MACROECONOMIC FRAMEWORK

The Macroeconomic Framework has been formulated taking into account the objective of Government to usher in a new phase of high economic growth with shared prosperity and enhanced quality of life, with the ultimate aim of transforming Mauritius into an inclusive, high-income country by 2030. It also considers recent developments, global and domestic economic prospects, threats and challenges, and relevant policy responses for the period 2017-2020. It incorporates likely impact of policy measures announced in the Budget Speech.

Recent Developments

2. In 2016, world economic growth declined to 3.1% against 3.4% in 2015 - the weakest performance since the global financial crisis. This subdued growth was characterised by stagnant global trade, weak investment and increased policy uncertainty.

3. In FY 2016/17, the Mauritian economy is estimated to grow at 3.9% (in terms of GDP at market prices) compared to 3.2% in FY 2015/16. Growth was driven by the tertiary sector, namely financial services, tourism and retail trade. The secondary sector contributed positively to growth as the construction sector recovered from a cumulative contraction of around 25% since FY 2012/13.

4. In addition to the higher growth rate, there was a general improvement in trends of main macroeconomic indicators in 2016. These include:

(a) Private investment grew by 7.4% in nominal terms after 3 consecutive years of contraction;

(b) FDI inflows increased to Rs 13.6 billion from Rs 9.7 billion in 2015 - growth of 40%;

(c) Domestic savings increased to 11.1% of GDP - reversal of declining trend since 2012;

(d) Headline inflation declined from 1.3% in 2015 to a 30-year low of 1%;

(e) Unemployment rate dropped to 7.3% after stagnating at around 8% during the past five years. There was a decline in both male and female unemployment. After rising in 2014 and 2015 to reach 26.3%, unemployment among the youth dropped to 23.9%;

(f) Current account of the Balance of Payments continued to improve with a deficit of 4.3% of GDP compared to 4.8% in 2015;

(g) Overall BOP surplus amounted to Rs 26.2 billion in 2016, up from Rs 20 billion in 2015. As a percentage of GDP, it stood at 6% compared to 4.9% in 2015; and

(h) International reserves of the country increased to Rs 180 billion at end-April 2017. This covers 9.4 months of imports as against 7.7 months in December 2015.

5. Regarding merchandise trade, total export value dropped by 10% in 2016. This was due to a significant fall in re-exports, particularly of cellular phones to the UAE, and also lower export value of textile & clothing, precious & semi-precious stones as well as bunkering.

Prospects and Forecasts

6. The IMF is projecting a pick-up in global economic growth to 3.5% in 2017 and 3.6% in 2018. However, the world economy is still faced with headwinds resulting from threat of protectionist policies, deepening geopolitical tensions and persisting structural problems. Uncertainties stemming from Brexit also represent downside risks to the outlook, although its full impact has yet to be assessed.

7. The Macroeconomic Framework takes into account the global economic situation as well as Government's objective to boost the export sector. It also assumes further improvement in the macroeconomic fundamentals of the Mauritian economy. Measures taken recently to facilitate Doing of Business are expected to enhance private investment and employment creation.