



# **Monetary Policy Committee**

## **Recent Economic Developments**

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**27 October 2014**



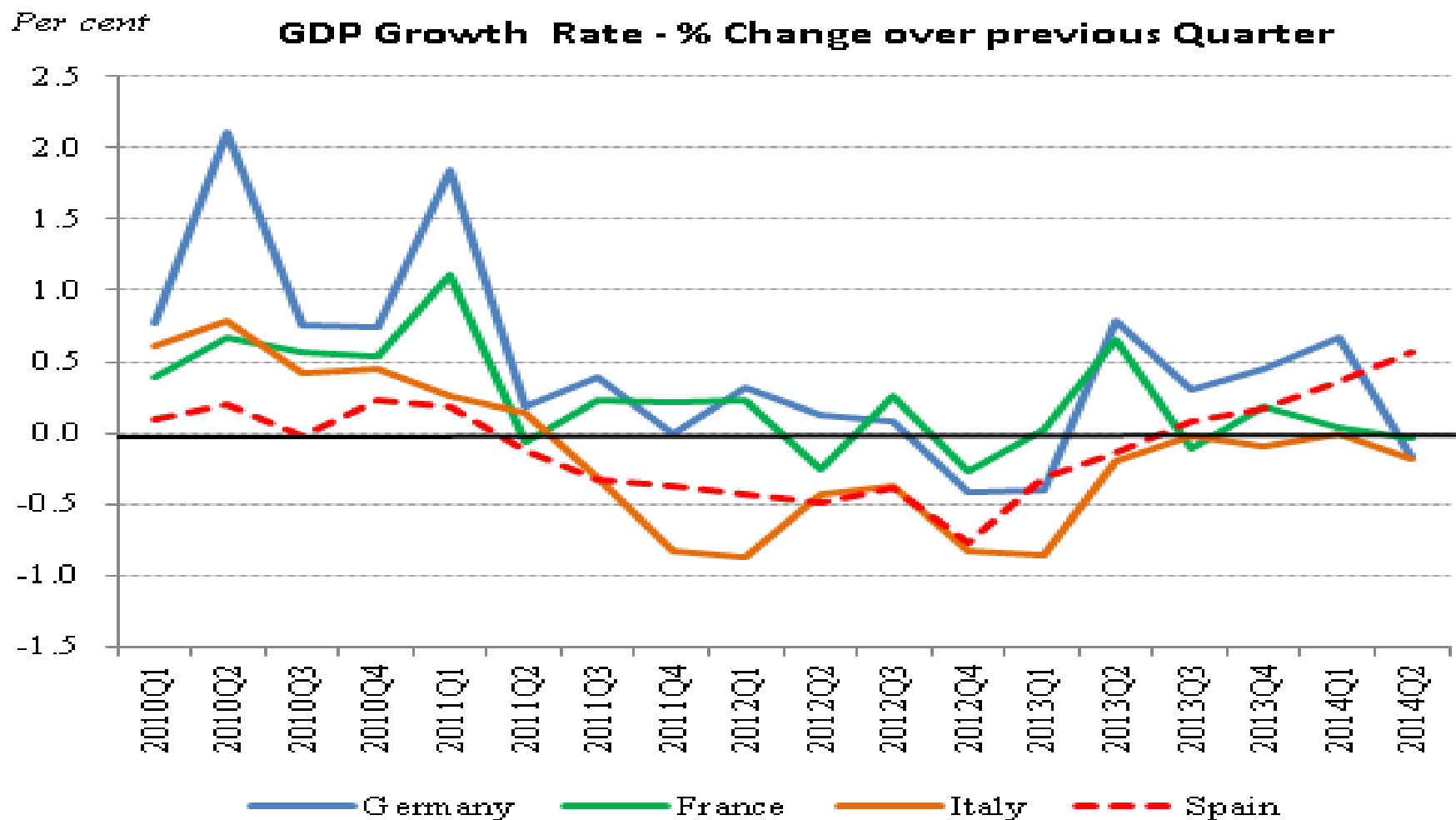
# Global economy: *modest and uneven growth*

Per cent

	2013	April 2014 WEO/REO Projections		October 2014 WEO Projections		Difference from April 2014 WEO/REO projections	
		2014	2015	2014	2015	2014	2015
<b>World Output</b>	<b>3.3</b>	<b>3.6</b>	<b>3.9</b>	<b>3.3</b>	<b>3.8</b>	<b>-0.3</b>	<b>-0.1</b>
<b>Advanced Economies</b>	<b>1.4</b>	<b>2.2</b>	<b>2.3</b>	<b>1.8</b>	<b>2.3</b>	<b>-0.4</b>	<b>0.0</b>
<i>of which</i>							
United States	2.2	2.8	3.0	2.2	3.1	-0.6	0.1
Euro Area	-0.4	1.2	1.5	0.8	1.3	-0.4	-0.2
Germany	0.5	1.7	1.6	1.4	1.5	-0.3	-0.1
France	0.3	1.0	1.5	0.4	1.0	-0.6	-0.5
Italy	-1.9	0.6	1.1	-0.2	0.8	-0.8	-0.3
Spain	-1.2	0.9	1.0	1.3	1.7	0.4	0.7
United Kingdom	1.7	2.9	2.5	3.2	2.7	0.3	0.2
Japan	1.5	1.4	1.0	0.9	0.8	-0.5	-0.2
<b>Emerging Market and Developing Economies</b>	<b>4.7</b>	<b>4.9</b>	<b>5.3</b>	<b>4.4</b>	<b>5.0</b>	<b>-0.5</b>	<b>-0.3</b>
Sub Saharan Africa	5.1	5.4	5.5	5.1	5.8	-0.3	0.3
South Africa	1.9	2.3	2.7	1.4	2.3	-0.9	-0.4
Emerging and Developing Asia	6.6	6.7	6.8	6.5	6.6	-0.2	-0.2
<i>of which</i>							
China	7.7	7.5	7.3	7.4	7.1	-0.1	-0.2
India	5.0	5.4	6.4	5.6	6.4	0.2	0.0

Source: IMF

# Weak Performance in the Eurozone.....



Source: OECD.

# ..... accompanied by declining inflation much below target



*Per cent*

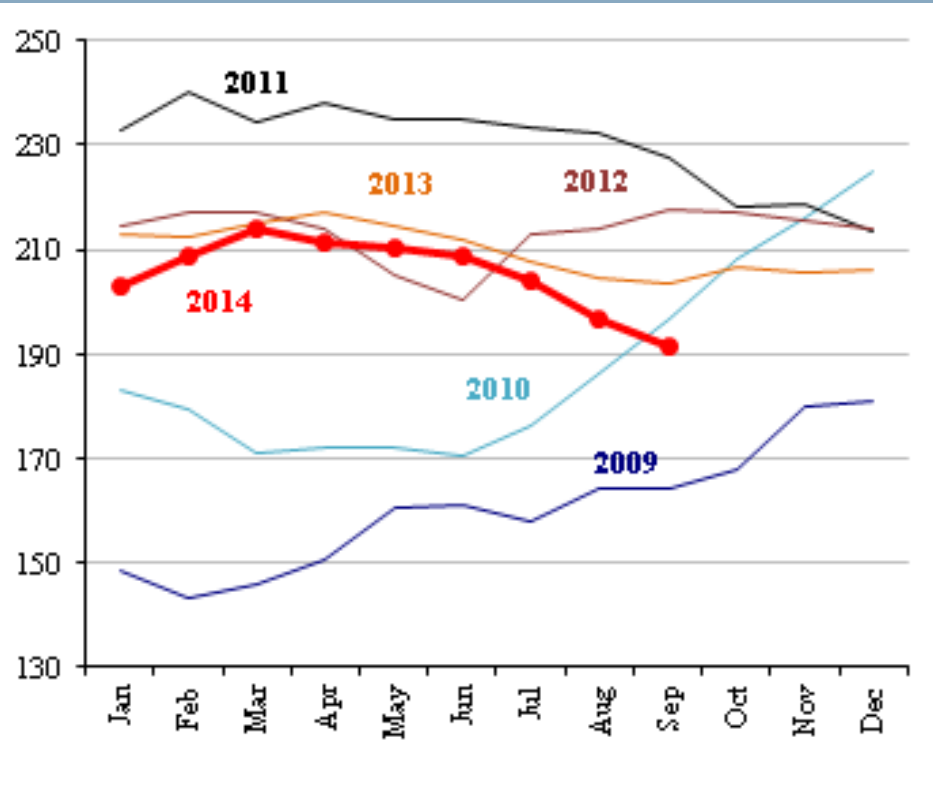
	2013	April 2014 WEO Projections		October 2014 WEO Projections		Difference from April 2014 WEO/REO projections	
		2014	2015	2014	2015	2014	2015
<b>Advanced Economies</b>	<b>1.4</b>	<b>1.5</b>	<b>1.6</b>	<b>1.6</b>	<b>1.8</b>	<b>0.1</b>	<b>0.2</b>
<i>of which</i>							
United States	1.5	1.4	1.6	2.0	2.1	0.6	0.5
Euro Area	1.3	0.9	1.2	0.5	0.9	-0.4	-0.3
Germany	1.6	1.4	1.4	0.9	1.2	-0.5	-0.2
France	1.0	1.0	1.2	0.7	0.9	-0.3	-0.3
Italy	1.3	0.7	1.0	0.1	0.5	-0.6	-0.5
Spain	1.5	0.3	0.8	0.0	0.6	-0.3	-0.2
United Kingdom	2.6	1.9	1.9	1.6	1.8	-0.3	-0.1
Japan	0.4	2.8	1.7	2.7	2.0	-0.1	0.3
<b>Emerging Market and Developing Economies</b>	<b>5.9</b>	<b>5.5</b>	<b>5.2</b>	<b>5.5</b>	<b>5.6</b>	<b>0.0</b>	<b>0.4</b>
Sub Saharan Africa	6.6	6.1	5.9	6.7	7.0	0.6	1.1
South Africa	5.8	6.0	5.6	6.3	5.8	0.3	0.2
Emerging and Developing Asia	4.7	4.5	4.3	4.1	4.2	-0.4	-0.1
<i>of which</i>							
China	2.6	3.0	3.0	2.3	2.5	-0.7	-0.5
India	9.5	8.0	7.5	7.8	7.5	-0.2	0.0

Source: IMF

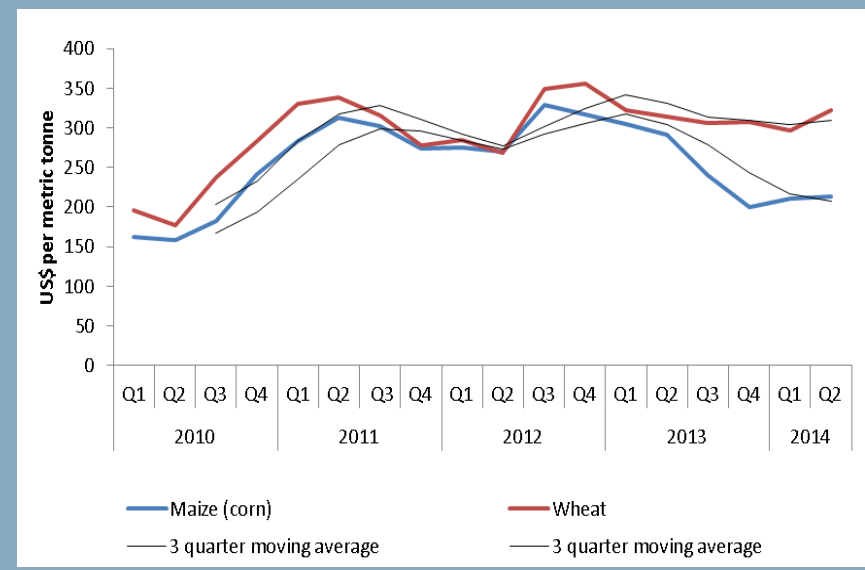
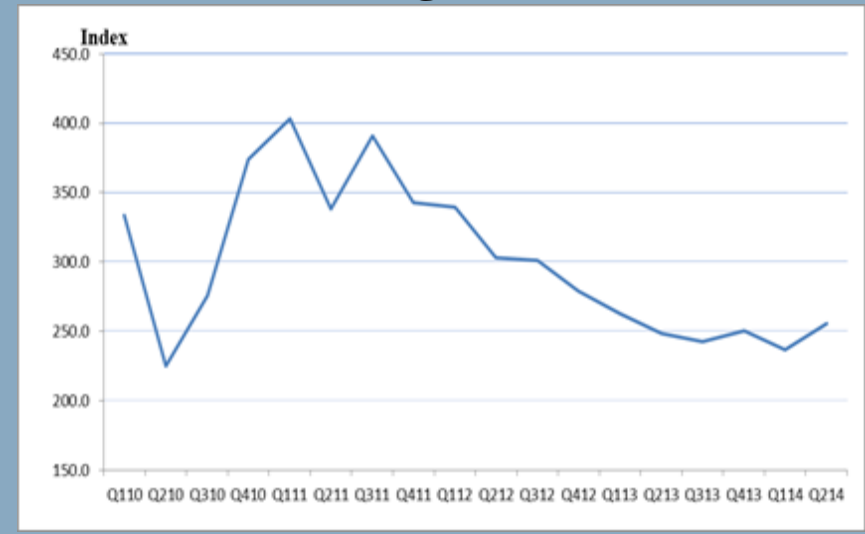


# Recent fall in commodity prices (I)

## FAO Food Price Index



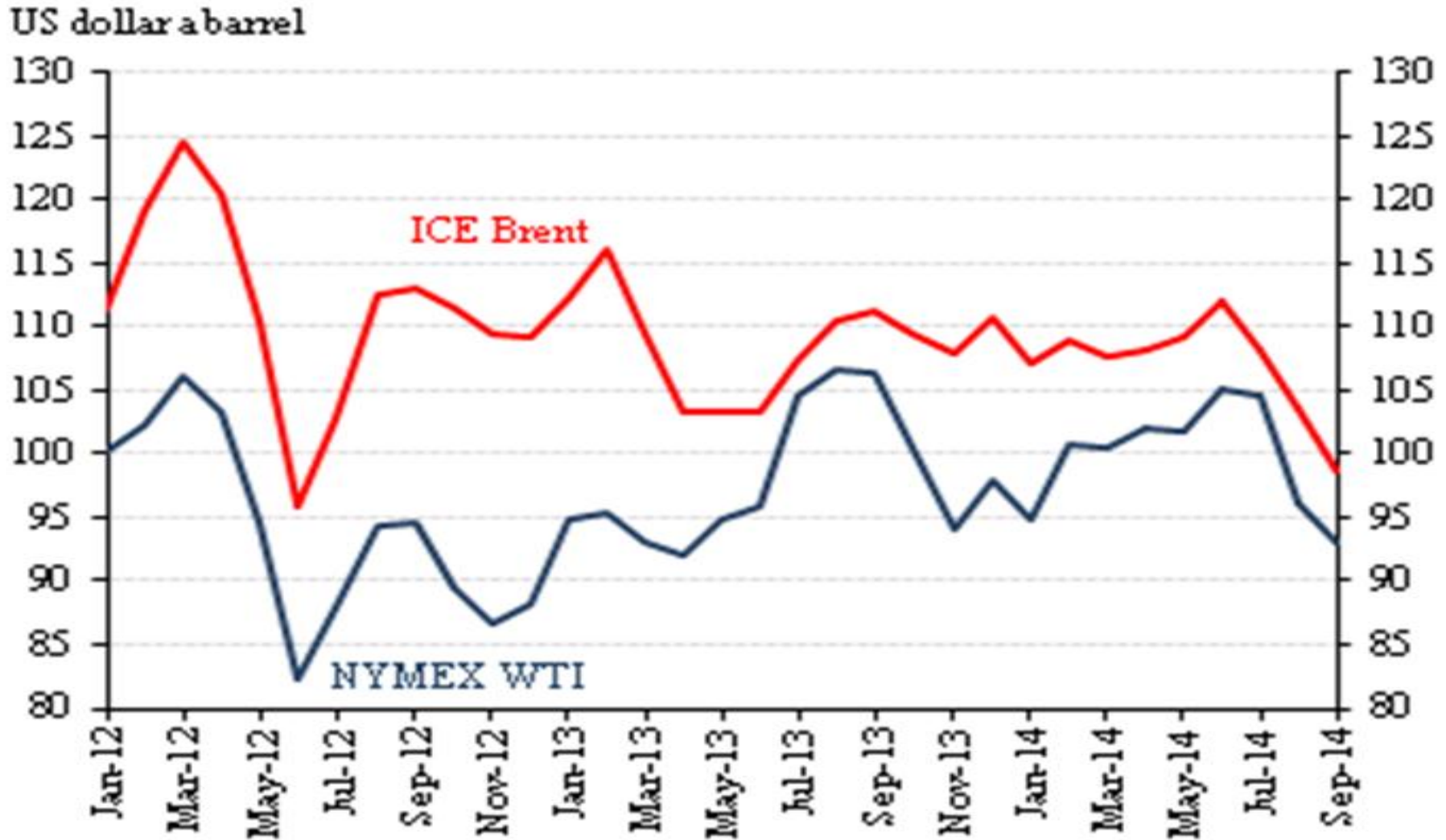
## Sugar



Source: FAO.

# Recent fall in commodity prices (II)

## Oil Prices



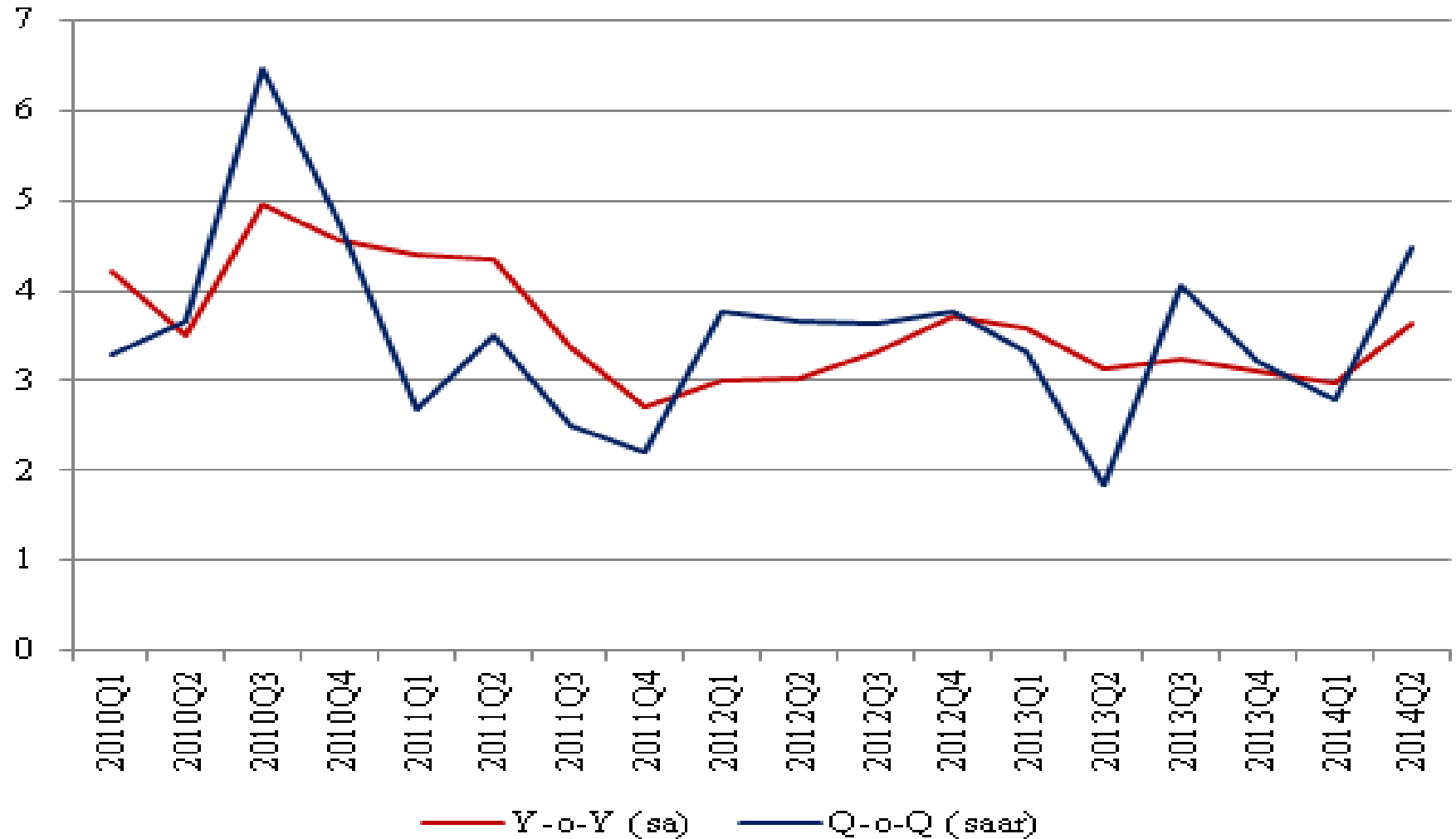


# Developments in the domestic economy since the last MPC meeting

# Higher growth in 2014Q2



Per cent



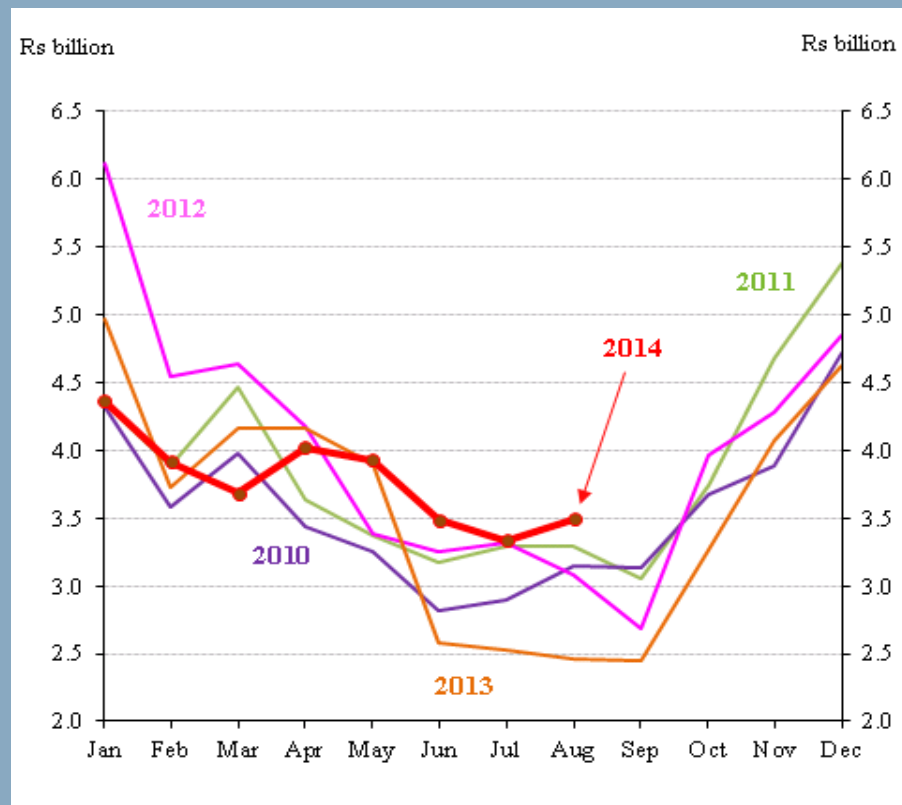
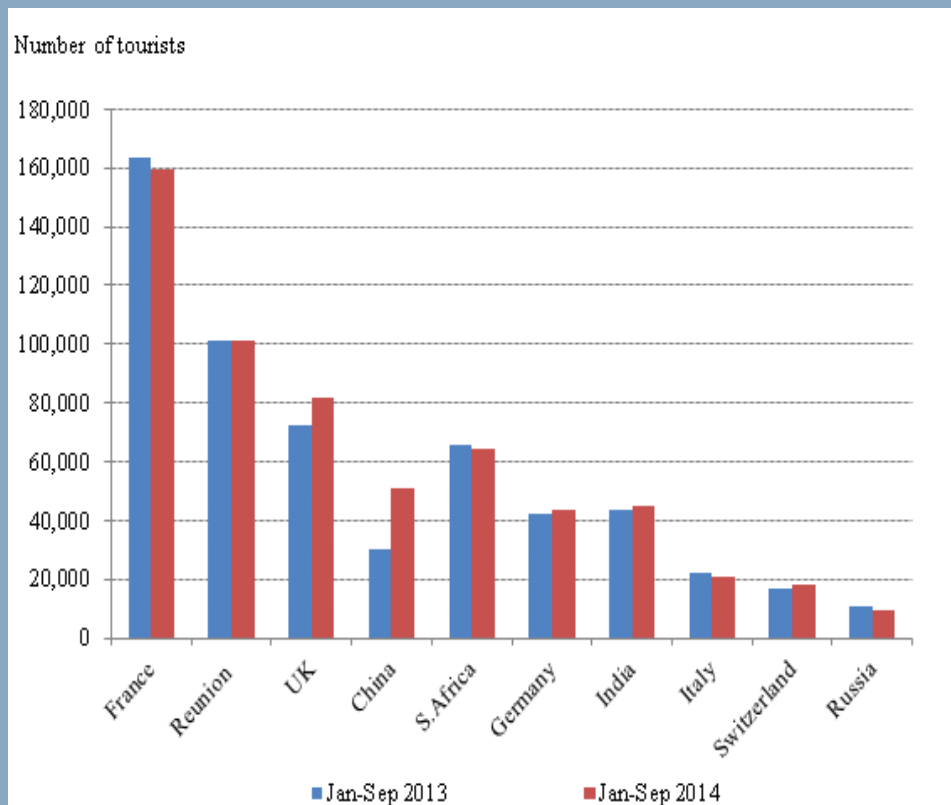


# Sectoral growth rates



	2013			2014		
	Q1	Q2	Avg.	Q1	Q2	Avg.
<b>Primary Sector <sup>1</sup></b>			<b>-3.4</b>			<b>-1.1</b>
Agriculture forestry & fishing	-4.6	-0.1	-2.4	8.4	7.2	7.8
Mining & quarrying	-2.4	-6.6	-4.5	-15.0	-4.8	-9.9
<b>Secondary Sector <sup>1</sup></b>			<b>3.2</b>			<b>0.6</b>
Manufacturing	6.0	4.8	5.4	-1.9	4.1	1.1
Electricity, gas, steam & AC	6.3	2.6	4.5	2.3	6.4	4.4
Water supply	3.2	1.3	2.3	2.2	2.5	2.4
Construction	-2.0	3.1	0.6	-4.7	-6.2	-5.5
<b>Tertiary Sector <sup>1</sup></b>			<b>4.6</b>			<b>5.1</b>
Wholesale & retail trade	3.7	3.1	3.4	3.2	3.1	3.2
Transportation & storage	2.8	-1.0	0.9	2.7	2.6	2.7
Accommodation & food service activities	1.4	0.3	0.9	-1.0	10.0	4.5
Information and communication	7.2	8.1	7.7	6.0	6.9	6.5
Financial & insurance	5.1	5.3	5.2	5.7	5.5	5.6
Real estate	2.9	3.0	3.0	2.6	2.9	2.8
Professional, scientific & technical activities	7.4	7.2	7.3	6.9	7.2	7.1
Administrative & support service activities	7.2	7.1	7.2	7.2	7.3	7.3
Public administration	1.2	1.8	1.5	3.2	6.7	5.0
Education	2.7	2.7	2.7	3.3	2.5	2.9
Health	6.3	5.9	6.1	6.3	6.6	6.5
Art, entertainment & recreation	8.1	8.2	8.2	6.9	7.0	7.0
Other service activities	5.1	5.9	5.5	5.6	5.5	5.6
<b>GDP at basic prices</b>	<b>3.8</b>	<b>3.4</b>	<b>3.6</b>	<b>2.7</b>	<b>4.6</b>	<b>3.7</b>
Taxes on products (net of subsidies)	-0.4	4.1	1.9	2.5	4.7	3.6
<b>GDP at market prices</b>	<b>3.3</b>	<b>3.5</b>	<b>3.4</b>	<b>2.7</b>	<b>4.6</b>	<b>3.7</b>

# Partial improvement in tourism



- Up by 3.6% y-o-y in Sep-14
- Growth of 4.5% y-o-y during Jan-Sep 14
- Forecast of 1.03 million arrivals in 2014

- Rise of 2.4% y-o-y in 2014H1
- Substantial pick-up in July & Aug 2014 → growth of 40.3% y-o-y
- Projected rise of 9.7% for 2014



# 2014 Growth projection

	2014 Projections		
	June (1)	September (2)	Changes (2) - (1)
<b>Primary Sector <sup>1</sup></b>	3.7	3.2	-0.5
Agriculture forestry & fishing	7.4	6.4	-1.0
Mining & quarrying	0.0	0.0	0.0
<b>Secondary Sector <sup>1</sup></b>	1.2	0.9	-0.4
Manufacturing	1.7	1.9	0.2
Electricity, gas, steam & AC	5.0	5.3	0.3
Water supply	3.0	3.0	0.0
Construction	-4.8	-6.7	-1.9
<b>Tertiary Sector <sup>1</sup></b>	5.0	4.9	-0.1
Wholesale & retail trade	3.3	3.2	-0.1
Transportation & storage	2.7	2.7	0.0
Accommodation & food service activities	3.5	3.5	0.0
Information and communication	6.5	6.5	0.0
Financial & insurance	5.3	5.4	0.1
Real estate	2.7	2.7	0.0
Professional, scientific & technical activities	7.1	7.1	0.0
Administrative & support service activities	7.5	7.5	0.0
Public administration	2.0	3.1	1.1
Education	3.1	2.9	-0.2
Health	6.4	6.4	0.0
Art, entertainment & recreation	8.3	7.1	-1.2
Other service activities	6.3	5.7	-0.6
<b>GDP at basic prices</b>	<b>3.5</b>	<b>3.5</b>	<b>0.0</b>
Taxes on products (net of subsidies)	2.5	3.0	0.5
<b>GDP at market prices</b>	<b>3.4</b>	<b>3.4</b>	<b>0.0</b>

Source: Statistics Mauritius and BoM staff estimates.

<sup>1</sup> Simple average of sub-sectors' growth rates.

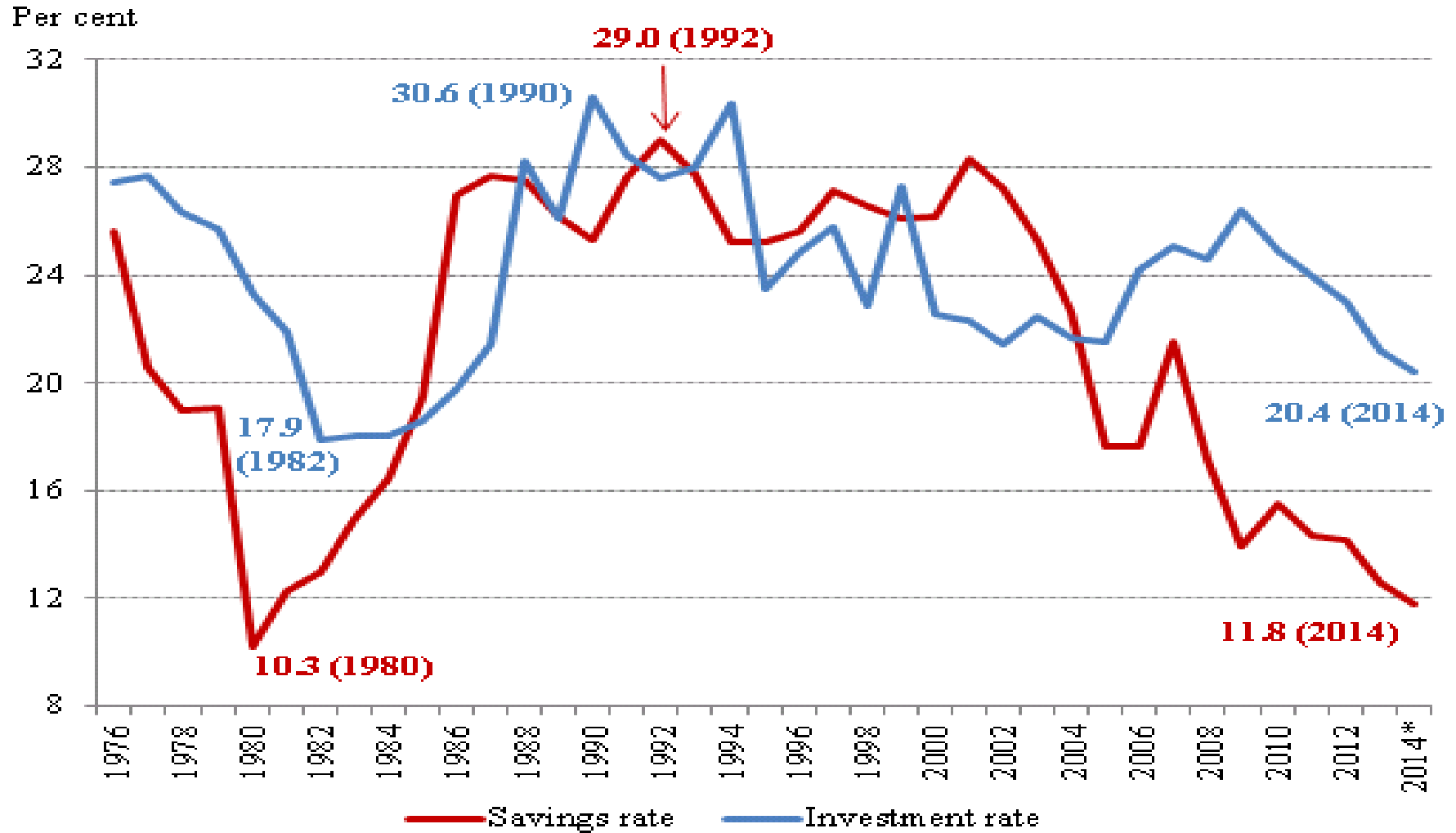
# Consumption and external demand driving GDP growth



	2012					2013					2014		
	Q1	Q2	Avg.	Q3	Q4	Q1	Q2	Avg.	Q3	Q4	Q1	Q2	Avg.
<b>I. Domestic Demand</b>													
<b>Final consumption</b>	2.9	2.4	2.7	2.2	3.5	2.8	2.0	2.4	2.6	1.8	1.4	3.1	2.3
Households	2.9	2.7	2.8	2.1	3.3	2.8	2.5	2.7	3.0	2.2	1.6	2.7	2.2
General Government	3.1	1.0	2.1	2.9	4.6	2.9	-0.5	1.2	0.5	-0.1	0.7	5.6	3.2
<b>GDFCF</b>	14.4	5.6	10.0	-4.1	-13.8	-10.7	-4.3	-7.5	-0.6	1.9	-1.5	-0.2	-0.9
Building & construction work	7.2	4.0	5.6	-3.9	-8.3	-4.1	-4.1	-4.1	-11.4	-19.1	-4.4	-5.7	-5.1
Machinery & equipment	29.4	9.1	19.3	-4.8	-26.1	-21.6	-4.4	-13.0	25.8	59.7	4.2	11.1	7.7
<b>II. Net External Demand</b>													
<b>Exports of G &amp; S</b>	2.8	13.9	8.4	-4.0	1.5	-2.0	3.8	0.9	5.4	10.4	-0.1	6.3	3.1
Exports (goods)	-1.9	5.6	1.9	-2.2	2.1	4.3	0.1	2.2	6.4	7.9	6.9	13.4	10.2
Export (services)	6.2	21.3	13.8	-5.5	1.1	-6.1	6.6	0.3	4.5	12.4	-5.3	1.0	-2.2
<b>Imports of G &amp; S</b>	4.8	11.3	8.1	-8.2	-1.0	0.2	0.2	0.2	11.3	12.3	-3.4	2.2	-0.6
Imports (goods)	3.2	10.4	6.8	-2.1	-0.8	-1.2	-2.9	-2.1	10.8	12.3	-1.9	11.7	4.9
Imports (services)	8.1	13.1	10.6	-18.8	-1.6	2.8	6.5	4.7	12.5	12.2	-6.2	-15.1	-10.7
<b>III. GDP at market prices</b>	2.9	3.0	3.0	3.6	3.5	3.3	3.5	3.4	3.4	2.8	2.7	4.6	3.7

Sources: Statistics Mauritius and BOM staff estimates.

# Declining investment and savings rates



2014\* - Forecast.

# External Trade



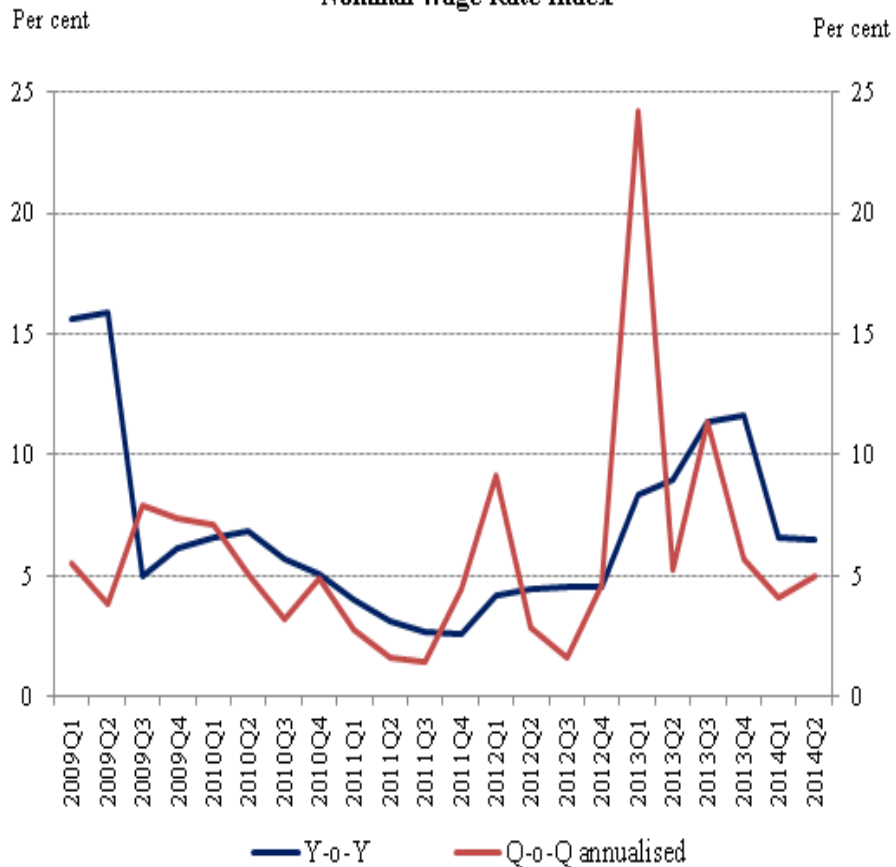
	Growth rate (Y-o-Y)				Growth rate (Y-o-Y)		
	Q1	Q2	H1		Q1	Q2	H1
	<i>(Per cent)</i>				<i>(Per cent)</i>		
<b>Total Exports (f.o.b.)</b>	5.0	9.8	7.5	<b>Total Imports (c.i.f)</b>	-5.6	8.4	1.5
Domestic exports	-1.3	3.6	1.2	Domestic Imports	-8.6	0.8	-3.8
Re-exports	33.6	116.7	73.8	Imports for re-exports	33.6	116.7	73.8
Ship's Stores and Bunkers	7.7	-31.8	-12.8				
<b>Exports by section</b>				<b>Imports by section</b>			
<i>Food and live animals</i>	-6.5	-3.9	-5.1	<i>Food and live animals</i>	-7.0	0.5	-3.3
<i>Machinery and transport equipment</i>	102.8	487.4	289.1	<i>Mineral fuels, lubricants, &amp; related products</i>	-17.3	-2.7	-10.5
<i>Miscellaneous manufactured goods</i>	4.5	10.1	7.4	<i>Machinery &amp; transport equipment</i>	18.1	34.6	27.2
<i>of which: Articles of apparel &amp; clothing accessories</i>	4.1	11.1	7.7	<i>Miscellaneous manufactured articles</i>	-5.1	9.8	3.1
<i>Manufactured goods classified chiefly by material</i>	21.6	25.8	23.9	<i>Manufactured goods classified chiefly by material</i>	-8.9	0.3	-4.1

Source: Statistics Mauritius

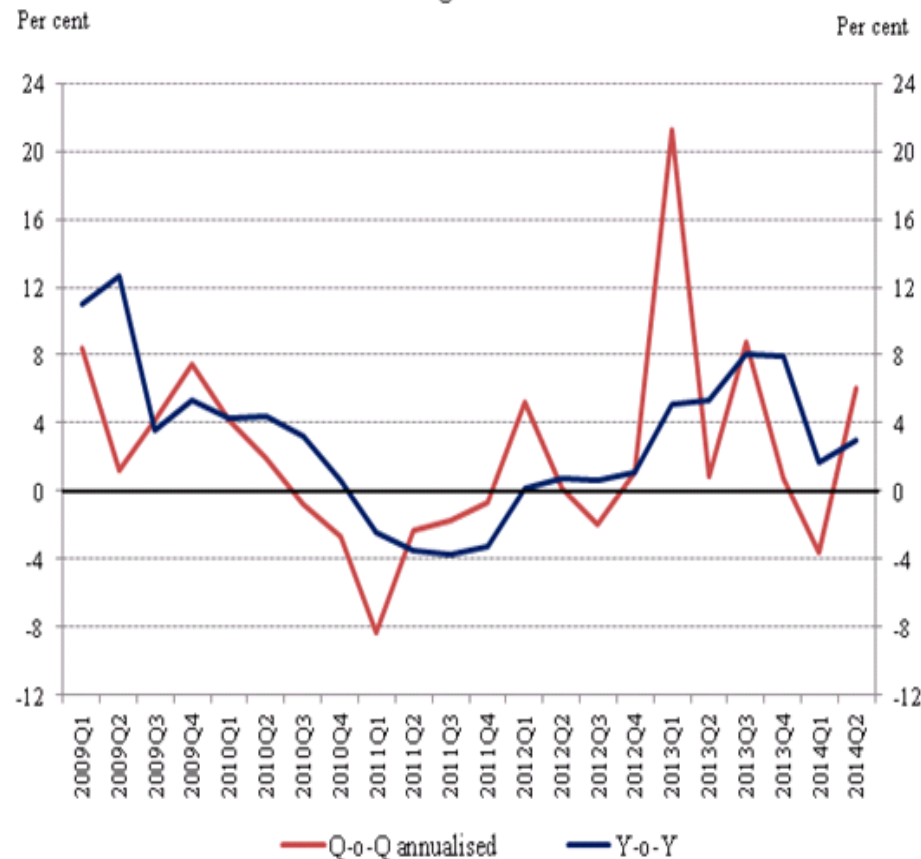
# Labour Market



### Nominal Wage Rate Index



### Real Wage Rate Index



	2013Q2	2014Q1	2014Q2
Unemployment rate (%)	8.0	8.0	7.8
Unemployment rate SA (%)	7.6	7.4	7.4



**Thank you**