IMF Concludes 2013 Article IV Consultation Mission to Mauritius

January 30, 2013

An International Monetary Fund (IMF) mission led by Martin Petri visited Port Louis during January 16–30, 2013 to conduct the discussions for the 2013 Article IV consultation with Mauritius. The mission met with The Honorable Vice Prime Minister and Minister of Finance and Economic Development Xavier-Luc Duval, Governor of the Bank of Mauritius Rundheersing Bheenick, other senior government officials, as well as representatives of the National Assembly, the private sector, and civil society.

At the conclusion of the visit, Mr. Petri issued the following statement today in Port Louis:

“Prudent macroeconomic policies continued in 2012, resulting in good fiscal and inflation outcomes. The challenge in 2013 will be to accelerate growth in a still difficult external environment and to set the foundation for future growth, through increased public and private investment and productivity advances. In addition, medium-term fiscal consolidation should continue to reduce external imbalances and economic vulnerabilities. Staff projects that growth in the real gross domestic product in 2013 will increase to 3.7 percent, fueled by strong growth in fishery, information & communications technology, and financial services. Investment is likely to increase, driven by public investment projects, while private investment is expected to remain subdued.

“At around 4 percent, inflation is low at the moment, but inflationary pressures could emerge in 2013 from wage pressures in the private sector linked to the decision to increase public sector wages and from possible adjustments in some administered prices. The mission projects headline consumer price index inflation to accelerate to 5.7 percent on average in 2013 and decline thereafter. The current monetary policy stance is broadly appropriate, but the authorities should stand ready to tighten monetary conditions if inflation accelerates. The developments in the real estate sector should continue to be monitored carefully, both in terms of price and rental growth and with respect to the impact on the banking sector. Overall, the banking sector appears robust, and the financial system has proven resilient.

“The 2013 budget aims to support growth and ensure sound macroeconomic management. Compared to 2012, the overall fiscal deficit is projected to increase modestly. Given the need for debt reduction over the medium term, and the likely limited impact of a discretionary fiscal stimulus in a small open economy with a flexible exchange rate regime, staff would recommend a fully neutral fiscal stance in 2013, similar to the one achieved in 2012. The authorities’ medium-term fiscal consolidation plans are welcome to reduce external imbalances, mitigate debt vulnerabilities and rebuild policy buffers.

“The persistently large external current account deficit reflects low savings and could give rise to future vulnerabilities. This should be addressed through policies to promote national savings and foster competitiveness, which will require longer-term adjustments to reduce fiscal deficits and to help build human capital and infrastructure. These policies should be initiated soon or reinforced, and implemented steadfastly, particularly for investments and reforms related to public utilities and road decongestion. The Mauritian authorities are cognizant of these challenges and have continued their efforts to implement structural reforms to address key growth-impeding bottlenecks. In view of

Mauritius' well-established track record as an economic reformer with a dynamic private sector and robust institutions, these challenges appear manageable, but they require renewed effort.

"The IMF stands ready to assist the authorities in the implementation of their economic program, including through the provision of technical assistance, and looks forward to continued fruitful policy dialogue in the period ahead."