Mauritius

Macroeconomic performance

The economy continues its steady expansion, with real GDP growth estimated at 4.1% in 2018, up from 3.8% in 2017. Growth was led mainly by construction, financial services, and information and communications technology.

The fiscal deficit widened slightly from 3.4% of GDP in 2017 to an estimated 3.5% in 2018 but is projected to fall back to 3.4% in 2019 due to fiscal consolidation and the ongoing disbursement of a grant from India. Public debt sustainability is regarded as broadly positive, although fiscal consolidation would be required for the country to meet the recently adjusted statutory public debt target of 60% of GDP by December 2021.

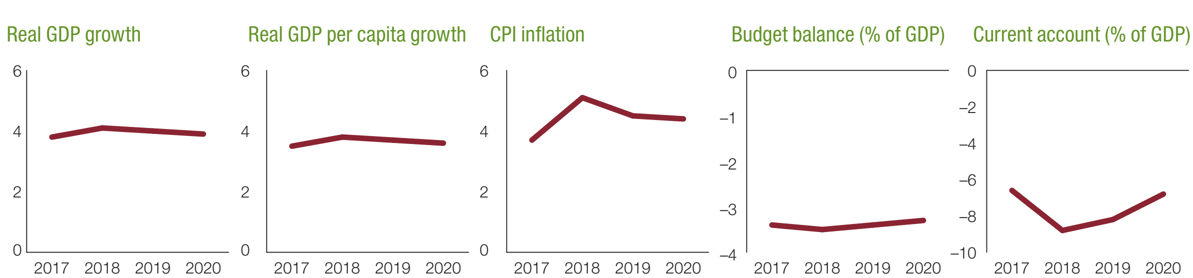
Monetary policy was accommodative in view of the low inflation environment and the need to support domestic activity. Inflation increased from 3.7% in 2017 to an estimated 5.1% in 2018, due largely to food production shortages resulting from losses caused by heavy rainfall. The current account deficit widened from 6.6% of GDP in 2017 to an estimated 8.8% in 2018. International gross reserves stood at 11 months of imports. The main exports are clothing, sugar cane, processed fish, and cut flowers. The export of services also continues to rise, driven by tourism and financial services.

Tailwinds and headwinds

The economic outlook is positive because of favorable external conditions and rising public investment. Real GDP growth is projected to be 4.0% in 2019 and 3.9% in 2020. Growth could even accelerate if the government's public infrastructure program gathers pace and stimulates private investment. The current account deficit is projected to remain high, at 8.2% of GDP in 2019, given increasing commodity prices and large imports for the infrastructure program. The economy's external financing should benefit from continued strengthening of service exports—mainly tourism. Key sectoral drivers of growth are expected to continue performing well, with financial services, food processing, retail and wholesale, and information and communications technology all expected to grow by more than 5%. Furthermore, the economy is diversifying into other higher value added areas such as medical tourism and higher education.

Potential headwinds from increasing global energy and food prices are expected to bring inflationary pressure and constrain the island economy's external position. An economic slowdown in key European trading partners (due to global trade tensions or Brexit) may hinder tourism as well as goods exports. Other possible impediments to growth include a narrow domestic skills base and climate change–related natural hazards.

The country is rapidly developing into a hub for trade, re-export, logistics, and distribution, establishing itself as a launching point for local and international companies seeking opportunities on the continent. Mauritius is also becoming a financial platform or gateway into Africa. In 2016, banks and insurance firms based in Mauritius injected more than $50 million into the Kenyan economy through acquisitions and investments. Mauritian expertise is also rehabilitating and managing sugar industries in Côte d'Ivoire, Madagascar, Mozambique, Tanzania, and Uganda.



Source: Data from domestic authorities; figures for 2018 are estimates; figures for 2019 and 2020 are projections by the African Economic Outlook team.