

WHITHER MAURITIUS?

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Governor

Bank of Mauritius

14th September 2011

The Link Ebene City Hotel

I. GLOBAL OUTLOOK

- U ... Uncertainty
- V ... Volatility
- W ... Double Dip Fears

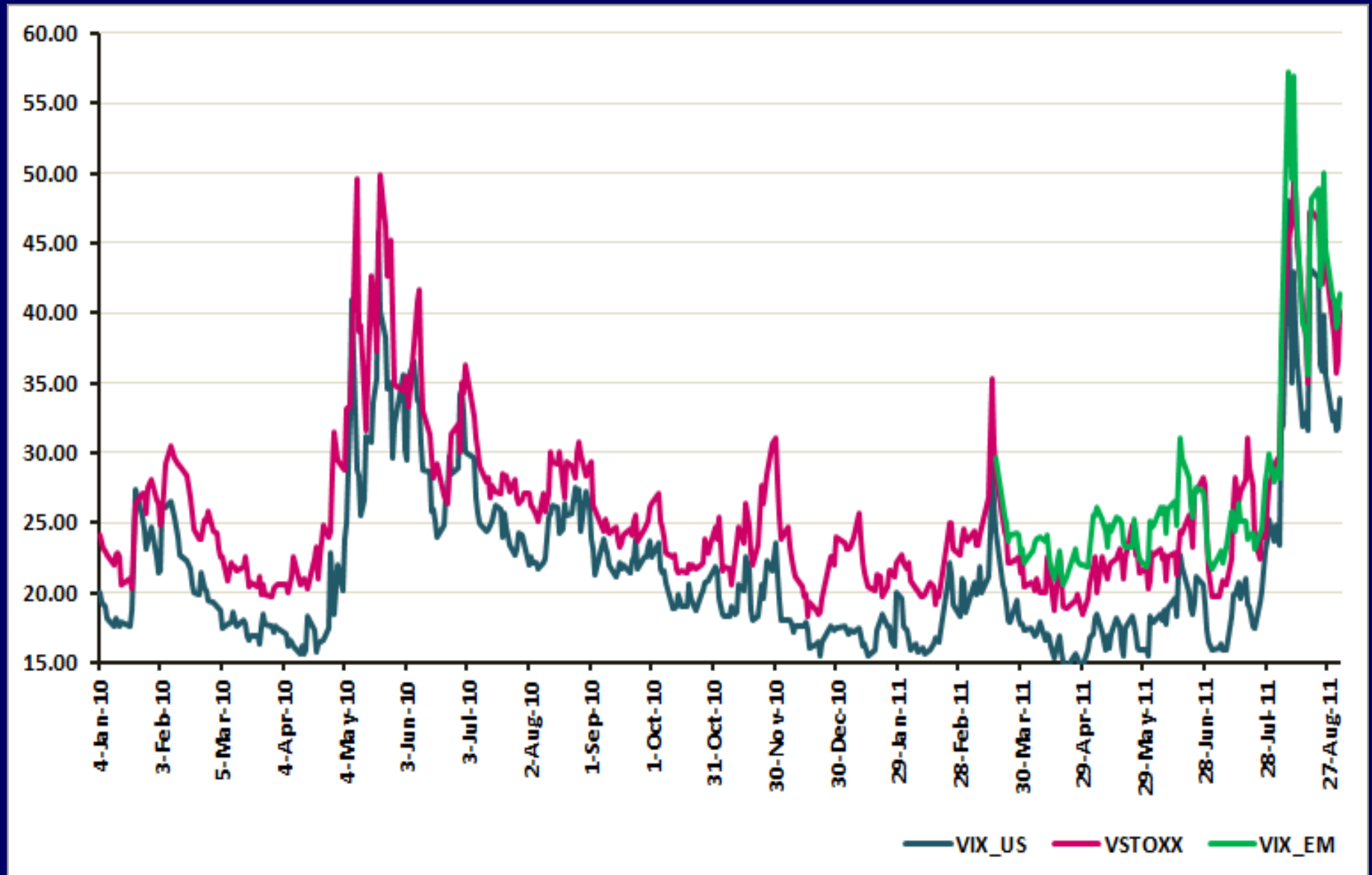
GROWTH PROJECTIONS

1/2

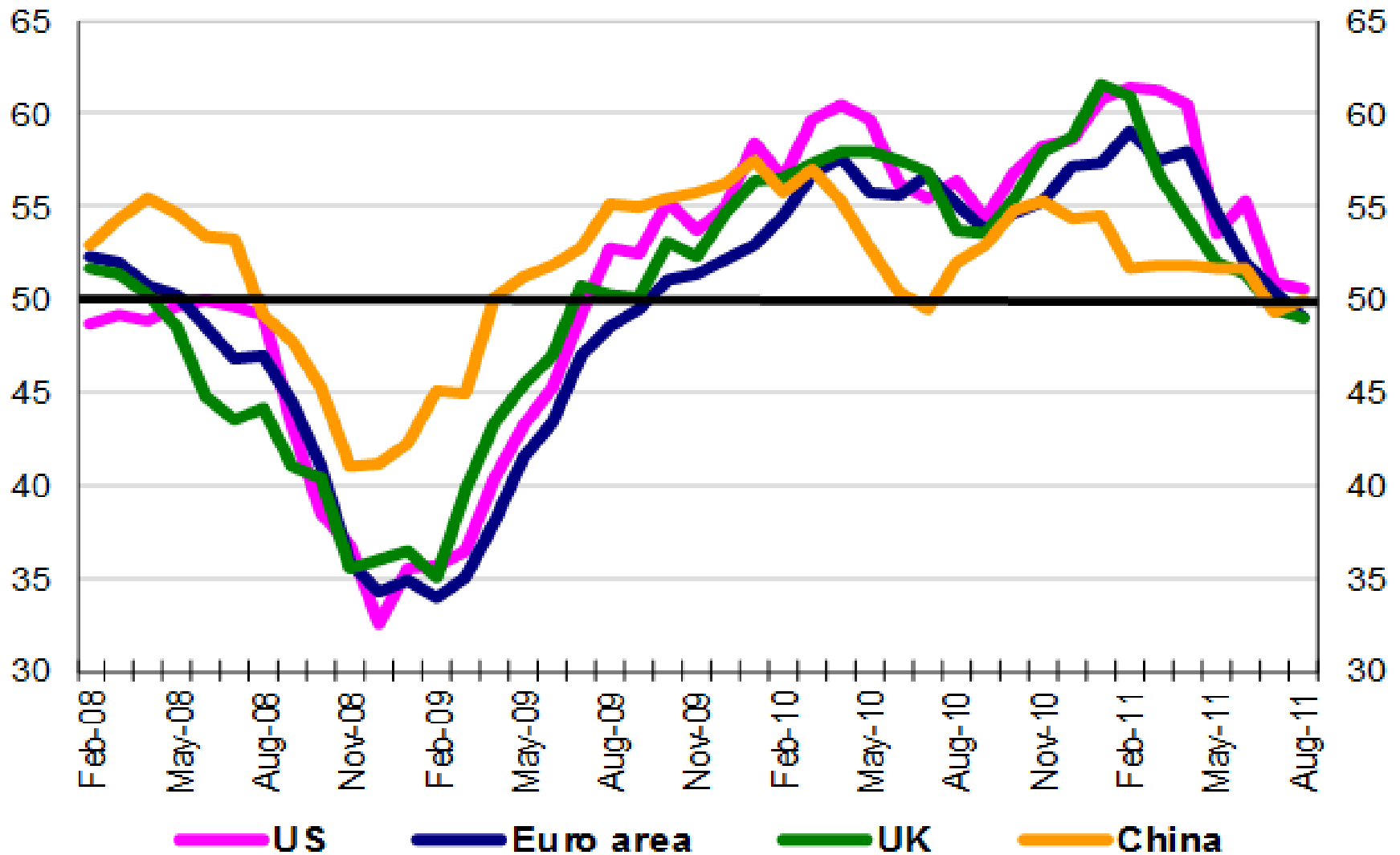
	JP Morgan			Difference between January and September
	January 2011	June 2011	September 2011	
Global	3.4	3.1	2.6	0.8 ↓
Developed markets	2.5	1.9	1.4	1.1 ↓
Emerging Markets	5.9	6.1	5.7	0.2 ↓
US	3.3	2.4	1.4	1.9 ↓
Euro area	1.7	2.1	1.6	0.1 ↓
UK	2.5	1.7	1.0	1.5 ↓

	JP Morgan		Difference
	June 2011	September 2011	
US	2.4	1.4	1.0 ↓
Euro area	2.1	1.6	0.5 ↓
UK	1.7	1.0	0.7 ↓
South Africa	3.7	3.3	0.4 ↓
India	7.9	7.6	0.3 ↓
	Staff forecast		
	June 2011	September 2011	
Mauritius	4.6	4.4	0.2 ↓

VOLATILITY – ‘FEAR FACTOR’



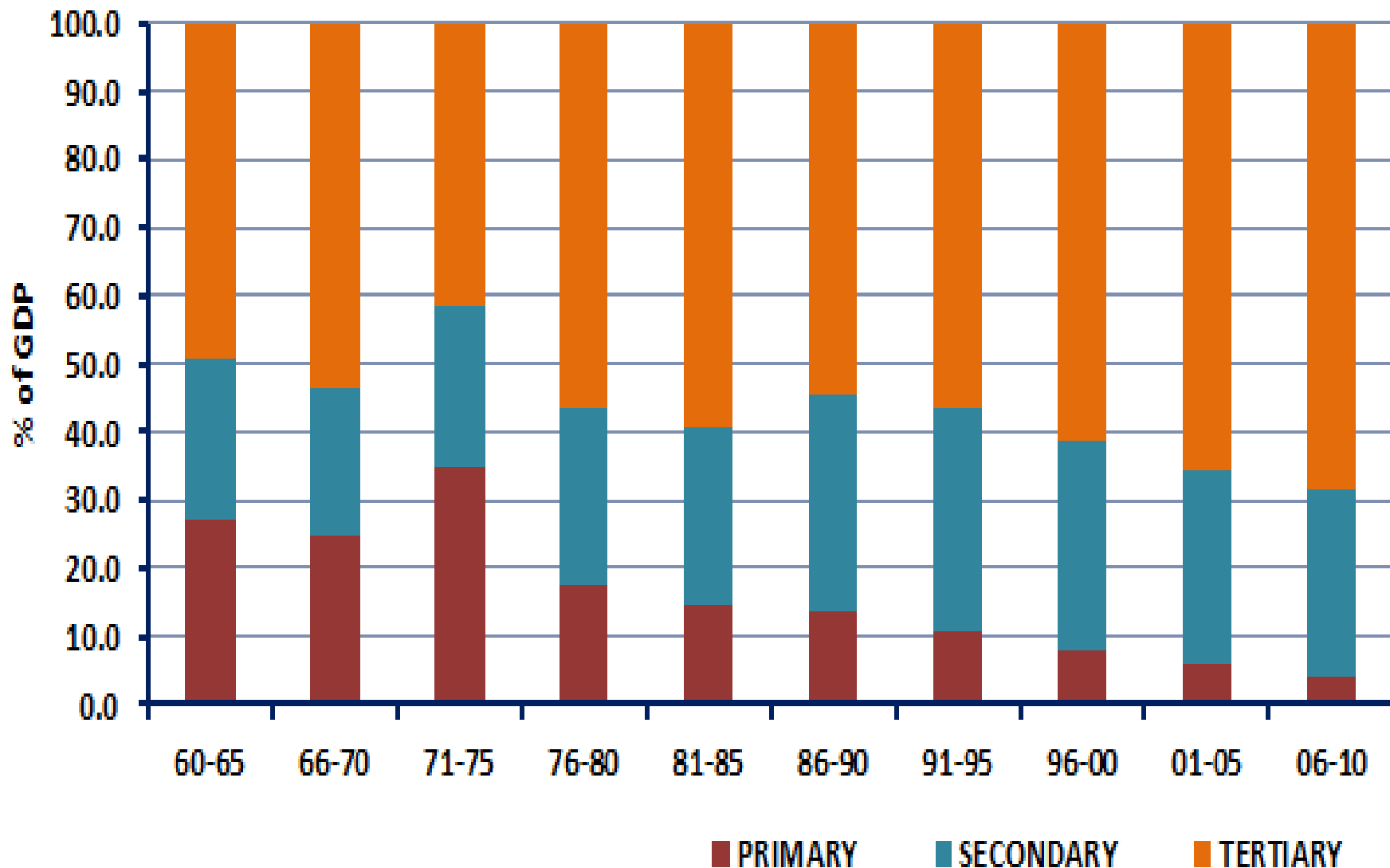
GLOBAL GROWTH



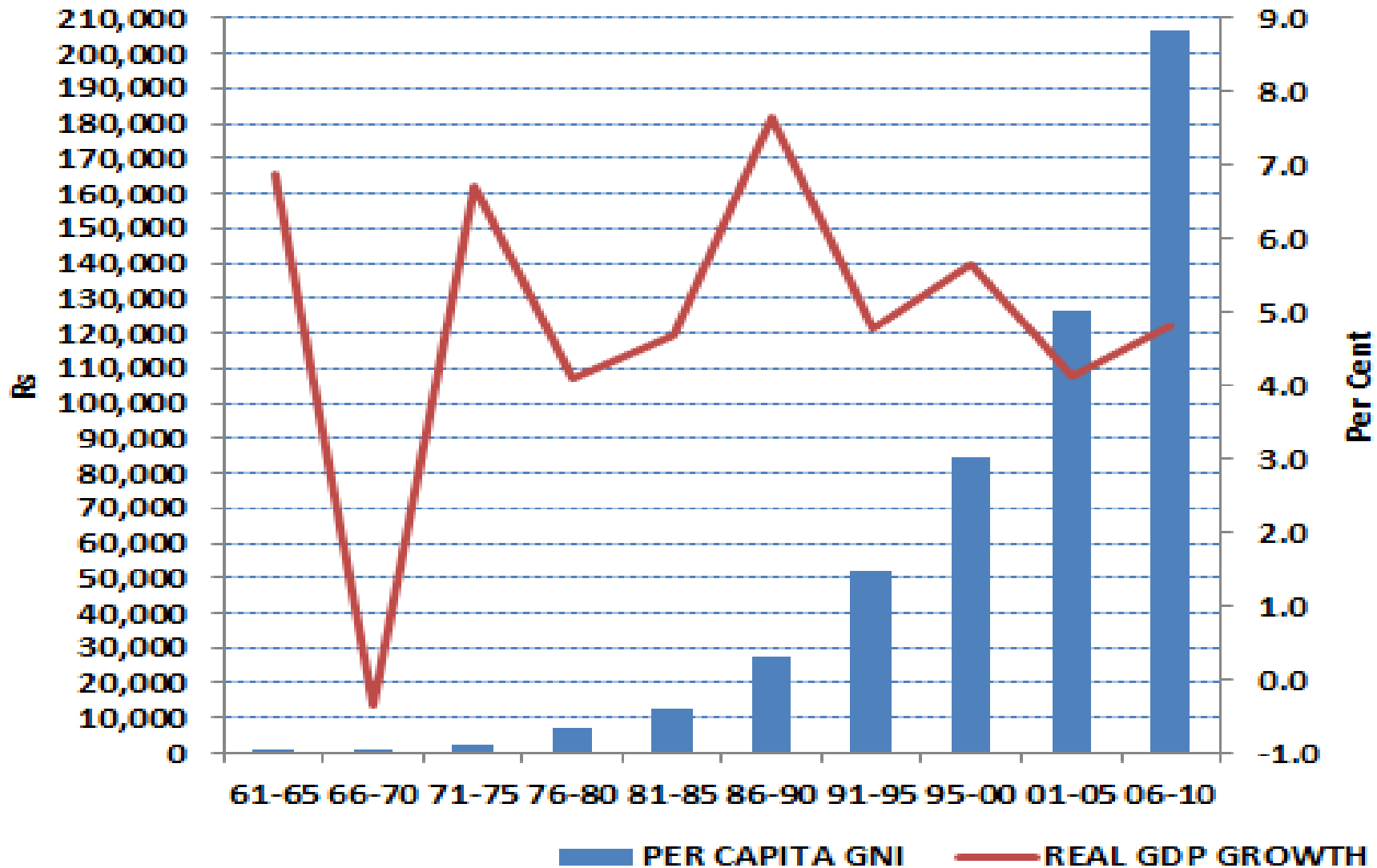
II. HOW WE GOT HERE?

- Transformation of the Mauritian Economy.
- Move from Monocrop economy to Services Economy.
- Openness of the Economy.
- Role of Education.
- Attaining MDGs before they were even specified.

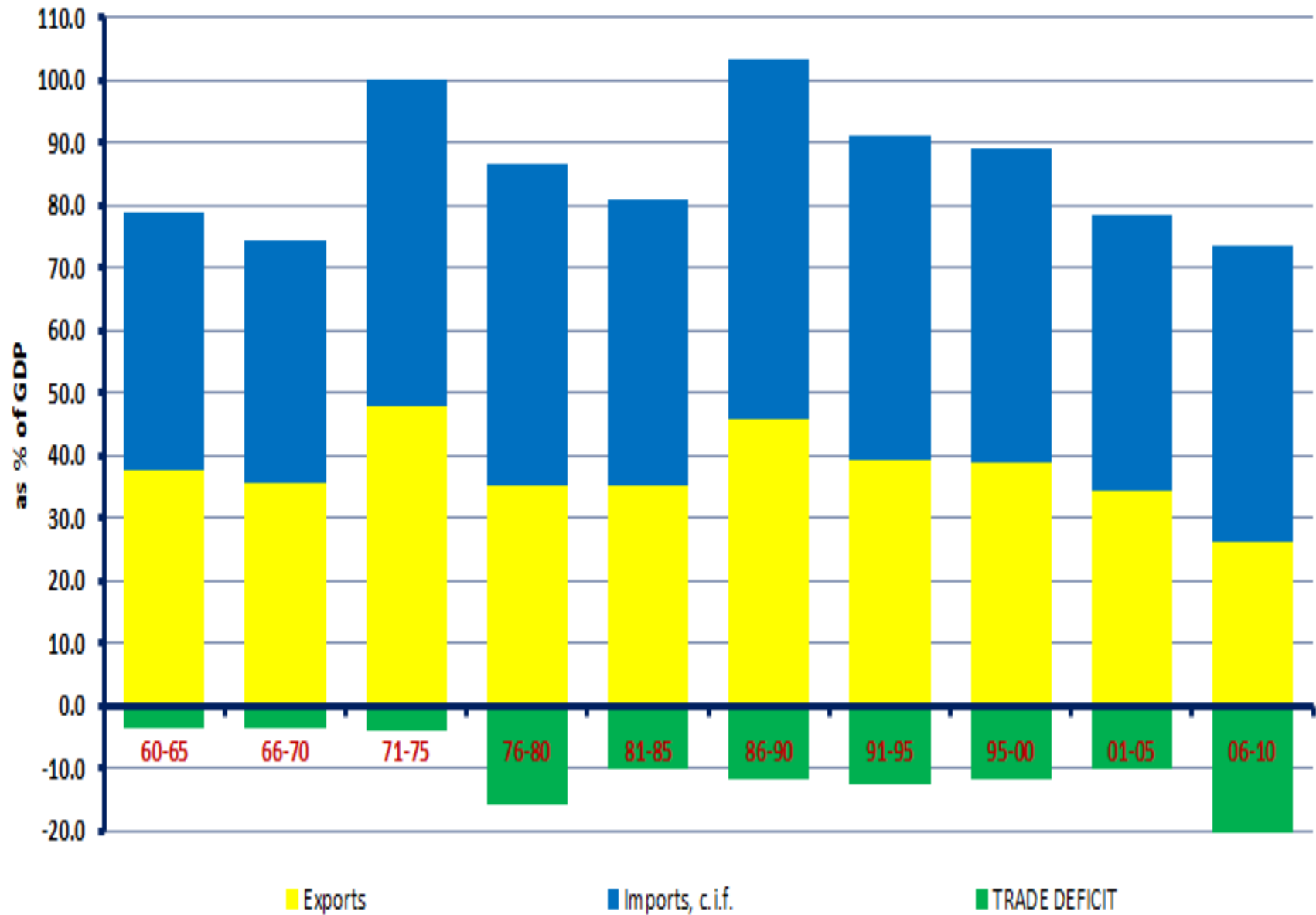
SHARE IN GDP



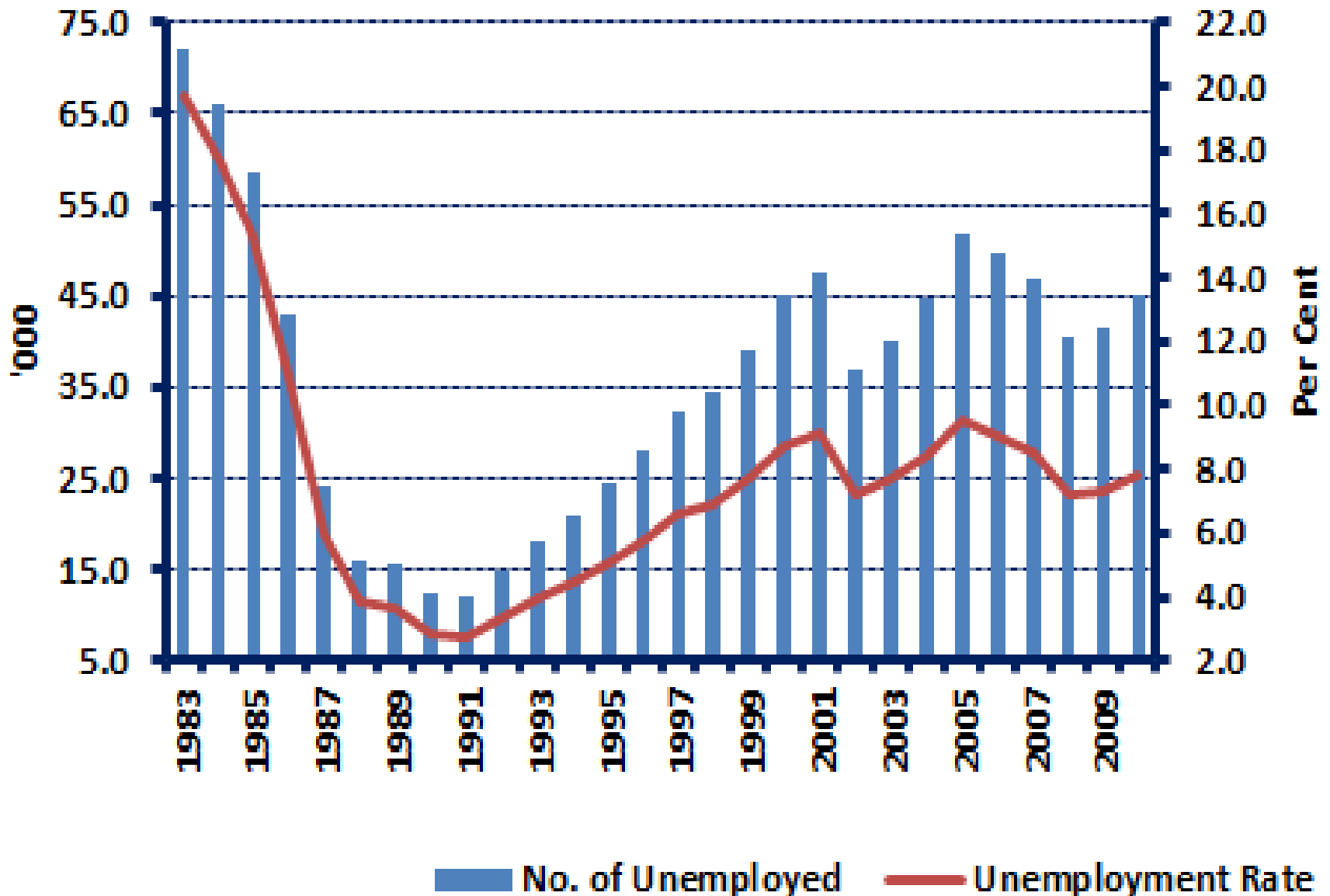
REAL GDP GROWTH RATE AND PER CAPITA GNI



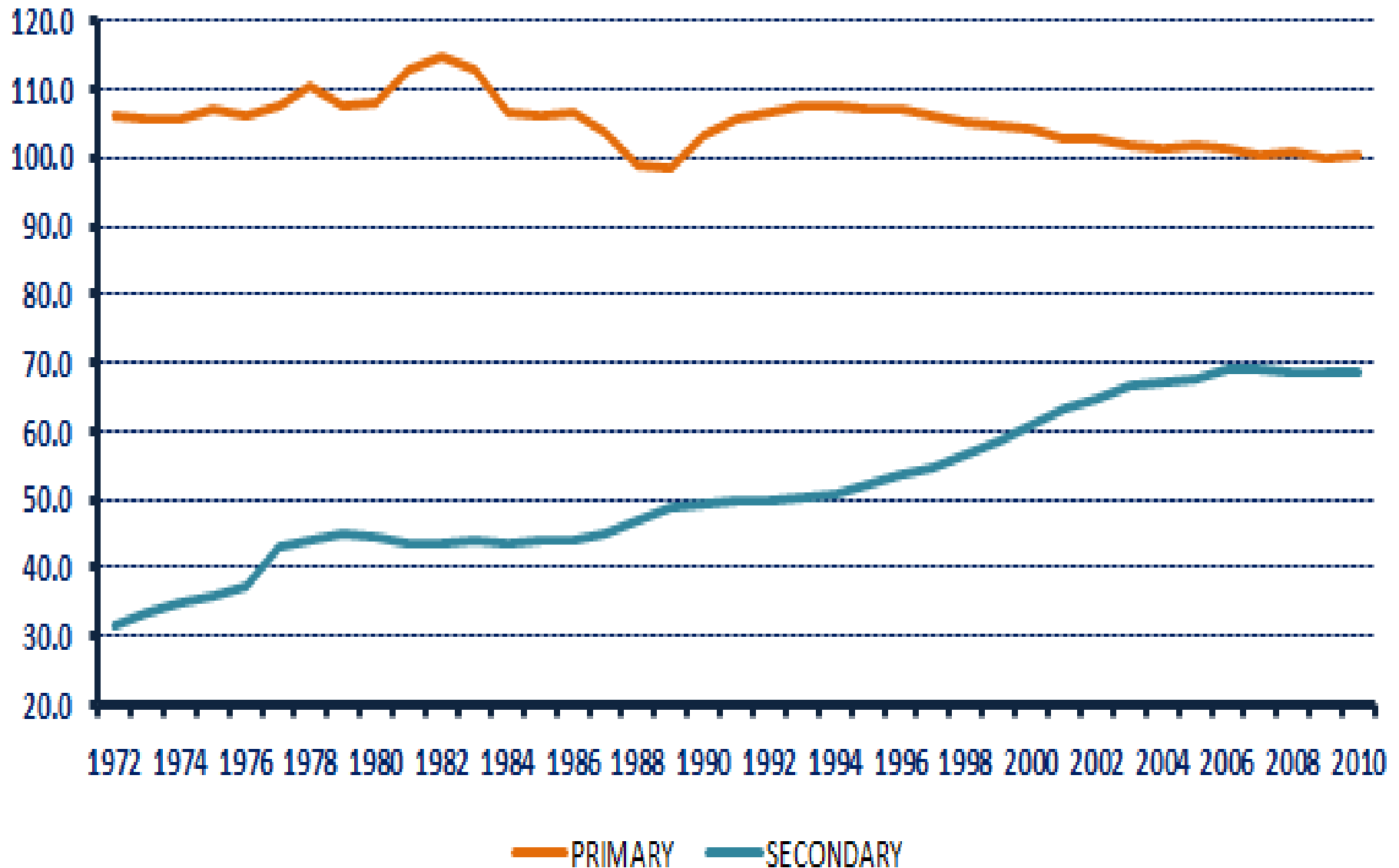
OPENNESS OF ECONOMY



UNEMPLOYMENT: NUMBER AND RATE



EDUCATION: GROSS ENROLMENT RATIO



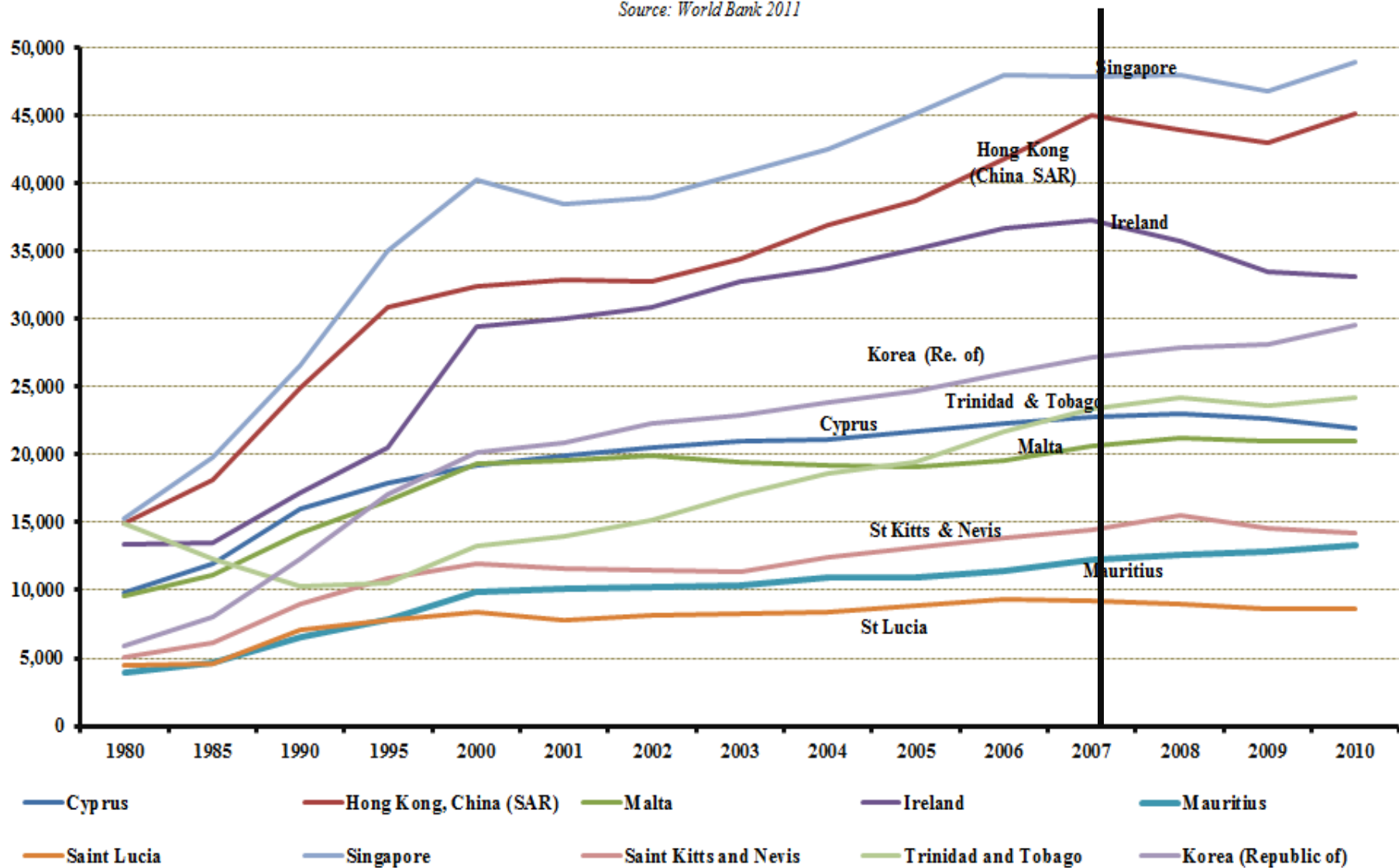
III. MIDDLE INCOME TRAP

- Unchanged Growth Model.
- Structure of economy compared to evolving global economic conditions.
- Move from producing import-substituting/import competing goods to become major exporters of these goods.

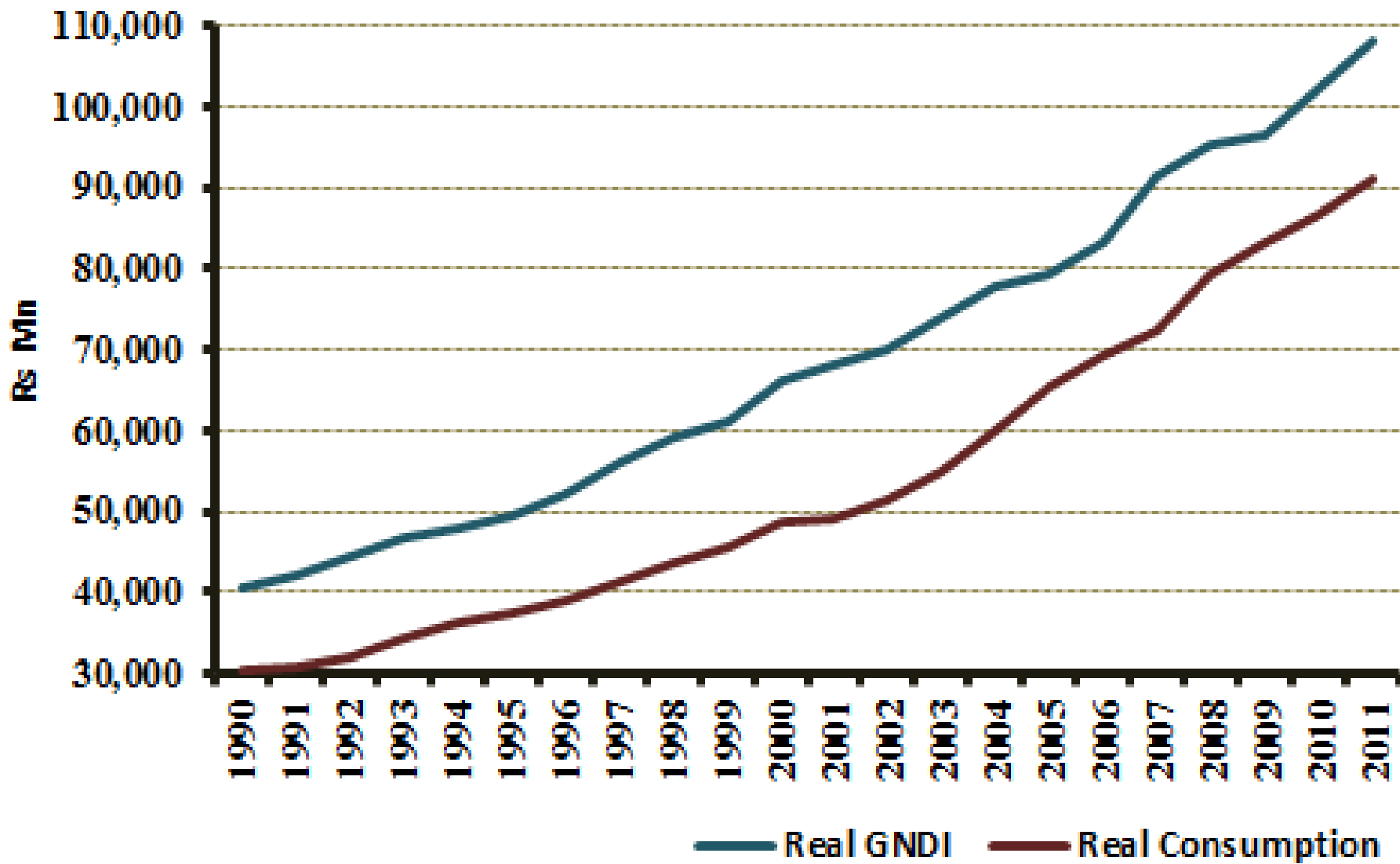
Middle Income Trap GNI per capita 1980-2010

US\$ @PPP

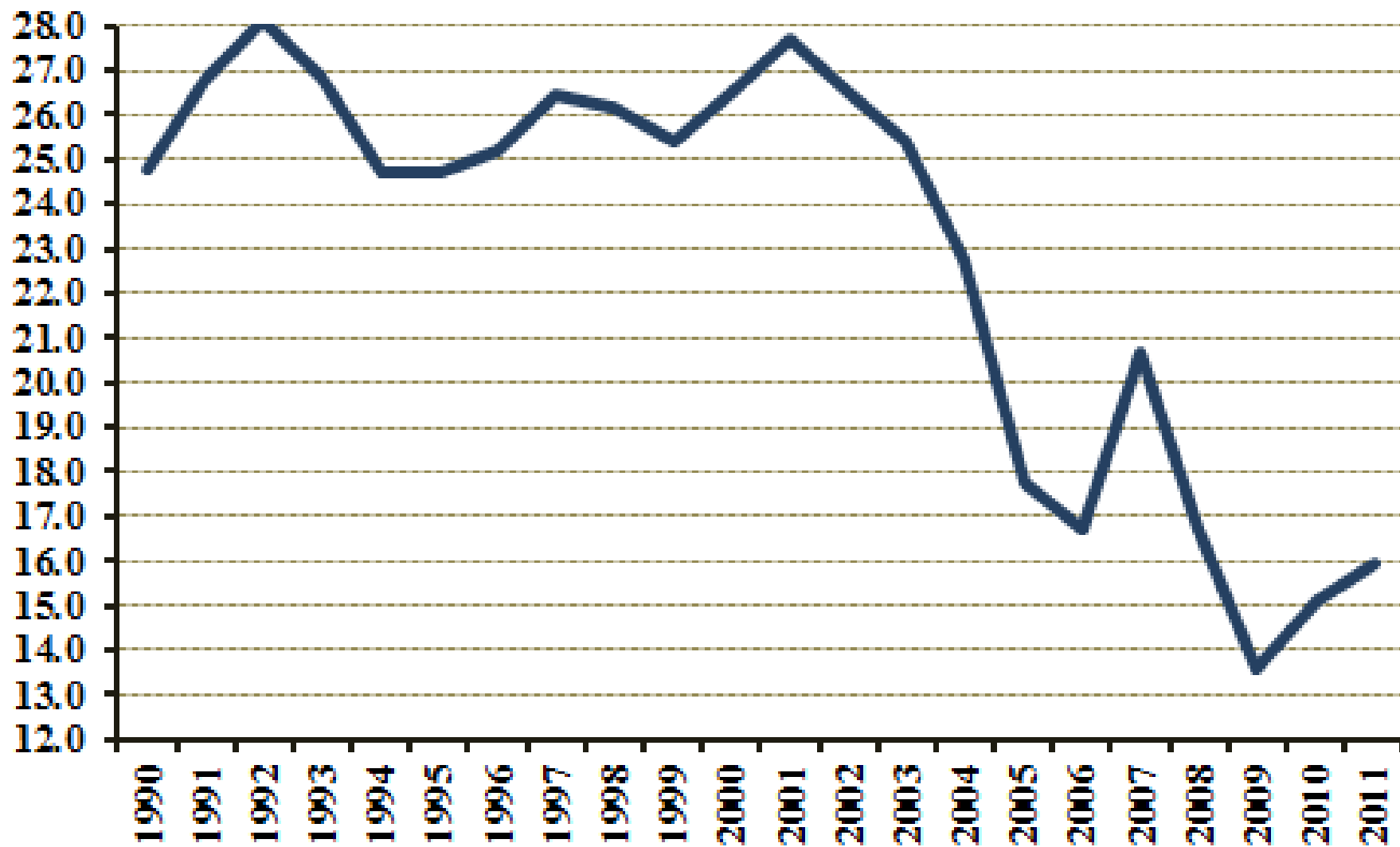
Source: World Bank 2011



REAL GROSS NATIONAL DISPOSABLE INCOME AND CONSUMPTION



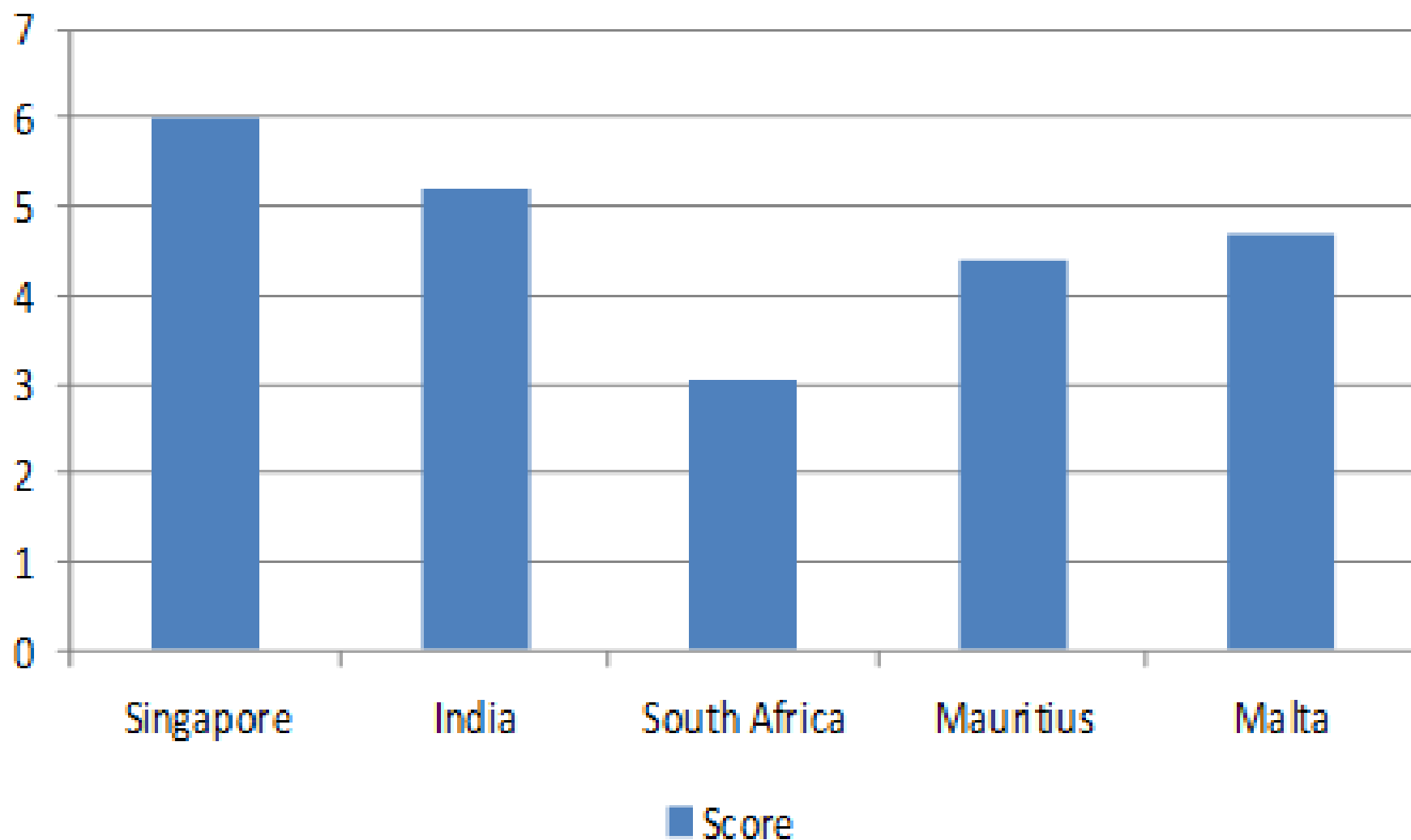
GROSS NATIONAL SAVINGS AS % OF GROSS NATIONAL DISPOSABLE INCOME



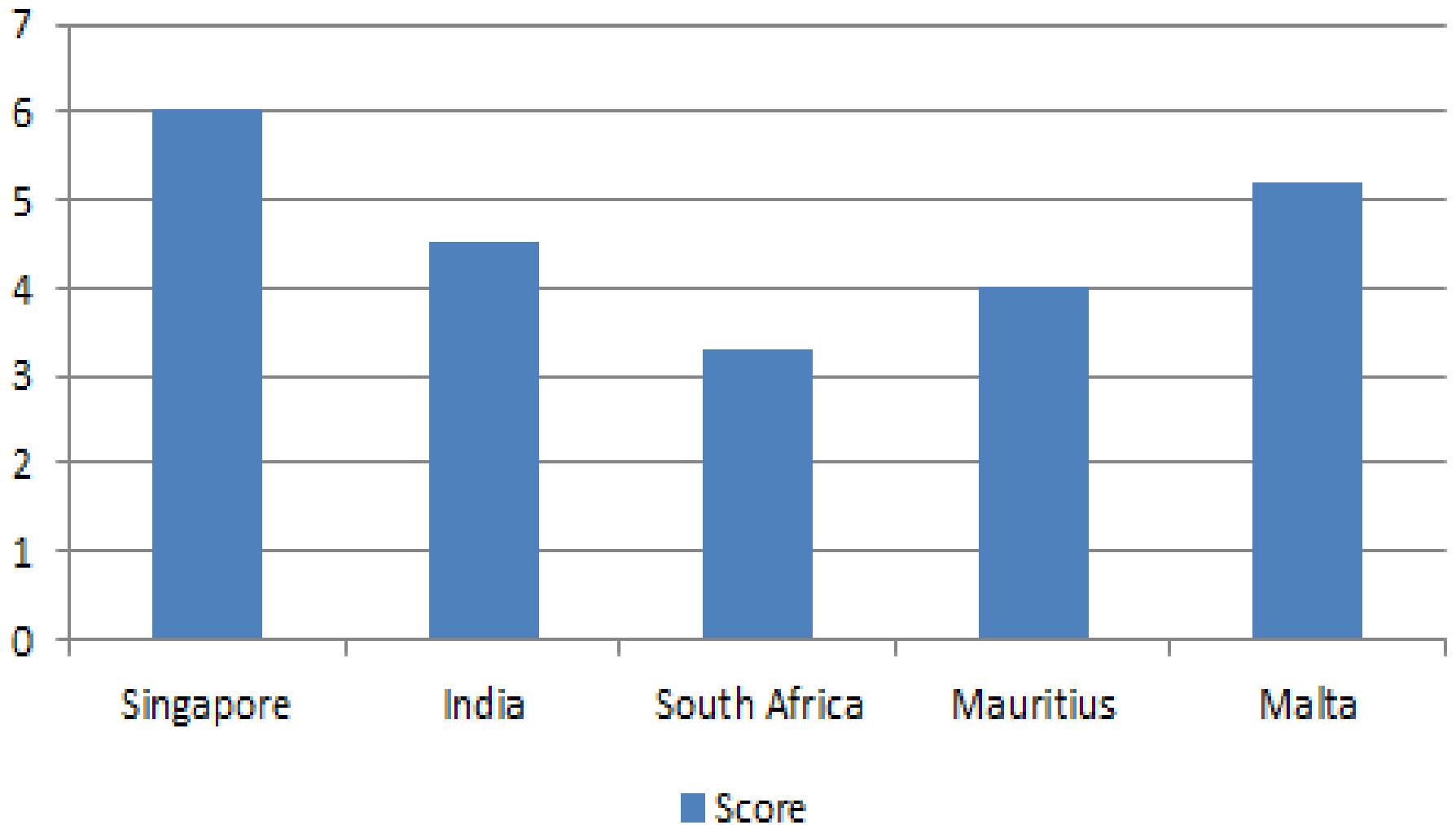
IV. SOME EMERGING CONCERNS

- World Bank Ease of Doing Business.
 - Ranking 20 (2010 & 2011).
- Mo Ibrahim Index.
 - Rank 1st in Africa.
- Heritage Foundation Index of Economic Freedom.
 - Rank 12th in 2011 and 1st in Sub-Saharan Region.
- But Global Competitiveness Report.
 - Overall Ranking: 54 (11-12) and 55(10-11).
 - Other Rankings which are more problematic.

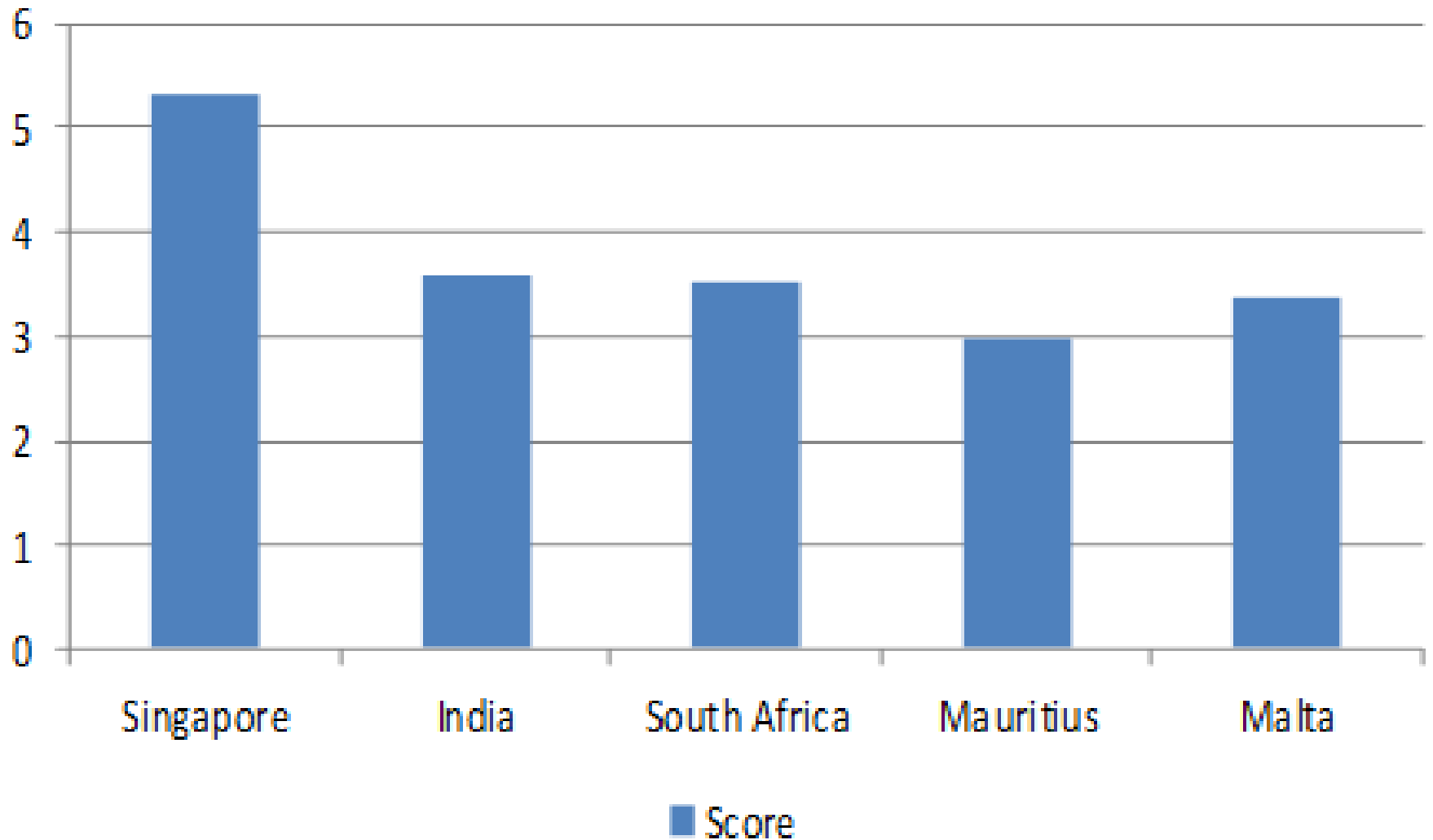
Flexibility in Wage Determination



Quality of Education

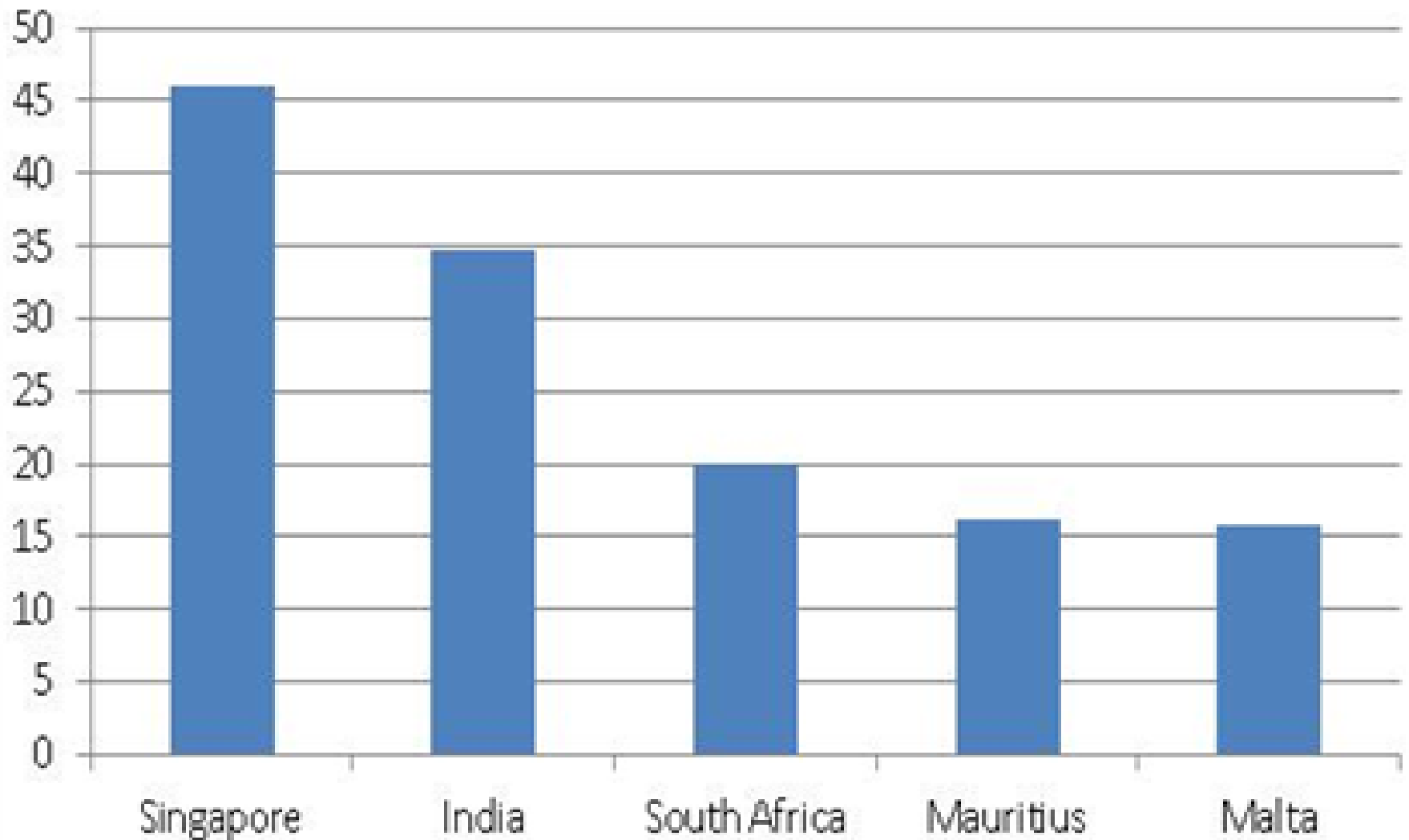


Innovation



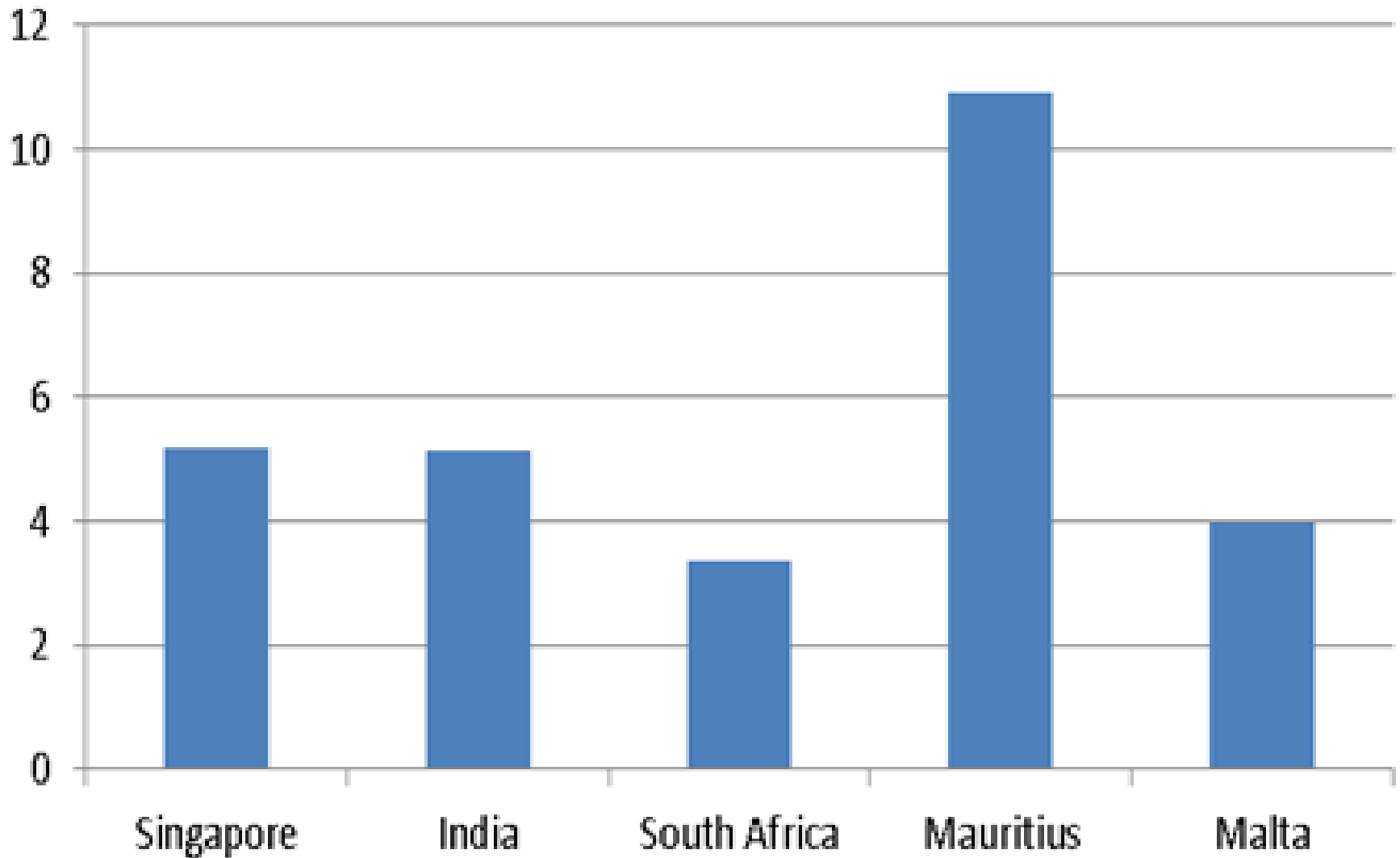
Savings Rate

Per Cent



Interest Rate Spread

Per Cent



- Central role of sound and well-functioning financial sector.
 - Soundness of banks ... ranked 19 (WEF).
 - Transparency: **CAMEL** Ratings of Banks.

BANKS' PERFORMANCE

	UNIT	2005	2006	2007	2008	2009	2010
Profit after Tax	Rs Bn	6.9	8.4	10.7	13.5	13.4	14.0
Return on Assets	%	1.9	1.7	1.9	1.7	1.6	1.4
Return on Equity	%	21.1	22.4	26.4	24.3	21.0	20.0
Non Performing Loans to Total Loans	%	4.0	3.0	2.5	2.0	3.3	2.8
Regulatory Capital to Risk-Weighted Assets	%	15.4	15.8	13.3	15.3	15.2	15.8
Regulatory Tier 1 Capital to Risk-Weighted Assets	%	13.5	13.7	11.5	13.7	13.1	13.6
<i>*as at end December</i>							

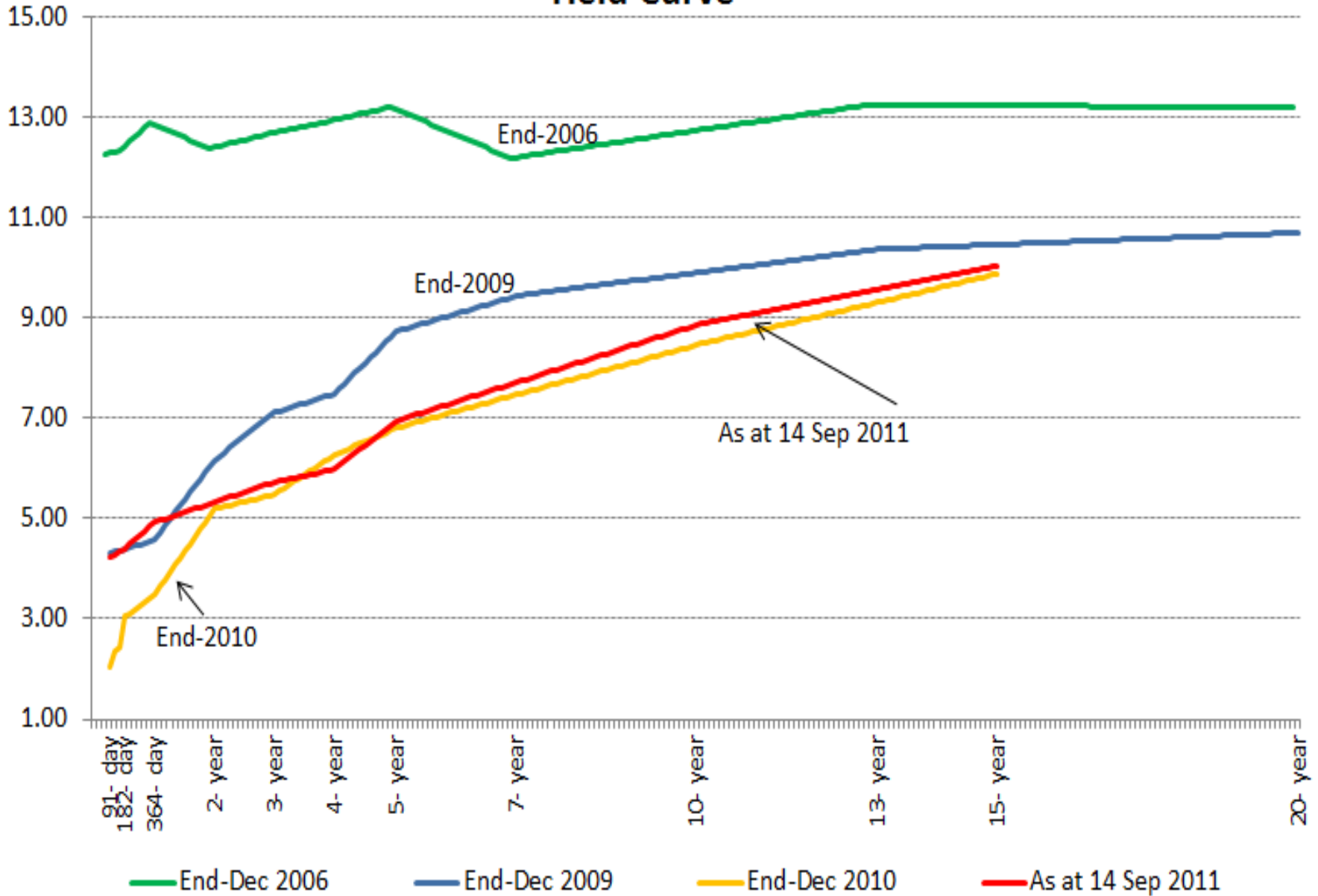
- Financial stability function of the Bank.
- Concentration of bank assets.
- Revisiting macro-prudential supervision.
 - Too big to fail? Large complex financial institutions ... where do we go?
- Single regulator for the financial sector?
- What the Accounting Profession can do?

VI. AIMING FOR A STABLE AND EFFICIENT FINANCIAL SECTOR

- What the Bank is doing ...
 - Normalizing the Yield Curve
 - Single Maturity Auctions
 - Benchmark Bonds
 - Developing Secondary Market

Yield Curve

Per Cent



NEED FOR STRATEGIC PLANNING

- Compared to last decades, the Mauritian economy is more market-based.
- Increasing globalisation calls for enhanced adaptability and flexibility.
- Success in the new economic environment requires coordinated action from both private and public sector.

- Focus on strategic thinking and policies.
- Importance of 'Planning' for an economy like ours.
- Mobilise the potential of various agencies, strengthen skill base and facilitate coordination between public and private sectors.
- Need for a new national vision to galvanise efforts.

THANK YOU