

INTERNATIONAL MONETARY FUND

MAURITIUS

1990 Staff Report on the Interim Article IV  
Consultation Discussions

Prepared by the Staff Representatives  
for the 1990 Interim Article IV Consultation

Approved by Jacques R. Artus and Hiroyuki Hino

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I. Introduction

The discussions for the interim Article IV consultation with Mauritius were held in Port Louis during the period April 24-May 9, 1990. The mission <sup>1/</sup> held discussions with the Deputy Prime Minister and Minister of Finance, Mr. Lutchmeenaraidoo; the Minister of Trade and Shipping, Mr. D. Gungah; the Governor of the Bank of Mauritius, Mr. Ramphul; and the Financial Secretary, Mr. Baguant. The mission also met with other senior officials from government ministries and with representatives of various public agencies and the private sector.

Mauritius is on the bicyclic consultation procedure; the last Article IV consultation discussions were held during April 20-May 4, 1989; the staff report (SM/89/135) was issued on July 5, 1989; and the consultation was concluded by the Executive Board on August 14, 1989 (EBM/89/104). On that occasion, Directors noted that economic and financial performance in 1988/89 had been less favorable than anticipated, as inflation had risen and the rate of economic growth had slowed. While noting that tight labor markets and weather-induced shortages of certain food crops had played a role, they observed that wage awards and the fiscal stimulus had been too large. Directors endorsed the policy to shift to more capital-intensive production and urged a closer linkage of wage awards to productivity, in view of the importance of maintaining competitiveness. Directors stressed the need to reduce the fiscal stimulus and underscored the contribution to be made by reducing subsidies and restoring the revenue/GDP ratio. They endorsed the authorities' intention to introduce indirect monetary controls and to strengthen bank supervision. Directors felt that continuing with a flexible exchange rate policy would be important, especially in view of the need to further increase international reserves.

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<sup>1/</sup> Consisting of Messrs. Gibson, Franks, Alter, Harris (EP), and Miss Duane (assistant) (all AFR).