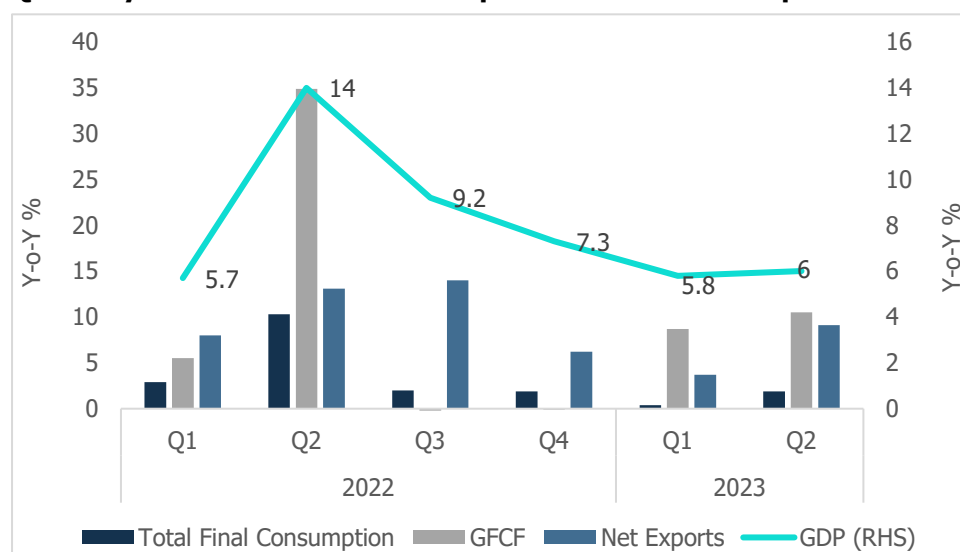


Mauritian Economy Grows 6% in Q2 2023

October 26, 2023 | Economics

The Mauritian economy grew at a faster pace in the second quarter of 2023. The economy advanced by 6% (y-o-y) in the second quarter of 2023, following an upwardly revised 5.8% rise in the previous three-month period. Barring public administration & defence, all industry groups reported an expansion in economic activity. From the perspective of the components of expenditure, total final consumption expenditure (which accounts for nearly 80% of GDP) grew 1.9% y-o-y in Q2, with the increase led by households, offsetting a 2.5% contraction in general government consumption expenditure. Meanwhile, investment i.e. gross fixed capital formation, went up by 10.5% after the growth of 8.7% observed in the previous quarter. The increase resulted from uptick in 'Building and construction work' (13.9%) and 'Machinery and equipment' (7.3%). The ongoing implementation of large-scale infrastructural projects, namely the construction of smart cities, road de-congestion plans and property development, amongst others, led to healthy growth in investment. The global slowdown is expected to soften the country's performance in 2023, with the IMF estimating the Mauritian economy to grow at 5.1% in 2023, from 8.7% in 2022. This is lower than the central bank's forecasts of economic growth in the range of 6.5-7.5% in 2023.

Quarterly GDP Growth Rate and Expenditure-Side Breakup

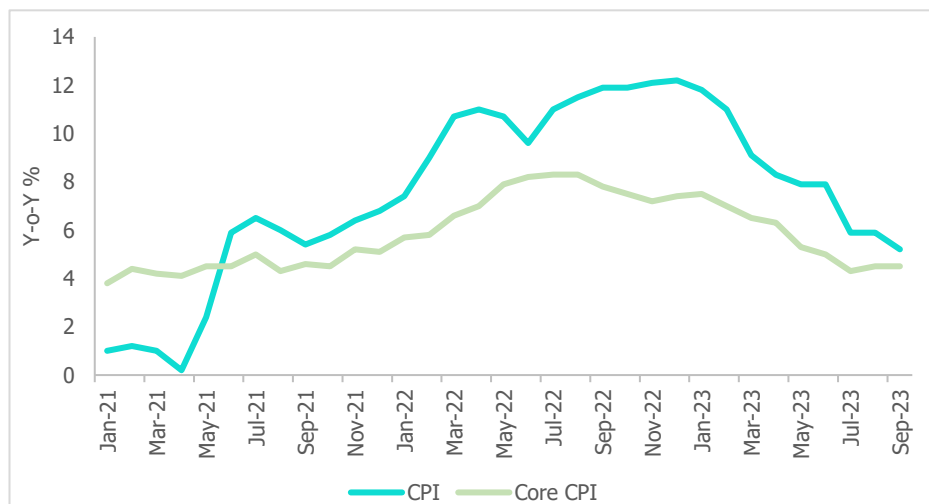


Source: Stats Mauritius

Headline CPI Moderates to Over a 2-year Low; Core Inflation Stays Sticky

The consumer price index (CPI)-based inflation eased to 5.2% y-o-y in September, registering the smallest increase since May 2021, and 70 bps lower from the previous month. On a sequential basis, retail inflation reported a contraction of 0.1% in September, with the decrease largely led by vegetables and food products. Meanwhile, core inflation, which excludes food, beverages, tobacco, mortgage interest, energy, and administered prices, remained unchanged from the previous month at 4.5% y-o-y in September. Core inflation has however moderated significantly from its peak of 8.3% seen in August 2022. For the year so far, headline inflation has averaged 8.1%, which is well above the central bank's target of an average of 7% for 2023 (up from previous estimate of a 5-6% range). Going ahead, inflationary pressures emanating from a continued rise in global crude oil prices on account of geopolitical tensions in the Middle East could pose as headwind.

Headline and Core CPI Inflation



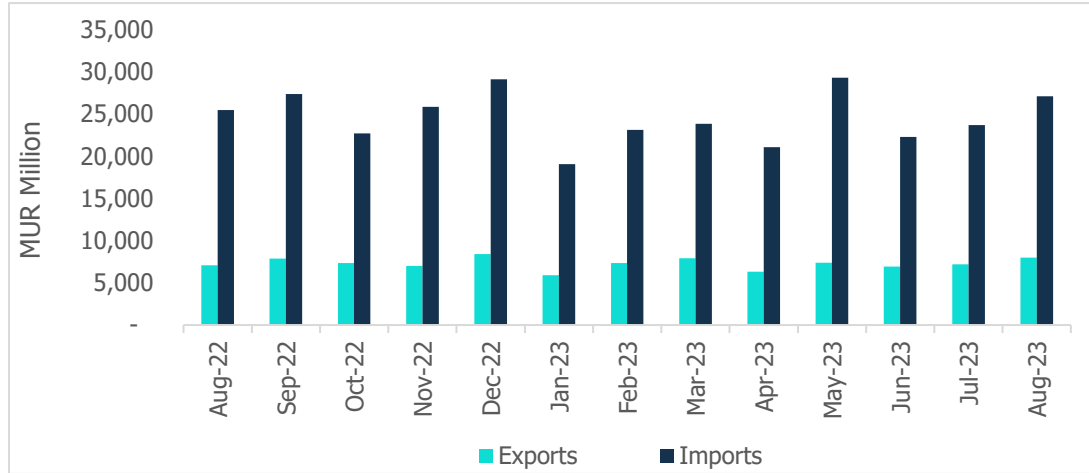
Source: CEIC; Note: Core inflation denotes data for category Core 2

Trade Deficit Widens in August on Sharp Rise in Imports

In August 2023, the trade deficit in Mauritius widened to MUR 19.1 billion from MUR 16.5 billion in the previous month as imports rose at a faster pace than exports. Imports rose around 11% y-o-y in August to MUR 27.1 billion. Amongst imports, barring categories such as 'beverages and tobacco', 'chemical and chemical products' and 'manufactured articles', all segments reported an uptick over last month. Meanwhile, exports (excluding ship's stores and bunkers) rose to MUR 7.9 billion, its highest level in the year so far, and up 12% from a year ago. For the first eight months of 2023, imports rose 1.2% from the corresponding period a year ago, amidst over 8% rise in exports, narrowing the trade deficit to MUR 133 billion in the January-August period, from MUR 135 billion a year ago. Improvements in the external sector led to narrowing of the current account deficit (CAD) to 6.5% of GDP in Q2 from 15.7% in the year-ago period. Robust performance of the tourism sector and higher global interest rates particularly benefitted services and income accounts, helping offset the widening trade deficit on the current account balance. The central bank expects CAD to improve to 6.9% of GDP in 2023, from 11.5% in 2022.

Looking at the main trading partners, the US, South Africa, and the UK were the top three export destinations, while the top three import partners were China, Oman, and India. Slowing global growth resulting in weaker demand for Mauritius' merchandise exports and elevated cost of crude oil in the international market could however pose a headwind to the external position.

Export and Import Trend

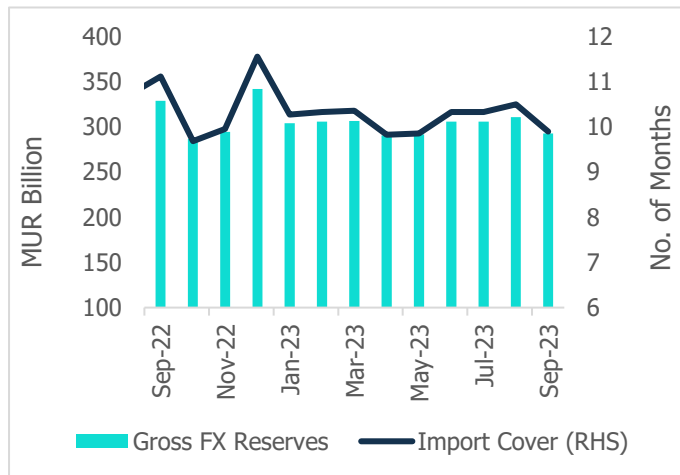


Source: CEIC; Statistics Mauritius

Forex Reserves Fall to a 4-Month Low; Mauritian Rupee Stable on Central Bank Intervention

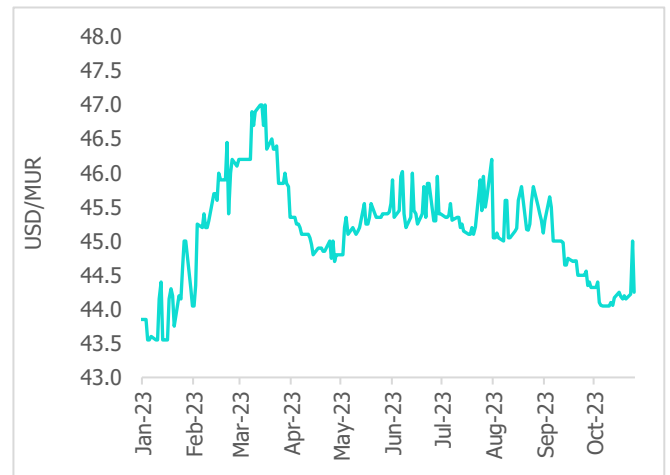
In September 2023, the gross official international reserves in Mauritius fell to a four-month low of MUR 293 billion (USD 6.5 billion). Consequently, the import cover dropped to 9.9 months from 10.5 months in August and lower than 11.1 months a year ago. Meanwhile, the Mauritian rupee appreciated over 2% in September despite the dollar index’s rise to its highest level in the year so far. The MUR was defended by the central bank’s intervention in the FX market. The central bank intervened via dollar sales worth USD 100 million in September, the most since November 2022. In October so far, the Mauritian rupee has continued its appreciating trend, with the domestic currency averaging 44.2, compared to a monthly average of 44.7 in September.

FX Reserves and Import Cover Decline



Source: CEIC

Mauritian Rupee Performance



Source: Refinitiv

Tourist Arrivals Drop for the Second Month

Tourist arrivals fell for the second straight month in September to 97,838, down 1% over the previous month. In 2023 so far, tourist arrivals totalled 901,126, 41% higher than the footfall seen during the same period last year, signalling continued support for growth in the contact-intensive service sector. Meanwhile, gross tourism earnings rose marginally to MUR 6.5 billion in August from MUR 6.4 billion a month ago. Based on forward bookings, the central bank expects prospects for the tourism sector to remain strong. According to the minutes of the September MPC meeting, ongoing marketing initiatives, as well as increased flight connectivity, and the opening of new destinations, mean that the forecast of 1.3 million tourist arrivals established by Statistics Mauritius remains largely feasible for the year.

Tourism Earnings Improve



Source: CEIC; Bank of Mauritius

Monthly Data of Key Economic Indicators

Indicators	Unit	May-23	Jun-23	Jul-23	Aug-23	Sep-23
CPI Inflation	y-o-y%	7.9	7.9	5.9	5.9	5.2
Core Inflation	y-o-y%	5.3	5.0	4.3	4.5	4.5
Key Rate	%	4.5	4.5	4.5	4.5	4.5
Exports	MUR Bn	7.3	6.9	7.1	7.9	-
Imports	MUR Bn	29.2	22.3	23.7	27.1	-
Trade Balance	MUR Bn	-21.9	-15.4	-16.5	-19.1	-
Exchange Rate (Average)	USD/MUR	45.8	45.9	45.9	45.8	44.7
Gross Official International Reserves	MUR Bn	291.8	305.9	306.1	310.6	293.1
Import cover	No. of months	9.9	10.3	10.3	10.5	9.9
Tourist Arrivals	Person	100,030	82,208	107,832	98,990	97,838
Gross Tourism Earnings	MUR Bn	6.9	5.9	6.4	6.5	-

Source: CEIC; Note: Core inflation denotes data for category Core 2; MUR=Mauritian Rupee

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