



Monetary Policy Committee

Economic Developments and Outlook

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3 February 2014

Main Themes

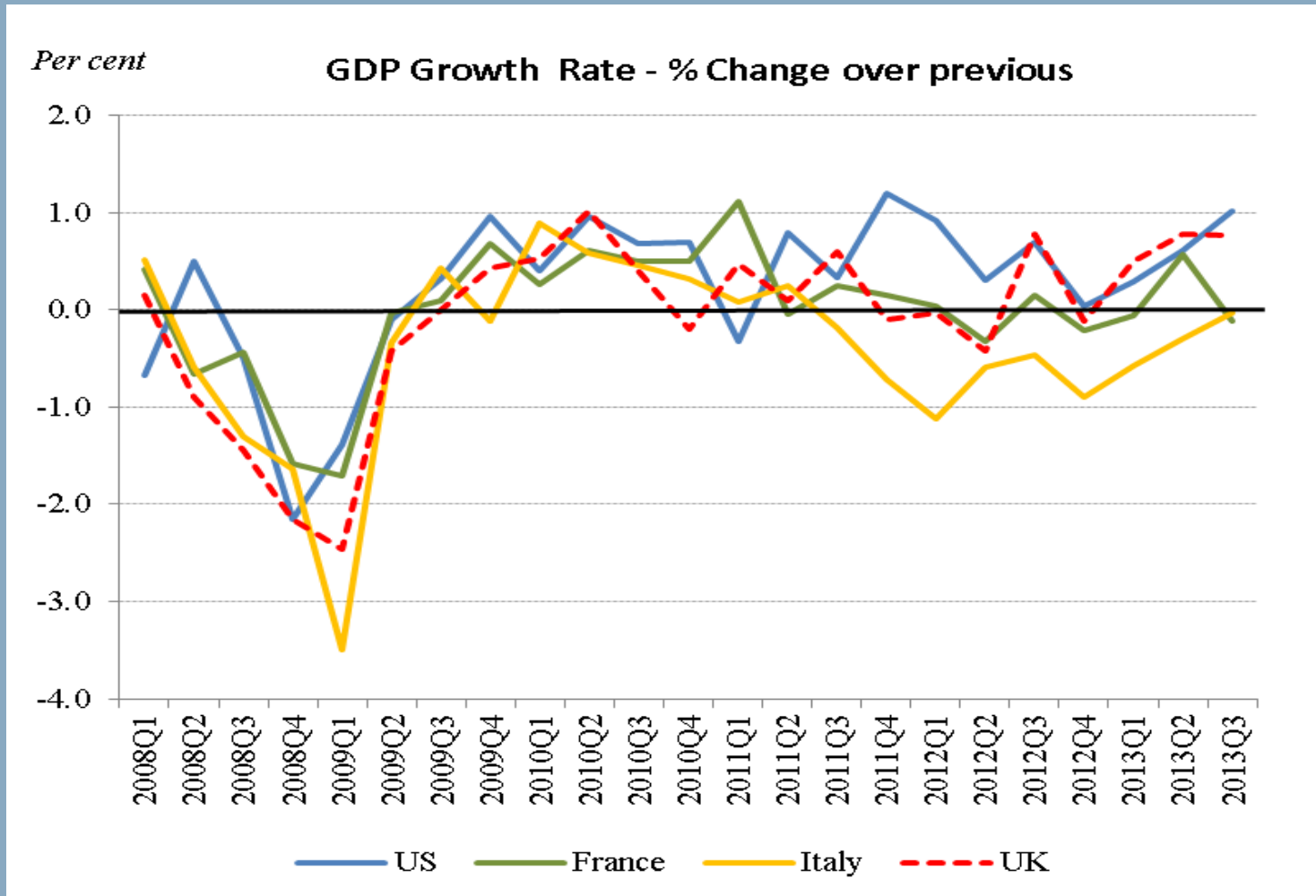


- Expected improvement in domestic output against the backdrop of a fragile global economic recovery
- Domestic growth could still be affected by:
 - Domestic demand shocks
 - External demand shocks



External Environment

External Environment

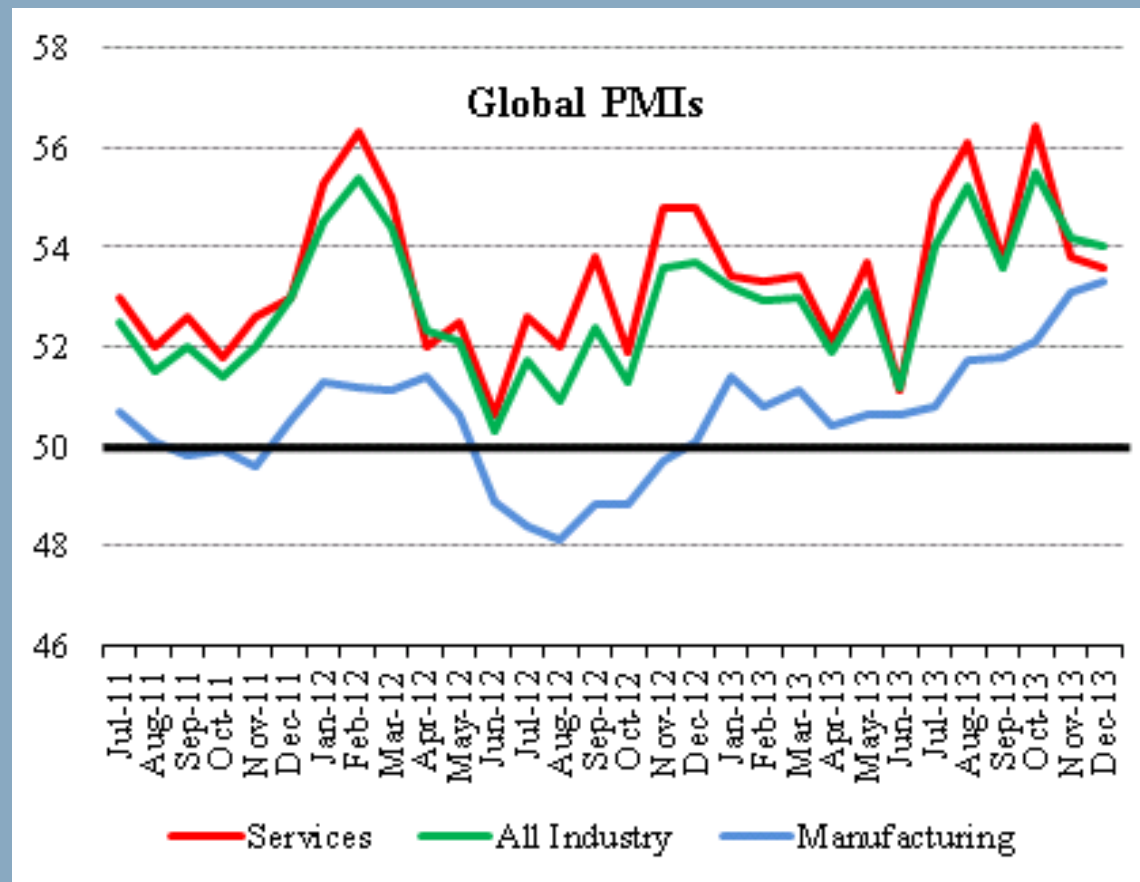


Source: Reuters.

External Environment



- Global PMIs pointing to better economic conditions



Source: JP Morgan

World Economic Outlook



Per cent

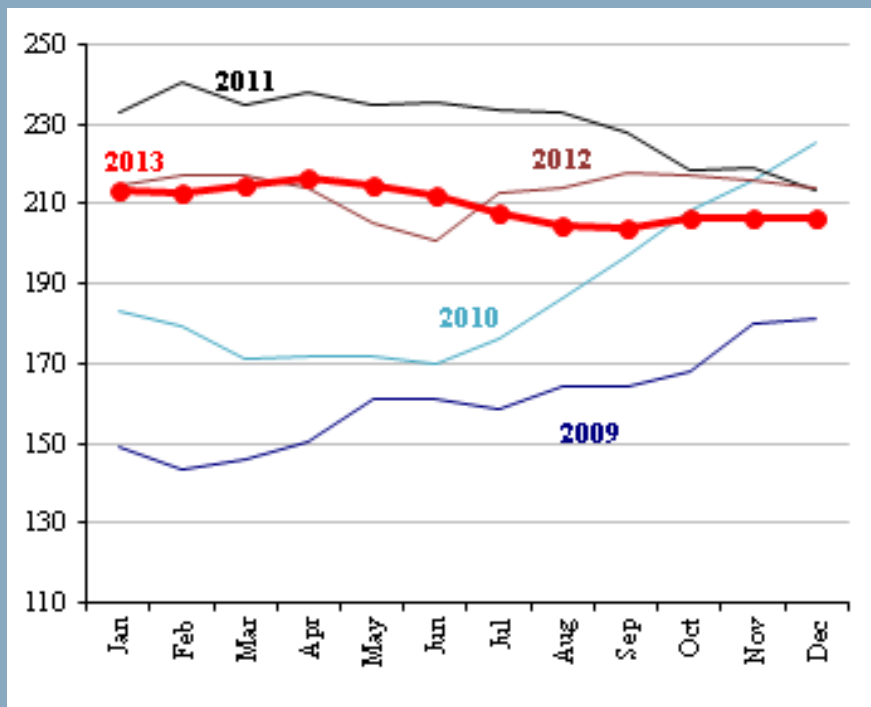
	2013	January 2014 WEO Update Projections		Difference from October 2013 WEO Projections	
		2014	2015	2014	2015
World output	3.0	3.7	3.9	0.1	0.0
Advanced economies	1.3	2.2	2.3	0.2	-0.2
<i>of which</i>					
United States	1.9	2.8	3.0	0.2	-0.4
Euro Area	-0.4	1.0	1.4	0.1	0.1
United Kingdom	1.7	2.4	2.2	0.6	0.2
Japan	1.7	1.7	1.0	0.4	-0.2
Other					
Emerging market and developing economies	4.7	5.1	5.4	0.0	0.1
Sub Saharan Africa	5.1	6.1	5.8	0.1	0.1
Developing Asia	6.5	6.7	6.8	0.2	0.2
<i>of which</i>					
China	7.7	7.5	7.3	0.3	0.2
India	4.4	5.4	6.4	0.2	0.1

Source: International Monetary Fund's World Economic Outlook Update, January 2014.

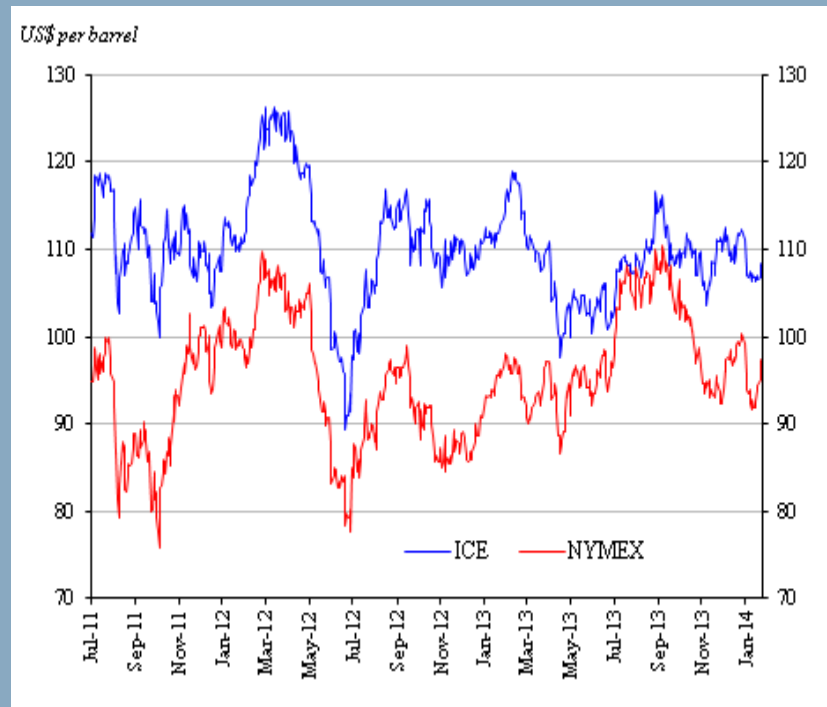
Food and Oil Prices



FAO Food Price Index



Oil Prices



Sources: FAO and Reuters.

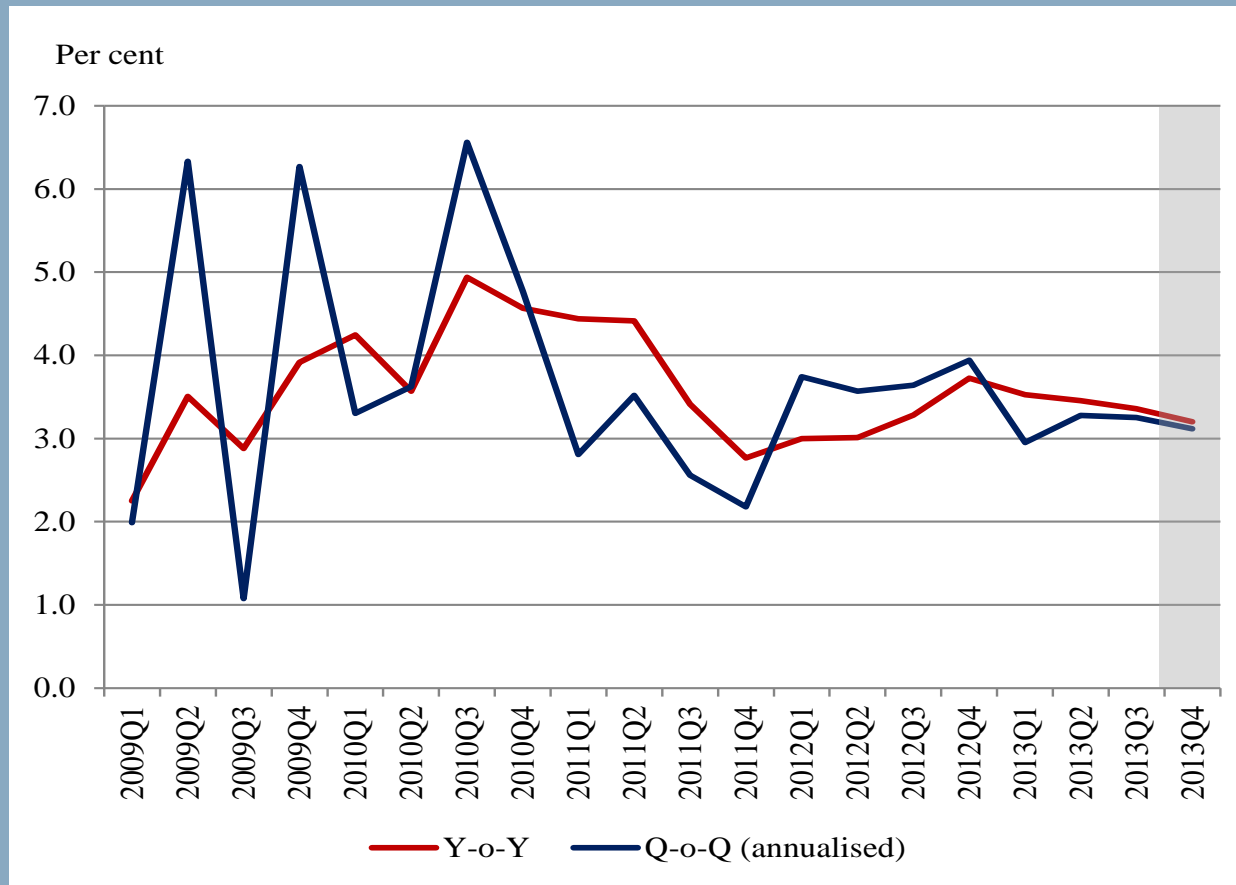


Developments in the domestic economy since the previous MPC meeting

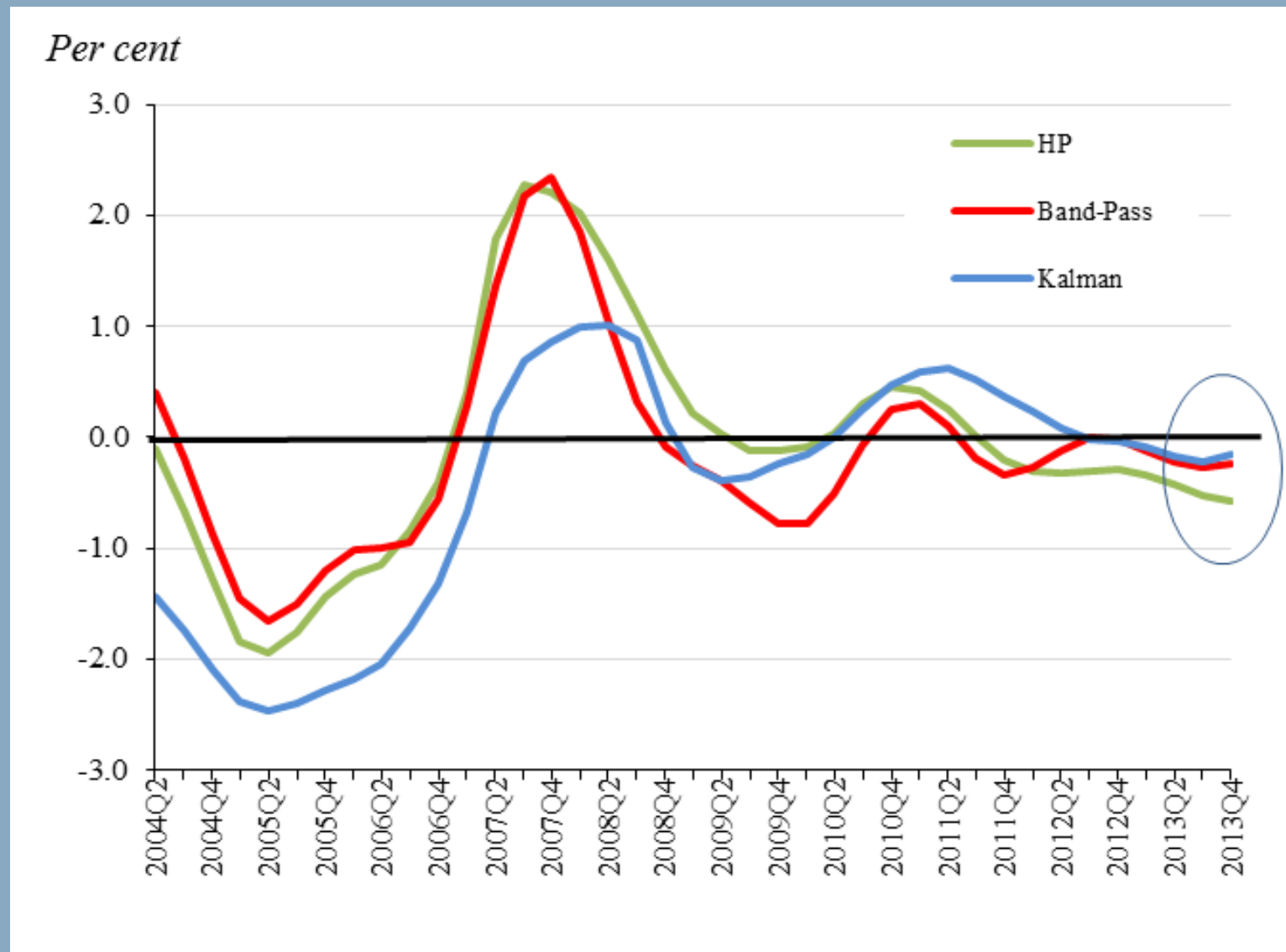
GDP Growth



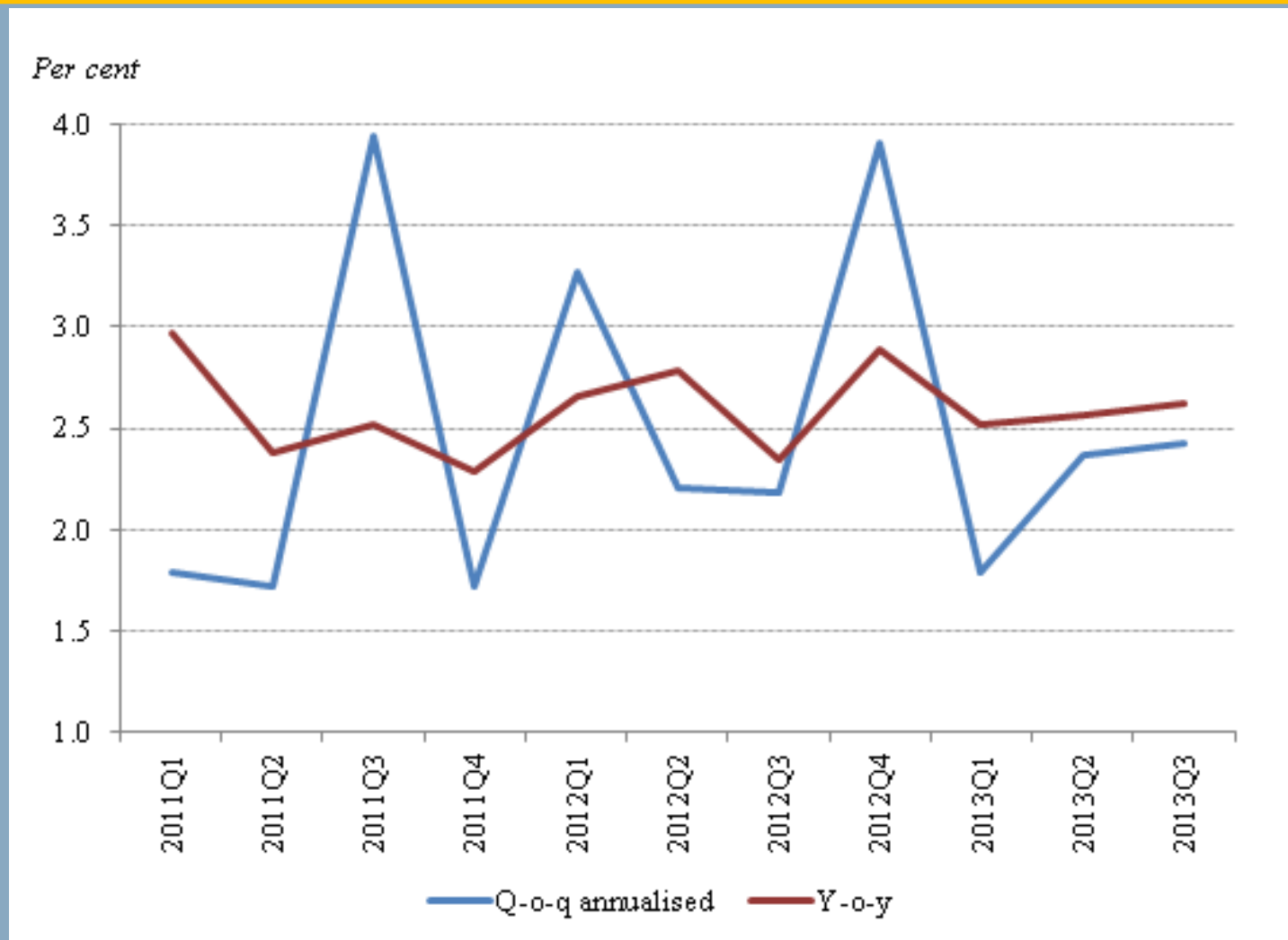
- Growth of 3.2% for 2013



Negative Output Gap



Moderate Private Consumption

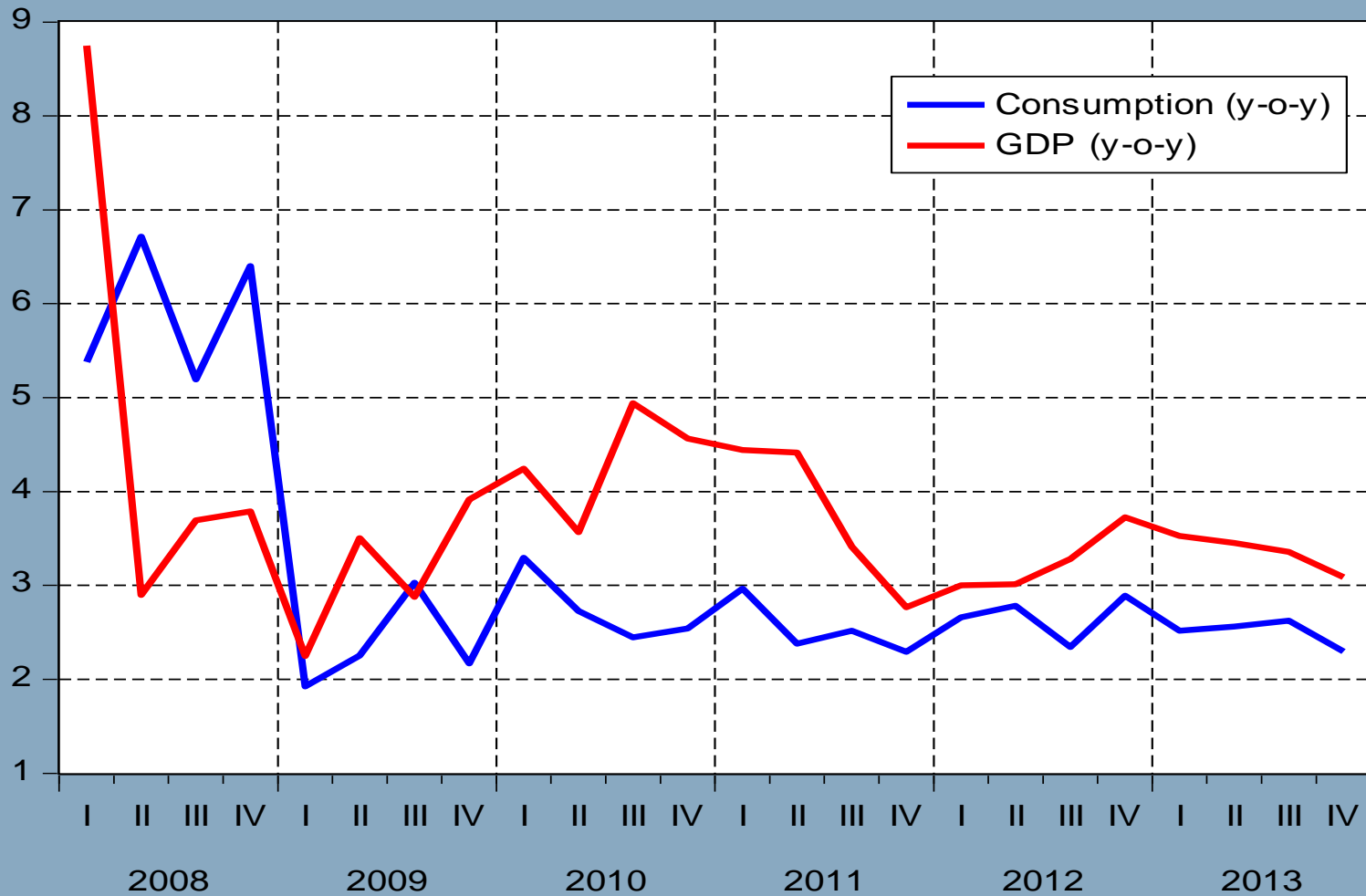


- Consumption growth estimated at 2.4% y-o-y in 2013, from 2.8% in 2012

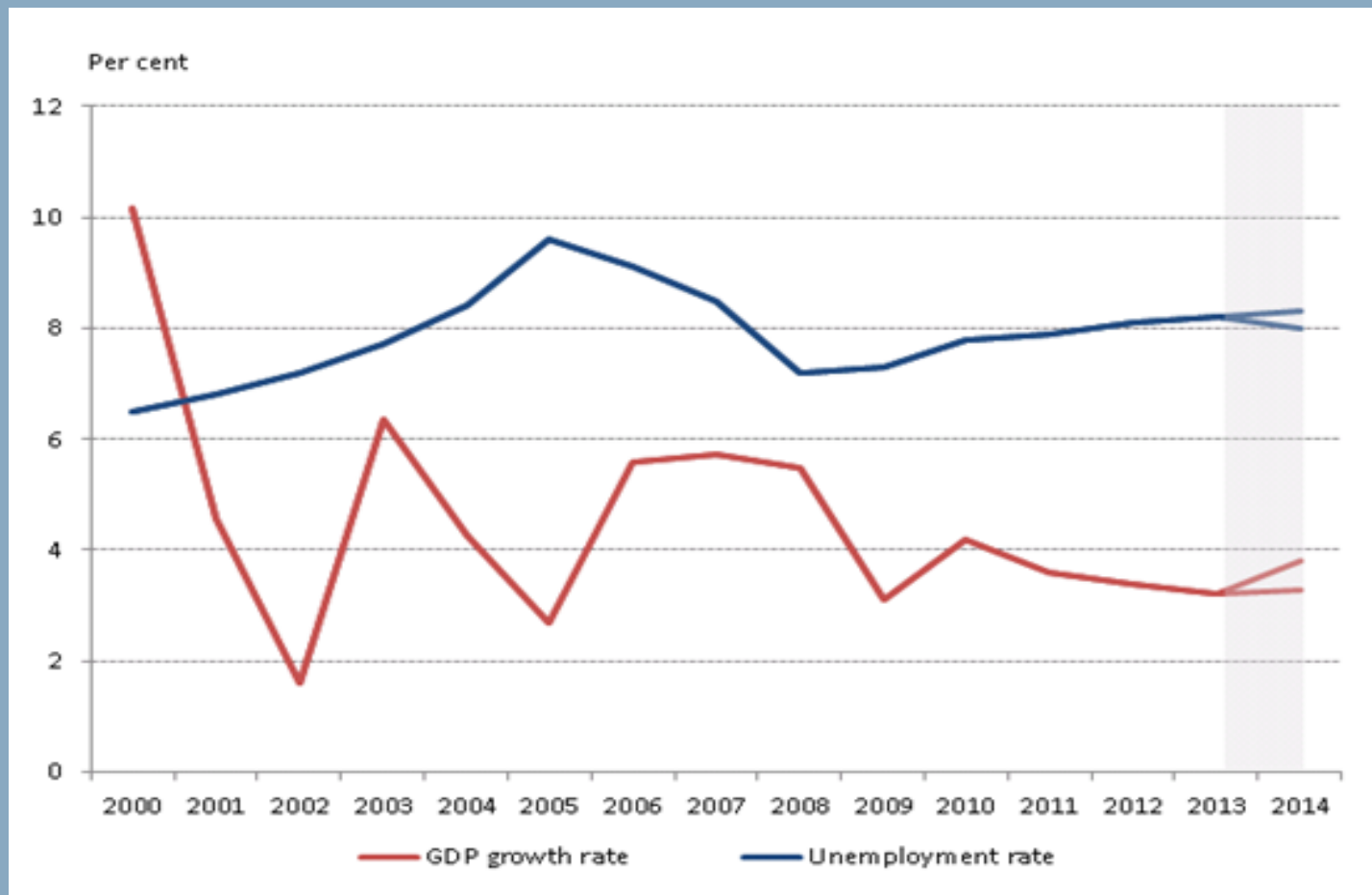
Consumption Growth



Per cent

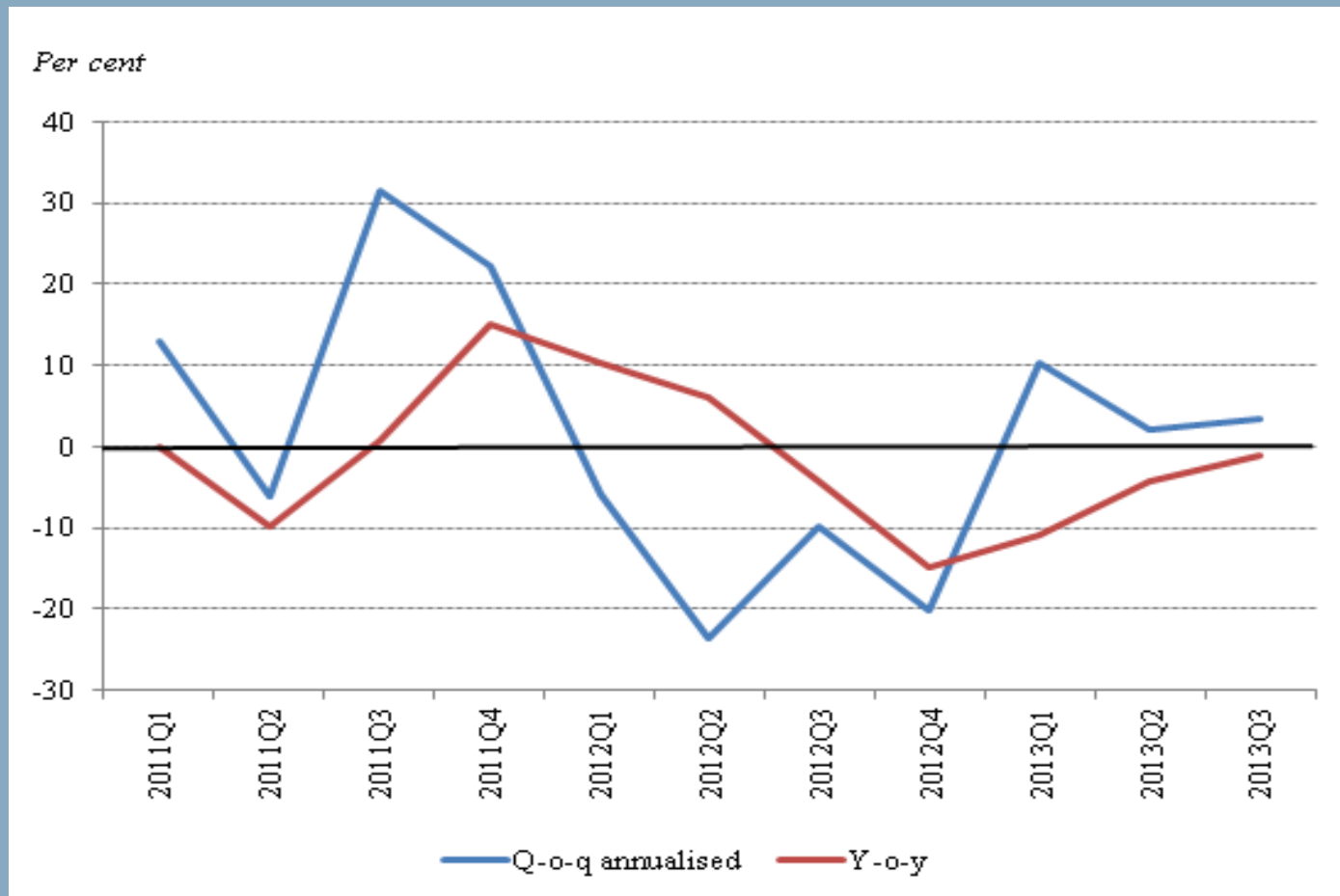


Labour Market Conditions



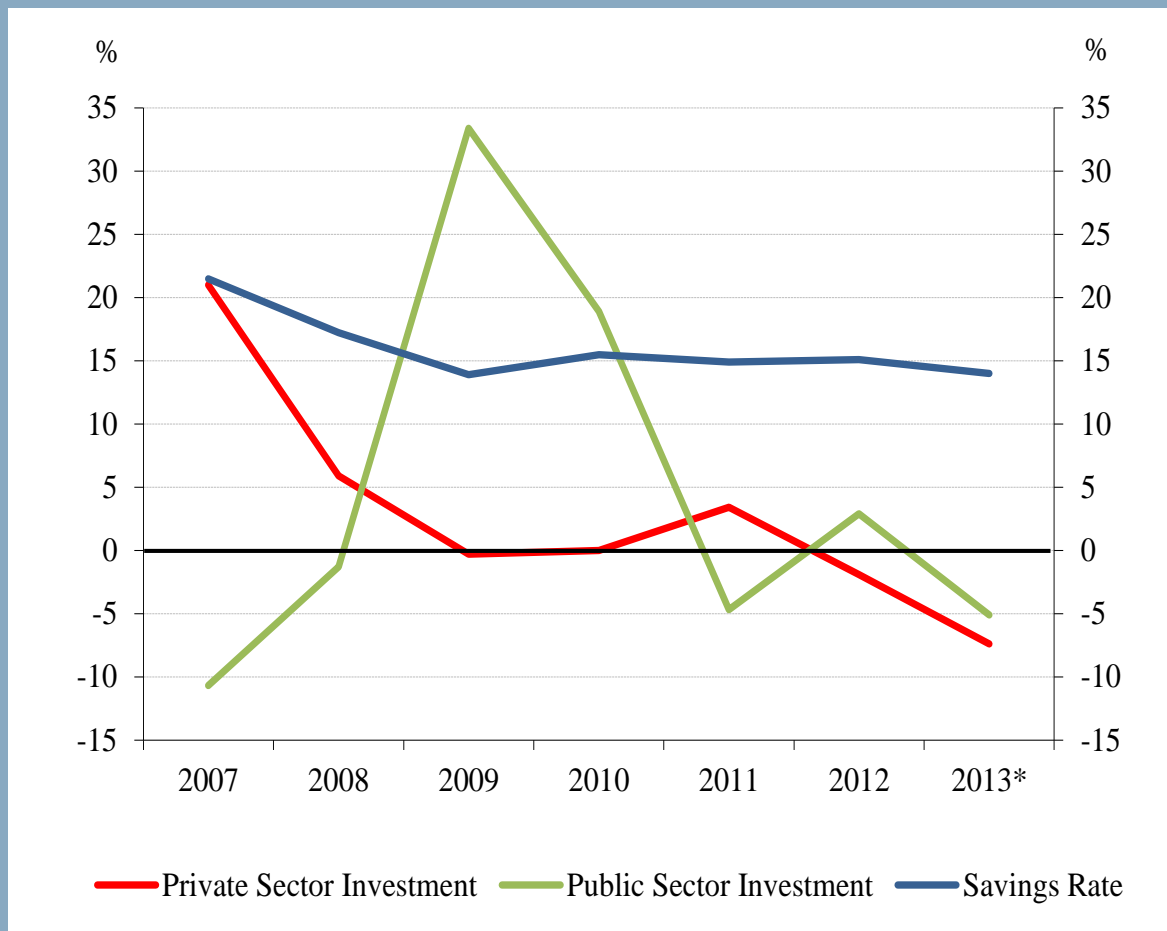
	2012Q3	2013Q2	2013Q3
Unemployment rate (%)	7.9	8.2	7.8
Unemployment rate SA (%)	8.1	7.8	8.0

Weak Investment Growth



- Building and construction work contracted by 11.3% y-o-y in 2013Q3
- Excl. aircraft & marine vessel, investment in machinery & equipment also declining
- GDFCF contracted by 6.9% in 2013

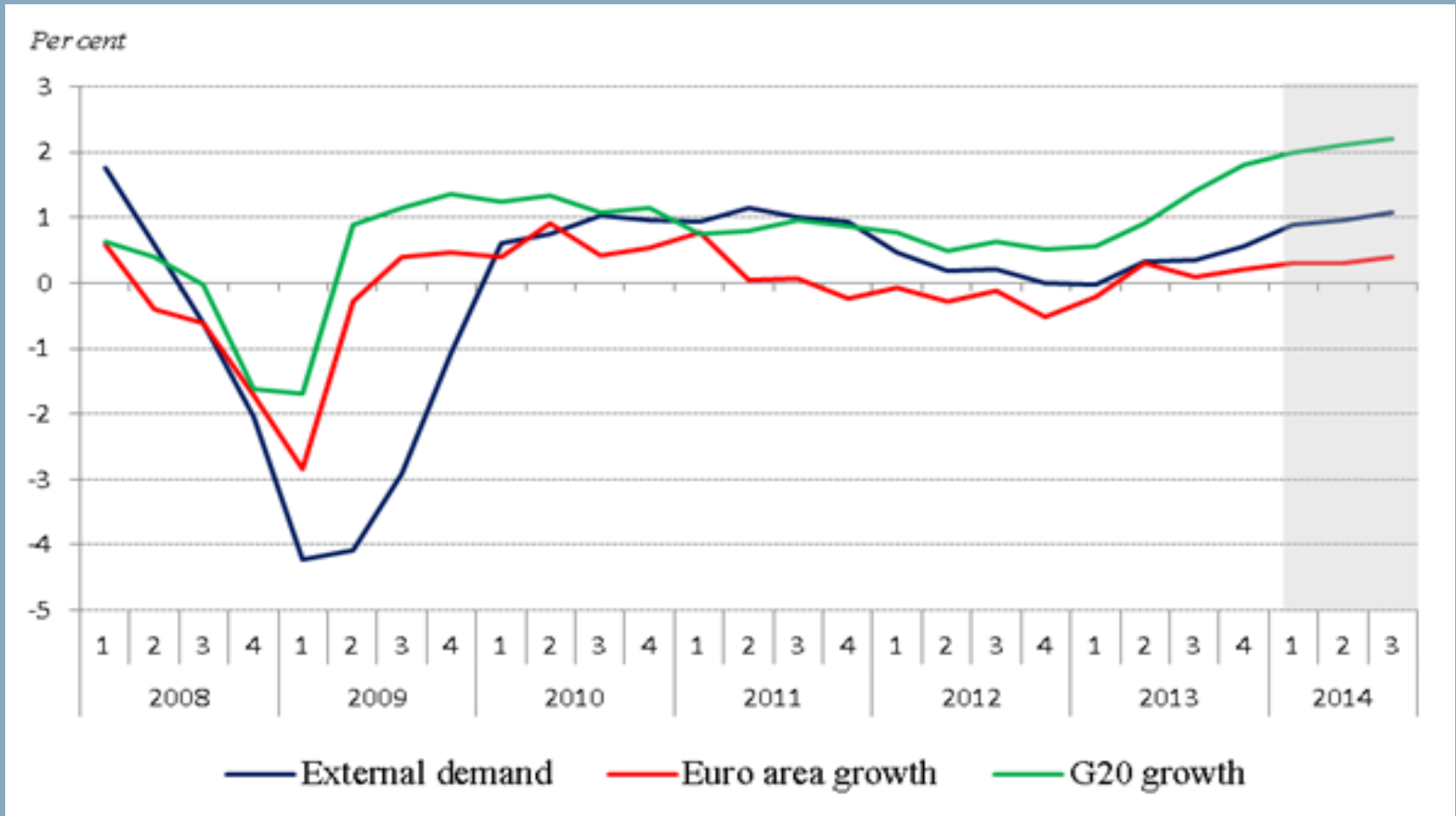
Investment Trends



2013* - Forecast

- Higher contraction in private sector investment for 2013: decline of 7.4% compared to earlier estimate of 6.1% contraction.
- Public sector investment projected to decline by 5.1% compared to previous estimate of 4.2% contraction.
- Savings rate forecast lower at 14.0 %, from 14.2% earlier.

External demand still subdued



Note: external demand is computed as the export-weighted average output growth of main trading-partner countries

- Net exports made a negative contribution to output growth

External Trade



Exports

Per cent

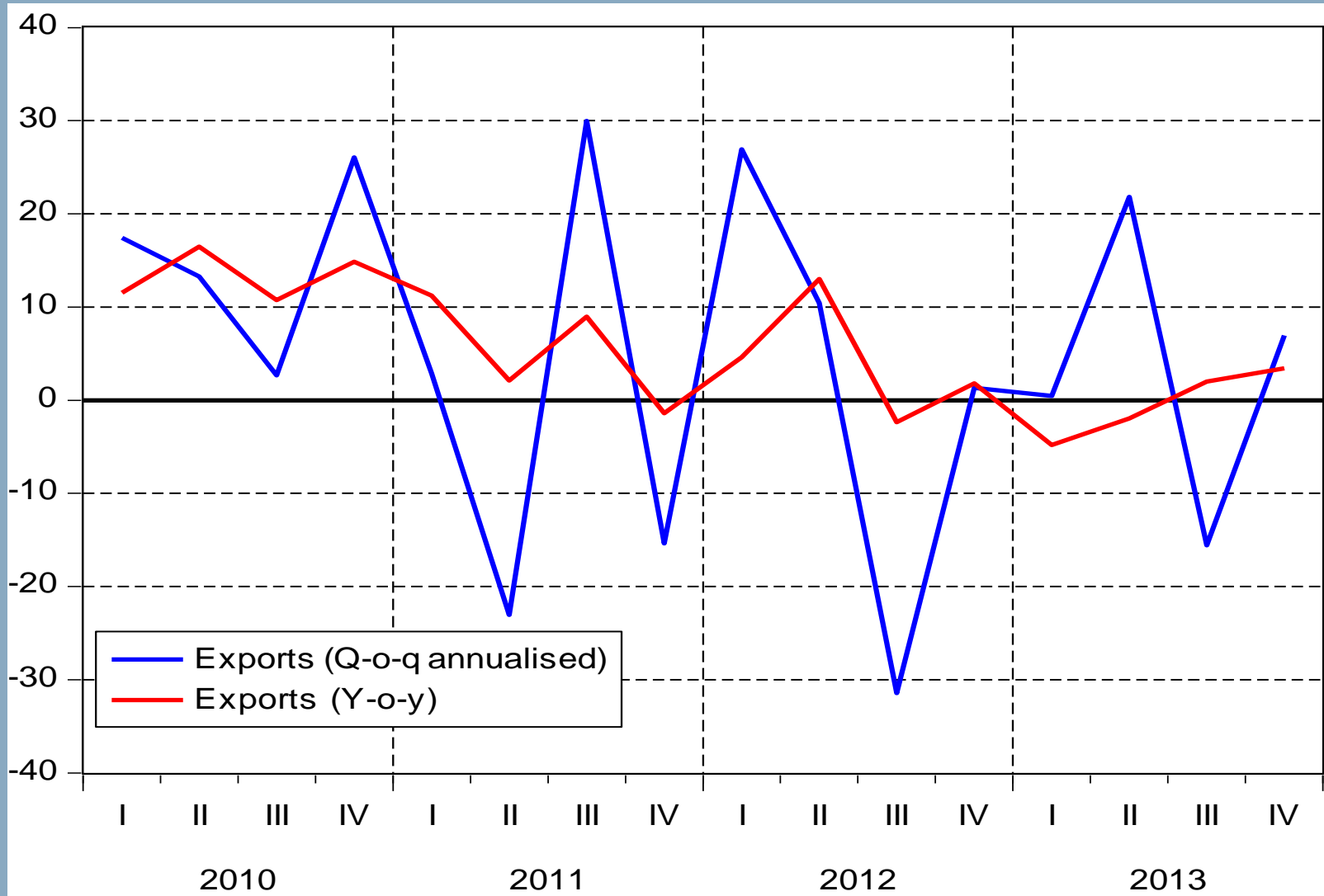
	2011Q3	2012Q3	2013Q3
Europe	-6.5	4.7	1.6
<i>of which</i>			
UK	-8.7	-3.3	-5.6
France	-15.7	4.4	-4.3
Italy	0.3	-14.6	51.9
South Africa	40.3	19.7	-10.3
USA	6.8	-7.1	2.1
Asia	-12.1	21.4	92.9
Total Exports	0.4	7.0	7.6

Imports

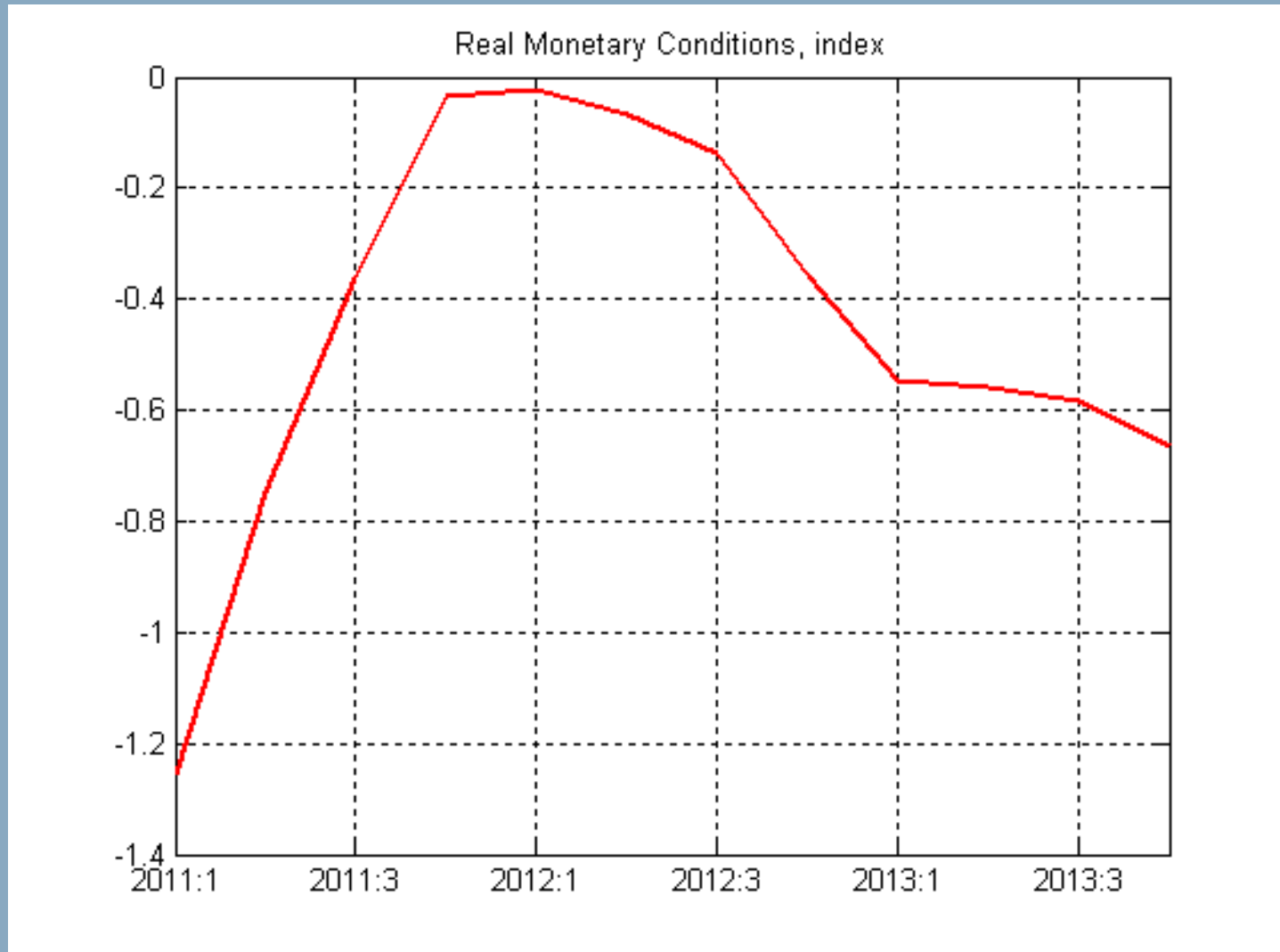
Per cent

	2011Q3	2012Q3	2013Q3
India	16.4	5.5	13.1
China	26.2	19.3	-10.5
France	-2.5	6.2	14.7
South Africa	-4.7	-8.0	-9.5
Total Imports	10.1	6.5	7.8

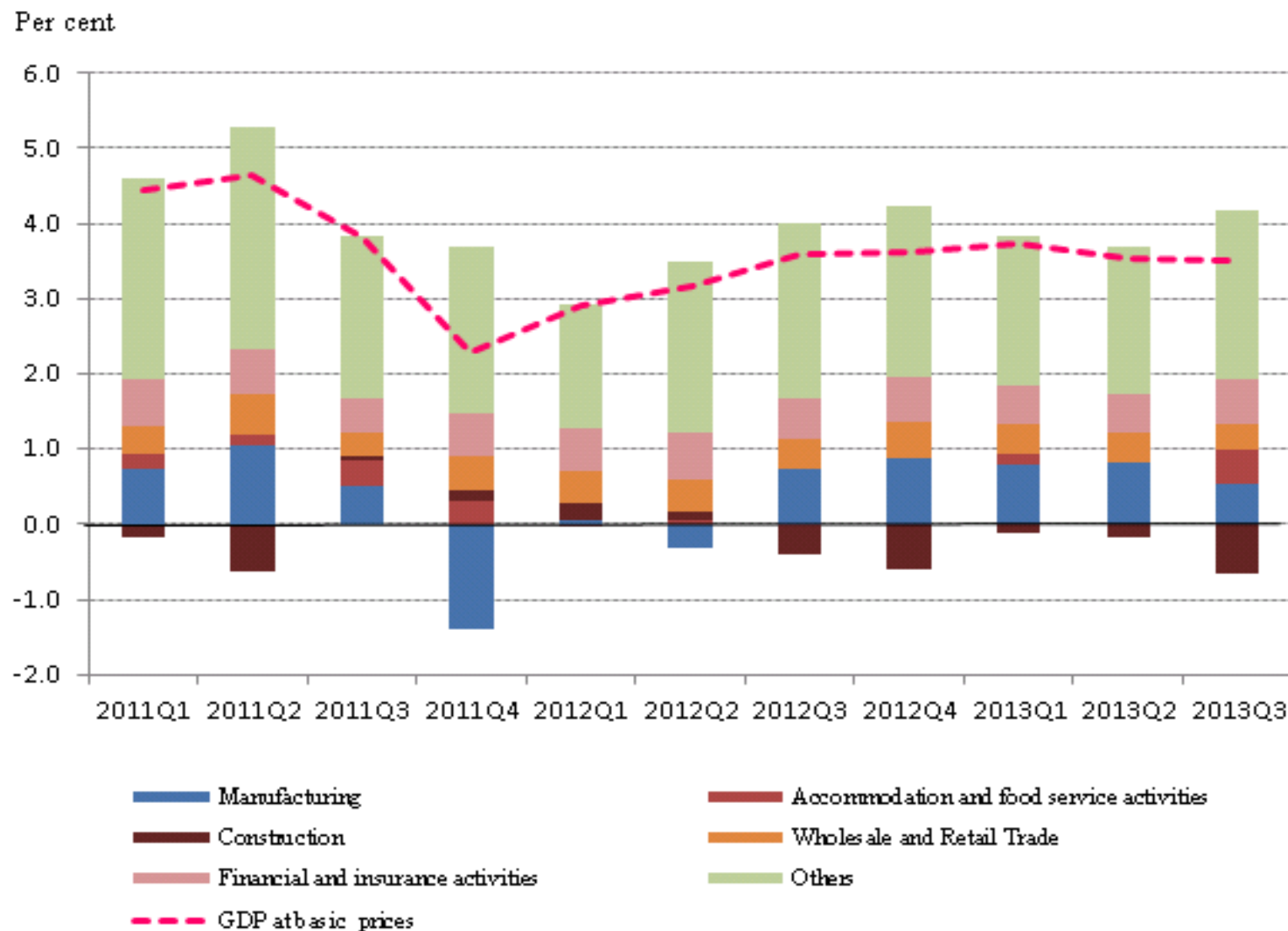
Exports Growth



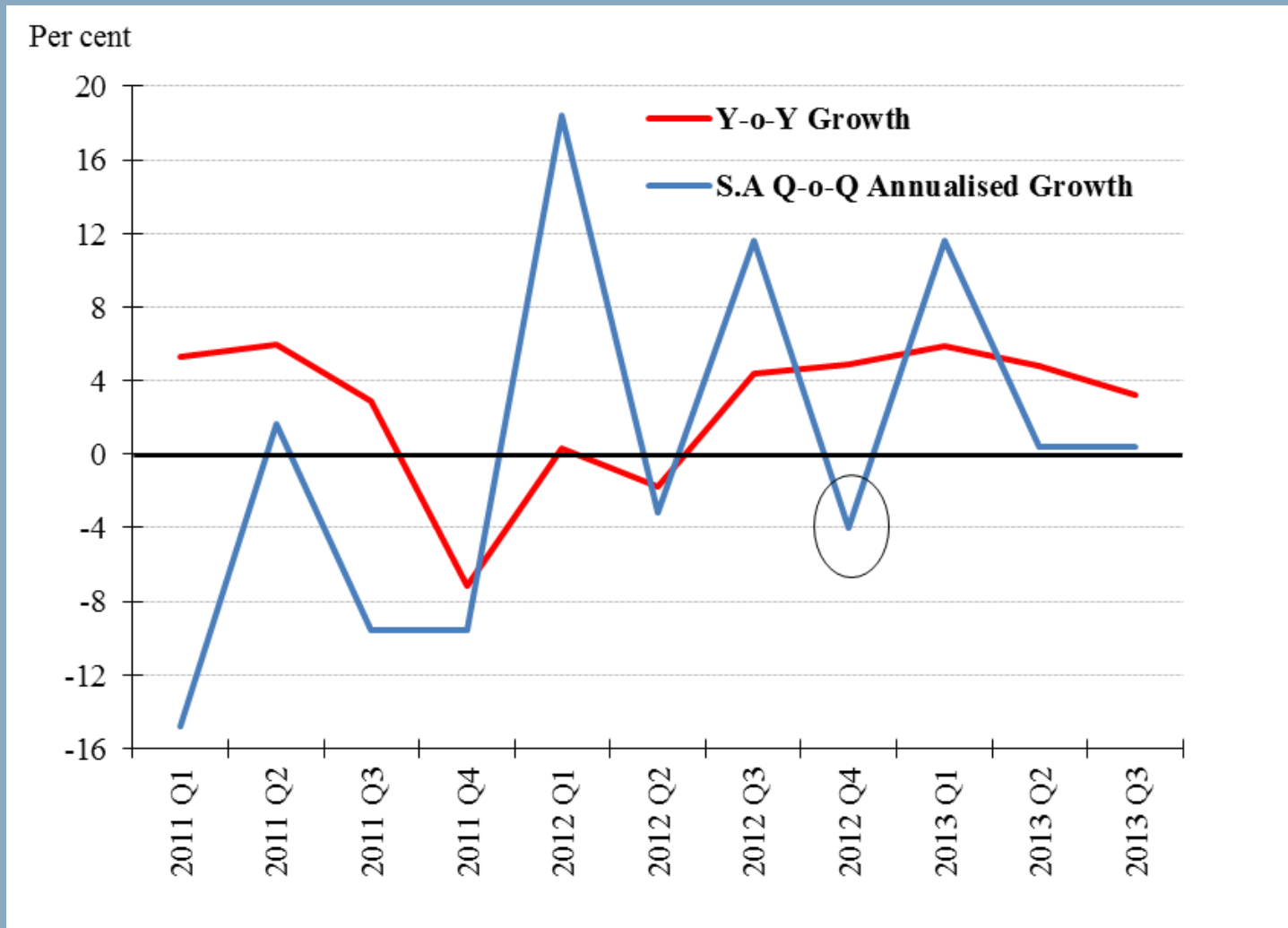
Real Monetary Conditions



Sector-wise Contribution to Growth

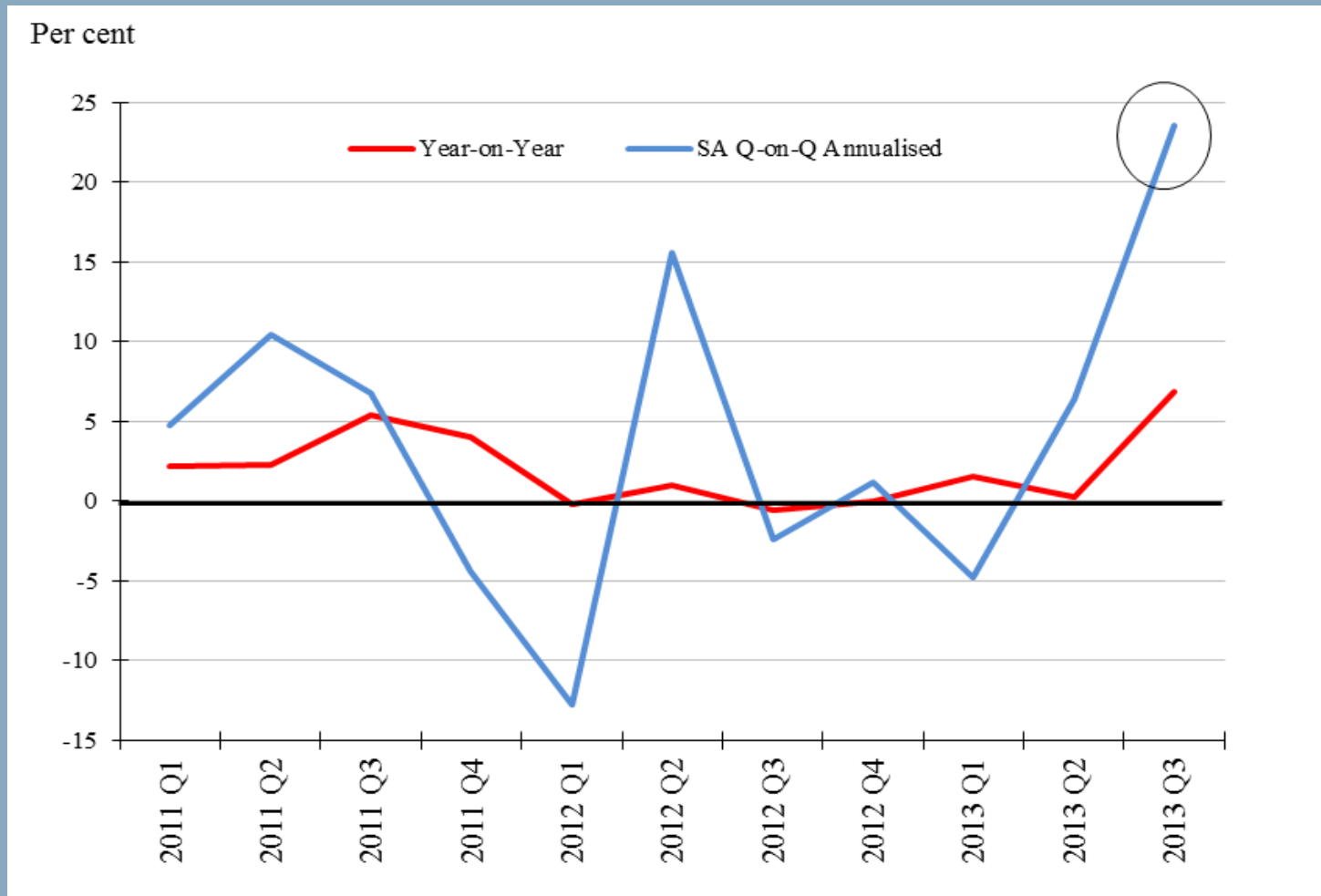


Manufacturing



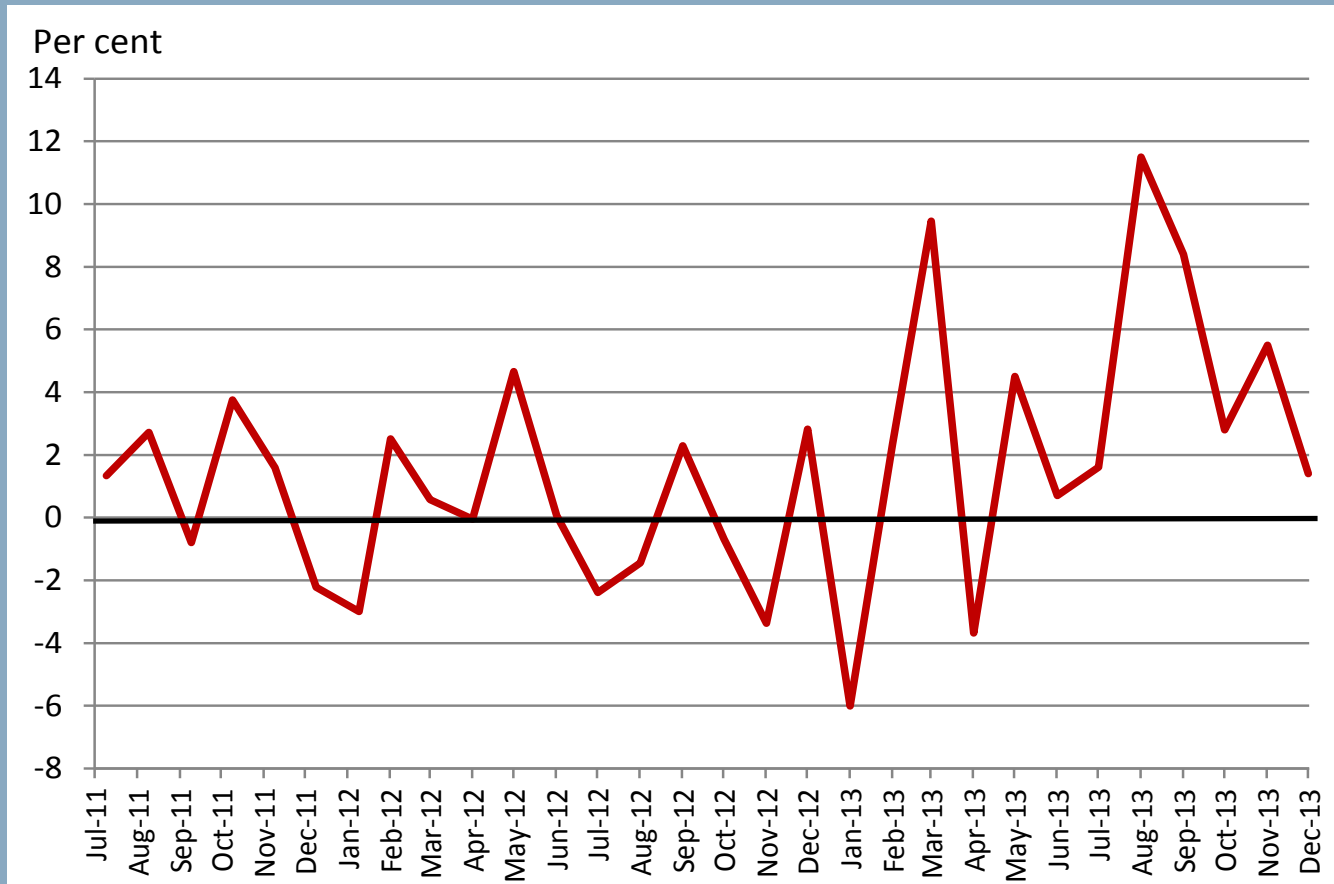
- Growth of 3.0% estimated in 2013

Accommodation & Food Service Activities



- Growth of 3.5% estimated in 2013

Tourist Arrivals

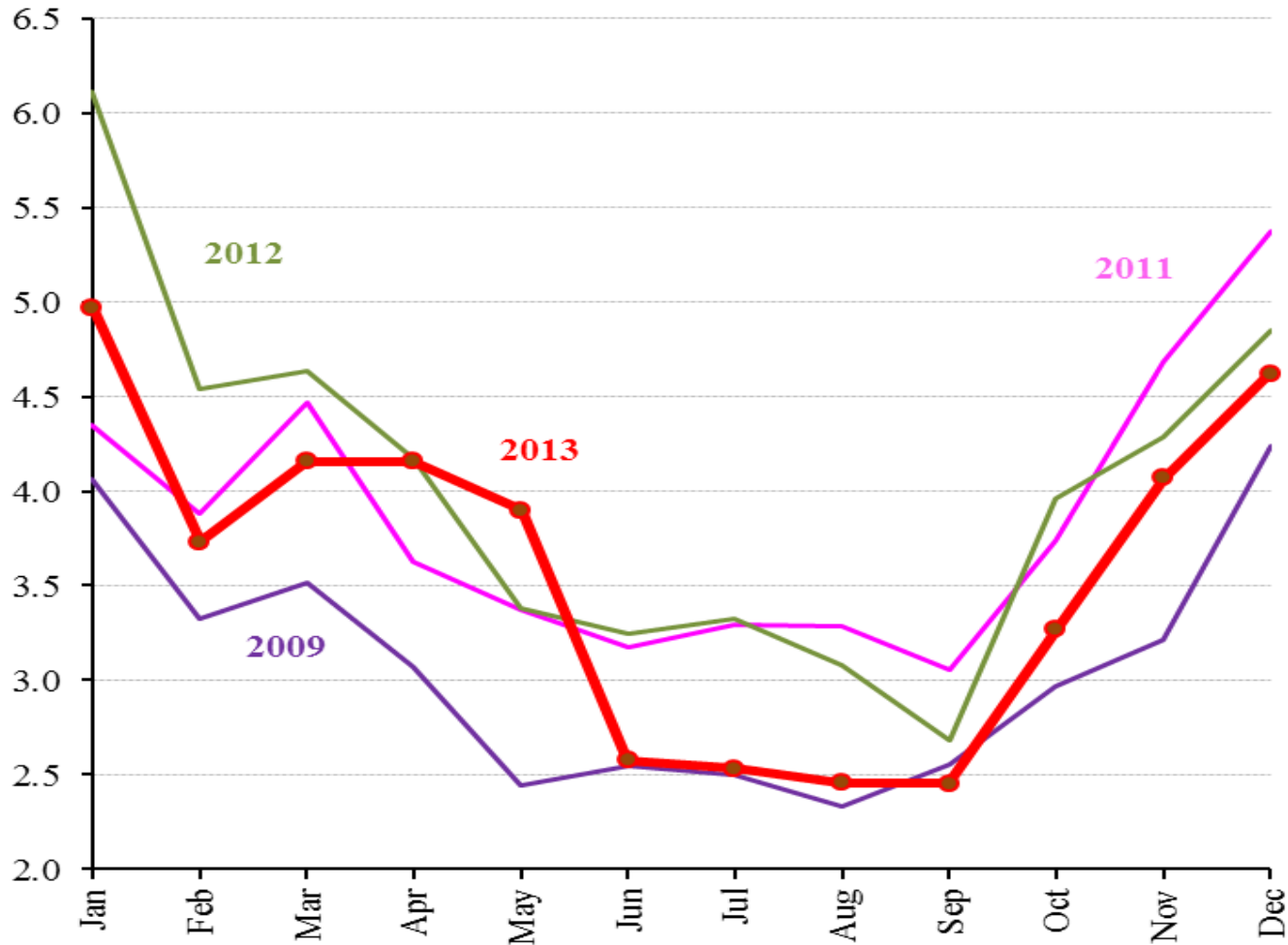


- Y-o-y growth of 1.4% in December 2013
- Y-o-y growth of 2.9% in 2013
- Forecast of 1,025,000 arrivals in 2014

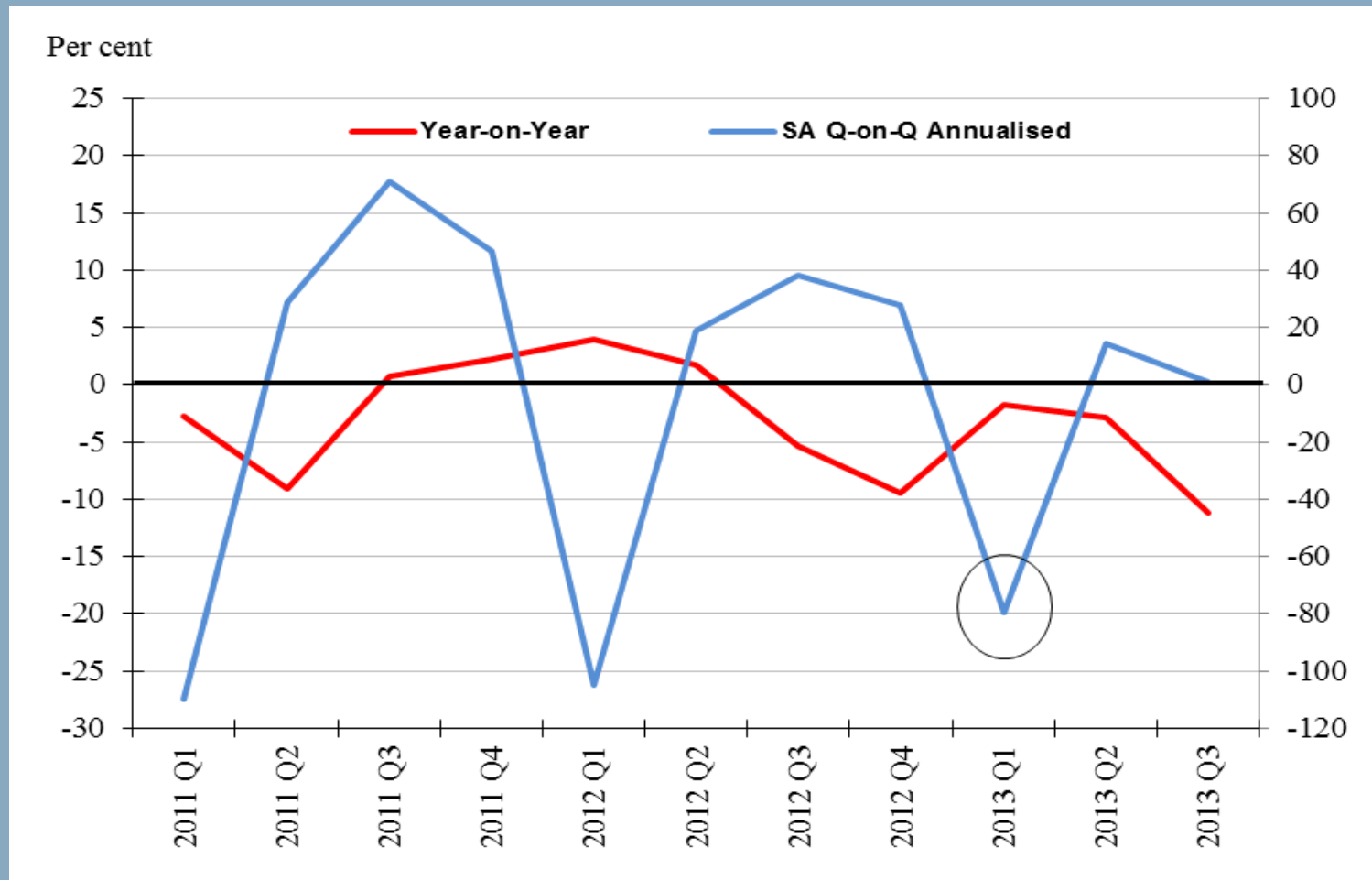
Tourist Earnings



Rs billion



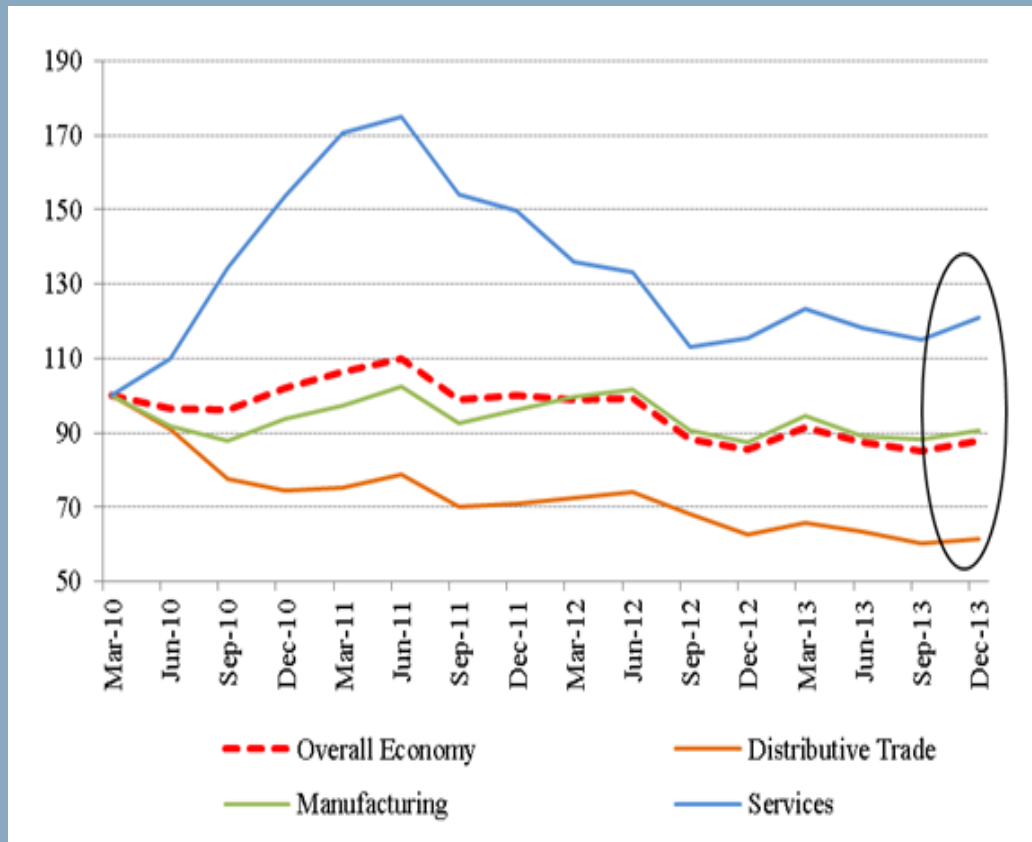
Construction



- Contraction of 9.4% estimated in 2013

MCCI Business Confidence Index

(December 2013)



- Indicator reached 88 points (↑ 2.9 points), after two consecutive quarters of decline
- All three sectors up
- Main factor: new opportunities in new markets
- 25% planning to increase their investment level over the next twelve months
- 23% considering recruiting, while 14% likely to reduce their workforce
- Survey concluded that there has been a turnaround in the economy and that economic performance will most likely be higher in 2013Q4 compared to 2012Q4.

Pluriconseil Barometer



	September-13	January-14
➤ Optimism about economic outlook (one year ahead)	• 33% of respondents	• 60% of respondents
➤ Growth	• 3.1 – 3.2% in 2013 (70% of respondents)	• 3.2%<Growth< 3.7% in 2014 (70% of respondents)
➤ Unemployment Rate	• 8.4 – 8.5% in 2013 (57% of respondents)	• 8.1 – 8.2% in 2014 (53 % of respondents)
➤ Inflation Rate	• Less than 4.0% in 2013 (50% of respondents)	• Up to 4.0% in 2014 (77% of respondents)
➤ No change in KRR	• 93% of respondents	• 83% of respondents



STAFF OUTLOOK

Key Assumptions



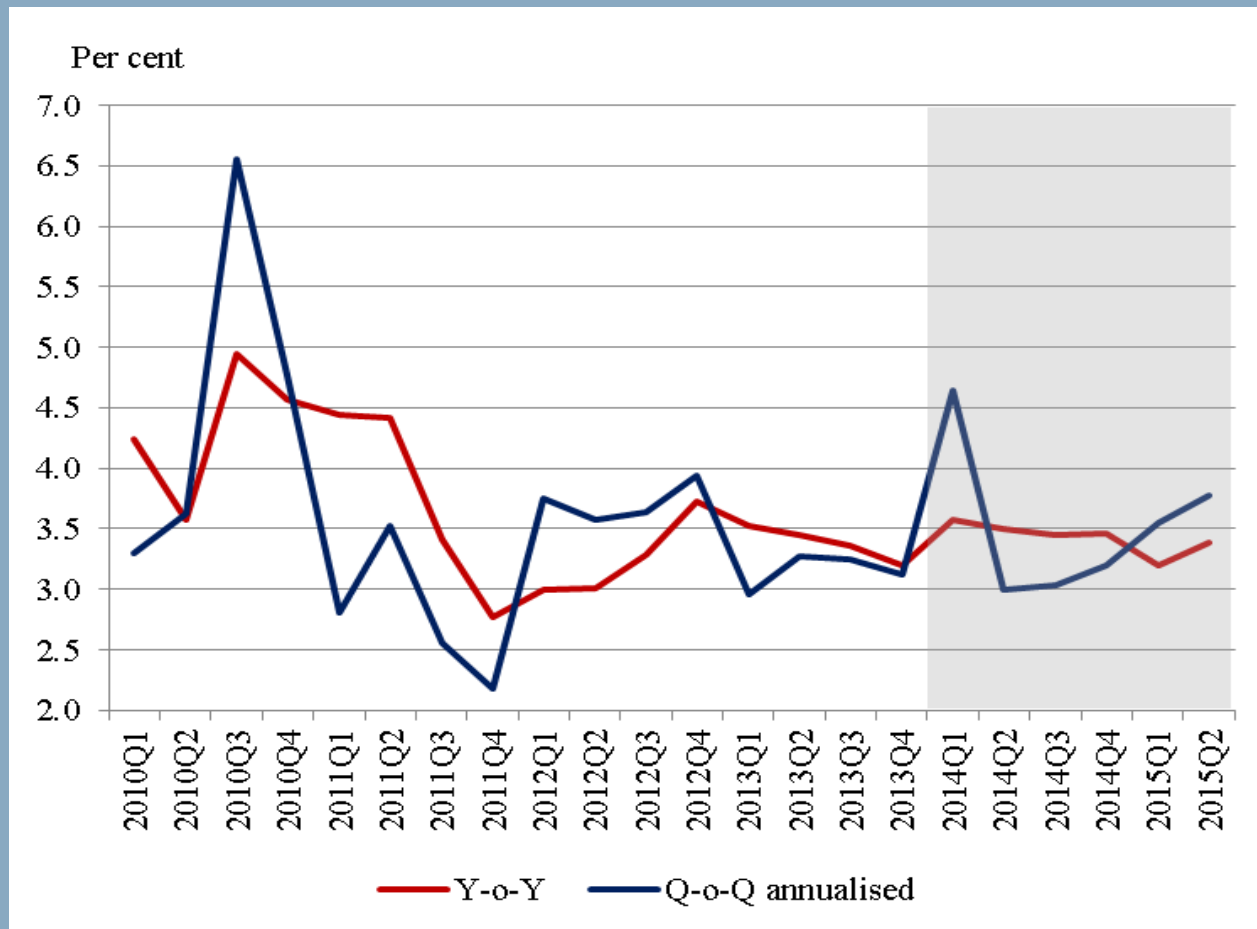
- Domestic
 - Consumption:
 - Consumers to maintain prudent stance as unemployment expected at around current levels
 - Private sector wages – possible spillover from public sector
 - Moderate consumption growth to continue
 - Investment:
 - Backdrop of fragile global economic recovery
 - Business confidence mostly subdued
 - Some firms over-leveraged – may require restructuring
 - May take time for private investment to recover significantly
 - Public investment growth affected by fiscal consolidation

Key Assumptions



- Foreign
 - Mostly stable food prices
 - Possible decrease in oil prices from increased supply but geopolitical factors may come into play
 - EIA Forecast for Brent crude oil prices: \$105.4 a barrel in 2014 and \$101.6 a barrel in 2015
 - Gradual recovery in main markets → mild increase in external demand

Improvement in Growth in 2014



- Staff forecasts: growth between 3.4-3.7% for 2014
- Main risk: Prolonged weakness in Eurozone growth impacting on domestic and external demand

Comparison of Growth Forecasts



	Growth Forecasts
IMF WEO	4.4
MCCI	3.4
MCB Focus	3.6
Pluriconseil	3.2 - 3.7
Statistics Mauritius	3.7
Budget 2014	3.8



Thank you