2. Macroeconomic Environment

2.1 Global Economy

Global economic activity remains weak, with widening differences across the world, despite lower international oil prices. According to the January 2015 IMF's World Economic Outlook Update, the world economy is projected to grow by 3.5 per cent and 3.7 per cent in 2015 and 2016, respectively, compared with 3.3 per cent in 2014. Global growth would be boosted by lower oil prices, which reflect to a large extent higher supply than before. The US is currently - and likely to be - the best-performing advanced economy in 2015, with annual growth forecasts above 3 per cent. However, the world economy will be held back by weaknesses in the euro area and in Japan, and by slower growth in emerging markets economies. The IMF expects economic growth in China to slow to less than 7 per cent in 2015. Russia's economy will suffer from declining international oil prices and economic sanctions. Brazil and South Africa face a number of uncertainties that are hampering growth, while India will likely be the best performer among BRICS.

The US economy has been recovering strongly during the last three quarters, with the US dollar strengthening against other major currencies, as markets anticipate an earlier-than-expected normalization of US policy on interest rates. According to the US Fed latest monetary statement, economic growth would be strong in 2015 and 2016, while unemployment would continue to decline. The Fed also expects the decline in oil prices to boost consumers' demand, as the US is the second largest consumer of energy after China.

Weaknesses in the euro area and Japan remain a drag on global economic growth. Weak German and French manufacturing data, compounded with ensuing negative headline inflation in the Eurozone may continue to hamper growth within the monetary area, although stronger growth in peripheral euro countries may help to promote positive growth in the Eurozone. The decline in international oil prices should support stronger growth. However, the euro, which just had its worst year since 2005, remains weak, reflecting a stagnant economy and political uncertainty. In Japan, enduring deflation and high real interest rates continue to threaten economic recovery and potential investment.

Economic growth in the UK, although higher than in most major advanced economies, is starting to show signs of cooling off. Concerns are that the UK economy may be affected by the malaise in the euro area and some potential political risks that remain as election time approaches.

Leading emerging markets, particularly the BRICS, also confront diverse economic trends and prospects:

- In **China**, most indicators show a gradual slowing in growth. Higher exports and policy measures are expected to bring growth slightly below the official target of 7.5 per cent for the year.

- In **India**, recent data show that growth has picked up, while inflation is falling, though still remaining above target. Falling oil prices are seen as a positive development from an Indian perspective. Yet, the economy continues to struggle with high corporate debt that hinders investment, as well as a relatively large fiscal deficit that puts pressure on interest rates.

- In **Brazil,** inflation remains above target and growing fiscal imbalances are reportedly impairing business and consumer confidence. The outlook for growth will depend on the economic policies expected to be brought about by the new government team aimed at spurring foreign investment, taming inflation and controlling the widening budget deficit.

- In **Russia**, the drop in international oil prices, as well as geopolitical tension and sanctions, continue to weigh heavily on economic activity and the exchange rate.

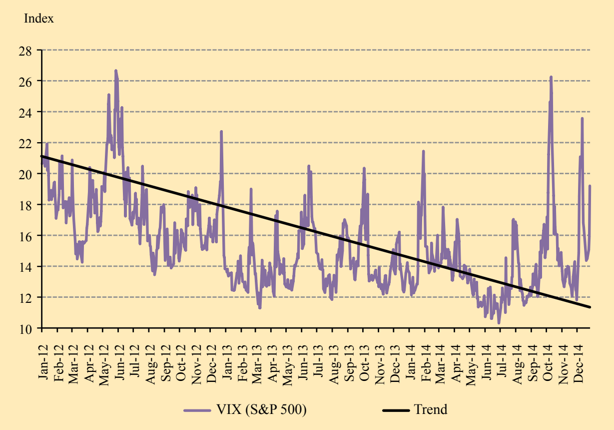
- In **South Africa**, inflation has been marginally above target and economic activity has been held back by mining strikes and a drop in international metal prices. However, going forward, private consumption should gradually recover in line with the fall in international oil prices.

2.2 Global Equity Markets

Global equity markets experienced some volatility in late 2014, but accommodative central bank policies kept volatility relatively low throughout the year. The VIX index - measure of stock market volatility - nudged up to around 26 per cent in October 2014 (Chart 2.1). This reflected weaker-than-expected economic data in advanced economies, geopolitical tensions in Russia, and fears that Ebola would spread further. However, the pick-up was short-lived and, by early December, the VIX had already dropped to 12 per cent as investors' risk appetite recovered and equity markets - in particular in the US - resumed their rally. By the end of the year, better-than-expected US economic data and high corporate earnings helped to calm fears in financial markets.

Markets expect volatility to remain low during 2015, albeit with some possible spikes. As in 2014, volatility will likely remain relatively low but spikes are expected to happen due to:

Chart 2.1: Volatility Index



Source: Thomson Reuters.

- uncertainties around the timing of the US Fed interest rate move;
- emerging markets' vulnerability to falling oil prices; and
- political risk in Europe, particularly in Greece.

2.3 Domestic Economy

During 2014, the Mauritian economy continued to perform relatively well in terms of output growth and inflation and it may benefit from low international oil prices during 2015. Low international oil prices are likely to have beneficial effects on economic growth, inflation, and the balance of payments. To date, the monetary policy stance has remained accommodative with economic growth still below potential and inflation low by historical standards. Fiscal policy was broadly conservative in 2014, with the overall budget deficit - equivalent to around 3.2 per cent of GDP - remaining along past trends.

Output and Inflation

Latest national accounts estimates show that Mauritius registered a commendable annual growth rate of 3.5 per cent in 2014. Economic growth stemmed mainly from the positive contribution to growth by a number of sectors, including, "financial and insurance activities" (0.5 percentage point), "manufacturing" and "wholesale and retail trade" (0.4 percentage point each); and "information and communication", "public administration", "human health and social work activities", and "professional, scientific and technical activities" (0.3 percentage point each). The construction sector, however, contributed negatively to growth for a fourth consecutive year. On the demand side, strong growth of net exports and final consumption expenditure offset a contraction of gross domestic fixed capital formation (GDFCF).

For 2015, Bank of Mauritius staff expects a marginal acceleration of economic growth supported by low international oil prices. Falling international oil prices in 2014 have been passed through to domestic customers and are likely to raise growth in private consumption, commerce and trade-related activities. The contraction of the construction sector may also be contained, following a 4-year cumulative retrenchment of more than 20 per cent, although risks remain given the debt overhang confronting leading local corporations that may hamper investment growth.

Y-o-y overall inflation fell by 4.9 percentage points, from 5.1 per cent to 0.2 per cent over the year to December 2014, along with a fall in food and energy inflation. Concurrently, CORE2 inflation, which excludes food, beverages, tobacco, mortgage interest payments, energy prices and administered prices, fell from 3.4 per cent to 2.1 per cent during the same period. Headline inflation (i.e., a 12-month moving average of overall inflation) was relatively flat throughout 2014, remaining at 3.2 per cent by December 2014.

Small- and medium-size enterprises remained an important source of employment and income to the Mauritian economy during 2014 (Box I).

Box I: Small- and Medium-Size Enterprises in Mauritius

Small- and Medium-Size Enterprises (SMEs) play a crucial role in the economic development of an economy by generating sustainable economic growth through job creation and contributions to the export base; and by enhancing entrepreneurial skills. In Mauritius, a small enterprise has been defined as an enterprise which has an annual turnover of not more than Rs10 million and a medium enterprise as one with annual turnover between Rs10 million and Rs50 million.

In the absence of official data on the SME sector in Mauritius, some indicators are available for Small Establishments (employing less than ten persons) in the Census of Economic Activities 2013 published by Statistics Mauritius. Table 1 shows that value added as a percentage of total GDP increased from 17.6 per cent in 2007 to 22.4 per cent in 2013. It is evidently important to ensure the sustainability of Small Establishments because of the critical role they play in the economy.

Table I: Indicators of Small Establishments, 2007 and 2013

	2007	2013
Value added to GDP (per cent)	17.6	22.4
Employment	211,600	283,000
Production Units	92,400	125,500

Source: Statistics Mauritius.

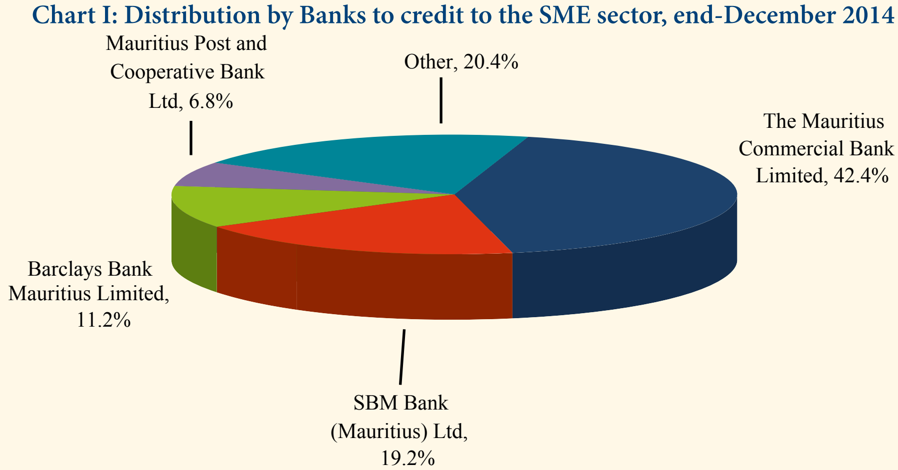
SMEs have strongly contributed to the economic development of Mauritius, yet many face financing problems, by comparison with large enterprises, in obtaining credit from banks as they often have relatively weak financial backing and may lack collateral.

To meet these problems, the Government has developed a number of schemes and facilities in terms of finance, skill enhancement and provision of logistics to promote the SME sector in Mauritius. The problems of both access to and cost of finance has been addressed through collaboration between banks and the Government in the implementation of the SME Financing Scheme in December 2011, in line with a policy set out in the November 2011 Budget. This measure was specifically aimed at addressing the high cost of credit faced by the SME sector that was jeopardising its growth, profitability and competitiveness.

Under this scheme, the domestic banking sector has extended credit facilities to SMEs amounting to Rs3 billion over the period 2012 to 2014 at 3 percentage points above the prevailing Key Repo Rate. The scheme supports new operations and the renewal of existing credit covering both investment and working capital for SMEs. A key feature of the scheme is that it provides a guarantee by the Government to offer risk cover amounting to 35 per cent of every loan and overdraft facility. This concept of risk-sharing reduces the risk to the SMEs themselves. Given the positive response, the scheme has been extended until December 2016 and an additional amount of Rs2 billion is being provided.

In December 2011, the Bank of Mauritius set up the framework through which credit would be granted on favourable terms and conditions through 14 participating commercial banks. By the end of December 2014, credit facilities approved by banks under the scheme totalled Rs4.4 billion, while the outstanding credit amount was Rs1.7 billion. There were over three thousand applications, with 95 per cent of cases duly approved. About 80 per cent of the outstanding credit facilities were provided by four banks (Chart 1). By the end of December 2014, impaired credit as a ratio of outstanding credit stood at 3.8 per cent, slightly down from 3.9 per cent at the end of December 2013. This comparatively low level of default shows how well the scheme is working.

Chart I: Distribution by Banks to credit to the SME sector, end-December 2014



Access to finance constitutes one of the 11 areas of business activity on which the World Bank compiles the ranking for Ease of Doing Business index. Table 2 shows that the ranking of Mauritius has continuously improved from 89th place in the Doing Business 2011 Report to 36th place in the Doing Business 2015 Report. The improvement partly reflects the measures targeted at improving access to finance for the SME sector.

Table II: Access to Finance

	Ranking
2011	89
2012	78
2013	53
2014	42
2015	36

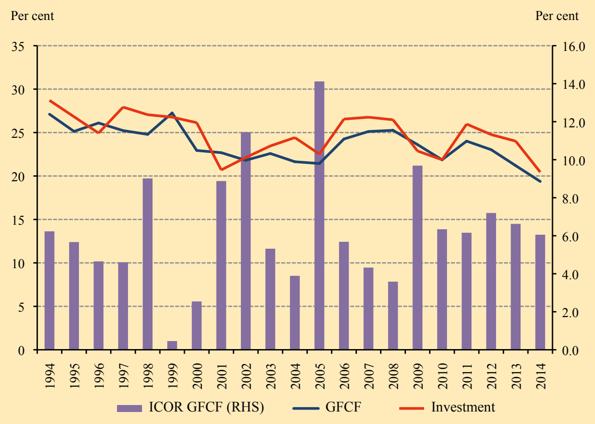
Source: World Bank, Ease of Doing Business Surveys 2011-2015.

Investment and Savings

Investment as a share of GDP, continued to decline in 2014 and remained at a historically low level (Table 2.1 and Chart 2.2). The drop in the investment to GDP ratio in recent years mainly reflects sluggish growth in private investment, while public investment has remained broadly stable, at around 5 per cent of GDP. The decline in private investment draws attention, among other factors, to the high level of corporate indebtedness that may be restraining businesses' ability to invest, and the weak demand for housing and business construction projects. The Incremental Capital Output Ratio (ICOR), measured as the ratio of GDFCF to GDP divided by the GDP growth rate, has increased substantially since 2009. For 2009-14, an estimated median ICOR of 6.5 per cent is higher than the historical median of 5.5 per cent, thus implying that investment is not yielding as much economic growth as in the past.

Mauritius' recourse to external savings declined in 2014 (Table 2.2). The external current account deficit is estimated to have narrowed from 9.9 per cent of GDP in 2013 to 9.0 per cent of GDP in 2014. The decline in the current account deficit mirrors a lower trade deficit than in 2013, along falling oil and food prices on international markets. The current account deficit was largely financed by net Foreign Direct Investment (FDI) flows and portfolio investment from GBC financial vehicles. While GBC funds are just in-transit to other jurisdictions, leads and lags with these funds appear to have compensated for net outflows of other investment (i.e. increases in banks' net foreign asset positions) and helped finance the external current account deficit, based on the Balance of Payments (BoP) compilation and analysis. During 2014, the Bank accumulated gross international reserves of about US$300 million. Reserve import coverage by end of 2014 was equivalent to 6.1 months of imports of goods and services.

Chart 2.2: Mauritius: Gross Fixed Capital Formation, Investment as %, and ICOR



Sources: Statistics Mauritius and Bank of Mauritius staff calculations.

Table 2.1: Saving-Investment Balance

	2011	2012	2013	2014*
	(In per cent of GDP)			
Investment	**26.0**	**24.8**	**24.0**	**20.5**
Private (gross fixed capital formation)	18.5	17.5	16.2	14.4
Public	5.5	5.5	5.0	5.0
Change in inventories	2.0	1.7	2.8	1.1
Savings	**26.0**	**24.8**	**24.0**	**20.5**
External (- Current Account deficit)	13.8	7.3	9.9	9.0
Domestic	12.2	17.5	14.1	11.5
Private	*13.4*	*17.1*	*15.0*	*12.1*
Public	*-1.3*	*0.3*	*-0.8*	*-0.6*
Memo item:				
CY GDP (Rs million)	323,011	343,835	366,228	387,281

* *Estimates.*

Sources: Statistics Mauritius and Bank of Mauritius staff estimates.

Table 2.2: Balance of Payments, 2010-2014

	Actual			Prel.	Proj.
	2010	2011	2012	2013	2014
(In millions of US$)					
Current account	**-1,006**	**-1,555**	**-834**	**-1,178**	**-1,146**
Trade balance	-1,893	-2,354	-2,456	-2,266	-2,188
Exports (fob)	*2,259*	*2,563*	*2,651*	*2,870*	*2,984*
Imports (fob)	*-4,152*	*-4,917*	*-5,107*	*-5,135*	*-5,172*
Service balance	713	797	960	700	845
o/w Travel credit	*1,282*	*1,488*	*1,477*	*1,320*	*1,499*
Income balance	-9	-118	521	297	101
Current transfers	183	121	142	90	97
Capital and Financial account	**849**	**1,365**	**1,180**	**1,080**	**1,090**
Capital account	-5	-2	-8	-4	-5
Financial account	854	1,367	1,188	1,084	1,095
FDI (net)	-421	-1,010	5,664	2,188	2,617
Portfolio investment	46	8,951	1,400	1,945	3,894
Other investment	-17	-6,391	-5,674	-2,510	-4,778
Reserve assets	-201	-183	-201	-540	-637
Errors and omissions net	**157**	**190**	**-346**	**98**	**55**
(In per cent of GDP)					
Current account	**-10.4**	**-13.8**	**-7.3**	**-9.9**	**-9.0**
Trade balance	-19.5	-20.9	-21.5	-19.0	-17.1
Exports (fob)	*23.2*	*22.8*	*23.2*	*24.1*	*23.4*
Imports (fob)	*-42.7*	*-43.7*	*-44.6*	*-43.0*	*-40.5*
Service balance	7.3	7.1	8.4	5.9	6.6
Income balance	-0.1	-1.0	4.6	2.5	0.8
Current transfers	1.9	1.1	1.2	0.8	0.8
Capital and Financial account	**8.7**	**12.1**	**10.3**	**9.1**	**8.5**
Capital account	0.0	0.0	-0.1	0.0	0.0
Financial account	8.8	12.1	10.4	9.1	8.6
FDI (net)	-4.3	-9.0	49.5	18.3	20.5
Portfolio investment	0.5	79.6	12.2	16.3	30.5
Other investment	-0.2	-56.8	-49.6	-21.0	-37.4
Reserve assets	-2.1	-1.6	-1.8	-4.5	-5.0
Errors and omissions net	**1.6**	**1.7**	**-3.0**	**0.8**	**0.4**
Memo items:					
Nominal GDP (millions of US$)	9,717	11,251	11,441	11,931	12,765
BOM gross official reserves (millions of US$)[1]	2,567	2,730	2,995	3,433	3,969
Import coverage (in months of goods & services)	5.0	4.6	4.9	5.2	6.2
Average exchange rate (Rs/US$)	30.8	28.7	30.1	30.7	30.3
End-of-period exchange rate (Rs/US$)	30.4	29.3	30.5	30.1	31.3

[1] *Valued at the end-of-period exchange rate. Estimated number differs marginally from the Statistical Bulletin number, which includes the reserve position with the IMF.*

Source: BoM Statistics Division.

Domestic private savings, albeit declining as a share of GDP, remained the main funding source of the domestic investment envelope in 2014.

Fiscal Policy

During 2014, the Government continued to adopt a prudent macroeconomic management of its fiscal policies, with the overall fiscal deficit declining over the first three quarters of the year. Information through November 2014, confirms the ongoing decline in the overall deficit. On this path, the overall fiscal deficit is expected to be broadly on target - at 3.2 per cent of GDP - by close of the year. The primary deficit, which excludes interest payments from the overall fiscal deficit, is also expected to maintain a declining trend in the fourth quarter of 2014. The budget deficit is expected to be financed by domestic sources, mostly banks and non-banks, and by foreign sources.

Interest Rate Policy

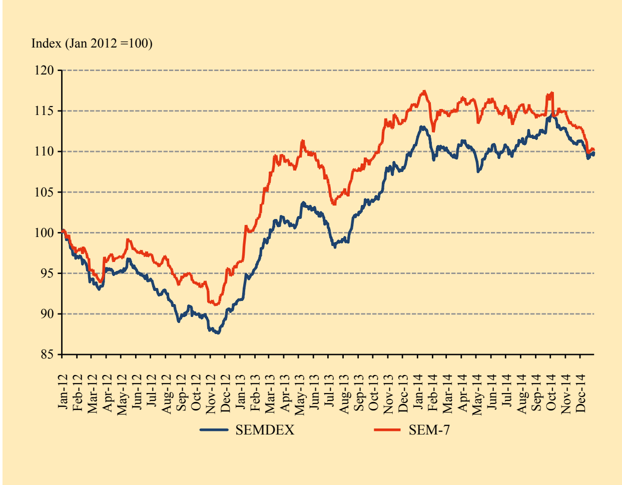
During 2014, the Monetary Policy Committee kept the Key Repo Rate unchanged at 4.65 per cent against the backdrop of weak global growth and contained domestic inflationary pressures. The protracted period of low interest rates was broadly translated into low deposit and lending nominal interest rates. This led to a relatively low borrowing cost, with a return on bank deposits close to zero or negative in real terms.

Domestic Stock Market

During 2014, the aggregate stock market index (SEMDEX) and that comprising the seven largest companies listed in the stock exchange (SEM-7) remained near historical highs reached in late 2013 (Chart 2.3). During 2013, both indices increased on average by 20 per cent, while in 2014, the SEM-7 declined by 4.4 per cent between end-December 2013 and end-December 2014. The SEMDEX registered some gains (3.3 per cent q-o-q) during the 2014Q3, but ended up the year at relatively the same level as of end-December 2013. The decline in the SEM-7 index happened mainly in the last quarter of 2014, mirroring Moody's downgrade of MCB and SBM in late October 2014, on account of material declines in their capitalisation following completion of the group restructuring, in addition to the disappointing financial results of the largest hotelier, New Mauritius Hotels (NMH) as at September 2014.

Foreign investors were net sellers of domestic stocks during 2014, with net outflows of Rs824.5 million compared with net inflows of Rs603.6 million in 2013 (Chart 2.4). As at end-December 2014, the market was trading at a Price Earning (PE) ratio of 9.9 and a dividend yield of 2.99 per cent. Total market capitalisation on the stock market reached Rs230 billion by end-December 2014, representing some 65 per cent of the country's GDP.

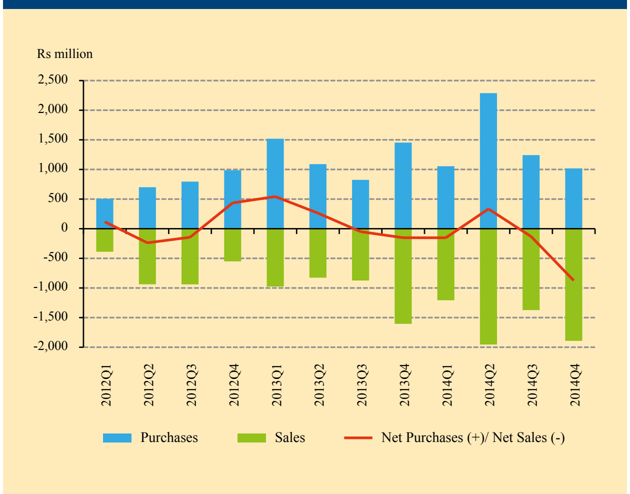
Chart 2.3: SEMDEX and SEM-7 Indices



Note: As from 02 October 2014, the SEM-7 was replaced by SEM-10.

Source: Stock Exchange of Mauritius.

Chart 2.4: Transactions by Foreign Investors on the SEM

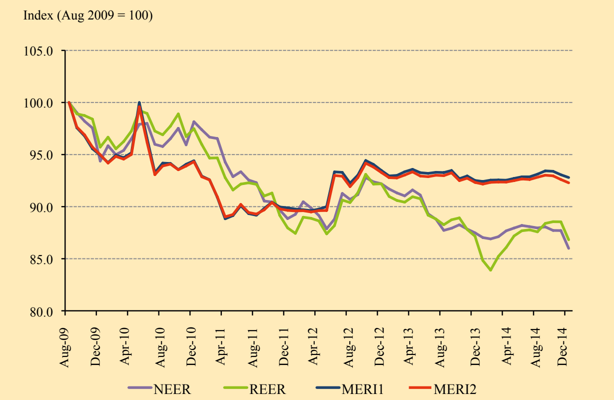


Source: Stock Exchange of Mauritius.

Exchange Rate

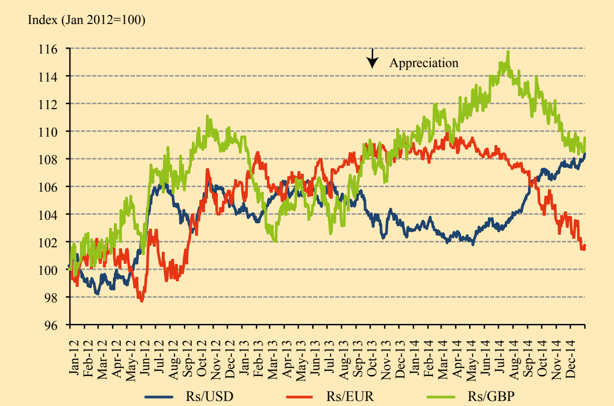
Mauritius' nominal and real effective exchange rate indices (NEER and REER, respectively) have long been appreciating, while there has been an opposite trend between the Rs/US$ and the Rs/EUR nominal exchange rates in recent months (Charts 2.5 and 2.6). During the year 2014, the NEER remained more or less stable, although it appreciated marginally compared with its 2013 levels, on top of the appreciations registered in previous years. Lowering inflation differential between Mauritius and its key trading partners (particularly India) led to a temporary appreciation of the REER in early 2014; a trend that then was reverted. The currency-weighted nominal exchange rate indices, as measured by MERI1 and MERI2, remained stable during 2014, but depreciated in January 2015 in response to the strength of the US dollar in international markets.

Chart 2.5: Evolution of NEER, REER, MERI1 and MERI2 Indices



1. An increase indicates a depreciation of the NEER and REER indices.
2. The NEER is a trade-weighted index. The MERI1 and MERI2 are based on the currency distribution of merchandise trade and trade merchandise and services, respectively, excluding transactions in rupees.

Chart 2.6: Exchange Rate Movements



2.4 Regional Interconnectedness

Regional inter-connectedness amounts basically to claims of Mauritian residents on non-resident economic units. These claims could be assessed, *inter alia*, using banks' balance sheet data and/or foreign direct investment cumulative flows. In the case of Other Depository Corporations (ODCs) - which include the consolidated accounts of resident banks and non-banks deposit-taking institutions - claims on non-residents are classified as gross foreign assets in the ODCs' balance sheets. ODCs hold claims on non-residents in lieu of Global Business Companies (GBCs) deposits and deposits from non-GBCs sources held with them (Box II). Cumulative foreign direct investment flows are measured using the IMF Coordinated Direct Investment Survey (CDIS).

ODCs' Claims on Non-Residents

By end-September 2014, ODCs held claims on non-residents amounting to about Rs766 billion (some US$25 billion), of which close to 40 per cent was on-lent resources belonging to GBCs and 60 per cent were deposits belonging to non-GBC economic units (Chart 2.7 and Table 2.3). Information on the specific allocation of GBC funds abroad is rather scarce, although the Bank has better information about the country allocation of non-GBC monies placed abroad. Specifically, India, Europe and South Africa received about 58 per cent of non-GBC monies (loans and other type of domestic banks' foreign assets) placed abroad, while claims on Nigerian and Tanzanian residents sum up to barely 2.5 per cent of those monies. On average, between 2011 and 2014, banks' foreign claims on non-GBC units were equivalent to US$18 billion, compared with US$9 billion in GBC deposits placed abroad.

ODCs face credit and possible exchange rate risks on their claims on non-residents. Credit risk depends on the borrower's ability to pay his/her debt, while exchange rate risk depends on the currency denomination of those foreign claims on non-residents. In this regard, exchange rate risk may have increased in terms of the significant nominal exchange rate depreciations registered in South Africa, India and Tanzania over the past three years. Currencies of leading emerging markets, such as Russia, India, South Africa and Turkey, were particularly hit in mid-2013, as a result of uncertainties surrounding the exit from quantitative easing by the US Fed. The ensuing depreciation of the euro against other major currencies is another potential source of exchange rate risk that needs to be monitored.

CDIS Data

The Bank of Mauritius regularly reports information to the IMF on the CDIS (Table 2.4). The CDIS, which is conducted annually, is a major global statistical undertaking designed to improve the quality of data on direct investment positions, both at aggregate geographic levels and by immediate counterpart economy, broken down into net equity and net debt positions. These data initiatives support the objective of developing cross border data on inter-country transactions, contributing to a better understanding of financial interconnectedness. Such information helps the IMF in matching foreign claims and liabilities across countries, with a view to achieving global consistency in the compilation of BoP statistics.

Chart 2.7: Banks: Gross Foreign Assets
(As of September of each year)

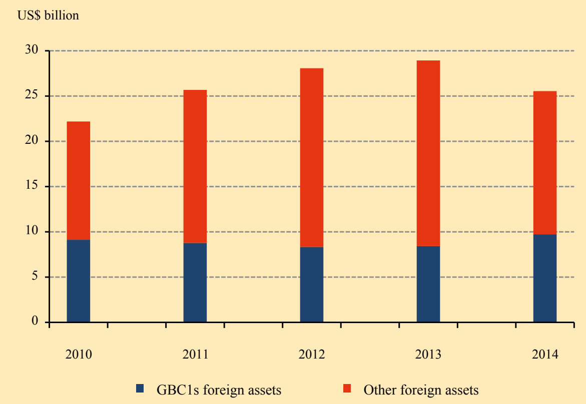


Table 2.3: Other Depository Corporations Composition of Gross Foreign Assets

	As of end-September 2014	September 2014 in per cent of Total	Memo Items			
			Currency Units, per US$			
			2012	2013	2014	Cummulative depreciation (2012 - 2014)
	Rs million	*per cent*				
Gross Foreign Assets	766,360	100.0				
GBC1s	291,963	38.1				
Other	474,397	61.9				
India	*237,311*	*31.0*	*54.99*	*61.80*	*63.03*	*14.62*
Europe	*152,137*	*19.9*	*0.76*	*0.73*	*0.83*	*8.90*
South Africa	*53,366*	*7.0*	*8.50*	*10.45*	*11.57*	*36.12*
Nigeria	*9,718*	*1.3*	*156.10*	*159.90*	*182.90*	*17.17*
Tanzania	*7,743*	*1.0*	*1580.00*	*1582.00*	*1728.00*	*9.37*
Other	*14,122*	*1.8*				

Sources: Bank of Mauritius and various country's exchange rate publications.

At the end of 2013, which is the latest available information, CDIS data identify India as the main recipient of direct investment flows from Mauritius. CDIS data show that India receives some 48 per cent of Mauritius' cumulative FDI flows. Other important destinations of Mauritian investment include China and Singapore. As in the case of ODCs, the nominal depreciation of the Indian rupee during the last three years could pose an important exchange rate risk to the extent that claims on Indian residents are denominated in the local currency. Further research in this area is, thus, warranted.

Box II: Global Business Companies

The Global Business sector was established in Mauritius in 1992 to attract foreign investment to a wide range of banking and non-banking activities. Early 2010, there were around 28,000 Global Business vehicles established in Mauritius, including some 600 funds. Mauritius is an effective offshore jurisdiction and has signed about 36 Double Taxation Agreements (DTAs). Based on the legislation governing its Global Business, Mauritius enables corporate and commercial clients to access the benefits of its DTAs for investment purposes, and, at the same time, is attracting private clients to manage their finances outside the European Union.

Global Business Companies (GBCs)[2] offer investors an efficient vehicle for tax structuring and planning. There are two types of GBCs, based on the category of licence - GBC1 and GBC2. A GBC1 is established as a Collective Investment Scheme, Global Fund, Protected Cell Company or an investment holding company. A Trust can also qualify for a GBC1 licence. In addition to the benefits available from the expanding network of DTAs, a GBC1 also offers investors the following advantages:

- Low tax rate
- Generous tax credits
- No withholding tax on dividends, interest and royalties paid
- No capital gains tax
- Free repatriation of profits, capital and interest
- No estate duty, inheritance, wealth or gift tax
- Protection of assets

A GBC1 is considered to be a tax resident in Mauritius and enjoys benefits under the extensive DTA network of Mauritius. Income is taxable at a maximum effective rate of 3 per cent. A GBC1 is generally used when overseas income is predominantly in the form of dividends, royalties, interest and capital gains and when DTA benefits are needed.

A GBC2 can carry out most business activities but only with non-residents and in currencies other than the Mauritian rupee. However, it is not tax resident in Mauritius and therefore cannot benefit from the DTA network. It is completely exempt from paying taxes in Mauritius. A GBC2 enjoys a flexible legal regime. Companies that are engaged in invoicing, marketing and international trading activities will often use a GBC2 structure.

The new Financial Services Act adopted in July 2007 distinguishes between Mauritian companies conducting business in Mauritius and those conducting business outside Mauritius. Consequently,

[2] *Mauritius: A Guide to Global Business - A joint publication of HSBC Bank (Mauritius) and Kemp Chatteris Deloitte.*

companies which elect to provide a service or to make an investment abroad may opt for the global business licence. GBC1s are managed and controlled in Mauritius and are required to have "substance" here. They are also encouraged to have research and other support services in Mauritius. The reputation of Mauritius rests not only on the tax planning considerations but also on the quality of services, the legal and regulatory framework and the relatively high status of our International Financial Corporations.

On 4 September 2013, the FSC announced amendments to the Guide to Global Business. GBCs are required to satisfy at least one of the following criteria:

- The GBCs have or propose to have office premise(s) in Mauritius.
- The GBCs employ or propose to employ, at least one resident on a full time basis, at administrative/ technical level.
- The GBCs' constitution containing a clause whereby all disputes arising out of the constitution shall be resolved by way of arbitration in Mauritius.
- The GBCs hold or are expected to hold within the next 12 months, assets (excluding cash held in bank account or shares/interests in another corporation holding a Global Business License) which are worth at least US$100,000 in Mauritius.
- The GBCs shares are listed on a securities exchange licensed by the FSC.
- The GBCs have or are expected to have a yearly expenditure in Mauritius which can be reasonably expected from any similar corporation which is controlled and managed from Mauritius.

All GBCs have to comply with these new requirements by 1 January 2015.

Sources

1. The Guide to Global Business Financial Services Commission.

2. Mauritius: A Guide to Global Business.

3. NS Management Ltd - Your One Stop Shop for Global Business Solutions.

Table 2.4: Coordinated Direct Investment Survey[1] - Position Data for Mauritius as at end-2013 vis-à-vis Top Ten Counterpart Economies

Inward Direct Investment: Total and from top ten counterpart economies			Outward Direct Investment: Total and to top ten destination economies		
	Rs million	*Share (per cent)*		*Rs million*	*Share (per cent)*
Total Inward Investment	**238,002**		**Total Outward Investment**	**226,835**	
United States	54,131	22.7	India	108,074	47.6
India	22,879	9.6	China, P.R.: Mainland	18,520	8.2
United Kingdom	*20,883*	*8.8*	Singapore	*10,807*	*4.8*
Cayman Islands	*20,547*	*8.6*	United States	*9,569*	*4.2*
Singapore	13,457	5.7	United Arab Emirates	5,045	2.2
Netherlands	*13,449*	*5.7*	Indonesia	*4,702*	*2.1*
South Africa	10,719	4.5	South Africa	3,580	1.6
China, P.R.: Hong Kong	9,862	4.1	United Kingdom	3,354	1.5
Luxembourg	9,188	3.9	Netherlands	2,947	1.3
China, P.R.: Mainland	6,823	2.9	Cayman Islands	2,770	1.2

[1] The Coordinated Direct Investment Survey includes cross-border position data of GBC1s obtained from the 2013 survey results.

Source: IMF Website. For further information consult http://cdis.imf.org.