of GDP)	4.4
Economy			
		2010	
<i>Economic size</i>		<i>bn USD</i>	<i>% world total</i>
Nominal GDP		10	0.02
Nominal GDP at PPP		18	0.02
Export value of goods and services		5	0.03
IMF quatum (in mln SDR)		102	0.05
<i>Economic structure</i>		<i>2010</i>	<i>5-year av.</i>
Real GDP growth		4.2	4.4
Agriculture (% of GDP)		5	5
Industry (% of GDP)		25	25
Services (% of GDP)		71	70
<i>Standards of living</i>		<i>USD</i>	<i>% world av.</i>
Nominal GDP per head		7591	77
Nominal GDP per head at PPP		14198	121
Real GDP per head		6384	80

Source: EIU, CIA World Factbook, UN, Heritage Foundation, Transparency International, Reporters Without Borders, World Bank.

Economic structure and growth

Mauritius is a medium-sized African island state off the coast of Madagascar. Its economy is currently dominated by the tourism and financial services sectors, although the traditional industries of sugar cane producing and textiles remain important export sectors. As an island state with not many natural resources, the country is amongst others highly dependent on fuel imports, consisting of 19% of total imports. As the island's main off takers can be found in western Europe and the US, the economy has suffered from lagging demand in these parts of the world. That gap has been filled by government support, and the growth rate has been maintained at a little over 4%, which is, according to the IMF, the country's expected growth path up to 2030. In the coming years, the government wants to diversify the economy further, and is planning to make vast investments into - among others - an oil refinery.

As Mauritius is a tax haven, and has attracted a lot of offshore business, the financial sector is relatively large. The risk to the overall economy is somewhat mitigated as the domestic assets are mostly denominated in rupees. The international servicing part of the financial sector is mainly used as an arm of foreign companies to direct funds either into Africa, or Asia. The Non Bank Financial Institutions that work in this part of the sector are paid for their services, and not for running high risks.

Political and social situation

Since gaining independence from the UK in 1968, Mauritius has been a stable democracy, with consistently improving social indicators. Although the political position of the prime minister has weakened in the past couple of months, we expect no significant changes in the political scene. Neither do we expect any social upheaval in the foreseeable future. The international position of Mauritius can be considered sound, as the country is working well with its business partners on four continents: the Americas, Europe, Asia and – of course – Africa.

Economic policy

Mauritius has again received commendations by the IMF for having sound economic policies. Nevertheless, the country would do well not to sit on its laurels. The budget deficit had been declining up to 2009, when the global economic crisis forced the government to take stimulus action. The previously set goal of obtaining a sub-50% of GDP public debt by 2013 has been moved forward to 2018. Currently, public debt is expected to reach 60% of GDP by the end of this year. This is an elevated level for a small-sized, narrow based economy.

Exchange rate and monetary policies are geared to maintain economic stability. Monetary policies have supported budgetary policies to generate growth in the wake of the crisis. It will be time to turn the screws on a bit, in order to counter rising inflation pressures. The Bank of Mauritius generally does not interfere with the exchange rate of the rupee.

Balance of Payments

As mentioned, the current account deficit is consistently high. The deficit has been higher than 5% of GDP since 2005, and is expected to reach 10.8% of GDP in 2011, on the back of an increased import bill. The trade balance is the largest contributor to the deficit, with a deficit of almost 22% of GDP expected in 2011. Investment flows have generally continued to stream into the country, allowing for an increase in the FX-reserves to a little over 20% of GDP.

The current account deficit is worrying, as it makes the economy vulnerable to a shift in investor sentiment. However, the government's track record of prudent economic policy, combined with a stable social situation should allow for the country to continue to attract foreign funds.

External position

Total (gross) external stands 52% of GDP, which is manageable for an open economy. The debt-service and liquidity ratios are sound, an indication of the balanced structure of the external debt. The import cover is slightly less impressive at just over four months.

Mauritius	2006	2007	2008	2009	2010	2011e	2012f
Selection of economic indicators							
<i>Key country risk indicators</i>							
GDP (% real change pa)	5.1	5.9	5.5	3.0	4.2	4.3	4.0
Consumer prices (average % change pa)	8.9	8.8	9.7	2.5	2.9	6.7	5.0
Current account balance (% of GDP)	-9.0	-5.6	-10.1	-7.6	-8.2	-10.8	-5.6
Total foreign exchange reserves (mln USD)	1270	1780	1743	2179	2442	2150	2200
<i>Economic growth</i>							
GDP (% real change pa)	5.1	5.9	5.5	3.0	4.2	4.3	4.0
Gross fixed investment (% real change pa)	19.0	5.9	1.3	8.9	-0.7	3.6	2.0
Private consumption (real % change pa)	5.9	4.5	6.7	2.1	2.6	2.9	3.0
Government consumption (% real change pa)	3.8	0.6	-1.4	5.1	3.4	3.4	2.0
Exports of G&S (% real change pa)	7.7	1.8	4.0	-3.5	16.3	4.0	4.1
Imports of G&S (% real change pa)	9.3	2.5	1.8	-9.1	7.1	7.2	-5.7
<i>Economic policy</i>							
Budget balance (% of GDP)	-5.3	-4.3	-3.3	-2.9	-4.6	-4.3	-4.4
Public debt (% of GDP)	69	63	57	60	58	60	61
Money market interest rate (%)	5.6	8.5	7.5	4.6	3.1	8.2	7.5
M2 growth (% change pa)	10	15	15	9	7	7	16
Consumer prices (average % change pa)	8.9	8.8	9.7	2.5	2.9	6.7	5.0
Exchange rate LCU to USD (average)	31.7	31.3	28.5	32.0	30.8	28.7	29.8
Recorded unemployment (%)	9.1	8.5	7.2	7.3	7.8	7.4	7.2
<i>Balance of payments (mln USD)</i>							
Current account balance	-604	-434	-976	-675	-802	-1220	-700
Trade balance	-1080	-1418	-2002	-1557	-1894	-2470	-2040
Export value of goods	2329	2238	2384	1942	2259	2640	2830
Import value of goods	3409	3656	4386	3499	4154	5100	4870
Services balance	354	636	624	632	708	810	870
Income balance	50	223	178	27	201	240	250
Transfer balance	71	125	224	224	183	210	210
Net direct investment flows	97	281	325	219	301	420	450
Net portfolio investment flows	-30	58	-170	-84	-186	-150	-160
Net debt flows	-194	1136	39	-451	567	910	-60
Other capital flows (negative is flight)	666	-521	745	1509	417	-230	510
Change in international reserves	-65	521	-36	518	298	-280	40
<i>External position (mln USD)</i>							
Total foreign debt	2950	4132	4160	3717	4695	5880	5950
Short-term debt	2328	3472	3534	2975	3532	4340	4140
Total debt service due, incl. short-term debt	2640	2580	3745	3736	3250	3810	4540
Total foreign exchange reserves	1270	1780	1743	2179	2442	2150	2200
International investment position	1351	2239	2169	2353	2010	n.a	n.a
Total assets	2485	3562	11715	12710	16361	n.a	n.a
Total liabilities	1134	1323	9545	10356	14351	n.a	n.a
<i>Key ratios for balance of payments, external solvency and external liquidity</i>							
Trade balance (% of GDP)	-16.0	-18.2	-20.8	-17.6	-19.5	-21.9	-16.4
Current account balance (% of GDP)	-9.0	-5.6	-10.1	-7.6	-8.2	-10.8	-5.6
Inward FDI (% of GDP)	1.6	4.4	3.9	2.9	4.4	4.2	4.2
Foreign debt (% of GDP)	44	53	43	42	48	52	48
Foreign debt (% of XGSIT)	65	75	68	74	81	88	85
International investment position (% of GDP)	20.1	28.7	22.5	26.7	20.7	n.a	n.a
Debt service ratio (% of XGSIT)	58	47	61	74	56	57	65
Interest service ratio incl. arrears (% of XGSIT)	2	2	2	2	2	2	1
FX-reserves import cover (months)	3.2	4.1	3.3	5.1	4.8	3.5	3.7
FX-reserves debt service cover (%)	48	69	47	58	75	56	49
Liquidity ratio	231	287	221	266	322	274	282

Source: EIU

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