



Republic of Mauritius

## **At The Crossroad**

# **SUPPLEMENT TO THE BUDGET SPEECH 2015-2016**

**This supplement provides the economic and social backdrop to the measures and policies of Budget 2015/2016.**

March 2015



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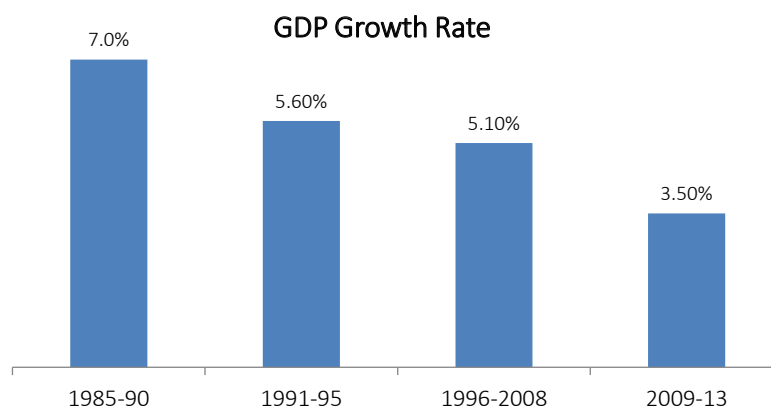


# The Economic Backdrop

## Macroeconomic overview

The Gross Domestic Product (GDP) real growth rate has followed a declining trend from an average of 7 percent in the late eighties to an average of 3.5 percent for the period 2009-2013.

This decline reflects mainly lower growth in the main pillars of the economy (sugar, manufacturing and tourism), which together have grown by only 2.2 percent over the five-year period 2009-2013.



Source: Statistics Mauritius

ICT and seafood grew at a faster average annual growth rate of 9.8 percent and 5.3

percent respectively for the period 2009-2013. Export of education and healthcare services were also growing rapidly. However, these fast growth sectors do not yet have the depth to propel Mauritius on a higher growth path for together, they contribute less than 8 percent to total GDP.

In 2014, the Mauritian economy grew by 3.5 percent. The main sectors driving the growth were wholesale and retail trade, financial and insurance activities, food processing, textile and other manufacturing, tourism and ICT. The sugar sector grew by 2.3 percent. Construction contracted by 6.7 percent.

## Investment

Total investment in real terms fell by an average annual rate of 1 percent during the period 2009-2013, compared to an average annual increase of 4.3 percent during the period 2004-2008. This decrease was mainly due to significant drops in the amount invested in non-residential building.

In 2014, investment as a ratio of GDP declined further to 19.4 percent as private investment went down to 14.4 percent.

## Consumption

Total consumption increased by an average annual rate of 2.6 percent during 2009-2013, below the GDP growth rate. In 2014, consumption expenditure grew by a slightly higher rate of 3 percent in real terms to reach 88.4 percent of GDP.

## Savings

Gross Domestic Savings<sup>1</sup> as a ratio of GDP was at a low average of 12.4 percent for the period 2009 to 2013. In 2014, savings was 11.7 percent of GDP.

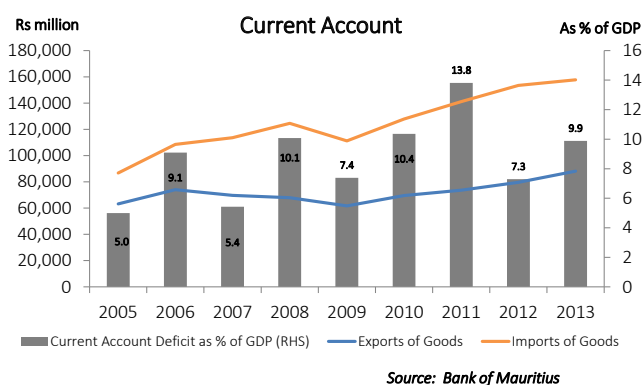
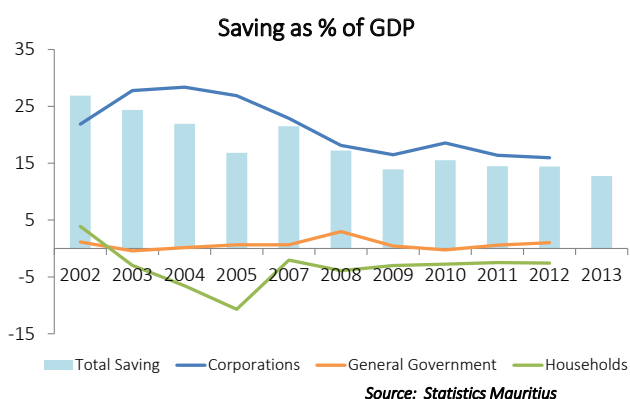
## Current Account

The current account of the Balance of Payments (BOP) showed an average annual deficit of 9.7 percent for the period 2009-2013, compared to 6.3 percent during 2004-2008. The deficit rose to a peak of 13.8 percent of GDP (Rs -44.6 billion) in 2011 before declining to around 9.9 percent (Rs -36.7 billion) in 2013.

In 2014, the trade deficit was 19.8 percent of GDP (Rs 76.8 billion), down from a peak of 23.7 percent (Rs 81.3 billion) in 2012 and 21.2 percent (Rs 77.5 billion) in 2013. This improvement in the trade deficit from 2012 to 2014 was a result of exports increasing at an average of 9.3 percent per annum, compared to an average increase of 3.4 percent per annum in imports.

During the period 2009-2013, the surplus in the services, income and transfers accounts was slightly higher, on average at around 9.9 percent of GDP, compared to around 8.9 percent over 2004-2008. In 2013, there was a surplus of 9.1 percent (Rs 33.4 billion) in these accounts.

Capital inflows have increased significantly over the past few years. The BOP has been in surplus since 2007. In 2013, the BOP surplus amounted to 4.5 percent of GDP (Rs 16.6 billion).



<sup>1</sup> The decomposition for savings has not yet been finalised for 2013.

## Foreign Currency Reserves

Gross international reserves have increased significantly to Rs 124.3 billion as at end December 2014. This represented 6.2 months of import cover compared to 5.2 months in 2013.

The ratio of gross international reserves to M2 remained on the high levels at 0.31 in 2014 and short term external debt to gross international reserves was at 0.92. A country with a high international reserves to short term external debt ratio is less vulnerable to speculative attacks or external shocks.

Ratios	Mauritius	Benchmark
Reserves to Imports	> 24 months	15 months
Reserves to M2	0.31	0.13
Short Term External Debt to Reserves	0.92	1:1

Source: Bank of Mauritius

Three benchmarks regarding reserves are considered. A ratio of reserves to imports of 15 months is considered prudent. For the ratio of reserves to M2, the average for industrialised countries as per IMF report 1998 is used as benchmark. The Broad Money Liabilities comprising Narrow Money Liabilities and Quasi Money Liabilities is used as a proxy for M2 in Mauritius. The IMF also recommends using a ratio of unity for short-term external debt with a remaining maturity of one year or less.

## Foreign Exchange

On average, the Mauritian Rupee (MUR) appreciated against all the major currencies during the period 2009-2013, ranging from an average appreciation of 0.8 percent per annum against the US Dollar (USD) to 3.44 percent against the South African Rand (ZAR). From 2009 to 2011, the British Pound (GBP) and USD depreciated against the MUR, thereafter appreciating slightly. By 2013, the GBP and USD were still below the 2009 exchange rates. On the other hand, the Japanese Yen (JPY) and ZAR appreciated as from 2009 and started to depreciate, in the case of the former as from 2012 and the latter as from 2010.

Currency	2009	2010	2011	2012	2013	2014	Average Change 2009-2013	Period Average	Period High	Period Low
GBP/MUR	50.07	47.72	46.09	47.44	47.82	50.25	-0.90%	47.83	50.07	46.09
EUR/MUR	44.52	40.95	39.99	38.49	40.60	40.53	-1.76%	40.91	44.52	38.49
JPY/MUR	34.40	35.41	36.25	37.70	31.29	28.73	-1.81%	35.01	37.70	31.29
USD/MUR	31.94	30.89	28.75	29.93	30.66	30.62	-0.80%	30.43	31.94	28.75
ZAR/MUR	3.85	4.25	4.01	3.68	3.19	2.81	-3.44%	3.80	4.25	3.19

Source: Statistics Mauritius

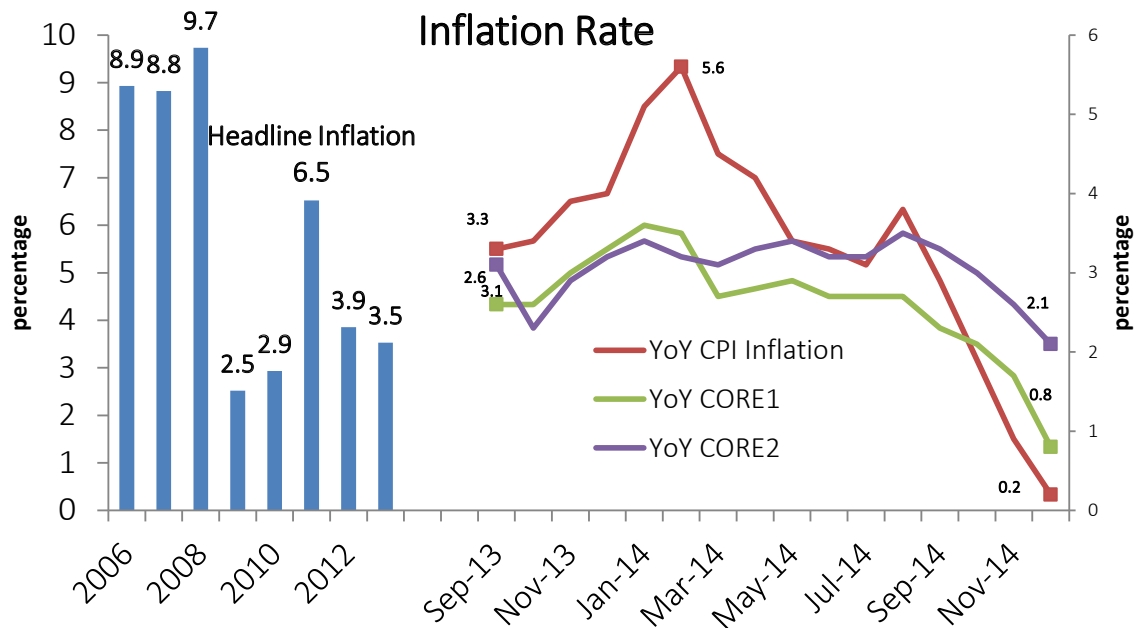
The GBP has hit a seven-year high against the euro (€), as the European Central Bank starts its government bond buying programme. The GBP rose by 1 percent to hit €1.40 for the first time since December 2007. A continued fear over a Greek exit from the Eurozone, as well as low inflation levels have also helped push the pound higher against the euro. The USD declined by 54.7 percent against the euro between 2002 and 2012. During that period, U.S. debt nearly tripled, from USD 5.9 trillion to USD 15 trillion. Since then, the USD has been rising against the Euro which has weakened following the Eurozone debt crisis.



## Inflation

Inflationary pressures have remained subdued during the past few years. Headline inflation averaged 3.9 percent during the period 2009-2013 compared to 7.4 percent during the period 2004-2008.

Both CORE1 and CORE2 were lower, around 3.9 percent and 3.3 percent respectively in 2009-2013 compared to 2004-2008. In 2014, the headline inflation rate stood at 3.2 percent. CORE1 and CORE2 inflation were estimated at 2.6 percent and 3.1 percent respectively.



Source: Bank of Mauritius

Year-on-year inflation has continuously declined from a high of 5.6 percent in February 2014 to 0.2 percent in December 2014. There has been a reduction in the prices of food, alcoholic and non-alcoholic beverages, gasoline and diesel, and international calls and mobile phones.

However, the reduction in prices of these products were partly offset by higher prices of prepared foods, ready-made clothing and footwear, rental of dwellings, higher doctors' fees and clinic fees and increased private school and tuition fees.

The headline inflation rate is calculated by using the annual average method, that is, by comparing the average level of prices during a twelve-month period to the average level during the previous period. This type of inflation rate is more appropriate for adjusting wages, salaries and pensions to compensate for loss of purchasing power.

The year-on-year inflation rate is calculated as the percentage change in the Consumer Price Index (CPI) for a given month with respect to the CPI for the corresponding month of the previous year. It is generally used by central banks for monetary policy decisions.

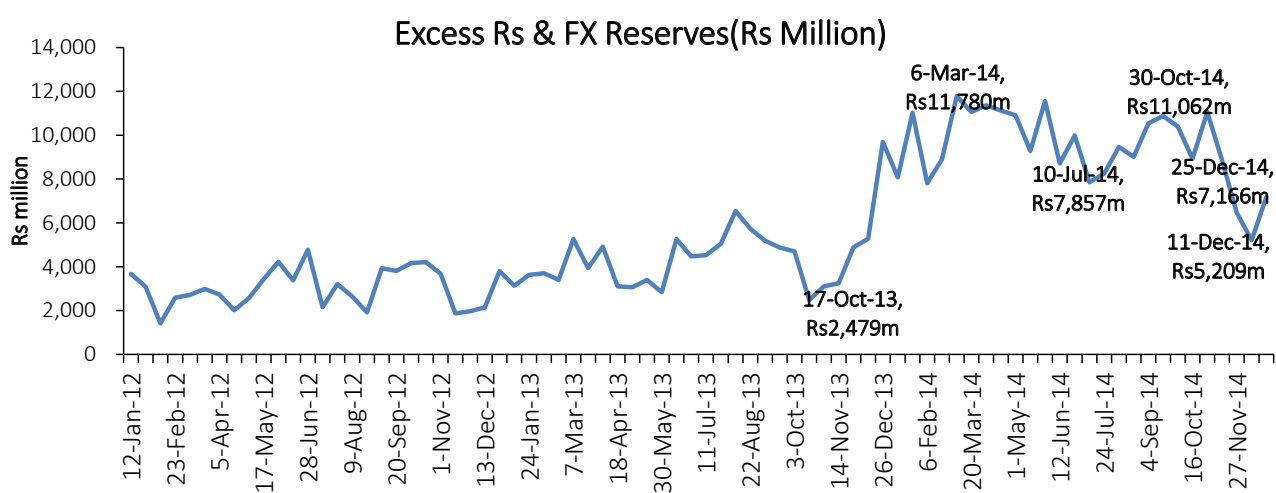
The CORE1 inflation measure excludes food, beverages, tobacco, and mortgage interest from the CPI basket.

The CORE2 inflation measure excludes food, beverages, tobacco, mortgage interest, energy prices and administered prices.

## Excess Liquidity

There has been a surge in excess liquidity in the banking system since late 2013. This is due mainly to a slowdown in credit to the private sector combined with the implementation of the Operation Reserve Reconstitution programme by the Bank of Mauritius and increased Government borrowings from external sources, among others.

During the period October 2013 to December 2014, the level of excess cash balances, both foreign currencies and rupees, held by banks was on average Rs 8.5 billion as compared to the average Rs 3 billion and Rs 4 billion recorded in previous years. As at end December 2014, the level of excess liquidity was Rs 7.2 billion, representing 2.1 percentage points above the minimum required average cash ratio.



*Source: Bank of Mauritius*

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## Asset concentration of the banking sector

As at end December 2014, 53.5 percent of banking assets were concentrated in the four largest banks. Data on asset concentration of the banking sector comprise both domestic banks as well as those engaged predominantly in international business.

## Labour force and unemployment

In 2013, Mauritius had a labour force of around 571,200, of which approximately 350,400 were males and 220,800 females. The labour force also included 16,500 male and 9,800 female foreign workers.

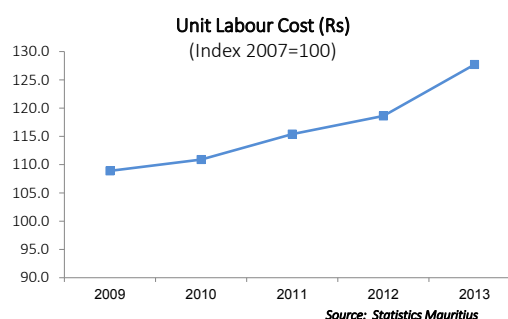
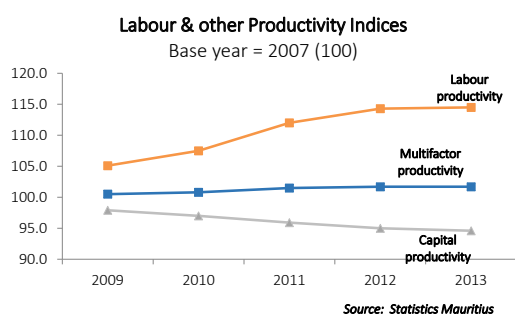
Age Group	Labour force			Activity rate			Unemployed		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
16 - 24	45000	31000	76000	51	36	44	8000	9600	17600
25 - 34	81500	57800	139300	94	67	81	4500	8400	12900
35 - 44	83000	57400	140400	96	67	81	2700	4900	7600
45- 54	86200	48700	134900	93	52	73	2300	3200	5500
55 - 59	32100	16000	48100	85	41	62	800	500	1300
60+	22600	9900	32500	30	10	19	300	300	600
<b>Total</b>	<b>350400</b>	<b>220800</b>	<b>571200</b>	<b>75.1</b>	<b>45.4</b>	<b>59.9</b>	<b>18600</b>	<b>26900</b>	<b>45500</b>

Source: Statistics Mauritius

The activity rate, which measures the ratio of the Mauritian labour force to the population in the same age group, was around 60 percent in 2013. Splitting the Mauritian activity rate between males and females reveals a serious gender gap. The male activity rate was around 75.1 percent (one of the highest in the world) while that for female was a mere 45.4 percent.

## Labour Productivity

From 2009 to 2013, labour productivity increased by an average of 2.2 percent per annum. During the same period, capital productivity was negative (-0.9 percent per annum) while multifactor productivity increased by 0.3 percent. The multifactor productivity reflects qualitative factors such as better management and improved quality of inputs through training and technology. It should be noted that, after a relatively rapid average increase from 2009 and 2012, labour productivity levelled off in 2013.

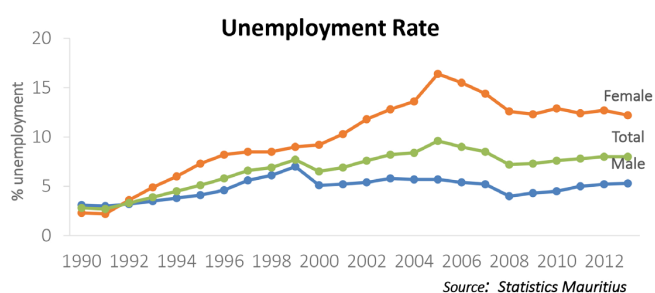


After mirroring labour productivity trends from 2009 to 2012, the unit labour cost, which is the remuneration of labour to produce one unit of output, increased sharply in 2013 while labour productivity grew by 0.2 per cent.

## Unemployment rate

Total unemployment rate in 2013 stood at 8.0 percent. The unemployment rate among women, which was at 12 percent in 2013, was much higher than that of men at 5 percent in the same year. Women made up 60 percent of the unemployed labour force.

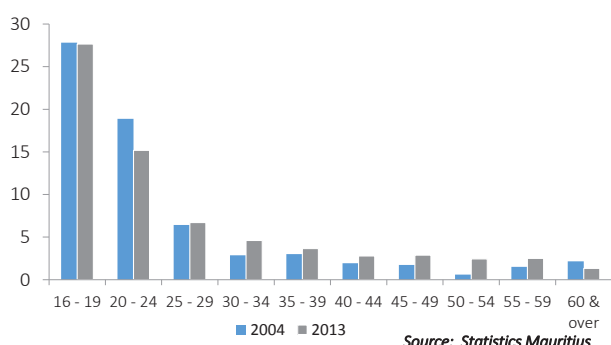
There was also a very high concentration of unemployment among young people. The 23.2 percent of young people aged 16 to 24 were unemployed in 2013. Among these young unemployed, 60.4 percent were educated up to the School Certificate level.



Unemployed by Education level	Male	Female	Total
CPE & below	5,600	6,100	11,700
up to Form V	6,200	8,300	14,500
SC equivalent	2,500	4,800	7,300
HSC equivalent	1,700	2,900	4,600
Tertiary	2,600	4,800	7,400
Total	18,600	26,900	45,500

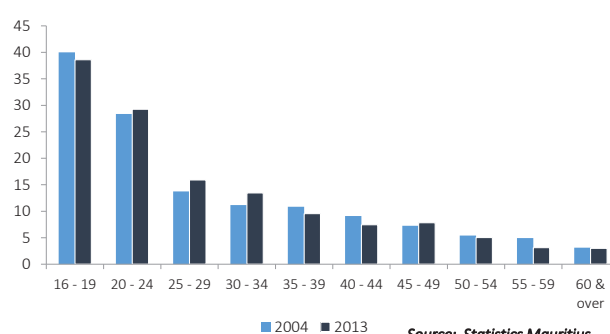
Source: Statistics Mauritius

Unemployment rate (%) by age group - MALE



Source: Statistics Mauritius

Unemployment rate (%) by age group - FEMALE



Source: Statistics Mauritius

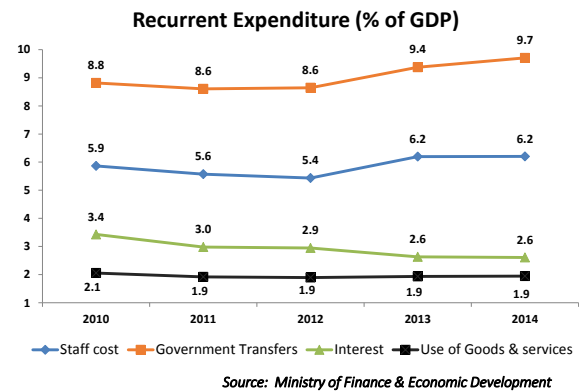
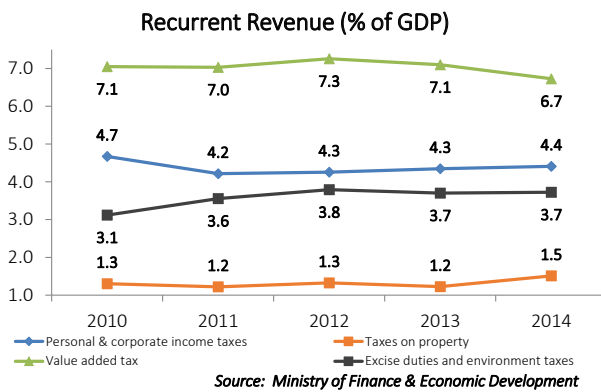
Fields of study	Foreign workers			Unemployed Mauritians		
	Male	Female	Total	Male	Female	Total
Business and administration	311	117	428	224	308	532
Humanities	87	43	130	26	182	208
Computing	83	14	97	95	63	158
Health	116	81	197	84	74	158
Social and behavioural science	55	38	93	55	100	155
Engineering and engineering trades	138	15	153	99	46	145
Arts	34	16	50	28	56	84
Law	277	92	369	172	227	399
Others	1,121	435	1,556	813	1,105	1,918

Source: Statistics Mauritius

## Public Finance

### Recurrent Revenue

Recurrent revenue as a share of GDP remained stable at around 20.5 percent over the period 2010-2014. Overall tax receipts were also stable at 18.5 percent although there have been movements within the various components of taxes.



VAT receipts were the largest source of Government income. It represented around 34 percent of recurrent revenue and 7 percent of GDP. In 2014, VAT receipts declined to 6.7 percent of GDP, reflecting the slower growth in domestic consumption expenditure and contraction in tourism earnings.

Personal and corporate income taxes were the second most important source of revenue. They accounted for 21 percent of recurrent revenue and 4.3 percent of GDP. In 2014, income taxes increased by a lower rate of 7.3 percent compared to 8.8 percent in 2013.

Receipts from property tax represented around 6.2 percent of recurrent revenue.

The share of excise duties and environment taxes in recurrent revenue increased from 15 percent in 2010 to 18 percent in 2014. This was due to the increase in the rates of excise duty on alcoholic beverages and tobacco products.

In addition, new environment taxes on pet bottles and MID levy were introduced.

## **Recurrent Expenditure**

Recurrent expenditure increased from 19.4 percent of GDP in 2012 to 20.8 percent in 2014. This was mainly due to the salary review in the public service. Staff cost represented around 30 percent of recurrent expenditure. It increased by around 22 percent in 2013 and another 5.8 percent in 2014.

Government transfers, including current grants to parastatal bodies, subsidies and social benefits, increased from 42 percent of recurrent expenditure in 2010 to 47 percent in 2014. Transfers represented around 10 percent of GDP.

Social benefits and current grants increased by 9.2 percent on average annually during the period 2010 to 2014. The share of social benefits in recurrent expenditure increased to 23.8 percent in 2014, a 2.2 percentage point increase over 2010.

Current grants to parastatal bodies accounted for 20.8 percent in 2014, compared to 18.9 percent in 2010.

Despite the increase in staff cost and Government transfers, the recurrent budget remained nearly balanced. This was possible through a curb in interest costs, which decreased by 0.8 percentage points from 3.4 percent of GDP in 2010 to 2.6 percent in 2014, due to the control debt situation and a fall in interest rates.

The recurrent balance, which represented the central Government's savings, turned negative in 2013 (-0.1 percent of GDP) and 2014 (-0.4 percent) compared to surpluses in 2011 (0.8 percent) and 2012 (1.4 percent).

## **Capital Budget**

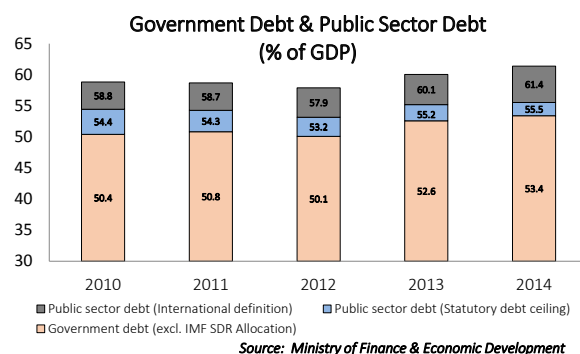
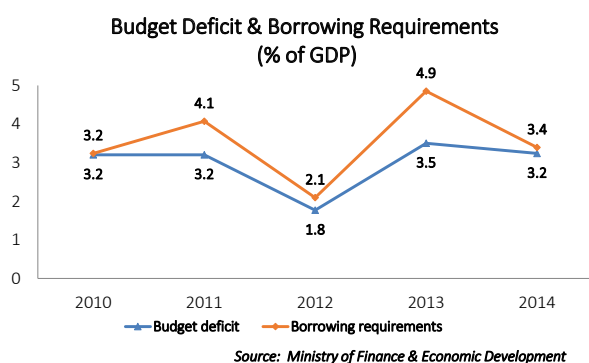
Capital receipts amounted to only 0.1 percent of GDP in 2014. External grants, mainly from the EU, the main capital receipt, decreased from Rs 2.4 billion in 2012 to Rs 0.4 billion in 2014.

Capital expenditure, excluding transfers to Special Funds, increased by 16 percent in 2013 due to higher investment in road and drainage works. In 2014, it decreased by 13.7 percent to reach 2.9 percent of GDP compared to 3.5 percent in 2013.

The capital balance registered a deficit of 2.9 percent of GDP in 2014, down from 3.5 percent in 2013.

## Budget Deficit and Borrowing Requirements

The budget deficit averaged 3.2 percent of GDP between 2010 and 2014, with a low of 1.8 percent in 2012 and a high of 3.5 percent in 2013. Loans to parastatal bodies and other Government institutions increased significantly in 2013 to 1.5 percent of GDP from an average of 0.4 percent during the previous three years. It then fell to 0.4 percent in 2014. As a result, Government borrowing requirements declined to 3.4 percent of GDP in 2014 compared to 4.9 percent in 2013.



## Government Debt and Public Sector Debt

Government debt increased to 52.6 percent of GDP in 2013 and further to 53.4 percent in 2014, from an average of 50.4 percent during 2010-2012. Excluding cash balances of around Rs 4.9 billion in 2013 and Rs 6.4 billion in 2014, net Government debt stood at 51.3 percent of GDP in 2013 and 51.8 percent in 2014.

Debt of parastatal bodies and public enterprises, adjusted on the basis of risk assessment for the purpose of the statutory debt ceiling, declined from 4.0 percent of GDP in 2010 to 2.1 percent in 2014. Taking this into account, public sector debt declined from 54.4 percent of GDP in 2010 to 53.2 percent in 2012. However, it increased to 55.2 percent in 2013 and further to 55.5 percent in 2014. Excluding cash balances, net public sector debt amounted to 53.8 percent in 2013 and 53.9 percent in 2014.

Total non-adjusted public sector debt as per international definition increased from 57.9 percent of GDP in 2012 to 60.1 percent in 2013 and to 61.4 percent in 2014. Excluding Government securities issued for mopping up excess liquidity (Rs 5.4 billion), total public sector debt stood at 60 percent of GDP, almost at the same level as in 2013.

Mauritius has maintained its Baa1 sovereign rating by Moody's since 2012 when it was upgraded from Baa2 rating. The Baa1 rating reflects moderate credit risk. Moody's generic rating classification runs from Aa through Caa. Mauritius has also recently been rated as 'BBB+' by ARC Ratings, S.A., a global entity created in 2013. This rating demonstrates an adequate capacity for Mauritius to meet its financial commitments.

## Debt Profile

As part of the debt management strategy, the debt maturity structure of Government has been lengthened during the past few years. The share of medium and long term Government debt in total debt increased from 78.1 percent in 2010 to 87.6 percent in 2014. In view of diversifying the sources of public sector debt financing, the share of foreign debt increased from 15.3 percent in 2008 to 20.3 percent in 2010 and further to 26.5 percent in 2014. Virtually all foreign borrowing is contracted from development partners.

In terms of currency composition of public sector external debt, the share of US dollar-denominated debt increased from 36.8 percent in 2010 to 47.4 percent in 2014. Euro-denominated debt fell from 34.4 percent to 31.5 percent. External debt in Chinese Yuan increased from 5.9 percent to 8.8 percent.

The Public Debt Management Act 2008 lays out the public debt management strategy, which is designed to meet the borrowing needs of Government in a manner that avoids market disruption; to minimise the cost of the debt portfolio within an acceptable level of risk; and support the development of a well-functioning market for Government securities.

According to the Act, the total outstanding amount of public sector debt cannot exceed 60 per cent of GDP at current market prices in any year before 2018. This percentage will be reduced so that at 31 December 2018, it does not exceed 50 per cent, which shall remain the ceiling afterwards. These requirements do not apply in the case of natural disasters or other emergencies requiring exceptional expenditure; where a large investment project in the public sector is deemed to be timely and prudent; or when general economic slow-down requires fiscal stimulus.

Any rise in the public debt at the end of a fiscal year shall not exceed 2 per cent of the previous year's debt. Whenever there is an increase in percentage, the Ministry shall prepare a plan describing how, within the next three fiscal years, it will bring back the debt to the percentage before the increase.

Government guarantees relating to debts of public enterprises are also considered in the public debt ceiling.

For the purpose of computation of the debt ceiling the following have to be taken into consideration:

- i. Debt of public enterprises is discounted according to the guidelines set in the Public Debt Management Act;
- ii. Budgetary Central Government External Debt excludes long term debt liability in respect of IMF Special Drawing Rights (SDR) allocations given that at the time of setting out the debt ceiling such liabilities were not taken on board;
- iii. Government securities issued for mopping up excess liquidity have been excluded as these have not been raised for meeting Government borrowing requirement and such liabilities were not included at the time of setting out the debt ceiling.



## Performance of the traditional pillars

In 2014, the biggest contributor to GDP was the manufacturing sector at 16.6 percent, followed by financial services (10.3 percent), tourism and ICT (7.3 percent and 6.4 percent respectively). Agriculture contributed to 3.1 percent of GDP.

For the five-year period 2009 to 2013, the ICT sector registered the highest growth among the economic pillars, with an annual average of 9.8 percent, followed by seafood (5.3 percent), financial services (5.2 percent), agriculture, forestry and fishing (2.5 percent), manufacturing (2.3 percent) and tourism (1.0 percent).

		GDP Contribution (%)		Real growth rate (%)		Employment
		2013	2014	Average 2009 - 13	2014	2013
Traditional sectors with av. growth < 5 percent	Tourism	6.9	7.3	1.0	4.8	45,400
	Agriculture, forestry and fishing	3.2	3.1	2.5	5.4	44,200
	Manufacturing	17.0	16.6	2.3	2.1	110,900
	ICT	6.3	6.4	9.8	6.6	18,500
Traditional sectors with av. growth > 5 percent	Seafood	1.5	1.4	5.3	11.8	9,800
	Financial & insurance activities	10.2	10.3	5.2	5.4	13,400

Source: Statistics Mauritius

## Exports of the main sectors

Between 2009 and 2013, exports of agricultural products grew by 9.8 percent per annum. Exports in the manufacturing sector witnessed a growth of 4.2 percent per annum over the five-year period 2009 to 2013. Both export-oriented enterprises and domestic enterprises have



contributed to this growth. Exports related to the tourism sector experienced an average growth of 3.2 percent per annum over the period. A small decrease was noted from 2012 to 2013.

According to the International Trade Centre, exports of the services sector, other than tourism, although representing a smaller share of total exports, are rapidly growing. Financial services exports experienced a sharp growth of 35 percent per annum over the 2009-2013 period, while ICT services exports increased by an annual average rate of 23 percent.

## Agriculture

The growth of the agricultural sector has been significantly low in recent years averaging 2.5 percent during the period 2009 to 2013. Sugar which contributes but 1 percent to GDP is the main culprit for this poor performance.

The non-sugar agricultural output grew by 3.72 percent over the same period.

	GDP Contribution (%)		Real growth rate (%)		Employment
	2013	2014	Average 2009 - 13	2014	2013
Agriculture, forestry & fishing	3.2	3.1	2.5	5.4	44,200
Sugarcane	1	0.8	-0.2	1.9	13,200
Other	2.2	2.3	3.7	7	31,000

Source: Statistics Mauritius

Sugar sector	Units	2009	2010	2011	2012	2013
Employment	-	14,800	14,400	13,900	13,300	13,200
Land usage	Ha	60,380	58,709	56,668	54,140	53,464
Export quantity	000s	344	435	411	358	421
Export value	Rs M	6,828	7,708	8,226	8,135	9,480

Source: Statistics Mauritius

## Sugar

The poor performance of the sugar sector in recent years is mainly due to a combination of factors that include low prices on the world market, bad harvest, weakening euro and also a trend towards abandonment of sugarcane plantation, amongst others.

The total harvested area under sugar dropped from 60,380 hectares in 2009 to 53,464 hectares in 2013. It is foreseen that the harvested area could decline further in the future. Total employment in the sugar cane sector amounted to 13,200 in 2013, a downward trend from 14,800 in 2009.

Diversification into special sugars has allowed for an increase in the value of sugar exports. According to the annual reports of the Mauritius Sugar Syndicate (MSS), the average price of special sugars increased by 6.8 percent per annum from 2009 to 2013. In 2013, special sugars were selling at €733 per tonne. As a result, the MSS increased the volume of special sugar sold from around 89,700 tonnes in 2009 to 119,800 and 118,500 in 2011 and 2012 respectively.

In 2013, new international suppliers of lower cost raw sugar entered the market to compete with special sugars, both for direct consumption and industrial usage. In consequence, the tonnage sold in 2013 fell by almost 20 percent from 2012 to 95,090 tonnes in 2013.

## Food crops

A total of 8,189 hectares under food crops was harvested in 2013, representing an increase of 15.6 percent since 2009. The export of vegetables and fruits grew by 159 percent from 2009 to 2013.

The production of paddy rice went up by 83.6 percent to 1,186 tonnes. The area under rice cultivation harvested increased by 35.5 percent to 412 Ha between 2013 and 2014.

## Fish and fish preparation

From 2009 to 2013, export of fish and fish preparations grew by 13 percent on average.

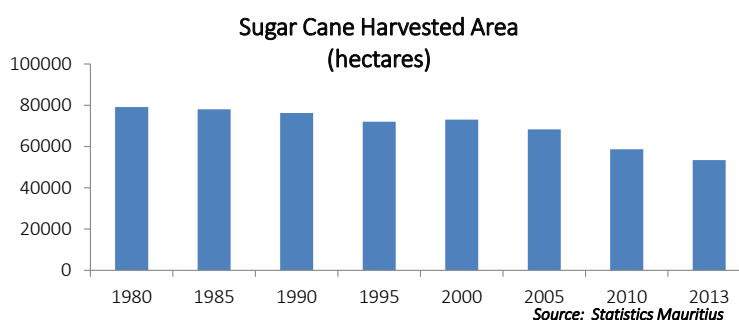
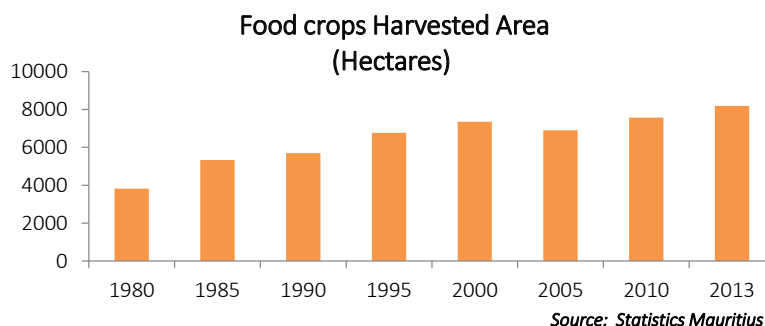
In 2013, the export earnings were significantly higher in the seafood sector (Rs 11.3 bn) compared to the sugar sector (Rs 9.5 bn).

## Livestock

Livestock (production of beef, goat meat, mutton and pork) and poultry account for around 22.6 percent of value added of agriculture, with an increase of 4.3 percent p.a. over the period 2009-2013, mainly as a result of incentives provided under the food security plan.

## Investment

Investment in the agricultural sector has hovered around Rs 2 bn in recent years. In 2013, it increased sharply due to the acquisition of marine vessels by the private sector, namely by SAPMER in the seafood sector.



## Financial Services

In terms of contribution per employee, financial services is the most efficient industry in Mauritius. It comprises monetary intermediation, financial leasing and other credit granting and insurance, reinsurance and pension funding, which together contributed 10.2 percent to GDP and accounted for 2.4 percent of total employment in the economy in 2013.

	GDP Contribution (%)		Real average growth rate (%)		Employment
	2013	2014	2009 to 2013	2014	2013
Financial and insurance activities	10.2	10.3	5.2	5.4	13,400
Monetary intermediation	5.9	6	5.36	5.5	7,750
Financial leasing and other credit granting	0.6	0.7	6.2	6.5	1000
Insurance, reinsurance and pension funding	3.1	3	4.5	5	3000
Other	0.6	0.6	5.1	5.5	1,650

Source: Statistics Mauritius

### Monetary Intermediation

In Mauritius, monetary intermediation is predominantly conducted by the banking sector and contributed around 6 percent to GDP in 2014. The banking sector is made up of 23 banks which together hold total assets in excess of Rs 1 trillion.

Banking activities are classified into two segments: Segment B relates to banking business that gives rise to “foreign source income”. All other banking business fall under Segment A. As at end December 2014, Segment B accounted for over 60 percent of total assets of banks.

Bank assets have been growing at an annual average rate of 9.1 percent in the past five years.

As at December 2014, total credit to the private sector amounted to over Rs 312 bn. The construction industry accounted for the highest share (25.7 percent) followed by tourism (15.2 percent), global business (12.0 percent) and traders (10.1 percent).

### Financial leasing and other credit granting

The financial leasing and other credit granting segment comprises granting of consumer credit, long-term finance to industry and other credit granting activities. Although this segment has a contribution to GDP of less than 1 percent in 2014, it has the highest growth rate of the industry at 6.5 percent. As per the Financial Services Commission (FSC) 2014 Annual Statistical Bulletin, financial leasing companies are amongst the most profitable categories of activities that it licenses.

## Insurance, reinsurance and pension funds

This segment comprises life insurance, non-life insurance, reinsurance (life and non-life) and pension funding. In 2014, it is estimated to have contributed 3 percent to GDP with a year-on-year growth rate of 4.9 percent, below the average of 5.4 percent for the financial services sector.

According to the FSC 2014 Annual Statistical Bulletin, there were 233 companies licensed as insurers/reinsurers as at end December 2013.

## Other Financial Services

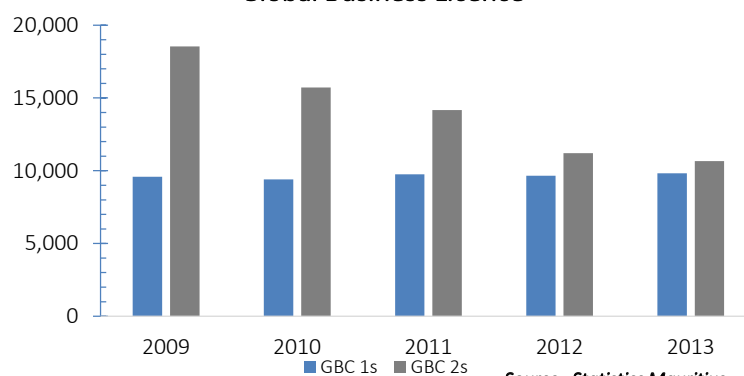
Other financial services include financial activities not captured elsewhere such as own account investment activities, stock and security exchanges, bureaux de change activities, stock broking, trustee, fiduciary and custody services and fund management activities among others.

In 2014, this segment contributed to some 0.6 percent of GDP and grew by 5.5 percent.

## Global Business

The 2014 Annual Statistical Bulletin of the FSC reports that, as at December 2013, there were some 20,500 entities holding a Global Business Licence (GBL). 48 percent of GBCs held a Category 1 licence and were considered resident for tax purposes. The remainder held a Category 2 and were not considered tax-resident. Some 170 management companies were operating in the sector. Management Companies account for 30 percent of the value added of the Professional, Scientific and Technical Activities category as computed by Statistics Mauritius. Their contribution represents around 1.5 percent of GDP or Rs 5.1 billion at current basic prices in 2014.

Number of entities holding a Global Business Licence



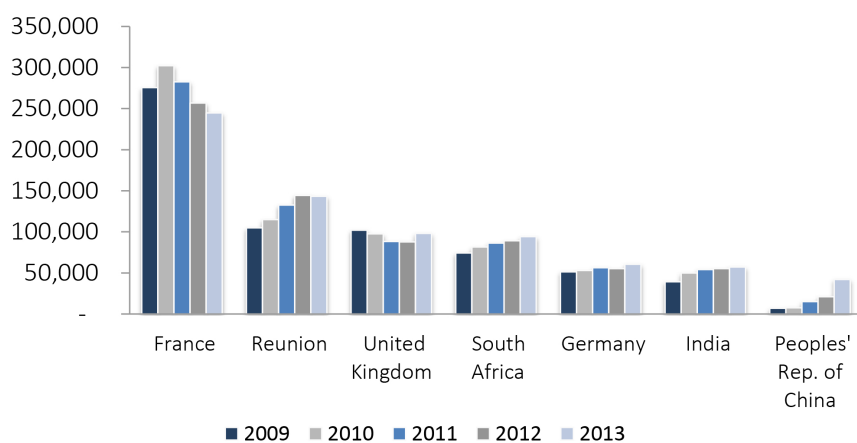
Source: Statistics Mauritius

Global business comprises investment holdings, global management funds, fund administration, fund management, Shariah compliant funds and global asset management. Category 1 Global Business Companies (GBC1s) are considered resident for tax purposes and can avail of double taxation treaties entered by Mauritius. Category 2 Global Business Companies (GBC2s) only conduct business with non-residents and in foreign currencies. GBC2s are considered non-resident, and are tax-exempt in Mauritius. Management Companies are service providers which act as intermediaries between GBCs and the FSC. They are licensed by the FSC to set up, manage and provide nominee and other services to their clients.

## Tourism

For the period 2009 to 2013, the tourism sector contributed around 7.9 percent to GDP at current basic prices. Following a severe contraction of 5.9 percent in 2009 due to the global financial crisis, the sector has since been growing by an average 2.8 percent per annum from 2010 to 2013. In 2014, the tourism sector contributed 7.3 percent to GDP, slightly lower than the five-year average while real growth stood at 4.8 percent. Total employment for the sector stood at 45,400. At end 2014, there were 115 licensed hotels in Mauritius.

**Tourist Arrivals by Country of Residence**



Source: Statistics Mauritius

Average earnings per tourist (Rs)	
2009-2013	
Europe	47,364
France	43,130
United Kingdom	50,346
Germany	52,979
Africa	30,530
South Africa	38,519
Reunion	24,304
Asia	37,197
China	46,617
India	31,694
<b>Total</b>	<b>41,383</b>

Source: Statistics Mauritius

Between 2009 and 2013, the average number of tourist arrivals per year amounted to 945,874. The number of arrivals has grown by an average of 3.3 percent p.a. from 2009 to reach 993,106 in 2013.

During the five-year period 2009 to 2013, 60 percent of total tourist arrivals was from Europe. Amongst European tourists, the majority originated from France (28.8 percent of total tourist arrivals), which in turn is the single largest market for Mauritius.

UK is the second European market, with around 10 percent of total arrivals for the 5 year period, followed by Germany (5.8 percent of total arrivals). Italy, with 5.0 percent of total arrivals is now in fourth position, having lost the third place to Germany in 2011. After an increase of 4.5 percent from 2009 to 2010, European arrivals have since decreased by 3.7 percent annually.

For the five-year period, tourist arrivals from Reunion averaged 13.5 percent of total arrivals. In 2013, the contribution went up to 14.4 percent reaching around 143,100.

Tourist arrivals from South Africa have averaged 9 percent of total arrivals for the period 2009-2013. Arrivals from South Africa have registered a sharp year-on-year increase of 6.2 percent since 2009 to reach around 94,200 in 2013.

Tourist arrivals from Asia averaged 10 percent of total arrivals for the period 2009 to 2013. Asian tourist arrivals have more than doubled since 2009, with an average growth rate of 20.8 percent per annum over the 5-year period.

In 2009, for each 100 European tourists, there were 11 Asian tourists. In 2013, this ratio increased to 24.

Amongst Asian tourists, the majority originated from India (5.4 percent of total tourist arrivals) followed by China with around 2 percent of total arrivals. The rapid growth of Chinese tourist arrivals is noteworthy having grown five-fold from 2009 to reach around 41,900 arrivals by 2013. Indian arrivals have increased by 9.9 percent per annum, to reach around 57,300 in 2013.

## **Earnings**

The tourism industry contributed Rs 41 billion to foreign currency earnings in 2013 representing 20.5 percent of the country's total foreign earnings.

Total earnings per tourist have increased from 2009 to 2013 from an estimated Rs 40,899 to Rs 42,168.

Earnings per tourist for the whole of Europe and France have remained fairly stable. Earnings from Germany and South Africa have seen a drop while earnings from the United Kingdom and from Asia have increased.

## **Employment**

The largest employer for the sector is the hotel industry followed by travel and tourism and restaurants. In 2014, hotels accounted for around 78 percent of total employment in large establishments, travel and tourism made up 13 percent and restaurants contributed to about 8.9 percent.

## **Investment**

GDFCF in the 'Accommodation & food services sector' amounted to more than Rs 4 billion in 2014. However, it has been on a downward trend: the annual growth rate in GDFCF has been negative over the last 5 years.

## Air Connectivity

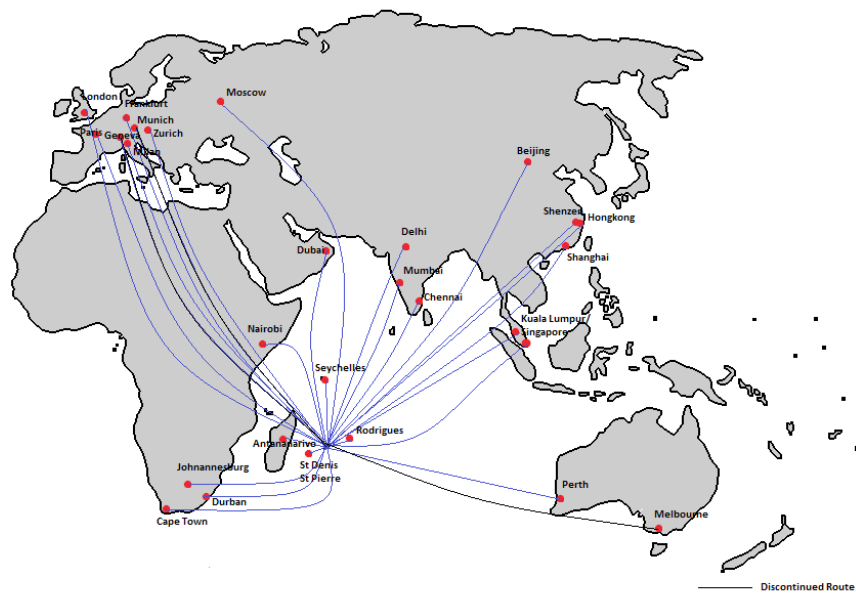
The weekly flight service to our traditional European market increased by 7 percent between 2005 and 2014. There are currently 8 flights to the United Kingdom and 16 flights to France per week.

The 2005 to 2014 period has also seen a focus on developing the emerging markets.

Weekly flights from Mauritius to Asia and Middle East have trebled to 33 from 2005 to 2014, with the introduction of 6 flights a week to China, 2 flights to Russia and a second daily services to Dubai.

A slight increase in the weekly flights to South Africa was noted, with an extra flight to Cape Town and 3 more to Johannesburg.

The twice weekly flights to Australia have been maintained, although the direct flight to Melbourne was discontinued in favour of an additional one to Perth.



Departures from Mauritius	Year	
	2005	2014
Reunion	58	60
Seychelles	3	3
Madagascar	8	6
South Africa	17	21
Kenya	1	2
India	4	6
China	0	6
Hong Kong	1	2
Kuala Lumpur / Singapore	2	3
Russia	0	2
Dubai	4	14
United Kingdom	7	8
France	13	16
Italy	1	1
Switzerland	2	1
Germany	4	3
Australia	2	2
<b>Total</b>	<b>127</b>	<b>156</b>

Source: Department of Civil Aviation



## ICT/BPO

The ICT/BPO sector grew by 6.6 percent in 2014 and contributed 6.4 percent to GDP. In 2013, ICT goods and services accounted for 4.6 percent of total imports and to 3.8 percent of total exports.

Operators & Employment	2009	2010	2011	2012	2013
Large establishments in the ICT sector (#)	134	139	137	136	138
Employment in ICT sector(#)	16,400	16,800	16,700	17,700	18500

*Source: Statistics Mauritius*

With 18,500 persons employed in 2013, the ICT sector contributed 3.4 percent to total employment. There were 138 large establishments in the sector at that date.

According to a survey carried out by the Board of Investment (which also includes small establishments), the Business Process Outsourcing (non-voice) is the largest employer in the ICT sector with around 7,200 jobs in 2013. The survey also highlights that the Information Technology Outsourcing (ITO) segment has the largest number of establishments.

### Value Addition

In 2013, value added at current prices generated by the ICT sector was Rs 20.4 billion:

- 44.9 percent of total value added was generated by activities in the telecommunications segment,
- 12.6 percent by wholesale and retail trade, and,
- 42.6 percent by the remaining activities such as manufacturing, call centres, software development and website development.

The ITO and IT services segments have the highest contribution per person in the ICT sector. It must be noted that ITO is on a higher growth trend than the other segments.

### ICT Access

Over the period 2004 to 2013, the number of mobile cellular subscriptions per 100 inhabitants increased continuously to reach 121.7 in 2013 whereas teledensity remained more or less stable with a 2013 figure of 28.8 fixed telephone lines per 100 inhabitants.

With the advent of social media apps, the number of SMS exchanged has been on a decline, decreasing by around 15 percent since 2011 to reach 1.08 billion at end of 2013.

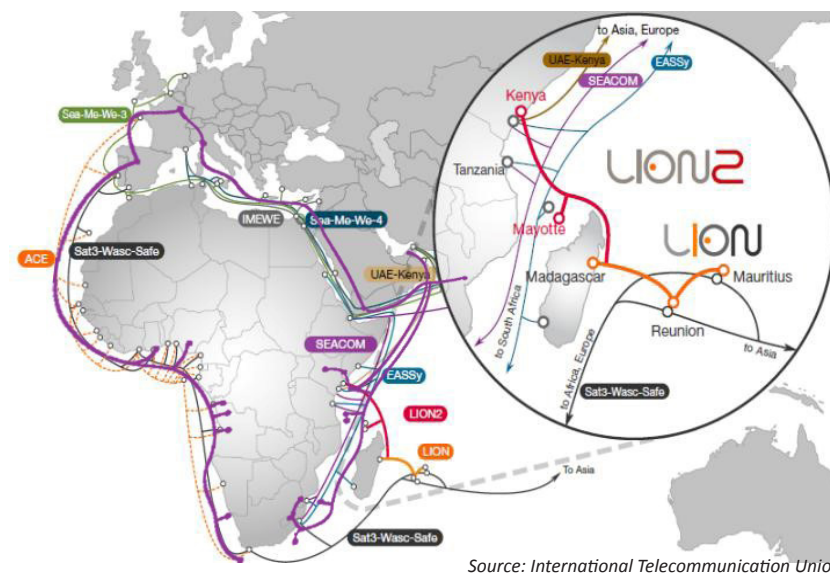
## Tariff Evolution

With various alternative technology platforms launched, the ICT Authority has determined a new set of tariffs for the wholesale ADSL connections service. This has led to an overall decrease in tariffs for the array of internet access solutions covering BPO operators, local businesses, SMEs and residential users.

International Long Distance operators and Internet Service Providers have also reduced their respective tariffs.

## Undersea Cables

During the last decade, the international bandwidth capacity of Mauritius has increased through its links to submarine cables. Since 2002, Mauritius has been linked with Southern Africa and South Asia through the SAFE cable.



Since 2009, the first segment of the Lower Indian Ocean Network (LION) connects Mauritius to Reunion Island and Madagascar. LION2 connects the region to the Eastern African Submarine System (EASSy) cable since 2012.

## ICT Development Index (IDI)

Mauritius has shown continuous improvement in the development of the ICT sector, with upward trends noted in the main components of IDI, which are ICT Access, Use and Skills.

Latest IDI rankings of 2013 have shown that Mauritius has climbed to the 70th position, up two places from the previous year. Mauritius ranked first in Africa, with an IDI of 5.22, higher than the global average of 4.77. Rounding up the top 5 countries in Africa were Seychelles (4.97), South Africa (4.42), Cape Verde (4.30) and Egypt (4.45).

## Manufacturing

The manufacturing sector, which is the largest in terms of contribution to GDP, grew by 2.3 percent per annum during the five-year period 2009 to 2013. In 2013, it accounted for 17 percent of GDP, with a slight contraction to 16.6 percent in 2014 caused by a sector growth that was below that of GDP for the year.

In 2014, sugar milling once again drives the growth of the manufacturing sector at 3.8 percent, following a contraction of 1 percent in 2013 and slow average growth of 1.2 percent p.a. over the 2009 to 2013 period. This year-on-year growth is attributed to larger tonnage produced and refined.

During the five-year period 2009 to 2013, food processing and other manufacturing registered the highest average growth rates at 2.8 percent and 3.3 percent respectively.

In 2014, food processing grew by 2.5 percent which followed a 0.3 percent contraction in 2013.

Textile manufacturing grew by 1.5 percent based on exports for the first nine months of 2014, compared to 2.6 percent in 2013.

Other manufacturing grew at a lower rate of 2.0 percent, after a double digit growth of 12.7 percent in 2013.

As at end 2013, there were 620 large manufacturing establishments. The number of large establishments witnessed a continuous decline, of 6 percent p.a. over the five-year period ending 2013. The fall in the number of large companies was spread across the sugar sector, the Export Oriented Enterprises (EOE) sector as well as non-EOEs, pointing to a systemic issue. There were 15,241 small establishments in the manufacturing sector in 2013, representing a value addition of Rs 9.1 billion.

### **Export Oriented Enterprises (EOEs) and Non-EOEs**

After a slowdown from 2009 to 2011, the non-EOE sector went on an accelerated growth to 2013, mirroring the equivalent decline in the EOE sector. On average, non-EOEs grew at an annual rate of 2.6 percent as compared to the 2.0 percent p.a. growth of the EOE sector for the period. The transition from EOE to non-EOE manufacturing will have a significant impact on export earnings as well as job creation.

### **Employment**

The manufacturing sector was the largest employer in the economy with 110,900 employees in 2013. Textiles employed 47.8 percent of the workers. 53 percent of manufacturing employees were male and 47 percent females.

In 2013, the EOE sector employed 48.8 percent of the workforce in the manufacturing sector. Total employment within the EOE sector contracted by 6.7 percent over the five-year period 2009 to 2013. This was mainly due to a decrease of 18 percent of Mauritians employed, which was partly offset by a 20 percent increase of foreign labour. In 2013, 38 percent of the labour force in the EOE sector were foreign, most of whom were engaged in enterprises manufacturing 'wearing apparels'.

Job creation in the EOE sector occurred mainly in enterprises engaged in the production of 'wearing apparel - garments other than pullovers', 'food' and 'jewellery and related articles'. Job losses mostly occurred in enterprises engaged in the production of pullovers and wood and paper products.

In the non-EOE sector, most jobs were created in 'furniture', 'printing and reproduction of recorded media', 'wood and products of wood', 'fabricated metal products' and 'food products and beverages'.

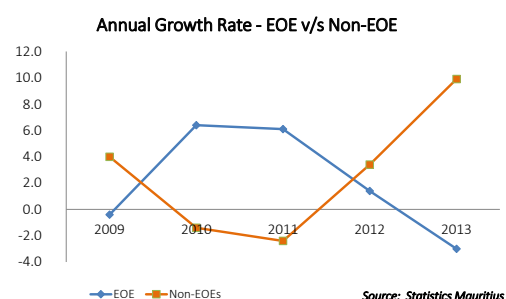
In 2013, there were 36,207 persons engaged in small establishments, with 89 percent working full time and 11 percent working on a part time basis. The male workforce was predominant in both the full time and part time sectors representing 69 percent of total employment. An average of 2.4 persons were engaged per unit.

## High Growth Exports

During the five-year period 2009 to 2013, seven manufacturing activities registered the highest average growth in terms of export value.

	GDP Contribution (%)		Real growth rate (%)		Employment 2014
	2013	2014	Average 2009-2013	2014	
Manufacturing	17.0	16.6	2.3	2.1	110,900
Sugar milling	0.3	0.2	1.2	3.8	1,500
Food processing excl. sugar)	6.5	6.2	2.8	2.5	14,500
Textile	4.9	5.0	0.9	1.5	53,000
Other	5.3	5.2	3.3	2	41,900

Source: Statistics Mauritius

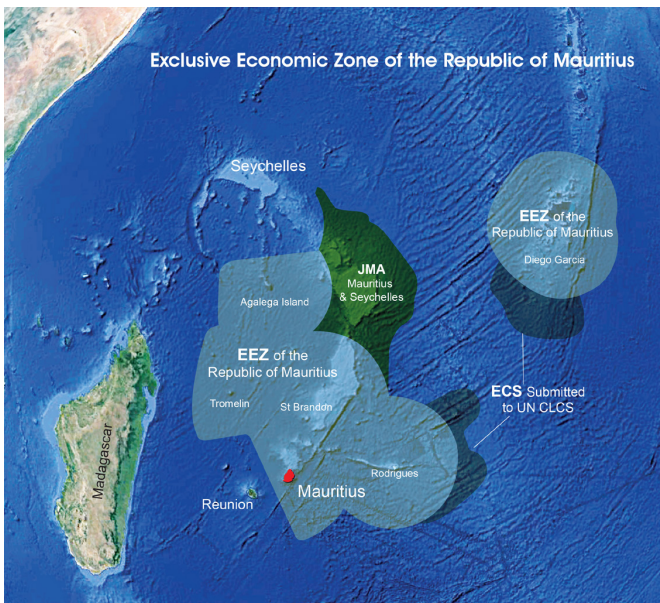


	EOE Exports (Rs m) 2009	EOE Exports (Rs m) 2013	Average Growth Rate (2009-2013)
Cereals & cereal preparations	41	182	45%
Medicaments (incl. veterinary medicaments)	99	152	11%
Watches and clocks	291	729	15%
Pearls, precious & semi-precious stones	1162	2606	22%
Textile yarn, fabrics, made up articles	1572	2748	26%
Articles, n.e.s of plastics	50	506	78%
Jewellery, goldsmiths & silversmiths wares	1089	1608	10%

Source: Statistics Mauritius

## Emerging Sectors

### Ocean Economy



Source: Ocean Economy Roadmap, Prime Minister's Office

Mauritius manages a maritime zone of 2.3 million km<sup>2</sup>; an Exclusive Economic Zone of 1.9 Million km<sup>2</sup> and a seabed and subsoil area of 0.40 million km<sup>2</sup> under a Joint Management Agreement (JMA) with the Republic of Seychelles.

Government's vision is to develop the Ocean Economy as an important industry in view of sustained economic diversification, job creation and wealth generation. A new Ministry of Ocean Economy, Marine Resources, Fisheries, Shipping & Outer Island has been created to oversee the

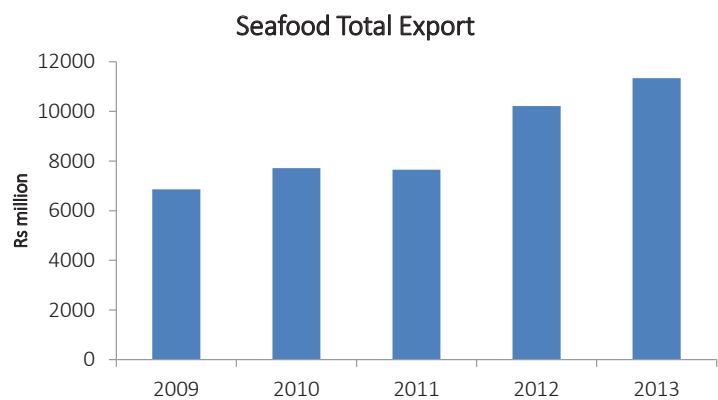
integrated and sustainable development of ocean-related economic activities, whether in the waters, seabed and subsoil of the Ocean or onshore services or industries geared towards maritime activities. In 2014, the sector made a 10.2 percent contribution to GDP, representing a real growth of 3 percent from 2013.

- **Seafood Sector**

The seafood sector which contributes around 1.5 percent to GDP and generates nearly 9800 direct jobs, is currently dominated by seafood processing comprising mainly of activities such as filleting, loining, packaging, canning, vacuum packing and production of ready-to-eat fish meals and Omega 3 processing.

In 2013, total seafood exports reached more than Rs 14 billion, positioning the industry second after textiles in terms of foreign earnings.

Mauritius is an important transshipment hub for fishing vessels in the Indian Ocean. From 2009 to 2013, an average of 48,000 tonnes of fish was transhipped per year. According to the Mauritius Port Authority, between 2009 and 2013, loining and canning averaged to 34,000 and 52,000 tonnes, respectively.



Source: Statistics Mauritius

- **Aquaculture**

According to the Ministry of Ocean Economy, Marine Resources, Fisheries, Shipping and Outer Islands, 20 zones have been earmarked for marine aquaculture activities. There is currently one marine aquaculture farm, which produced around 500 tonnes of fish in 2013, representing an average annual increase of 17 percent from 2009 to 2013. There are also some inland aquaculture farms, barachois and pond cultivations.

- **Seaport-related Activities**

The seaport contributes about 2 per cent to the country's GDP. According to the Annual Reports 2011-13 of the Mauritius Ports Authority, for the period 2009 to 2013, the Seaport handled an average of 249,847 transshipment containers (TEUs) per year going up to 304,557 in 2014.

The cruise segment registered an average 22 cruise vessel calls and 20,919 passengers for the five year period ending 2013. During the period, performance was negatively affected by the euro-zone crisis. In 2014, the figures rose from 15 vessel calls and 16,313 passengers in 2013, to 18 vessel calls and 16,518 passengers.

Over the five-year period 2009 to 2013, bunkering activities grew at an average rate of 6 percent in volume. In 2014, bunkering activities amounted to 287,368 tonnes. A 16 percent growth of bunkering by pipeline was noted from 2013 to 2014, together with a contraction of 2 percent of bunkering by barge, pointing to a shift in the delivery pattern towards safer methods but which would also require additional quay space as the activity grows.

The MPA extended the Port limits in June 2014 to enable the anchorage of large vessels calling for bunker.

Land has also been earmarked for the construction of storage tanks of 19,600 tonnes capacity at Mer Rouge. Together with the additional tonnage expected from bunkering operators, additional revenues are also expected for local ship chandlers and other service providers.

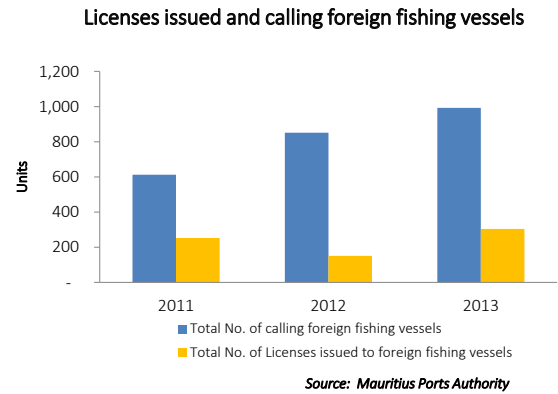
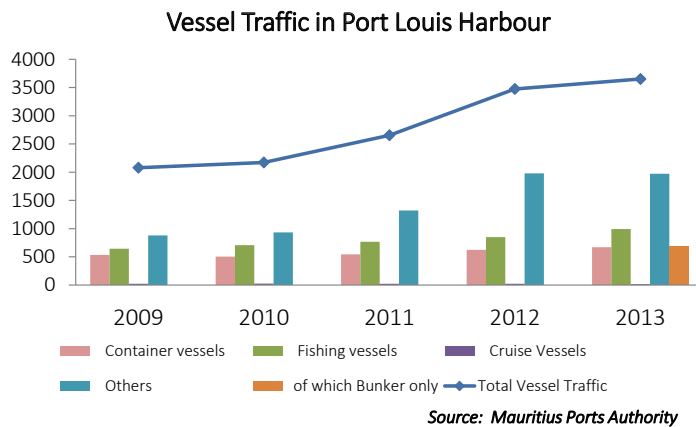
Shipping lines calling at Port Louis harbour directly connect Mauritius to approximately 50 ports around the world, including four Indian Ocean islands, South Africa, UAE, Australia, China and Singapore among others. In 2014, the main shipping lines operating on the Mauritian axis were MSC representing 49 percent of total container transshipment volume, Maersk (31 percent) and CMA-CGM (11 percent). Other shipping lines included PIL, Mitsui, Coraline, UAFL and Evergreen, among others.

- **Fossil Fuels and Minerals Exploration**

Research expeditions for fossil fuel and other minerals that can be sustainably exploited would constitute a major step, with the potential to transform the resource base of the country.

- **Ship Registry**

Currently, 160 ships are registered under the Mauritian Flag. Over the 3 year period, 2011 to 2013, total number of calling foreign fishing vessels grew at an annual compounded rate of 27 percent while total number of licenses issued to foreign fishing vessels grew at a slower compounded rate of 10 percent.



- **Deep Ocean Water Applications (DOWA)**

Deep Ocean Water Applications (DOWA) which use the coldness and nutrient properties of deep sea currents could also provide new growth areas in the energy sector. These would include several downstream manufacturing and services activities as well as sea water air cooling (SWAC).

- **Faculty of Oceans**

The newly established Faculty of Ocean Studies (FOCS) was set up in August 2014, to provide the training needed to support the Ocean Economy. FOCS provides training in the field of aquaculture, fisheries, coastal zone management, maritime law, maritime trade, marine ICT, coastal engineering, petroleum engineering, offshore engineering and others. Since August 2014, the Faculty has enrolled more than 130 students on short professional development courses. As from August 2015, in addition to short professional courses, the Faculty will be offering four new courses at the graduate level in Coastal Engineering, Geomatics, Marine Science and Ocean Management.

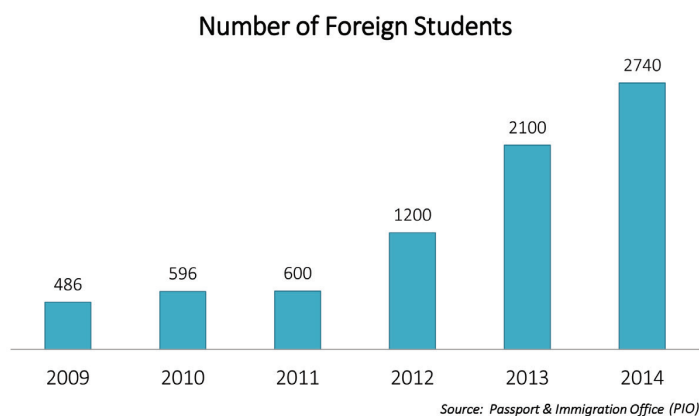
- **Research and Innovation**

Research and innovation in all areas of the Ocean Economy, including marine biotechnology and marine renewable energies, would also contribute to the long term growth of the sector.

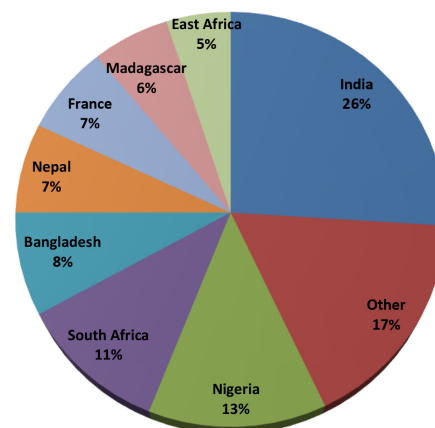
## Export of Education Services

From 2009 to 2013, the number of foreign students grew by an average of 66.4 percent per annum to reach 2,100. In 2014, an additional 640 foreign students were registered.

As at 2014, 11 private tertiary educational institutions had set up campuses in Mauritius, 5 of which were from India, 3 from the UK, 2 from France, as well as a South African business school.



## Foreign Students by Country



*Source: Passport & Immigration Office*

In addition, private higher educational institutions have developed a network of prestigious collaborations with more than 50 foreign universities and awarding bodies for the provision of courses and programmes.

In 2014, Middlesex University Mauritius Branch Campus, UK had the highest foreign enrolment with 340 students, followed by Anna Medical College, India with 327 students and SSR Medical College with 224 foreign students.

In 2014, over 60 percent of foreign students were from African countries and India.

It is estimated that a foreign student spends on average Rs 20,000 per month, which includes tuition fees, accommodation costs and living expenses. On this basis, the export of education services can be estimated to have directly attracted some Rs 657 million to the Mauritian economy.



## Healthcare services and biomedical research

The global medical tourism market, which has been valued at USD 10.5 billion in 2012, is estimated to reach USD 32.5 billion by 2019 according to US-based Transparency Market Research.

In Mauritius, as per a survey conducted by the BOI in 2013, the average spending per foreign patient was around Rs 15,000, representing an inflow of around Rs 210 million into the economy per annum. In addition, the value added from medical academic institutions, which are also part of the sector's ecosystem, are accounted for as professional, scientific and technical services. Pharmaceuticals and medical devices are included as manufacturing. According to the Health Statistics Report 2013, there were 17 multi-speciality private clinics in operation as at 31 December 2013. There were also 11 speciality clinics and 28 private laboratories. From 2009 to 2013, two large institutions (Apollo Bramwell and Fortis) set up locally, creating a surge in investments. However, during the same period, two private clinics ceased operation creating a net 14 percent decrease in beds from 807 to 690 in 2013.

During the period 2009 to 2013, the inflow of foreign patients grew at an annual rate of 27 percent to reach 14,000 patients in 2013. From 2012 to 2013, a dip was noted.

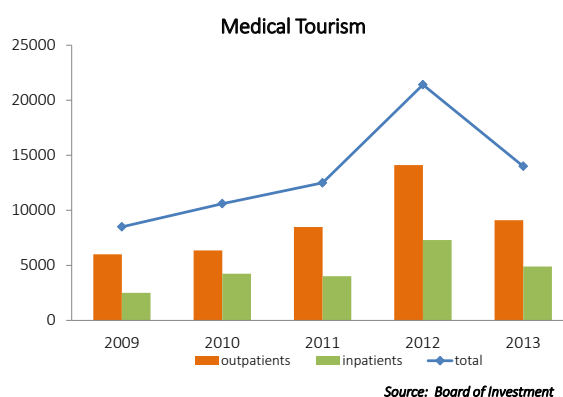
The number of outpatients have increased significantly more than inpatients, which would tend to suggest that new investments in the sector would be more geared towards machinery and equipment than construction.

Foreign patients came into Mauritius mainly for 'General Surgery' and 'Cardiology' purposes. Growing niche areas also include ophthalmology, orthopaedics, cosmetic surgery and procedures and fertility treatments. Most of the foreign patients are treated in private hospitals.

Sixty percent of the foreign patients come from neighbouring countries, namely Madagascar, Seychelles and Comoros. The rest are from UK, France and mainland Africa.

## Biomedical research

Presently, there are four Contract Research Organizations (CROs) operational in Mauritius. Apollo Bramwell has also recently set up a new research unit. CROs are engaged in activities such as evaluation and testing of dermatological and cosmetics products. According to US National Institute of Health, two international clinical studies have been conducted in Mauritius.



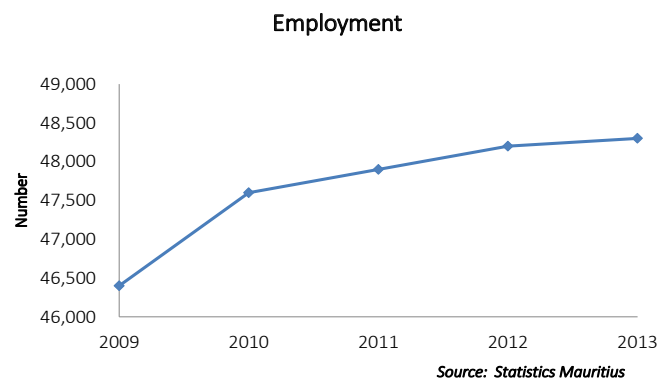
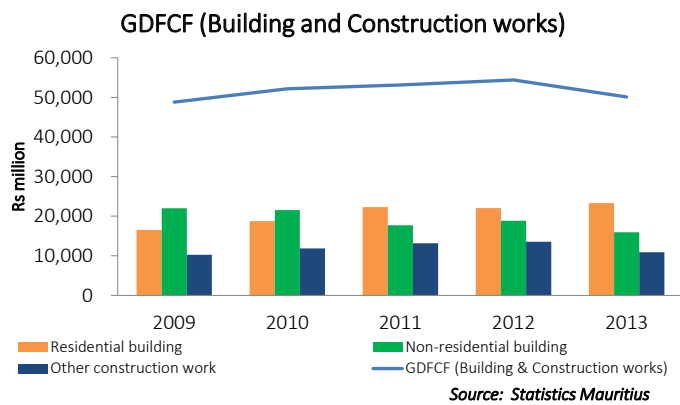
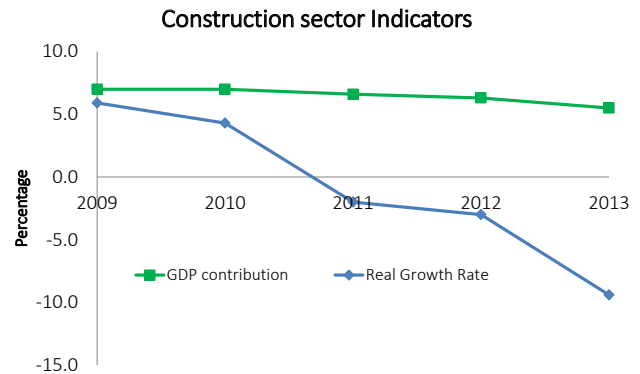
## Construction

During the period 2009 to 2013, the construction sector contributed on average 6.5 percent to GDP per annum. 13.7 percent of this contribution came from the IRS/RES sector. In 2014, the GDP contribution amounted to 4.9 percent or Rs 16.7 billion. During the five-year period 2009-2013, the sector contracted on average by 1 percent per annum. After a significant growth rate of 5.9 percent in 2009, the real growth rate has continuously declined and stayed negative since 2011.

The average annual contribution of the building and construction sector to total Gross Domestic Fixed Capital Formation (GDFCF) amounted to 68 percent for the period 2009 to 2013. 14.7 percent of the building and construction works GDFCF came from the IRS sector. The GDFCF for building and construction works has been falling since 2012 due to a decrease in non-residential projects. From 2013 to 2014, the rate of decline was significantly lower at 0.3 percent.

Both public and private sector GDFCF are falling. Public sector GDFCF was estimated at Rs 27 million in 2013 after a peak of Rs 395 million in 2011, whereas private sector GDFCF was at Rs 1,790 million, after a peak of Rs 2,403 million in 2012.

During the period 2009 to 2013, employment in the construction sector represented around 8.9 percent of total employment, with an average of 47,680 employees. For the period, employment increased by an average of 1.0 percent per annum.



## SMEs

The SMEDA Act defines small and medium enterprises by an annual turnover of not more than Rs 10 million and more than Rs 10 million but under Rs 50 million, respectively. Statistics Mauritius defines “other than large” establishments as those with less than 10 employees. In its 2007 Census, over 99 percent of small establishments with a turnover less than Rs 10 million were captured in the “other than large” category.

The number of small units, employment and value addition increased significantly from 2002 to 2013. In 2013, 85 percent of the small enterprises operated in just five sectors of the economy, namely: wholesale and retail and motor vehicles repair (37.3 percent); transportation and storage (17 percent); manufacturing (12 percent); construction (10.3 percent); and accommodation and food service activities (8.5 percent).

The sectors where value added were highest in 2013 include the wholesale and retail trade sector, transport and storage, and the construction sector, at 31.6 percent, 12.7 percent and 12.4 percent respectively. Manufacturing and the arts, entertainment and recreation sector also demonstrated significant value addition at 11.1 percent and 7.6 percent respectively. On average, value addition per person in small establishments was around Rs 290,000 in 2013 and represented an increase of 44 percent since 2007. Within small establishments, value added per person is highest in the knowledge-intensive sectors: financial services, the arts, entertainment and recreation sector, professional services, healthcare and ICT sectors, among others.

Small establishments export only 3 percent of their total output although the sectors and destinations of these exports are not documented. Only 7 percent of small establishments have recourse to support under the various schemes set by Government. 68 percent of small establishment owners are aware of the schemes but did not have recourse to any of them while 25 percent are not aware. The main problems reported by small establishments include access to finance, obtaining a licence, a location to operate and marketing of products.

Census of Economic Activities (CEA)	Small Establishments				Medium Establishments		
	2002	2007	2013	Change 2007/13 (%)	2002	2007	Change 2002/07 (%)
Number of establishments	75,804	93,072	125,543	34.9	784	876	11.7
Number of persons employed	192,743	224,485	282,971	26.1	39,453	34,597	-12.3
Value added (Rs million)	19,342	45,157	82,061	81.7	9,752	12,223	25.3
Value added per person (Rs)	100,351	201,238	289,998	44.1	247,180	353,297	42.9

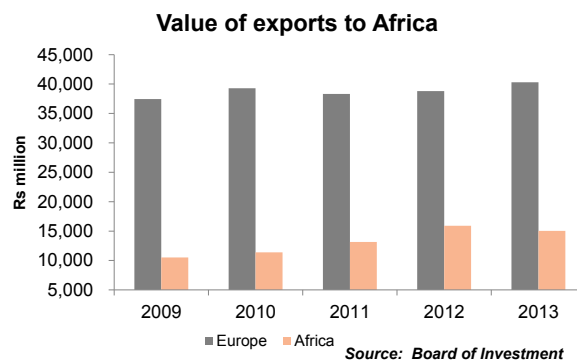
Source: Statistics Mauritius

As per CEA 2007, there has been a significant increase in number of units and value addition by medium enterprises, although at a lower rate than small enterprises. Employment has however fallen from 2002 to 2007.

## Trade and investment with Africa

### Trade to Africa

The value of Mauritian exports to Africa increased at an average rate of 9.3 percent per annum during the period 2009 to 2013. However, from 2012 to 2013, a decrease of Rs 900 million in exports to Africa was noted as total exports to the continent fell to Rs 15 billion. In 2013, it represented 21 percent of total exports, just under half of exports to our main trading partner, Europe.



According to a study conducted by International Trade Centre (ITC) on the 'ACP: Prospects for stronger performance and cooperation', in 2014, intra-Africa exports represented USD 92 billion whereas exports from Africa to global markets represented USD 231 billion, 40 percent of which were directed to Europe.

Total African imports amounted to USD 85 billion, out of which 39 percent were from Europe.

- **SADC and COMESA**

In 2012, the Southern African Development Community (SADC) regional economic community became a Free Trade Area (FTA). In 2013, Mauritian exports to SADC were at Rs 12 billion. Exports to SADC grew at an average annual growth rate of 13 percent from 2009 to 2013, mainly to South Africa.

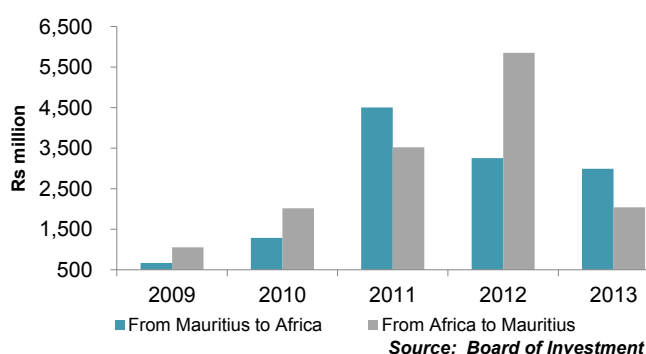
There are 14 member states of the Common Market for Eastern and Southern Africa (COMESA) regional economic community participating in the COMESA FTA. In 2013, Mauritian exports to COMESA were at Rs 6.3 billion, a 5 percent increase per annum for the period 2009 to 2013.

Mauritius is also a member of the Accelerated Program for Economic Integretion (APEI) with four other like-minded countries, namely Malawi, Mozambique, Seychelles and Zambia, wanting to increase trade and investment among the group.

## Cross-border Investments

With some Rs 3.0 billion in 2013, investment from Mauritius into Africa increased by 4.5 times compared to 2009. Outward investment towards Africa was at a peak of Rs 4.5 billion in 2011, decreasing slightly over the next two years. In 2013, 15 percent of Mauritian investment was in Madagascar.

### Cross-Border Investments from/to Africa



In addition, some Rs 64 million were invested into Reunion Island in the same year. Investment made by African companies into Mauritius has been on an increasing trend from 2009 to 2012, decreasing to Rs 2.0 billion in 2013. South Africa was the main investor country with 73 percent of the investments in 2013.

## Bilateral Agreements

As at December 2014, Mauritius had 39 signed bilateral agreements with Africa of which 19 were Double Taxation Avoidance Agreements (DTAAs) and 20 Investment Promotion and Protection Agreements (IPPAs). In addition, there are 2 DTAAs and 5 IPPAs awaiting signature with African countries.

## Research and Development (R&D)

According to the World Bank, R&D as a percentage of GDP in Mauritius has been stagnating at around 0.4 percent from 1999 to 2005<sup>2</sup>. The world average spending on R&D is around 2.1 percent of GDP and the upper middle income group spending is at 1.3 percent. The objective of Government is to increase R&D as a percentage of GDP to above 1 percent by 2023. At the end of 2014, the Ministry of Technology, Communication and Innovation was created.

### R&D Grants and Support in Mauritius

- CRIGS Collaborative Research and Innovation Grant Scheme: A scheme with matching grant for private sector projects.
- Unsolicited Research Grant Scheme: A bottom-up approach to the promotion of research and development, whereby researchers and research institutions can submit proposals.
- Small Scale Research Grant Scheme: Designed to give opportunities to individuals and groups to conduct research work in all social and economic areas.
- Public Sector Collaborative Research Grant Scheme: for the promotion of research, whereby the promoters invite researchers and research institutions in the public sector to submit proposals.

<sup>2</sup> R&D expenditure figures are not available for Mauritius after 2005 from the World Bank.

## Business Facilitation

Mauritius has considerably reformed its business environment. As per the World Bank's Doing Business 2015 report, Mauritius is ranked 28th out of the 189 countries surveyed and first in Sub-Saharan Africa, gaining a place from 2014.

In 2014, the methodology to calculate World Bank's 'Doing Business' country rankings changed, making it difficult to compare beyond 2014 to 2015. The scope of three indicator sets (resolving insolvency, protecting minority investors and getting credit) were enlarged and a new calculation method was put in place to measure how close each economy is to global best practices in business regulation.

The following reforms have significantly improved the ease of doing business in Mauritius:

- registration processes simplified, thus reducing time taken to incorporate a company to 2 days;
- strengthening of processes to 'access to credit' as well as the credit registry system with expanded coverage of the collection of information on credits extended by the financial system;
- imposition of a statutory obligation by the Land Administration, Valuation Management System (LAVIMS) and the Mortgage and Transcription Act, 2011, whereby the Registrar General's Department should deliver the final property title deed within a set time limit of 48 hours;
- introduction of electronic submission of customs declaration and bill of lading;
- improvement in contract enforcement via the setting up of a specialized commercial division in the Supreme Court and liberalisation of the profession of ushers; and
- introduction of a new corporate social responsibility tax.

## The Social Backdrop

The social setting and conditions in Mauritius have been crucial to shaping the policies and actions in the Budget 2015. Increasing poverty, widening inequality, the proliferation and deepening of social ills like gambling, alcohol and drug abuse, and rising insecurity are some of the growing concerns.

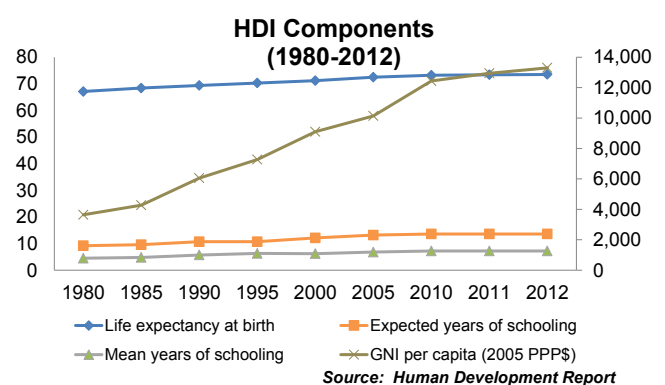
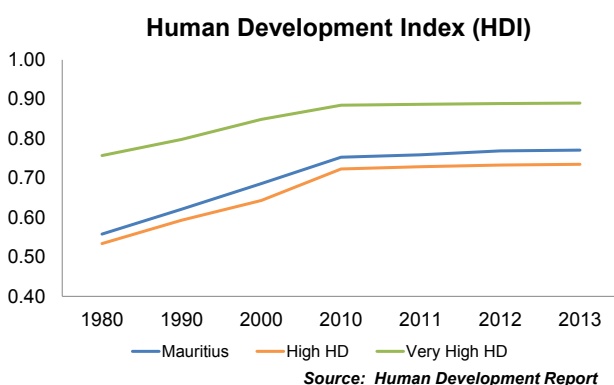
In 2013, Mauritius scored 0.771 on the Human Development Index (HDI) of the United Nations Development Programme. Mauritius is among 52 countries considered to have a high human development.

For the period 2000 – 2013, Mauritius has improved by 0.9 percent on the index, higher than the average growth rate of 0.81 percent for countries with a high human development. It scores higher than the mean on the education and standard of living indicators although it scores slightly lower on life expectancy.

However, it must be noted that in recent years, Mauritius has not made much progress in its ranking. The main reason lies within the education indicator which comprises the mean years of schooling. Mauritius scores relatively low on this criteria (8.5 years in 2013) compared to the top league of countries with high human development (11.8 years), including the HDI leader, Norway (12.6 years).

Mauritius is also ranked 34th out of 132 with a score of 73.68 in the Social Progress Index 2014 (SPI) which measures the extent to which countries provide for the social and environmental needs of their citizens.

The **Human Development Index (HDI)** is based on three main indicators: longevity, education and standard of living. It is also based on other criteria for measuring human progress and well-being of the population that include poverty and gender related developments. The index ranks 187 countries. In 2013, the highest score was 0.944 for Norway and the lowest 0.337 for Niger. Given the wide differences among countries, four categories have been established, namely very high, high, medium and low human development.



The **Social Progress Index (SPI)** measures the well-being of a society by observing social and environmental outcomes directly. The SPI is computed on fifty-two indicators in the areas of basic human needs, foundations of wellbeing, and opportunity to progress. The index is published by the non-profit Social Progress Imperative, and is based on the writings of Amartya Sen, Douglass North, and Joseph Stiglitz.

## Poverty in Mauritius

The 2012 Household Budget Survey of Statistics Mauritius estimates that the proportion of Mauritians who live in absolute poverty, as measured by the World Bank's poverty lines of \$1.25 (PPP) and \$2 (PPP) a day per person, is below 1 percent and below 2 percent, respectively.

Statistics Mauritius computes a Relative Poverty Line (RPL), which in 2012 turned out to be Rs 5,652 monthly for a single-person household and Rs 13,300 for an average household with two adults and two children. Based on the RPL, the poverty rate was 9.4 percent in 2012, representing some 33,600 poor households, up from 26,100 in 2007.

Poverty is higher among families where educational attainment is low. 34 percent of poor households are headed by females. Poverty is also concentrated among children and youth.

At Census 2011, among the 145 municipal wards and village council areas (VCA) including Rodrigues, sixteen neighbourhoods have the lowest RDI scores.

## Income Inequality

Income inequality has been widening in recent years with the Gini Coefficient (including transfers from Government) rising from 0.37 in 2002 to 0.41 in 2012.

	2001/02	2006/07	2012
Gini coefficient based on:			
disposable income and factoring in Govt. non-contributory pensions (Published figure)	0.371	0.388	0.413
disposable income and factoring in Govt. non-contributory pensions as well as free Govt. services	0.340	0.357	0.380
disposable income but excluding Govt. non-contributory pensions and free Govt. services	0.404	0.432	0.462

Source: Statistics Mauritius

Poverty Rate	2001/02	2006/07	2012
With Govt. transfers and free services	7.7 %	7.9 %	9.4 %
Without transfers	12 %	16 %	19 %
Without Govt. free services	16%	19%	20%

Source: Selected data, Household Budget Survey 2012

The **Relative Poverty Line (RPL)** measures the lower income group relative to higher income group by considering the half median household income per adult equivalent, adjusted for household size, age composition and economies of scale. The **Relative Development Index (RDI)** is an index computed by the Statistics Mauritius to measure relative development for the small areas in the country including housing and living condition, literacy and education and employment. It ranges between 0 (least developed) and 1 (most developed).

Municipal Wards and Village Council Areas (VCA)	
Baie du Cap VCA	Grand Sable VCA
Bambous VCA	Gros Cailloux VCA
Bambous Virieux VCA	Le Morne VCA
Bénarès VCA	Mare Chicose VCA
Bel Ombre VCA	Poste de Flacq VCA
Bois des Amourettes VCA	Richelieu VCA
Case Noyale VCA	Rodrigues
Chamarel VCA	St Hubert VCA

Source: Statistics Mauritius



Without transfers such as basic retirement pension, social aid and other social security benefits, the poverty rate would have climbed to 19 percent, affecting around 68,000 households. Government free services (education, healthcare and transport) contributed significantly to reducing poverty, with education taking the lead in redistribution.

Without free Government services, an additional 38,000 households would have been in relative poverty. It is estimated that without free Government services, poor households would need to spend 33 percent of their income on education, 21 percent on healthcare and 3 percent on transport, leaving them with 43 percent (Rs 3,400 monthly) for living expenses.

### Government transfers and free services

During the period 2007 to 2012, the average disposable income of the bottom 40 percent of the population increased at an average annual rate of 7.1 percent compared to 9.0 percent for the population at large. Further analysis of the data indicates that a growing number of families are at risk of falling into poverty.

	Income Groups in decile										Total
	1	2	3	4	5	6	7	8	9	10	
Number of Households	35,710	35,710	35,710	35,710	35,710	35,710	35,710	35,710	35,710	35,710	357,100
Average Household disposable income (Rs)	7,164	11,786	5,036	7,777	0,661	4,308	8,454	4,730	5,338	4,553	29,396
% income from employment	41.1	51.7	58.9	62.3	65.9	67.9	69.1	71.7	75	77.6	70.4
Employment rate (%)	75.6	85	88.8	89.7	92	94.5	94.8	96	95.9	97.9	92.1
Indebtedness level (%)	16.6	26.4	31.9	42.7	46.9	49.8	52.4	60.5	63.3	64	45.3

*Source: Statistics Mauritius*

### Indebtedness

The percentage of indebted households fell from a high of 48.3 percent in 2001/02 to 45.3 percent in 2012.

In 2012, 20 percent of households in relative poverty were indebted compared to an average of 45 percent for the country.

Indebted households in 2012	Poor	All
Average monthly disposable income (Rs)	9,500	37,200
Average monthly household debt repayment (Rs.)	3,200	6,800
Share of debt repayment over disposable income	35 %	18 %

*Source: Statistics Mauritius*

## Housing Stock

The housing backlog for the Island of Mauritius was estimated at around 24,070 units in 2014, according to the Ministry of Housing & Lands.

### Assumptions for Housing Needs Projection

- i. 50 percent of non-owned households identified in the 2011 Census would need a housing unit;
- ii. Demographic change as projected by Statistics Mauritius;
- iii. 50 percent of new households would need a housing unit; and
- iv. The replacement of existing housing units, on the basis of a 0.77 percent dilapidation rate compounded for a two year period, due to:
  - age
  - construction materials
  - crudely subdivided housing units and
  - improvised housing units (e.g. longère, garage, tent)

This backlog of housing units is concentrated in urban areas and in the following rural areas: Triolet/Pamplemousses, Bambous/Surinam and Grand Baie/Poudre D'or.

Income Group	Backlog at 2014
≤ 6,200	1,695
6,201 - 10,000	1,705
10,001 - 15,000	3,955
15,001 - 25,000	7,840
Above 25, 000	8,876
Total	24,070

*Source: Statistics Mauritius*

## Public Services

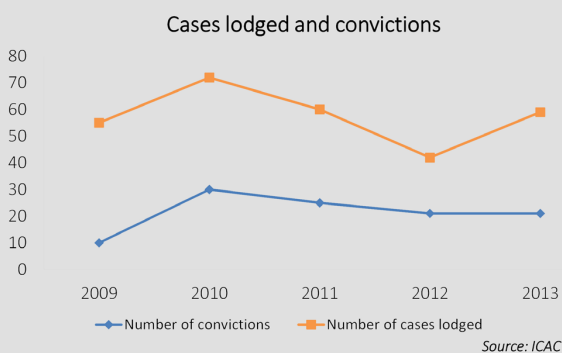
### Governance

The Constitution of the Republic of Mauritius guarantees to the citizens their fundamental rights: right to liberty and protection of the law, freedom of conscience, freedom of association, of movement and of opinion, freedom of expression, freedom of creed and of religious belief as well as the right to private property. The Constitution establishes clearly the separation of powers among the main branches: the legislative, the executive and the judiciary. Mauritius is a full democracy that follows a Westminster-style Parliament. The Prime Minister is the Head of Government, elected every five years through a democratic process under a first-past-the-post system.

The National Audit Office (NAO) is an independent public office set up under the Constitution providing independent assurance to the National Assembly on the proper accounting and use of public resources. The number of auditable units by NAO increased from 1,468 in 2009 to 1,650 in 2013.

The Public Accounts Committee (PAC) consists of nine members, appointed by the Speaker, who are responsible of examining the audited accounts showing the appropriation of the sums granted by the Assembly to meet public expenditure. The PAC report may be laid before the Assembly together with the Director of Audit's report.

The National Committee on Corporate Governance (NCCG) has been established under the Financial Reporting Act 2004 as the national coordinating body responsible for all matters pertaining to corporate governance. A voluntary code of Corporate Governance, aimed at improving ethical conduct of directors and senior level officials in the management of public and private sector companies, was launched in 2003 and revised in 2004.



The Independent Commission against Corruption (ICAC), set up under the Prevention of Corruption Act 2002, has the mandate to investigate corruption offences and carry out awareness programmes.

From 2009 to 2013, the number of complaints received by ICAC increased from 1,269 to 1,613. Over the same period, there was an increase in the number of preliminary inquiries from 512 to 553, cases lodged from 55 to 59 and convictions from 10 to 21.

The National Human Rights Commission (NHRC) was established in 1998 to address complaints relating to human rights issue as well as develop awareness programmes on the subject. Prevention of human

rights abuses are also pursued by non-Governmental organisations such as Amnesty International Mauritius.

Under the Act No. 41 of 2003, an Ombudsperson for Children is also appointed to protect and promote the rights and interests of children. From 2009 to 2013, the Ombudsperson registered a decrease in the number of child-related cases from 262 to 228 while the number of school-related cases increased from 12 to 22.

## Healthcare

The share of GDP allocated to the public healthcare system grew at an annual rate of 4.4 percent over the five-year period 2009 to 2013. In 2014, Rs 9.2 billion was allocated to public healthcare, representing 4.4 percent of GDP. Healthcare expenditure accounted for sector for 9.9 percent of total Government expenditure.

The real growth rate of public sector GDFCF increased by 16.0 percent per annum during the period 2009 to 2013. This growth was principally during 2009 and 2010 as major hospital extensions were completed.

In 2013, there were 770 public healthcare institutions in the Republic of Mauritius, out of which 72 were in Rodrigues. This represented a total of 3,581 beds for Mauritius and 181 for Rodrigues, representing 30 beds and 44 beds per 10,000 inhabitants respectively. The number of Government beds for Mauritius rose from 81 percent to 84 percent from 2009 to 2013. In parallel, a 14 percent decrease was noted in private beds.

The period 2009 to 2013 also saw a shift in primary and preventive healthcare towards mediclinics with a corresponding decrease in community health centres and area health centres. There were also five Ayurvedic clinics providing outpatient care.

The average occupancy rate of Government beds grew to 75.9 percent in 2013 compared to 73.5 percent in 2009.

Main Health Institutions	Island of Mauritius	Island of Rodrigues
General Hospitals	7	1
Specialised Hospitals	5	-
Medi-clinic, Area Health Centre, Community Health Centre	141	17
Dental Clinics	59	3
Ayurvedic Clinic	5	-
Others	481	51
TOTAL	698	72

*Source: Statistics Mauritius*

Regional or specialized hospitals have organized professional staff and inpatient facilities. They deliver medical, nursing and related services 24 hours per day, 7 days per week. **Community Health Centres (CHC)** are very similar to Area Health Centres, except that they do not offer ultrasound for antenatal care and diabetes treatments. Some CHC also offer dental services. **Mediclinics** are primary health care institutions, operating on a 24/7 basis, including dental and radiology and laboratory services.

## Employment

During the five-year period 2009 to 2013, employment in the public healthcare sector grew at an average rate of 1 percent. In comparison, private healthcare sector employment grew at a faster rate of 13 percent.

In 2013, the public healthcare sector employed 4,543 persons while the private healthcare sector employed 2,911. The ratio of nursing staff per general practitioner and specialist was significantly higher in the public sector, at 2.3 nurses per doctor compared to 0.5 in the private sector. More specialists are working in the private sector than in the public sector.

## Health Situation

Life expectancy at birth in Mauritius is 74 years, at par with upper middle economies but lower by five years than high income economies. Other healthcare indicators such as neonatal mortality rate, infant mortality rate and under five-year mortality rate (all measured as a ratio of 1,000 live births) are more favourable than those of the upper middle income group but significantly lower than those of the high income group. Maternal mortality ratio in Mauritius is around 22 percent higher than the upper middle income group.

In-patients for general treatments were mostly for pregnancy and childbirth (21 percent), diseases of the respiratory system (18 percent), injuries (15 percent) and diseases of the genito-urinary system (12 percent). The other causes included heart diseases, diarrhoea and gastroenteritis and diabetes. Principal cases of specialised treatments included cardiac surgeries and cataracts.

## HIV

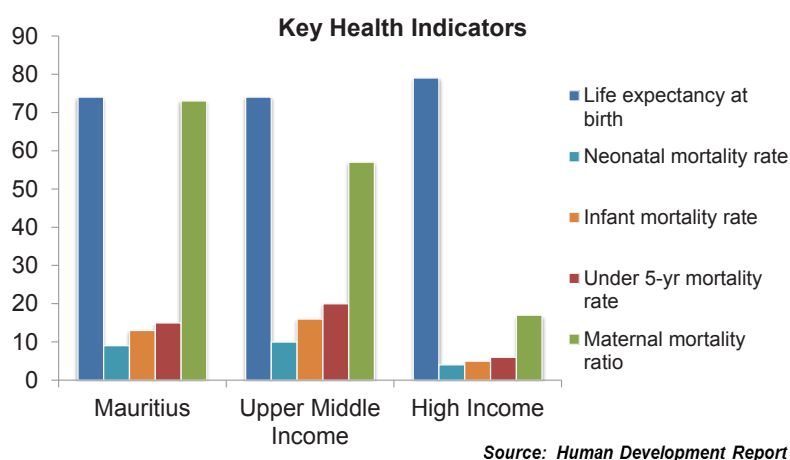
In 2013, the number of newly detected HIV/AIDS cases among Mauritians was more significant among males than females. HIV tests conducted by the Virology Laboratory of the Ministry of Health & Quality of Life have shown a decrease of 51 percent in the number of HIV-positive cases from 2009 to 2013.

Employment	Public Sector	Private Sector
General Practitioners	1,054	992
Specialists	290	428
Dentist	58	293
Pharmacist	23	437
Qualified Nurse & Midwife	3,118	761
Total	4,543	2,911

Source: Statistics Mauritius

Year	Number of tests	Number of positive cases	HIV Positivity rate (%)
2009	83,350	555	0.67
2010	84,432	580	0.69
2011	85,858	417	0.49
2012	86,028	327	0.38
2013	88,194	271	0.31

Source: Statistics Mauritius

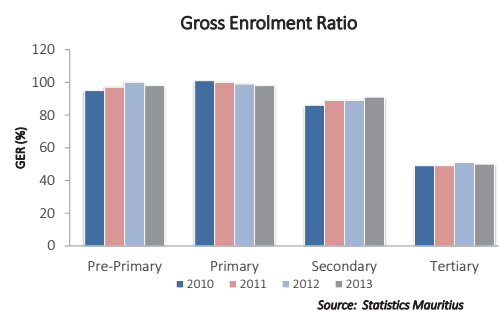


## Education

In 2013, the GDP contribution of the education sector jumped to 4.8 percent, after being constant at 4.4 percent since 2009. This was largely due to the 10.3 percent increase in government expenditure on education from Rs 13.9 billion in 2013 to Rs 15.4 billion in 2014, as a result of the Pay Research Bureau (PRB) report 2013. In 2014, it fell back to 4.7 percent.

13.5 percent of total government expenditure for 2014 was allocated to Education and Training. This amount was 10 percent higher than that of 2013 and made education the third highest recipient of Government expenditure after General Public Services and Social Protection. More than half of Government expenditure on education is on secondary education, followed by primary education (27 percent). The remaining 22 percent is split among tertiary, technical and vocational, pre-primary and others. The pupil to teacher ratio in primary schools has improved from 28 in 2010 to 24 in 2014, as a result of an increase in teaching staff and a reduction in enrolment. In secondary schools, the pupil to teacher ratio remained at around 14 during the period 2010 to 2014.

	Primary	Secondary	Pre-Vocational	SEN*
# of Institutions	320	176	117	59
Teaching Staff	5,629	7,430	980	362
Enrolment	103,686	114,239	10,391	2,291
* Special Educational Needs				
<i>Source: Statistics Mauritius, 2014 figures</i>				



### Gross Enrolment Ratio (GER)

The GER for pre-primary and primary hovers around 100 percent. The GER for the secondary level (11 – 17 years) averaged 89 percent from 2010 to 2013 and reached 91 percent in 2014 as a result of the extension of the pre-vocational stream from 3 to 4 years in 2013. However, tertiary enrolment ratio is still low, having increased slightly from 49 percent in 2010 to 50 percent in 2013.

### Success Rates

In 2014, the overall pass rate, including re-sits, in the CPE examination was 72.9 percent, which is higher than the average of 69.8 percent for the 2009 to 2013 period. The average pass rate in the School Certificate for the five-year period from 2009 to 2013 was 76.6 percent and in 2014 it stood at 73.4 percent. A decreasing trend is also noted in the overall Higher School Certificate pass rate, with an average of 78.7 percent between 2009 and 2013 and 75.4 percent in 2014.

## Law and Order

In 2013, expenditure on law and order returned to approximately the 2009 level of 6.5 percent of total Government expenditure after a J-curve effect.

The number of police officers climbed steadily to reach 9.3 officers per thousand inhabitants in 2013.

Key Figures	2009	2010	2011	2012	2013
Share of total Government expenditure (%)	6.6	5.7	6.0	5.7	6.5
Police force per 1,000 inhabitants	8.9	8.8	8.5	9.1	9.3
Total reported cases of offences	203,934	221,018	253,439	269,882	268,045
Road traffic contraventions	142,535	163,475	195,960	213,686	211,546
Total drug offences	4,144	3,943	3,721	3,472	3,227
Conviction rate per 1000 inhabitants	24.8	23.7	23.5	24	22
Imprisonment rate per 100,000 inhabitants	183	192	209	214	200
Prison occupancy level (%)	106.9	112.6	117.2	118.9	110.1

Source: Statistics Mauritius

The number of reported cases of offences<sup>3</sup> increased by 7.0 percent p.a. for the period 2009 to 2013. This was mainly due to an increase in road traffic contraventions.

Drug offence cases have fallen by an average of 6.1 percent per year since 2009.

The number of people convicted per thousand inhabitants (the conviction rate) decreased from 23.7 to 22 during the period 2009 to 2013. However the juvenile conviction rate has been on a slight increase.

The number of people in prison per day per 100,000 inhabitants (the imprisonment rate) increased from 179 in 2009 to 200 in 2013. Our prisons remain overcrowded. From 2009, the occupancy rate has constantly increased, reaching a peak of 118.9 in 2012, before improving slightly in 2013.

<sup>3</sup> Total reported cases of offences encompasses crimes, misdemeanours, drug offences and contraventions, including road traffic contraventions.

## Sustainability

### Water Supply

Water supply, sewerage, waste management and remediation activities as reported in the national accounts include activities of water supply, management of various forms of waste, such as solid or non-solid industrial or household waste, as well as contaminated sites. These activities contributed 0.4 percent to GDP at current basic prices in 2013 (approximately Rs 1.3 billion). The share of the water sector in the economy was fairly constant for the five-year period 2009 to 2013, between 0.3 percent and 0.4 percent of GDP. The sector has witnessed significant investments. For the five year period 2009-2013, investments more than doubled every year, from Rs 186 million in 2009 to more than Rs 2.6 billion by 2013, the majority of which were public sector investments.

Investments in the water sector (Rs million)			
Year	Public	Private	Total
2009	161	25	186
2010	535	20	555
2011	1,029	320	1,349
2012	1,974	254	2,228
2013	2,312	313	2,625
2014	3,493	314	3,807

Source: Statistics Mauritius

		2009	2010	2011	2012	2013
Potable water produced per capita per day	litres	498	506	458	484	479
Potable water consumed per capita per day	litres	222	227	218	214	216
Consumption per capita per day for 'Domestic' tariffs	litres	170	173	167	164	165
Average price per m <sup>3</sup>	Rs/m <sup>3</sup>	9.06	9.01	8.75	11.9	12.12

Source: Statistics Mauritius

### Water Situation

In 2013, the Island of Mauritius received 3,821 million cubic meters (Mm<sup>3</sup>) of precipitation an increase of 27.3 percent compared to 1,609 Mm<sup>3</sup> in 2012. Out of this rainfall, only 10 percent (382 Mm<sup>3</sup>) went as ground water recharge. 109.1 Mm<sup>3</sup> was captured as surface water (mainly reservoirs). The mean water level for all reservoirs (excluding Midlands Dam) was lower than the long term average (1990 to 1999). The total volume of potable water<sup>4</sup> treated increased by 0.9 percent from 2012 to 217 Mm<sup>3</sup> in 2013. The average production from surface water and boreholes represented 50.4 percent and 49.6 percent respectively in 2013.

Around 35 percent of potable water production was directed towards consumption for domestic use. During the five-year period 2009 to 2013, the per capita potable water produced exceeded that consumed, with systematic shortages relating to non-revenue water during distribution phase. In 2013, the total volume of water sold was at 111.3 Mm<sup>3</sup>. Potable water made up 86.1 percent of the volume sold (mostly for domestic consumption) and the remaining 13.9 percent consisted of non-treated water.

<sup>4</sup> Potable water is defined as water that has been treated and is fit for consumption.



## Energy

In 2013, the GDP contribution of the energy sector was at 1.4 percent, following a steady decrease from 1.9 percent in 2009. The average real growth rate per annum of the energy sector was at 3.6 percent for the period 2009 to 2013. In 2014, the real growth rate rose to 5.0 percent, while the GDP contribution stood at 1.5 percent.

- **Final Energy Consumption**

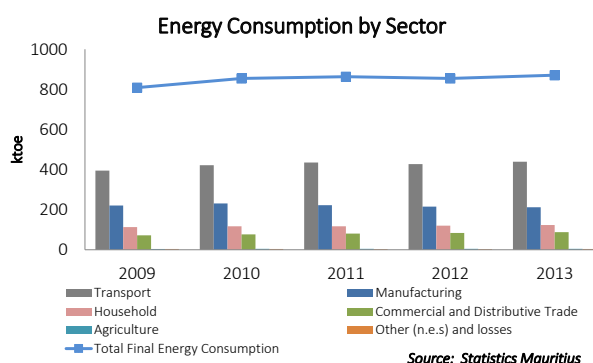
Final energy consumption has increased by 7.7 percent since 2009, to reach 871 kilo tonnes of oil equivalent (ktoe) in 2013. Primary energy requirements increased by 8 percent to 1,455 ktoe.

The transport and manufacturing sectors accounted for the highest share of energy consumption (50.4 percent and 24.4 percent respectively), followed by the household sector (14.2 percent) and commercial and distributive trade sectors (10.1 percent). Agriculture only consumed 0.5 percent of energy. All categories are increasing their energy consumption apart from manufacturing.

- **Electricity Supply and Demand**

Some 2,885 GWh of electricity was generated in 2013. The CEB produced around 40 percent and the remaining 60 percent was purchased from Independent Power Producers (IPPs).

For the five-year period 2009 to 2013, electricity production increased by 12 percent. With CEB increasing its production by 9 percent and IPPs by 14 percent, the share of production between the two remained stable at around 40/60 over the period. However, IPPs exported slightly more of their production to CEB - from 82 percent of their total production in 2009 to 84 percent in 2013.

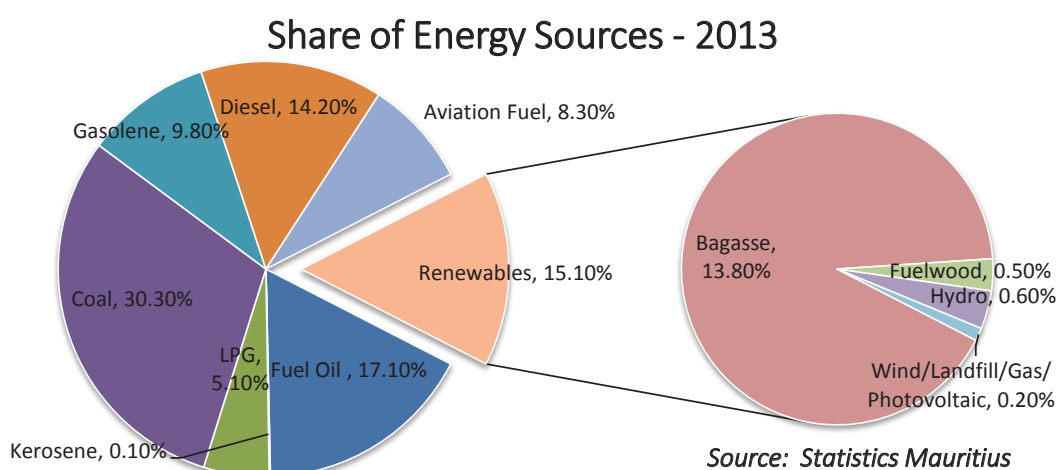


**Total primary energy requirement** is the sum of imported fossil fuels and locally available fuels, less re-exports and bunkering, after adjusting for stock changes. **Total final energy consumption** relates to the total amount of energy required by end users as a final product. End-users are mainly categorized into five sectors namely: manufacturing, transport, commercial and distributive trade, households and agriculture. The transport sector's consumption relates mainly to fuel for land transport (mainly diesel), aviation fuel and fuel consumed by sea transport. Most of the energy consumed by the manufacturing sector was in terms of electricity (82.8 ktoe). Electricity and LPG, represented 54 percent and 41 percent respectively of households' total energy consumption. Electricity was the main source of energy consumed by the "Commercial and Distributive Trade" sector followed by LPG. Agriculture's low share of energy used was mainly for electricity and diesel.

79 percent of electricity production in Mauritius is from non-renewable sources, mainly coal and fuel oil, while the remaining 21 percent is from renewable sources.

In 2013, bagasse and hydro contributed around 80 percent and 16 percent of the electricity generated by renewable energy respectively, while landfill gas and wind accounted for the remaining 4 percent.

The contribution of bagasse to the electricity generated by renewable energy increased from 80 percent in 2009 to reach a peak of 89 percent in 2011, but has been on a declining trend following a reduction in the areas of sugarcane harvested. In 2013, bagasse contributed to 80 percent of renewable energy production.



Following the addition of new generation capacities, the effective capacity in Mauritius has been on an increasing trend, with a 6 percent rise between 2009 and 2013. The current effective generation capacity reached 687 MW in 2013. Peak power demand has increased by 14 percent since 2009 and the highest demand to date is 441.1 MW, recorded during the December peak of 2013.

The average sales price of electricity increased by 10 percent from 2009 to 2013, to reach Rs 5.66 per kWh. While all tariff bands increased, commercial and domestic tariffs were the highest, at Rs 7.36 and Rs 5.73 per kWh respectively in 2013.

## Environment

The Environment Statistics 2013 from Statistics Mauritius highlights adverse trends for some of our environmental indicators: our forest area is decreasing; net carbon dioxide emission has increased; waste disposal at Mare Chicose landfill is rising; and the number of complaints received by the Pollution Prevention and Control Division is rising.

### • Forest Area

Total forest area stood at 47,108 hectares in 2013, with a decline of 0.1 percent during the five year period 2009 to 2013. Some 47 percent (22,108 hectares) of the total forest area in 2013 was state-owned and the remaining 53 percent (25,000 hectares) was privately-owned.

### • Pesticides and fertilisers

From 2009 to 2013, the import of fertilisers fell by 19.7 percent, to 45,924 tonnes in 2013. For the same period, import of pesticides declined by 4.6 percent to 2,185 tonnes in 2013, after a high of 2,290 tonnes in 2009.

### • Air quality

In 2013, net carbon dioxide emissions, after accounting for the removal of CO<sub>2</sub> by forests, increased by 15.2 percent from 3,075 thousand tonnes in 2009 to 3,543 thousand tonnes in 2013. This increase was due to a rise in emission from the energy sector, while the manufacturing sector registered a decrease of 9.8 percent in emissions over the five-year period (from 351.6 to 317.2 thousand tonnes).

### • Rainfall

Compared to the five-year period from 2004 to 2008, the following five-year period witnessed a decrease of more than 10 percent in the annual average rainfall to 3,657 million meters cube (Mm<sup>3</sup>) in 2013. There has been an even greater decrease of 14.5 percent in the net recharge to groundwater from 447 Mm<sup>3</sup> in 2009 to 382 Mm<sup>3</sup> in 2013.

### • Waste

The total amount of solid waste landfilled at Mare Chicose increased by 3.4 percent between 2009 and 2013 from 415,935 to 429,935 tonnes. Domestic waste constituted over 95 percent of the total solid waste landfilled in 2013.

### • Complaints

The number of complaints received by the Pollution Prevention and Control Division of the Ministry of Environment and Sustainable Development increased by 31.6 percent from 522 in 2009 to 687 in 2013. The complaints in 2013 were mainly due to noise (22 percent), air pollution (17 percent), solid waste (14 percent), waste water (12 percent) and odour (11 percent).

### • EIA and PER

In 2013, some 27 Environment Impact Assessment (EIA) licences were granted, of which 7 were for land parcelling (morcellement), 6 for coastal hotels and related works and 6 for industrial development. During the same period, 13 Preliminary Environmental Reports (PER) approvals were issued, of which 4 were for poultry rearing and another 4 for industrial development. For the period 2009 to 2013, an annual average of 30 EIA licences and 24 PER approvals were granted.

### • Ocean

In 2013, 11 marine protected areas extended over an area of 7,216 hectares. The ratio of fish catch to the maximum allowable threshold was well below 65 percent for both artisanal and bank fishing for the period 2009 to 2013. During the same period, the average annual catch of the coastal (artisanal) fishery decreased by 11 percent compared to the previous five years. The annual average catch on banks fell by some 234 tonnes during the period 2009-2013, compared to the previous five-year period.

## Rodrigues and Outer Islands

The island Rodrigues is administered by the Rodrigues Regional Assembly and is headed by a Chief Commissioner. Rodrigues, with a surface area of 108 km<sup>2</sup> and a population of about 41,500 inhabitants as at December 2013, is less densely populated than the island of Mauritius. The contribution of Rodrigues to the national GDP was estimated at Rs 2.8 billion in 2013. Some Rs 2 billion was allocated as grant to Rodrigues in 2013, out of which Rs 1.6 billion was used towards recurrent expenditure. From 2010 to 2013, Rodrigues witnessed an increase of almost 30 percent in public expenditure.

According to the 2011 Census, the labour force in Rodrigues was around 25,500. In 2013, total employment stood at 17,700 out of which 76 percent was in small establishments. Over 75 percent of jobs were in agriculture, forestry wholesale and retail trade; repair of motor vehicles and motorcycles (11 percent), manufacturing (8 percent) and construction (8 percent).

The relative poverty line for Rodrigues (set at the half the median monthly household income per adult equivalent) stood at Rs 3,474 per month per adult equivalent in 2012 and 17.1 percent of households were living in relative poverty.

In 2013, the teacher-student ratio stood at 23 for primary education and 17 for secondary education. The pass rate for the CPE improved during the period 2009-2013, reaching almost 70 percent in 2013. The pass rate for the School Certificate was almost 73 percent. The pass rate for the Higher School Certificate stood at almost 79 percent, higher than that of the island of Mauritius at 78 percent.

The public healthcare system in Rodrigues includes a hospital, health centres, community health centres and a dental clinic. In 2013, there were some 44 beds per 10,000 inhabitants.

In 2013, the average prison occupancy rate in Rodrigues was 33.8 percent. There were 8,408 reported offences, of which some 5,160 related to road traffic contraventions, some 1,000 to misdemeanours and over 260 to serious crimes. The offence rate (excluding contraventions) was 32 per 1,000 population.

In 2013, the mean annual rainfall in Rodrigues was well below 1,000 mm. As per the 2011 Housing Census, 90 percent of households had access to piped water. Rodrigues has an installed plant capacity of around 14 MW, using mostly non-renewable energy. Energy generated from renewable sources includes 3.6 GW from wind and 0.02 GW from photovoltaic source.

## Agalega and Outer Islands

The outer islands of Agalega and St Brandon cover an area of 71 km<sup>2</sup>. With 274 inhabitants as at December 2014, the population density was 4 per km<sup>2</sup>. The main economic activities are coconut processing and fisheries.

## Highlights

A summary of the socio-economic backdrop is provided below.

Key Indicators	Details
GDP	<ul style="list-style-type: none"> <li>The GDP growth rate has followed a declining trend, from a high of 7 percent for the period 1985-90 to 3.5 percent for 2009 -2013. In 2014 the GDP growth rate was at 3.5 percent.</li> </ul>
Consumption, Investment and Savings	<ul style="list-style-type: none"> <li>In 2014, consumption, investment and savings were at 88.4 percent, 19.4 percent and 11.7 percent of GDP respectively.</li> </ul>
Current Account and Balance of Payment	<ul style="list-style-type: none"> <li>Average current account deficit for the period 2009-2013 was around 9.7 percent. In 2013, the current account deficit declined to around 9.9 percent. Trade deficit was 19.8 percent. The services, income and transfers accounts were at a surplus of 9.1 percent.</li> </ul>
Inflation	<ul style="list-style-type: none"> <li>Inflation rate was at 3.2 percent in 2014. CORE1 and CORE2 inflation were at 2.6 percent and 3.1 percent respectively in 2014.</li> </ul>
Labour Force	<ul style="list-style-type: none"> <li>In 2013, labour force was at 571,200, male activity rate was at 75.1 percent and female activity rate was at 45.4 percent. Total unemployment was at 8.0 percent with more females unemployed. Youth unemployment was at 23.2 percent.</li> </ul>
Public Finance and Public Sector Debt	<ul style="list-style-type: none"> <li>In 2014, Government borrowing requirements were at 3.4 percent of GDP. Government debt was at 53.4 percent. Recurrent revenue as a share of GDP has remained stable at around 20.5 percent while recurrent expenditure was at 20.8 percent.</li> </ul>
Traditional pillars	<ul style="list-style-type: none"> <li>GDP contribution of the manufacturing sector was at 16.6 percent in 2014. Employment stood at 110,900 in 2013. The sector grew at an average annual rate of 2.3 percent from 2009 to 2013.</li> <li>In 2014, the GDP contribution of the financial services sector was at 10.3 percent. The average growth rate from 2009 to 2013 was 5.2 percent. In 2013, there were 13,400 employees in the sector.</li> <li>The tourism sector contributed 7.3 percent to GDP in 2014, while the real growth was at 4.8 percent. In 2013, employment for the sector was at 45,400.</li> <li>In 2014, the agriculture sector contributed 3.1 percent to GDP. The average annual growth rate during the 2009 to 2013 period was 2.5 percent. Employment stood at 44,200 in 2013.</li> <li>In 2014, the GDP contribution of the ICT sector was at 6.4 percent. The sector grew by 6.6 percent. In 2013, the sector employed 18,500.</li> </ul>
Global Business	<ul style="list-style-type: none"> <li>As at December 2013, there were some 20,500 entities holding a GBL and some 170 management companies were operating in the sector.</li> </ul>
Small Establishments	<ul style="list-style-type: none"> <li>In 2013, there were around 125,500 small establishments, employing around 283,000 persons. Small establishments contributed Rs 82 billion to the economy.</li> </ul>
Trade and Investment with Africa	<ul style="list-style-type: none"> <li>Exports to Africa represented 21 percent of total Mauritian exports in 2013 and has been growing at a rate of 9.3 percent per annum from 2009 to 2013. Outward investment to Africa was Rs 3.0 billion in 2013 higher than the Rs 2 billion inward investment from the continent.</li> </ul>
Public Services	<ul style="list-style-type: none"> <li>In 2014, Rs 9.2 billion was allocated to public healthcare, representing 4.4 percent of GDP. Healthcare expenditure accounted for 9.9 percent of total Government expenditure.</li> <li>In 2014, the GDP contribution of the education sector stood at 4.7 percent. 13.5 percent of total Government expenditure for the year 2014 was allocated to Education and Training.</li> <li>Water contributed 0.4 percent to GDP in 2013. Investments increased to more than Rs 2.6 billion in 2013.</li> <li>In 2014, the real growth rate of the energy sector rose to 5.0 percent, while the GDP contribution stood at 1.5 percent.</li> </ul>
Law and order	<ul style="list-style-type: none"> <li>In 2013, expenditure on law and order represented 6.5 percent of total Government expenditure.</li> </ul>
Rodrigues and Outer Islands	<ul style="list-style-type: none"> <li>The contribution of Rodrigues to the national GDP was estimated at Rs 2.8 billion in 2013. From 2010 to 2013, Rodrigues has witnessed an increase of almost 30 percent in public expenditure.</li> </ul>

## Selected Indices

Out of the 20 international socio-economic, democracy and good governance indices below, Mauritius ranks first in Africa on twelve counts, second on four counts and fourth on two counts. Key improvement areas include the Logistics Performance Index where Mauritius ranks 18<sup>th</sup> in Africa and the Press Freedom Index where Mauritius ranks 11<sup>th</sup>.

No	Index	Description of the Index	Global Rank	Africa Rank
1	World Bank Doing Business 2015	Measures improvements in regulations for businesses and stronger protection of property rights.	29 out of 189 countries	1 <sup>st</sup>
2	World Bank's Logistics Performance Index 2014	Measures perceptions of a country's logistics based on efficiency of customs clearance process and quality of logistics related to trade.	115 out of 160 countries	18 <sup>th</sup>
3	Enabling Trade Index	Measures the factors, policies and services that facilitate the trade in goods across borders and to destination.	29 out of 138 countries	1 <sup>st</sup>
4	Global Competitiveness Index 2014-2015	Measures the microeconomic and macroeconomic foundations of national competitiveness.	39 out of 144 countries	1 <sup>st</sup>
5	Corruption Perceptions Index 2014 (Transparency International)	Measures the perceived levels of corruption. A lower rank indicates a lower level of perceived corruption.	47 out of 174 countries	4 <sup>th</sup>
6	International Property Rights Index 2014	Ranks countries worldwide based on the state of their legal and political environment, physical and intellectual property rights.	31 of 97 countries	2 <sup>nd</sup>
7	Mo Ibrahim Index of African Governance 2014	Measures the quality of governance in African countries.	-	1 <sup>st</sup>
8	Press Freedom Index 2014 (Reporters without Borders)	Measures the degree of freedom that journalists, news organizations, and netizens enjoy in each country.	70 out of 180 countries	11 <sup>th</sup>
9	The A.T. Kearney Global Services Location Index, 2014	Measures the quality of outsourcing activities, including IT services and support, contact centres and back-office support.	36 out of 50 countries	4 <sup>th</sup>
10	2015 Index of Economic Freedom (Heritage Foundation)	Measures the intensity of government regulations on wealth-creating activity.	10 out of 178 countries	1 <sup>st</sup>
11	Economic Freedom of the World 2014(Fraser Institute)	Measures the degree to which policies and institutions of countries are supportive of economic freedom.	5 out of 152 countries	1 <sup>st</sup>
12	Human Development Index 2014 (United Nations)	Measures human development as a composite statistic of life expectancy, education, and income .	63 out 187 countries	2 <sup>nd</sup>
13	Social Progress Index 2014	Measures social progress as a composite of basic needs , foundations of wellbeing and opportunity.	34 out of 132 countries	1 <sup>st</sup>
14	Democracy Index 2014 - Economist Intelligence Unit	Measures the democratic process based on electoral process, civil liberties, the functioning of government, political participation, and political culture.	Full Democracy 37 out of 167 countries	1 <sup>st</sup>
15	Environmental Performance Index 2014 (Uni. of Yale)	Measures environmental performance of a state's policies.	56 out 178 countries	1 <sup>st</sup>
16	Mercer's 2014 Quality of Living Survey	Measures quality of living based on political, economic, environmental, personal safety, health, education, transportation and other public service factors.	82 out of 230 destinations	1 <sup>st</sup>
17	Global Information Technology Report 2014	Provides a comprehensive assessment of how prepared an economy is to apply the benefits of ICT to promote economic growth and well-being.	48 out of 148 countries	1 <sup>st</sup>
18	ICT development index (United Nations - ITU)	Measures ICT indicators including access, use and skills.	74 out of 155 countries	2 <sup>nd</sup>
19	Forbes Survey of Best Countries for Business 2014	Uses a composite of 15 socio-economic factors to rank business environment in countries.	34 out of 145 countries	1 <sup>st</sup>
20	The Travel and Tourism Competitiveness 2013 (World Economic Forum)	Measures the factors that make it attractive to develop business in the travel and tourism industry of individual countries.	58 out of 140 countries	2 <sup>nd</sup>

