



Casa África – Business opportunities

Republic of Mauritius

During the period 2015-19, GDP growth has been moderate but constant, hovering around 3.8%. This growth has been driven mainly by financial services, retail and wholesale trade and ICT. For 2020 and 2021, GDP growth is expected to be 3.9% and 4.0%, due to increased tourism, continued investment growth and external demand for regional and global growth. The country's economy is based mainly on services, which constituted 76% of GDP in 2019, followed by industry with 21% and agriculture with 3%. Strong growth in private consumption has also contributed positively to the country's economy. The Bank of Mauritius' accommodative monetary policy has been considered appropriate given the recent low inflation; however, an increase of 3.5% is estimated for 2020. The fiscal policy was expansionary in the period 2015-2019, and the recurrent public expenditure that characterized it was offset by the increase in revenue from strong tax collection. The budget deficit constitutes 3.2% of GDP, and the current account deficit is expected to be reduced in 2020 and 2021 to 5.6% of GDP and 5.2%, respectively. This improvement is largely due to improved export and tourism revenues.

The main sectoral drivers of growth are expected to continue to function well; however, the economy is expected to diversify further into higher value-added sectors such as agro-processing, medical tourism, higher education services and the development of the ocean economy. In particular, activities in the ocean economy including leisure, energy, aquaculture and port logistics could add 1-2 percentage points to GDP. On the other hand, the effort to increase efficiency and productivity in public services could include the digitization of the economy, boosting fintech and artificial intelligence. A boost to foreign direct investment is expected from a favourable business environment, as well as business-friendly regulations such as the revised Business Facilitation Law, and global economic demand that will increase the export of goods and services. However, private investment in strategic infrastructure subsectors such as water, transport and energy is also expected to remain low in the absence of significant regulatory reforms.

The country's main customers are the United Kingdom, France, and the United States, and the main exported products are textiles, boats, and fuel and fish supplies, among others. Re-exports also play an important role. On the other hand, China, India and France are the country's main suppliers, whose imports are made up of fuel, food and beverages, other manufacturing industries and machinery and transport equipment, among others.

The country's public debt remains high and the fiscal space for investment in infrastructure and human capital is expected to be limited in the coming years. The transition from labour-intensive sectors to emerging high-value-added sectors is rapid and requires greater skills. Although the financial sector is among the strongest and best regulated in Africa, it mainly serves large corporations, while small and medium enterprises continue to find access to finance a challenge. Overall, risks to potential growth include skill constraints, environmental degradation, a rapidly ageing population and growing income inequality.

Government efforts to reorient Mauritius as an Asian-African gateway for trade and investment and to further diversify export markets will strengthen the country's position as a logistics and service centre for Africa, giving a boost to the country's economy as a whole.

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