



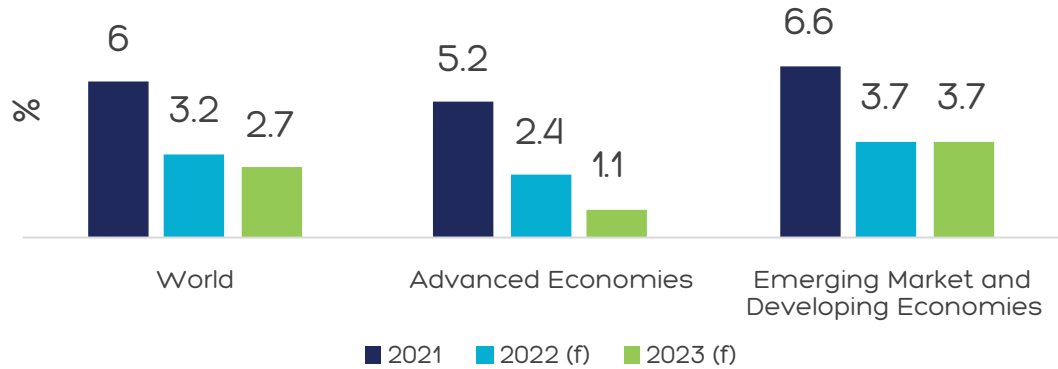
THE MAURITIAN ECONOMY 2022: FIRMLY ANCHORED ON A STRONG AND RESILIENT RECOVERY PATH



GLOBAL CONTEXT

The IMF in its latest World Economic Outlook report revised its forecast for growth in global output to 3.2 percent. At the start of the year, it was predicted to be 4.4 percent. The moderation of growth expectations was largely influenced by the invasion of Ukraine, which had a snowball effect on commodity prices, affecting real incomes and in fine dampening consumer activity. In addition, a marked slowdown in China, explained to some extent by the now relaxed zero covid policy, further thwarted the post covid recovery process.

WORLD OUTPUT GROWTH (%)



Global inflation in fact is expected to be around 8.8 percent for 2022, which prompted an increase in interest rates of the US Federal Reserve (3.75-4.0 percent), European Central Bank (1.50-2.25 percent) and the Bank of England (3.0 percent) depict repeated rate increases amongst others to stifle inflationary pressures.

INFLATION RATES (%)

	2019	2020	2021	2022
World	3.5	3.2	4.7	8.8
Advanced Economies	1.4	0.7	3.1	7.2
Emerging Market and Developing Economies	5.1	5.1	5.9	9.9

Global trade for the year 2022 is expected to reach US\$ 32 trillion, with trade in goods projected at US\$ 25 trillion, a 10 percent increase compared to the year 2021, and trade in services at US\$ 7 trillion, a 15 percent increase over the year 2021. As per UNCTAD's latest Global trend report, trade slowdown during the second half of the year has been nominal, with the volume of trade constantly increasing and being resilient to the deteriorating economic condition and rising uncertainties.

The environment for international business and cross-border investment changed drastically in 2022 with the lingering effect of the pandemic and the war in Ukraine causing financial crises in many nations. New greenfield investment in global value chains intensive industries is anticipated to dampen with lockdowns in China, a major player in global value chains. Moreover, interest rate increases in various economies coupled with rising inflation have dampened project feasibilities.

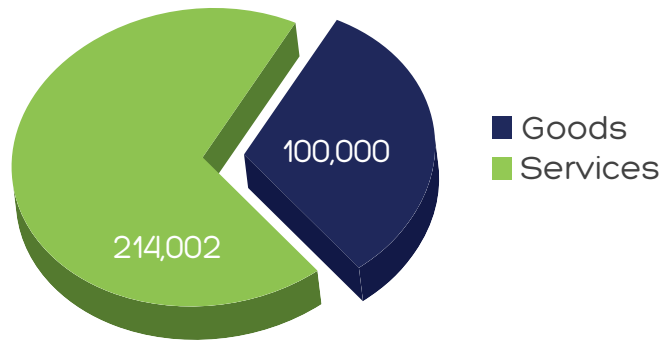


MAURITIAN ECONOMY

Mauritius has faced numerous challenges during 2022 as a result of the prevailing global economic conditions, mostly due to supply chain disruptions, higher freight costs, a stronger US dollar and soaring energy and other commodity prices. In its latest release of national account estimates (December 2022), Statistics Mauritius expects a growth rate of 7.8 percent growth, which will leave GDP above pre-pandemic levels in terms of GDP. This performance is explained by:

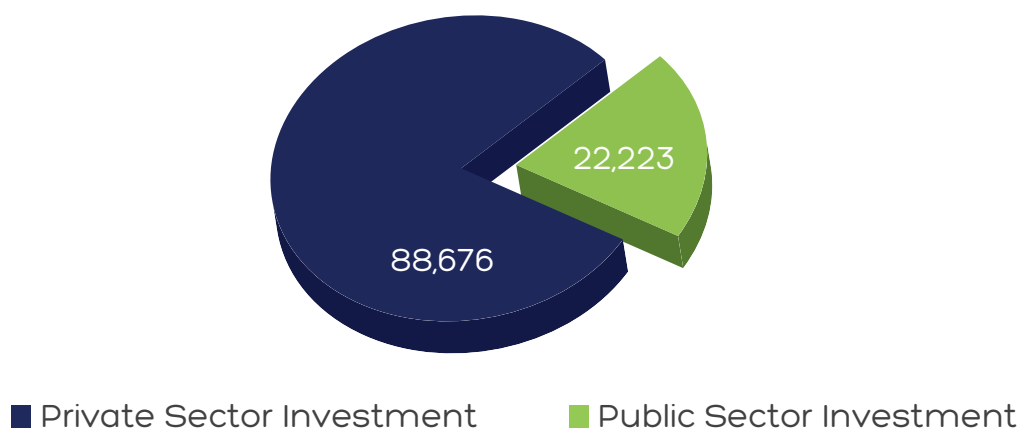
A - A strong rise in exports of goods and services which will reach Rs. 314 billion in 2022 exceeding the figures of 2019. Exports of goods is driven by growth in exports of textile, sugar and medical devices amongst others as operators maximize on the opportunities obtained under recently signed agreements with China, India and the African continent. In fact, exports of goods will reach Rs. 100 billion in 2022. Re-exports and proceeds from ships stores and bunkering activities are on a positive momentum as well. Exports of services is on the other hand recovering strongly, benefitting from the re-opening of borders, which will lead to tourist arrivals to reach almost 1 million in 2022. In addition, tourists are spending more and staying longer.

EXPORTS OF GOODS AND SERVICES (RS MN)



B - An acceleration in the realization of investment projects, both in the public and private sector is further fueling growth. Expected FDI for the year will be around Rs 25 billion, surpassing its pre-pandemic figures. Investment, as measured by GFCF, is anticipated to grow by 6.3 percent for the year with private sector investment to be at Rs. 88.7 billion, a growth of 7.9 percent while public sector investment projected at Rs. 22 billion, an increase of 0.5 percent.

GROSS FIXED CAPITAL FORMATION (RS MN)





One of the main challenges has been the preservation of the purchasing power on Mauritians. Against the rising tide of inflationary pressures, the Bank of Mauritius has reviewed the Repo Rate to 4.50 percent compared to 1.85 percent in December 2021. In November 2022, headline inflation accelerated to 10.3 percent compared to 4 percent in November 2021. The Government has also intervened massively in terms of income support and other remedial measures to ensure that adverse impact of rising prices do not affect the quality of life of Mauritians.

PROSPECTS 2023

For 2023, projections tend to remain cautious and tentative. The latest IMF World Economic Outlook, expects global output growth to amount to 2.7 percent, with a 25 percent probability of decreasing below 2 percent. More than a third of the world economy is expected to contract with the three largest economies- USA, EU and China-expected to stall.

Global trade for the year 2023 is expected to worsen due to the lower economic growth, high prices of trade goods and debt sustainability. Moreover, geopolitical frictions, persisting inflation and lower demand are elements that can hinder 2023 global trend. World Inflation for the year 2023 is expected to subside to 6.5 percent from the 8.8 percent for the year. World Investment as a percentage of GDP for 2023 is projected at 27.8, similar to 2022.

For Mauritius, Bank of Mauritius forecasts a 5 percent growth for 2023. In contrast to many countries, estimated growth rate for Mauritius is promising, with an almost two-fold growth compared to the projected world growth rate of 2.7 percent (WEO October 2022, IMF).