

INTERNATIONAL MONETARY FUND



# Staff Country Reports

## **Mauritius: Selected Issues and Statistical Appendix**

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MAURITIUS

**Selected Issues and Statistical Appendix**

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May 8, 2002

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**ABBREVIATIONS**

ACP	African, Caribbean, and Pacific
AFR	African Department of the IMF
BOM	Bank of Mauritius
CFC	Consumption of fixed capital
CSA	Commonwealth Sugar Agreement
CSO	Central Statistics Office
EBA	Everything But Arms
ECM	Error-correction model
EEC	European Economic Community
EPZ	Export processing zone
EU	European Union
GFS	Government Finance Statistics
<i>GFSM 2001</i>	<i>Government Finance Statistics Manual 2001</i>
LIBOR	London interbank offered rate
MUR	Mauritian rupee(s)
SPSA	Special Preferential Sugar Agreement
STA	Statistics Department of the IMF
TCBS	Termination of Contracts of Service Board
TRE	Treasurer's Department of the IMF
VAR	Vector autoregression
VRS	Voluntary Retirement Scheme

Exchange rate on March 31, 2002: US\$1 = MUR 30.74

Mauritius: Social and Demographic Indicators <sup>1</sup>

<b>Population</b>		<b>Education</b>	
Population (thousands; 1999)	1,174	Adult illiteracy rate (percent; 1995)	17
Annual rate of growth (percent; average 1990-99)	1.2	Female	21
Population under age 15 (percent; 1999)	26	Male	13
Density (per square km.; 1999)	579	Gross primary school enrollment (percent; 1999) <sup>2/</sup>	105
Land area (square km.)	2,040	Gross secondary school enrollment (percent; 1999) <sup>2/</sup>	58
<b>Population characteristics</b>		<b>Income</b>	
Life expectancy at birth (years; 1999)		GDP per capita (U.S. dollars; 1999/2000) <sup>3/</sup>	3,640
Male	67	Poverty	
Female	75	Head count index (percent of population; 1989-94)	5
Infant mortality (per thousand; 1999)	19	<b>Health</b>	
Crude birth rate (per thousand; 1999)	17	Health care access (percent of population; 1991)	99
Crude death rate (per thousand; 1999)	7	Immunization for measles (percent of population less than 12 months; 1995)	85
Fertility rate (births per woman; 1998)	2	Population per physician (1999)	1,107
<b>Labor force</b>		Population per hospital bed (1999)	294
Total (thousands, including foreigners; 1999)	530	Safe water access (percent of population; 1993)	100
Of which: female (percent; 1999)	35	Sanitation access (percent of population; 1993)	100
Annual growth rate (percent; average 1995-99)	2		
Sugar workers (percent of total employment; 1999)	7		
Export processing zone workers (percent of total employment; 1999)	18		

Sources: Central Statistics Office; IMF, *International Financial Statistics*; World Bank, *World Development Indicators*, 2000; and World Bank, Country Assistance Strategy of the World Bank Group for the Republic of Mauritius, 1997.

<sup>1/</sup> The Republic of Mauritius consists of the islands of Mauritius and Rodrigues, and two very small "outer" islands. Population density varies greatly among these.

<sup>2/</sup> Gross enrollment ratio is the ratio of total enrollment, regardless of age, to the population of the age group that officially corresponds to the level of education shown.

<sup>3/</sup> Fiscal year July to June.

## I. THE MAURITIAN LABOR MARKET <sup>1</sup>

1. Despite strong economic growth, the unemployment rate in Mauritius has been steadily rising during the past decade and now stands at about 9 percent. Adding to this paradox, the increase in unemployment has occurred alongside an influx of foreign workers to firms in the export processing zone (EPZ). As shown in the table below, although total employment increased by 16.5 percent over the period 1990-2001, this rise was insufficient to offset a 24.4 percent increase in the labor force. Consequently, the unemployment rate rose from 2.8 percent in 1990 to 9.0 percent in 2001—9.2 percent if one excludes foreign workers from the base.<sup>2</sup>

2. Mauritian unemployment figures are derived from incomplete data. Annual surveys of employment and earnings give a reliable picture of conditions in “large establishments” with ten or more workers. Figures for unemployment and for employment outside these large establishments, however, are less certain. Past estimates have been based on a labor force survey carried out in 1995 and on population censuses carried out in 1983, 1990, and 2000. The long gaps between these surveys have proved problematic, as evidenced by the substantial revisions that have been made each time a new census or survey data has become available. Even in census years, the official unemployment figures are uncertain. The Mauritian Central Statistics Office is of the view that there is a tendency for people to falsely declare themselves as unemployed.<sup>3</sup> Consequently, census figures for unemployment have typically been adjusted downward.

Population, Labor Force, and Employment (In thousands of persons, unless otherwise noted)			
	1990	2001 Prov.	Percent Change
Population aged 12+ years	808.0	951.2	17.7
Labor force <sup>1</sup>	433.0	538.5	24.4
Employment <sup>1</sup>	420.8	490.3	16.5
Of which: EPZ	84.7	90.8	7.3
Of which: foreign	0.0	16.5	...
Unemployment	12.2	48.2	295.1

Source: Central Statistics Office, *Digest of Labour Statistics*.

<sup>1</sup> Includes foreign workers.

3. Preliminary results of the 2000 census reveal that the prevalence of unemployment is highly centered on the young, whose unemployment rates are about three times higher than

<sup>1</sup> Prepared by Tobias Rasmussen.

<sup>2</sup> For additional studies of the Mauritian labor market see, Jesko Hentschel, “Unemployment in Mauritius,” (unpublished, Washington: World Bank, 2002); Alan Gelb and Gene Tidrick, “Growth and Job Creation in Africa,” in *Strategies for Growth and Job Creation in Southern Africa: Report on the Proceedings of a Southern African Conference* (Gaborone: FES/World Bank, May 2000); and Wolfgang Lutz, ed., *Population, Development, Environment: Understanding Their Interactions in Mauritius*, (Berlin: Springer-Verlag, 1994).

<sup>3</sup> The false responses to questions regarding employment and income might be explained by the hope of receiving some current or potential unemployment benefit. In the case of people engaged in the informal sector, they may not wish to acknowledge their employment and income, because of fear that the questionnaire may be used for tax collection purposes.



the average (Table I.1). This aspect of the unemployment problem is also seen in the fact that 67.6 percent of the unemployed have never held a job. Another striking feature is that, among those who have not completed primary school the unemployment ratio for males is significantly higher than for females, even though the reverse is true at the level of the overall labor force. Finally, the census shows that the people of Rodrigues Island, especially women, are much more likely to be unemployed than the average.

### **A. Origins of the Unemployment Problem**

4. The high level of youth unemployment points to deficiencies in education and training. There are also significant rigidities in the functioning of the labor market that aggravate the problem. In particular, the Mauritian labor market is highly regulated and the relevant institutions operate according to a legalistic approach in which economic criteria play a relatively minor role. High unemployment benefits, in contrast, do not appear to be part of the problem. While such benefits do exist, they are very limited, and many of the unemployed depend on their extended family for support or are engaged in work in the informal sector.

5. At its core, the present system of wage determination relies on centralized tripartite discussions that are held around April-May of each year and involve the government, trade unions, and representatives of private sector employers. The tripartite system results in an annual minimum wage increase that is mainly determined on the basis of the projected inflation rate of the fiscal year ending in June, and that applies to all employers for the following fiscal year starting in July. Wage increases at the lower end of the pay scale are expressed in percentage terms by an amount that has historically been close to the rate of inflation. Wage increases at the higher end of the pay scale are fixed in Mauritian rupees, with the percentage increase for those at the high end of the pay scale much smaller than for those at the low end. Over the past two decades, the average compensation increase given by the tripartite system has almost always been below the level of inflation on which it was based (Table I.2). Individual employers are, however, free to adjust wages by more than the minimum, and this is often done, especially for the higher pay brackets. The higher percentage increase given to low wages within the tripartite system has nevertheless contributed to a compression of the wage structure, particularly in the civil service, and may also have been a source of a drift in the overall wage level.

6. On top of the tripartite system, a number of institutional bodies specified in the Industrial Relations Act are authorized to address anomalies in the wage structure and settle labor disputes. Cases may, in principle, be heard on the basis of requests from any of the parties, but in practice private sector employers never make such requests, as the system is regarded as being biased in favor of workers. In the private sector, the National Remuneration Board hears such claims and makes recommendations for minimum wages and other conditions of employment by sector and by occupational category. The National Remuneration Board's recommendations may be signed into law or brought before the Permanent Arbitration Tribunal for review. The Pay Research Bureau and the Civil Service

Table I.1. Mauritius: Labor Force and Unemployment, 2000 <sup>1</sup>  
(In persons, unless otherwise indicated)

	Total Labor Force			Unemployed			Unemployed (In Percent) <sup>2</sup>		
	Female	Male	Total	Female	Male	Total	Female	Male	Total
Total	173,079	341,306	514,385	17,567	30,528	48,095	10.1	8.9	9.4
By education									
Did not complete primary school	71,270	132,009	203,279	5,417	12,849	18,266	7.6	9.7	9.0
Completed primary school and more	101,809	209,297	311,106	12,150	17,679	29,829	11.9	8.4	9.6
By age									
24 years or less	38,397	69,036	107,433	10,106	19,893	29,999	26.3	28.8	27.9
Of which: did not complete primary school	10,724	27,065	37,789	2,389	7,999	10,388	22.3	29.6	27.5
25 years or more	134,682	272,270	406,952	7,461	10,635	18,096	5.5	3.9	4.4
By residence									
Island of Mauritius	168,233	331,647	499,880	15,934	28,700	44,634	9.5	8.7	8.9
Island of Rodrigues	4,846	9,659	14,505	1,633	1,828	3,461	33.7	18.9	23.9

Source: Central Statistics Office; and IMF staff estimates.

<sup>1</sup> Including foreign workers.

<sup>2</sup> In percent of the labor force in the same group.

Table I.2. Mauritius: Wage Increases Granted Under the Tripartite System, 1979/80-2000/01 <sup>1</sup>

(In Percent)

Year	Average Compensation Rate		Inflation Rate
	Private Sector	Country	
1979/80	9.3	...	33.0
1980/81	14.1	...	26.5
1981/82	6.8	...	13.4
1982/83	6.5	...	7.4
1983/84	4.8	...	5.6
1984/85	7.6	...	8.3
1985/86	4.0	...	4.3
1986/87	10.0	...	0.7
1987/88	0.0	...	1.5
1988/89	12.0	...	16.0
1989/90	8.8	...	10.7
1990/91	7.6	...	12.8
1991/92	3.7	2.9	2.9
1992/93	6.3	5.4	8.9
1993/94	6.5	5.5	9.4
1994/95	4.2	3.7	6.1
1995/96	4.0	3.2	5.8
1996/97	4.8	4.4	7.9
1997/98	4.0	3.4	5.4
1998/99	4.7	4.0	7.9
1999/00	3.3	2.8	5.3
2000/01	3.0	2.6	4.4

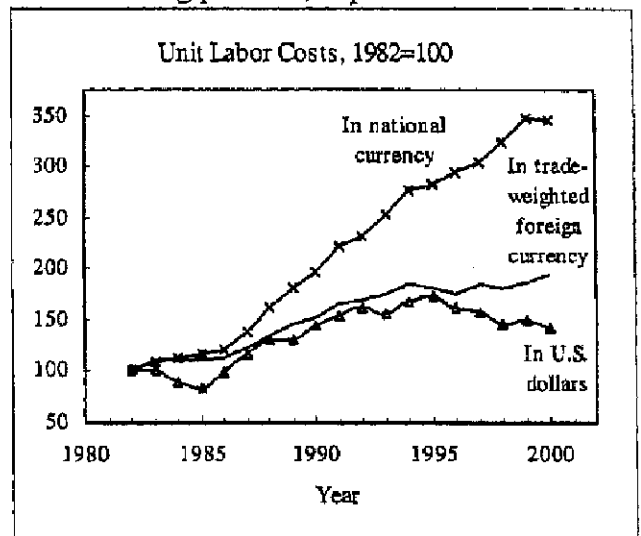
Source: Mauritius Employers' Federation.

<sup>1</sup> Fiscal year from July to June.

Arbitration Tribunal perform similar functions for the public sector. These institutions have awarded pay increases only infrequently, but the awards have been quite large, typically in excess of 10 percent (Table I.3).

7. There are significant restrictions on the ability of employers to adjust employment levels. Any reduction in the workforce of a private or a parastatal enterprise requires advance notice to the Minister of Labour and Industrial Relations, and many cases end up before the Termination of Contracts of Service Board (TCSB). Until the TCSB reaches a conclusion, layoffs are difficult to carry out and subject to punitive severance allowances. The TCSB process is slow, taking typically more than one year to resolve. It may lead to the layoff being declared unjustified, in which case the employer is required to pay the worker six times the normal allowance or reinstate the worker to his or her former position.

8. The developments in prices, employment, and output shown in Statistical Appendix Table 18 suggest an inflationary pressure from the wage-setting process. While prices in Mauritius have been growing faster than those of its trading partners, depreciation of the currency has kept the real effective exchange rate broadly unchanged, albeit with substantial year-to-year variation. From 1990 to 2000, compensation rose at an average rate of 9.7 percent per year while output, labor productivity, and consumer prices grew by 6.6 percent, 3.7 percent, and 6.6 percent, respectively. The fact that average compensation levels have risen faster than productivity is reflected in increasing unit labor costs. The widening gap between unit labor cost in national currency and unit labor cost converted to foreign currency reflects the continued depreciation of the Mauritian rupee. The country has thus relied on changes in the exchange rate to compensate for high wage growth.



## B. The Export Processing Zone

9. The EPZ stands out by not being subject to many of the rules and regulations that apply to the labor market in the rest of the economy, notably the laws that limit firms' freedom to lay off workers. Also, workers in the EPZ are typically paid on a piecework basis, so that income is more directly tied to productivity than is the case in the rest of the economy. The relatively flexible business environment has meant that the EPZ has been an attractive place in which to invest. Labor productivity growth has also been strong in the EPZ, and its output growth has been above the economy's average.

Table I.3. Mauritius: Wage Increases Granted by the National Remuneration Board  
and Pay Research Bureau, 1983-96 <sup>1</sup>

	(In percent)											
	1983	1985	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
Industry												
Sugar industry	M: 7.4 F: 20.0		15.0			18.0						
Factory workers					10.0							
EPZ		11.0	15.0									
Catering			8.0									
Bus				22.0			15.0			14.0		
Construction										35-73		
Tea		M: 5.5 F: 6.0						M: 38.0 F: 51.0				
Distributive trades	13.0						28.0					
Electrical, engineering and mechanical workshops												21.0
Animal farming							M: 36.0 F: 47.0					
Attorneys' and notaries' employees												28-106
Fieldcrop and orchard workers							M: 20.0 F: 51.0					
Light metal and wooden furniture									19-38			
Road haulage								10.0				
Salt manufacturing industry												25-35
Security guards								15.0				
Messengers	7.6					20.0		36.0				
Printing												15-52

Source: Mauritius Employers' Federation.

<sup>1</sup> Male (M); Female (F).

10. While overall employment in the EPZ in recent years has been broadly stable, there has been a substantial increase in the number of foreign workers, which stands in stark contrast to the rise in unemployment. Hardly present a decade ago, foreign guest workers, almost all of whom are employed in the EPZ, now number some 16,500—about half as many as the increase in the unemployed over the same period. The foreign workers are predominantly Chinese contract workers in the textile industry. Mostly women, these workers typically come to Mauritius on three-year contracts, with backgrounds that include three years of vocational training and a few of years of work experience in the textile industry.

11. A number of factors may explain the surge in the number of foreign workers. First, reportedly, Mauritian workers increasingly view employment in the EPZ sector as unattractive, with wages generally lower than the national average, limited opportunity for advancement, and low job security. Consequently, there is little demand for jobs in the EPZ, and firms have difficulties filling vacant positions. Second, the Mauritians that work in the EPZ are seen as less productive than the foreign laborers, who are better trained and more eager to maximize their earnings, for example, by working overtime. Finally, the nature of the fixed-term contracts of foreign workers provides additional flexibility to employers in their efforts to match the workforce to their companies' staffing needs.

## II. THE NEW FISCAL DATA FRAMEWORK<sup>4</sup>

### Policy Overview

The new fiscal data presentation outlined in this chapter highlights the increasing liquidity constraints and weakened fiscal sustainability position of the central government budget. The increase in net borrowing presents a particular fiscal challenge because of the persistent difference between saving and investment, as represented by the consistently negative ratio of the gross operating balance to the net acquisition of nonfinancial assets. This gap widened significantly in 2000/01 (July–June) (-200 percent), compared with 1999/2000 (-45 percent). In 2000/01, most of the financing for government operations and investment came from the one-off sale of equity.

The integrated presentation of flows and stocks reflected in the balance sheet underlines the deterioration in net worth, which is projected to continue. Furthermore, the liabilities-to-assets ratio has been increasing and is projected to remain above 110 percent. The fiscal authorities might benefit from an analysis of the real rate of return on investments made possible by these borrowed resources. In addition, if net worth continues to decline, access to financing could become more expensive, and this could have adverse cash-flow implications and add pressure for fiscal adjustment measures.

While these policy implications are suggested by the new fiscal data presentation, it is important to stress the preliminary nature of the data. Further work is needed to confirm data reclassifications and to fill gaps identified by this exercise.

<sup>4</sup> Prepared by Ethan Weisman.

## A. Introduction

12. This note is the first attempt by the IMF staff to apply the *Government Finance Statistics Manual 2001 (GFSM 2001)* framework to present the fiscal data of a member country. The exercise uses the budgetary central government data of Mauritius. A comparison is made between the old presentation by the African Department of the IMF of fiscal data for Mauritius (as in the Article IV consultation staff report) and the new presentation, consisting of the three main *GFSM 2001* tables showing a "Statement of Sources and Uses of Cash," a "Statement of Government Operations," and a "Balance Sheet." The results of the exercise are summarized in subsection C and the note concludes with suggestions for further work.

13. The *GFSM 2001* was issued in December 2001, updating the international standard methodology and presentation for government finance statistics (GFS).<sup>5</sup> The new methodology introduces an integrated presentation of fiscal operations (flows) with corresponding balance sheets (stocks). The *GFSM 2001* incorporates many of the adjustments currently undertaken for fiscal policy analysis in IMF staff reports. To improve the recording of resources received and used, the *GFSM 2001* also is based on accrual accounting principles. For most countries, the full set of accounting and statistical standards, especially accrual accounting, will take years to implement. However, as an initial step, many countries can take existing (mostly cash-based) data and reformat the information using the *GFSM 2001* framework.<sup>6</sup> Perhaps the most innovative and useful contribution of this new presentation is the clear nexus that it establishes between the government's operations in the short term and long-term fiscal sustainability measured through the change in the net worth of government.

14. The data and findings are illustrative and preliminary, and should be used with caution. The data have not been recompiled; the broad categories readily available to the IMF staff merely have been reclassified. Therefore, the numerical results are only demonstrative; further work would be needed to clarify whether the source data and subclassifications could be bridged more accurately into the new set of GFS tables. However, the analyses permitted by these GFS tables could apply to any level of government or the consolidated public sector. The analytical usefulness of this presentation should encourage further statistical work in this area.

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<sup>5</sup> An electronic version of the *GFSM 2001* can be found on <http://www.imf.org/external/pubs/ft/gfs/manual/index.htm>

<sup>6</sup> During a July 2001 STA mission, IMF staff held preliminary discussions with the authorities and presented a seminar on the *GFSM 2001*. In January 2002, the authorities received follow-up technical assistance from the IMF on GFS to assist with the compilation of the consolidated nonfinancial public sector. During that mission, further discussions were held on *GFSM 2001* implementation.

## **B. Budgetary Central Government Accounts**

### **Fiscal data as presented in the staff report**

15. Fiscal data on the budgetary central government are reported in the 2002 Article IV consultation staff report and this accompanying selected issues and statistical appendix paper, using the old presentation (Statistical Appendix Table 21). In short, the overall deficit (including grants) shrank from over 7 percent of GDP in 1995/96-1996/97 to below 3½ percent of GDP by 1998/99, due to increased revenue (especially collection of value-added tax, VAT), restrained expenditure (wages and capital), and negative net lending (because of repayments of government liabilities called floating rate notes). However, this overall deficit widened sharply in 2000/01 to just over 5½ percent of GDP because of lower import duties and smaller VAT collection, and larger interest payments. These deficits were financed primarily from nonbank domestic sources. In 2000/01, the deficit was financed mainly by the sale of equity in state-owned enterprises (shown in a special financing line). However, it is not immediately evident from the table whether the central government faces liquidity constraints or fiscal sustainability issues; also, the extent to which current operations are alleviating or contributing to these pressures is not clear.

### **Fiscal presentation using the *GFSM 2001* analytical framework**

#### ***Cash statement: studying liquidity constraints***

16. Fiscal policy decision makers and advisors need to know whether the government faces an immediate liquidity constraint. The most straightforward answer comes from the net change in the stock of cash, shown explicitly in the *GFSM 2001* cash statement ("Statement of Sources and Uses of Cash," Table II.1). The budgetary central government reduced its stock of cash to about MUR 440 million in 2000/01 from about MUR 610 million in 1995/96.

17. Where has the cash gone? The statement on the sources and uses of cash shows that, in recent years, the net outflow from operating activities (cash receipts minus payments) has been about MUR 1-2 billion per year, and just below MUR 6 billion in 2000/01. Cash spending to acquire nonfinancial (fixed) assets has been roughly MUR 2-3 billion per year. Together, these cash deficits have usually been around MUR 4 billion per year and reached MUR 8.7 billion in 2000/01.

18. The financing activities that generated cash generally offset cash outflows only in 1998/99 (when domestic liabilities issued were large) and in 2000/01 (when significant amounts of domestic financial assets were sold). Foreign creditors generally have been repaid during this period. Based on the data, the liquidity constraint appears to have become increasingly severe. The situation could become more difficult if the budgetary central government is unable to find willing domestic (or foreign) creditors at affordable rates and economically attractive domestic financial asset sales have been exhausted.



Table II.1. Mauritius: Central Government - Statement of Sources and Uses of Cash, 1995/96-2000/01 1/  
(In millions of Mauritian rupees)

<i>GFSM 2001</i> Descriptors	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01 Prel.
<b>Cash flows from operating activities</b>						
<b>Cash receipts from operating activities (Inflows +)</b>	<b>12,833</b>	<b>16,474</b>	<b>18,501</b>	<b>21,329</b>	<b>23,500</b>	<b>22,707</b>
Taxes	11,488	14,001	15,686	17,900	20,373	20,189
Social contributions	0	0	0	0	0	0
Grants	221	63	217	135	161	199
Other receipts	1,124	2,410	2,599	3,294	2,966	2,318
<b>Cash payments for operating activities (outflows -)</b>	<b>-15,425</b>	<b>-18,259</b>	<b>-20,062</b>	<b>-22,940</b>	<b>-24,777</b>	<b>-28,523</b>
Compensation of employees	-5,293	-5,897	-6,508	-7,457	-7,763	-8,181
Purchases of goods and services	-1,719	-2,132	-1,920	-2,180	-2,354	-2,735
Interest	-2,332	-2,875	-3,503	-3,626	-3,856	-5,527
Subsidies	-827	-1,063	-1,306	-1,641	-2,008	-2,231
Grants	-658	-709	-679	-744	-763	-798
Social benefits	-3,802	-4,731	-5,263	-6,245	-6,891	-7,364
Other payments	-795	-852	-883	-1,047	-1,141	-1,686
Net cash inflow (+) from operating activities	-2,593	-1,785	-1,561	-1,611	-1,277	-5,816
<b>Cash flows from investments in nonfinancial assets</b>						
<b>Purchases of nonfinancial assets (cash outflows -)</b>	<b>-1,783</b>	<b>-2,091</b>	<b>-1,810</b>	<b>-2,617</b>	<b>-2,866</b>	<b>-2,898</b>
Fixed assets	-1,653	-1,998	-1,695	-2,581	-2,808	-2,813
Strategic assets	0	0	0	0	0	0
Valuables	0	0	0	0	0	0
Nonproduced assets	-130	-93	-115	-36	-58	-84
<b>Sales of nonfinancial assets (cash inflows +)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Fixed assets	0	0	0	0	0	0
Strategic assets	0	0	0	0	0	0
Valuables	0	0	0	0	0	0
Nonproduced assets	0	0	0	0	0	0
Net cash outflow (-) from investments in nonfinancial assets	-1,783	-2,091	-1,810	-2,617	-2,866	-2,898
<b>Cash surplus (+)/deficit (-) 2/</b>	<b>-4,376</b>	<b>-3,876</b>	<b>-3,371</b>	<b>-4,227</b>	<b>-4,143</b>	<b>-8,714</b>
<b>Cash flows from financing activities</b>						
<b>Net acquisition of financial assets other than cash (cash outflows -)</b>	<b>-960</b>	<b>-1,536</b>	<b>-252</b>	<b>705</b>	<b>-167</b>	<b>8,674</b>
Domestic	-960	-1,536	-252	705	-167	8,674
Foreign	0	0	0	0	0	0
<b>Net acquisition of liabilities (cash inflows +)</b>	<b>5,235</b>	<b>5,539</b>	<b>3,324</b>	<b>3,555</b>	<b>4,439</b>	<b>-118</b>
Domestic	2,861	5,341	3,599	4,725	4,949	3,466
Foreign	2,374	198	-275	-1,170	-510	-3,584
Net cash inflow (+) from financing activities	4,275	4,003	3,072	4,260	4,272	8,556
<b>Net change in the stock of cash 3/</b>	<b>-101</b>	<b>126</b>	<b>-299</b>	<b>33</b>	<b>129</b>	<b>-157</b>
<b>Memorandum item:</b>						
<b>The stock of cash (end of the fiscal year) 4/</b>	<b>610</b>	<b>737</b>	<b>438</b>	<b>470</b>	<b>599</b>	<b>442</b>

Sources: Mauritian authorities; and IMF staff estimates.

1/ Fiscal year from July to June. Including Privatization Fund; assumes that the values recorded by the IMF African Department are on a cash basis only.

2/ Net cash inflow from operating activities less the cash outflow from investments in nonfinancial assets.

3/ Cash surplus/deficit plus the net cash inflow from financing activities.

4/ Assumes the stock of cash equaled zero at the end of fiscal-year 1973/74.

### *Government operations*

19. Conceptually similar to the “overall balance” in the old presentation, the *GFSM 2001* government operations table (Table II.2) shows “net lending/borrowing,” which can be measured based on financial transactions or on transactions in revenue, expense, and the net acquisition of nonfinancial assets. Net lending/borrowing shows the extent to which the government absorbs or provides financial resources to the rest of the economy.

20. The table shows that the budgetary central government has been absorbing financial resources (net borrowing), and that this absorption increased sharply in 2000/01 to 7 percent of GDP (compared with 3½ percent of GDP in the previous fiscal year). This is a more pronounced deterioration than presented in the staff report table because “net lending minus repayments” are reclassified in the *GFSM 2001* framework so that the old “overall balance” excluding “net lending minus repayments” is equal to *GFSM 2001* net lending/borrowing.<sup>7</sup> In 2000/01, net repayments were classified as the disposal of domestic financial assets, thereby increasing net borrowing.

21. The *GFSM 2001* presentation clearly displays the financing of this net borrowing in 2000/01. Foreign financing is identical in both presentations (representing reductions in liabilities to foreign creditors equivalent to almost 3 percent of GDP in 2000/01). Relative to the old presentation, the *GFSM 2001* government operations table shows more clearly that the domestic financing is split between the net acquisition of domestic financial assets and the incurrence of domestic liabilities, thus potentially highlighting the future availability of these financing resources. Specifically, it shows the relatively large disposal of domestic financial assets (about 7 percent of GDP) in 2000/01 and the incurrence of domestic liabilities (especially in 1996/97). While the *GFSM 2001* government operations table highlights the disposal of financial assets, the old presentation needs a special line to show the disposal of domestic financial assets (“Sale of equity in state-owned enterprises and residual”).

22. The gross operating balance is an equally important balancing item in the *GFSM 2001* framework. The gross operating balance shows the changes in net worth of the budgetary central government due to transactions.<sup>8</sup> After narrowing from 3½ percent of

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<sup>7</sup> Current and capital expenditures are reclassified under the *GFSM 2001* framework among expense and the net acquisition of nonfinancial assets classifications. Expenditure by the Privatization Fund was assumed to be used to acquire fixed assets, and the sale of equity in state-owned enterprises was classified as the disposal of equity (financial assets).

<sup>8</sup> Changes in net worth attributable to holding gains and losses (such as revaluation and natural disasters) and other changes in the volume of assets and liabilities should be recorded separately in the “Other Economic Flows” account (see the discussion of the balance sheet).

Table II.2. Mauritius: Statement of Central Government Operations, 1995/96-2000/01

GFS code	GFS Descriptors	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01 Prel.
<b>Transactions affecting net worth</b>		(In millions of Mauritian rupees)					
1	Revenue	12,832	16,475	18,591	21,329	23,590	22,707
11	Taxes	11,488	14,001	15,686	17,900	20,373	20,189
111	Taxes on income, profits and capital gains	1,973	2,287	2,409	2,700	2,881	3,039
112	Taxes on payroll and workforce	0	0	0	0	0	0
113	Taxes on property	895	976	1,102	1,289	1,206	1,324
114	Taxes on goods and services	3,710	5,157	6,007	8,065	9,339	9,466
115	Taxes on international trade and transactions	4,899	5,570	6,157	5,973	6,935	6,349
116	Other taxes	11	11	12	13	12	11
12	Social contributions	81	92	101	114	120	123
13	Grants	221	63	217	135	161	199
14	Other revenue	1,043	2,319	2,498	3,180	2,846	2,195
141	Property income	646	1,954	2,074	2,246	1,862	1,660
2	Expense	15,425	18,259	20,062	22,940	24,777	28,523
21	Compensation of employees (GFS)	5,293	5,897	6,508	7,457	7,763	8,181
22	Use of goods and services	1,719	2,132	1,920	2,180	2,354	2,735
23	Consumption of fixed capital (GFS)	0	0	0	0	0	0
24	Interest (GFS)	2,332	2,875	3,503	3,626	3,856	5,527
241	To nonresidents	301	473	512	501	453	401
242	To residents other than general government	2,031	2,402	2,992	3,125	3,403	5,125
25	Subsidies	827	1,063	1,306	1,641	1,008	2,231
251	To public corporations	70	120	175	312	313	315
252	To private enterprises	757	943	1,131	1,329	1,695	1,916
26	Grants	658	709	679	744	763	798
27	Social benefits (GFS)	3,802	4,731	5,263	6,245	6,891	7,364
271	Social security benefits	1,612	2,235	2,508	2,933	3,260	3,566
272	Social assistance benefits	1,266	1,430	1,547	1,928	2,012	2,118
273	Employer social benefits	924	1,066	1,208	1,384	1,619	1,680
28	Other expense	795	852	883	1,047	1,141	1,686
	Gross operating balance 1/	-2,593	-1,784	-1,561	-1,611	-1,277	-5,816
<b>Transactions in nonfinancial assets</b>							
31	Net acquisition of nonfinancial assets 2/	1,783	2,091	1,810	2,617	2,866	2,898
311	Fixed assets	1,653	1,998	1,695	2,581	2,808	2,813
314	Nonproduced assets	130	93	115	36	58	84
	Net lending/borrowing (GFS) 3/	-4,376	-3,876	-3,371	-4,227	-4,143	-8,714
<b>Transactions in financial assets and liabilities (financing)</b>							
32	Net acquisition of financial assets	859	1,663	-47	-672	296	-8,831
321	Domestic	859	1,663	-47	-672	296	-8,831
3212	Currency and deposits	-101	126	-299	33	129	-157
3214	Loans	960	2,284	252	-705	167	-1,574
3215	Shares and other equity	0	-748	0	0	0	-7,100
322	Foreign	0	0	0	0	0	0
33	Net acquisition of liabilities	5,235	5,538	3,324	3,655	4,439	-118
331	Domestic	2,861	5,340	3,599	4,725	4,949	3,466
3313	Securities other than shares	1,708	4,216	2,374	5,721	2,133	4,581
3314	Loans	1,155	1,114	1,332	-1,338	2,708	-1,116
3318	Other accounts payable	-3	10	-107	543	108	0
332	Foreign	2,374	198	-275	-1,170	-510	-3,584
3324	Loans	2,374	198	-275	-1,170	-510	-3,584
(In percent of GDP, unless otherwise indicated)							
1	Revenue	17.3	19.7	19.6	20.1	20.9	18.2
2	Expense	20.8	21.8	21.3	21.6	22.1	22.9
	Gross operating balance 1/	-3.5	-2.1	-1.7	-1.5	-1.1	-4.7
	Primary gross operating balance	-0.4	1.3	2.1	1.9	2.3	-0.2
31	Net acquisition of nonfinancial assets 2/	2.4	2.5	1.9	2.5	2.6	2.3
	Net lending/borrowing (GFS) 3/	-5.9	-4.6	-3.6	-4.0	-1.7	-7.0
32	Net acquisition of financial assets	1.2	2.0	0.0	-0.6	0.3	-7.1
33	Net acquisition of liabilities	7.0	6.6	3.5	3.4	4.0	-0.1
331	Domestic	3.8	6.4	3.8	4.5	4.4	2.8
332	Foreign	3.2	0.2	-0.3	-1.1	-0.5	-2.9
<b>Memorandum items:</b>							
	GDP at market prices (millions of Mauritian rupees)	74,305	83,763	94,167	106,042	112,290	124,665
	Gross operating balance/Net acquisition of nonfinancial assets (ratio)	-1.45	-0.85	-0.86	-0.62	-0.45	-2.01

Sources: Mauritian authorities; and IMF staff estimates.

1/ Fiscal year from July to June. The net operating balance equals revenue minus expense, when expense includes the consumption of fixed capital.

The gross operating balance equals revenue minus expense other than consumption of fixed capital.

2/ Acquisitions minus disposals and consumption of fixed capital.

3/ Net lending/borrowing equals the net operating balance minus the net acquisition of nonfinancial assets. It is also equal to the net acquisition of financial assets minus the net incurrence of liabilities.

GDP to about 1 percent of GDP during 1995/96-1999/2000, the gross operating deficit expanded to over 4½ percent of GDP in 2000/01, reflecting a decline in revenue (especially taxes on international trade and property income) and an increase in expense (mainly interest payments). If information on the consumption of fixed capital (CFC) were available, the net operating balance could be calculated (the gross operating balance minus the CFC), and this would show even larger deficits.<sup>9</sup> The primary gross operating balance (i.e., the gross operating balance excluding interest payments) has been in surplus (near 2 percent of GDP) since 1996/97, but turned slightly negative in 2000/01 because of the decline in revenue.

23. Measuring the gross operating balance separately is important because it excludes the net acquisition of nonfinancial assets. In turn, the net acquisition of nonfinancial assets simply reflects a shift in the asset holdings of the central government (for example, the use of cash to purchase machines).

24. The ratio of the gross operating balance to the net acquisition of nonfinancial assets shows the extent to which government operations lead to saving (or dissaving) that can be invested (or needs to be financed). The negative ratio reported in the government operations table means that additional financing was required to afford government operations and investment. Moreover, this ratio worsened from -45 percent in 1999/2000 to about -200 percent in 2000/01. It also could be calculated using an "own-resources" operating balance, in order to emphasize this gap (by subtracting grants from foreign governments and international organizations).<sup>10</sup>

25. The need to find additional financing should make investment decisions more sensitive to relative rates of return and macroeconomic impacts. The relative rates of return of nonfinancial and financial assets could be compared to evaluate the fiscal authorities' asset portfolio choices. Table II.2 shows that the central government has invested in fixed assets (about 2½ percent of GDP per year). Of course, it may be important to take into consideration non-financial returns on these investments, especially in social sectors such as health and education. At the same time, it also would be important to take into account possible crowding-out impacts of public investment.

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<sup>9</sup> The table contains the gross operating balance because the CFC has been assumed to equal zero, due to a lack of data on these transactions. Of course, taking the CFC into account, the operating deficit would be larger, but there would not be any impact on net borrowing because it also would reduce the net acquisition of nonfinancial assets by the same amount. Some data sources for estimates of the CFC may be available in the national accounts; alternatively, the authorities could consult with the authorities in New Zealand or Australia for estimates of the CFC on similar assets.

<sup>10</sup> The general trends are the same as the ratio already reported.

*A balance sheet: are government operations sustainable?*

26. While the government operations table shows the transactions of government, the balance sheet (Table II.3) illustrates the fiscal sustainability of these operations and takes into account other economic flows (such as revaluations and natural disasters). Balance sheets for the periods 1994/95-1999/2000, 1999/2000-2000/01, and the projection period 2000/01-2006/07 were constructed using the accumulation of budgetary central government transactions since 1973/74 (assuming zero opening balances in that year). As an example of other economic flows, revaluations were based on estimates of the stock of nonbank domestic debt classified as "domestic liabilities, securities other than shares." The difference between the opening and closing stock was defined to be equal to transactions and a residual, the latter representing revaluations.<sup>11</sup> However, more complete estimates of other economic flows could be included in the balance sheet if market valuation were applied consistently to all assets and liabilities. In particular, the balance sheet should reflect the current written-down value of assets.

27. Are the fiscal operations of the budgetary central government sustainable? The answer depends on trends in the government's net worth (a stock variable). Based on the information shown in these illustrative balance sheets, net worth has been falling. During 1994/95-1999/2000, the net worth of government deteriorated from MUR 14.3 billion (21½ percent of GDP) to MUR 5.4 billion (under 5 percent of GDP), because net financial worth declined. The sixfold buildup of domestic liabilities led to a net financial worth of minus MUR 26.8 billion (-24 percent of GDP) during those five years. This more than offset the acquisition of nonfinancial assets (MUR 32.1 billion by end-1999/2000).<sup>12</sup> In addition to these trends, the budgetary central government also disposed of domestic equity worth MUR 7.1 billion. Thus, by end-2000/01 the net financial worth was minus MUR 35.5 billion (-28½ percent of GDP), and overall net worth became negative (-½ of 1 percent of GDP).

28. Medium-term staff projections suggest a further deterioration in net worth for the budgetary central government, despite the almost doubling of investment in fixed assets. This deterioration is projected to comprise the significant incurrence of liabilities to domestic and foreign creditors. This projected deterioration in the balance sheet is not sustainable, and needs to be reversed.

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<sup>11</sup> Based on experience in Australia, these estimates seem low compared with the volume of liabilities.

<sup>12</sup> The net acquisition of nonfinancial assets is overstated because the consumption of fixed capital has been ignored in these estimates. If the CFC were taken into account, the deterioration in net worth would be larger.

Table II.3. Mauritius: Balance Sheet for Budgetary Central Government Based on the *GFSM 2001, 1994/95-2006/07 1/*  
(In millions of Mauritian rupees, unless otherwise indicated)

GFS Descriptors	1994/95-1999/00				1999/00-2000/01			2000/01-2006/07		
	Opening Balance	Transactions	Other Economic Flows 2/	Closing/Opening Balance	Transactions	Other Economic Flows 2/	Closing/Opening Balance	Transactions	Other Economic Flows 2/	Closing Balance
<b>Net worth and its changes</b>	<b>14,328</b>	<b>-8,781</b>	<b>-187</b>	<b>5,360</b>	<b>-5,816</b>	<b>0</b>	<b>-455</b>	<b>-9,673</b>	<b>0</b>	<b>-10,128</b>
<b>Nonfinancial assets</b>	<b>18,475</b>	<b>13,669</b>	<b>0</b>	<b>32,144</b>	<b>2,898</b>	<b>0</b>	<b>35,041</b>	<b>32,624</b>	<b>0</b>	<b>67,665</b>
<b>Fixed assets</b>	<b>18,475</b>	<b>13,238</b>	<b>0</b>	<b>31,712</b>	<b>2,813</b>	<b>0</b>	<b>34,526</b>	<b>31,624</b>	<b>0</b>	<b>66,150</b>
<b>Nonproduced assets</b>	<b>0</b>	<b>431</b>	<b>0</b>	<b>431</b>	<b>84</b>	<b>0</b>	<b>515</b>	<b>1,000</b>	<b>0</b>	<b>1,515</b>
<b>Net financial worth</b>	<b>-4,146</b>	<b>-22,450</b>	<b>-187</b>	<b>-26,783</b>	<b>-8,714</b>	<b>0</b>	<b>-35,496</b>	<b>-42,297</b>	<b>0</b>	<b>-77,793</b>
<b>Financial assets</b>	<b>12,515</b>	<b>2,458</b>	<b>0</b>	<b>14,973</b>	<b>-8,831</b>	<b>0</b>	<b>6,142</b>	<b>3,176</b>	<b>0</b>	<b>9,318</b>
<b>Domestic</b>	<b>12,515</b>	<b>2,458</b>	<b>0</b>	<b>14,973</b>	<b>-8,831</b>	<b>0</b>	<b>6,142</b>	<b>3,176</b>	<b>0</b>	<b>9,318</b>
<b>Currency and deposits</b>	<b>321</b>	<b>278</b>	<b>0</b>	<b>599</b>	<b>-157</b>	<b>0</b>	<b>442</b>	<b>0</b>	<b>0</b>	<b>442</b>
<b>Loans</b>	<b>4,346</b>	<b>2,927</b>	<b>0</b>	<b>7,274</b>	<b>-1,574</b>	<b>0</b>	<b>5,700</b>	<b>3,176</b>	<b>0</b>	<b>8,876</b>
<b>Shares and other equity</b>	<b>7,848</b>	<b>-748</b>	<b>0</b>	<b>7,100</b>	<b>-7,100</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Foreign</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Monetary gold and SDRs</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Liabilities</b>	<b>16,661</b>	<b>24,908</b>	<b>187</b>	<b>41,756</b>	<b>-118</b>	<b>0</b>	<b>41,638</b>	<b>45,473</b>	<b>0</b>	<b>87,111</b>
<b>Domestic</b>	<b>16,489</b>	<b>24,661</b>	<b>187</b>	<b>41,337</b>	<b>3,466</b>	<b>0</b>	<b>44,803</b>	<b>40,065</b>	<b>0</b>	<b>84,867</b>
<b>Securities other than shares</b>	<b>5,265</b>	<b>17,204</b>	<b>187</b>	<b>22,656</b>	<b>4,581</b>	<b>0</b>	<b>27,237</b>	<b>19,570</b>	<b>0</b>	<b>46,807</b>
<b>Loans</b>	<b>10,827</b>	<b>7,836</b>	<b>0</b>	<b>18,663</b>	<b>-1,116</b>	<b>0</b>	<b>17,548</b>	<b>20,494</b>	<b>0</b>	<b>38,042</b>
<b>Other accounts payable</b>	<b>397</b>	<b>-379</b>	<b>0</b>	<b>18</b>	<b>0</b>	<b>0</b>	<b>18</b>	<b>0</b>	<b>0</b>	<b>18</b>
<b>Foreign</b>	<b>173</b>	<b>247</b>	<b>0</b>	<b>419</b>	<b>-3,584</b>	<b>0</b>	<b>-3,165</b>	<b>5,408</b>	<b>0</b>	<b>2,243</b>
<b>Loans</b>	<b>173</b>	<b>247</b>	<b>0</b>	<b>419</b>	<b>-3,584</b>	<b>0</b>	<b>-3,165</b>	<b>5,408</b>	<b>0</b>	<b>2,243</b>
<b>Memorandum items:</b>										
Net worth (in percent of GDP)	21.5			4.8			-0.4			-4.6
Net financial worth (in percent of GDP)	-6.2			-23.9			-28.5			-35.7
Liabilities/assets ratio	0.54			0.89			1.01			1.13
Liabilities/financial assets ratio	1.33			2.79			6.78			9.35

Sources: Mauritian authorities; and IMF staff estimates.

1/ Fiscal year from July to June. Assumes all items in the balance sheet were equal to zero at the end of 1973/74.

2/ Other economic flows record holding gains and losses and other changes in the volume of assets and liabilities. The only entries in this illustrative balance sheet refer to the residual revaluation estimated from the stock of domestic budgetary central government securities other than shares (domestic debt). The residual equals the closing balance for domestic debt minus the opening balance minus recorded domestic debt transactions for the period. More complete estimates require consistent application of market valuation of assets and liabilities.

29. The liabilities-to-assets ratio (which increased from over 50 percent in 1994/95 to about 90 percent in 1999/2000 and about 100 percent in 2000/01) underlines the message inherent in the fiscal profile: the government has borrowed, mainly from domestic sources, in order to increase investment. The projections reveal that this ratio would remain over 110 percent in the medium term. The balance sheet, therefore, draws analytical attention to the need to measure the return on investments and compare them against average interest rates on the stock of domestic debt. In the long term, fiscal sustainability will depend on the relative real rate of return for the overall asset portfolio of the budgetary central government. Of course, this relative measure depends not only on rates of return on investments (both social and economic), but also on the willingness of creditors to lend and on related financial market conditions. The implication is that, if net worth continues to weaken, access to financing could become more expensive, with adverse implications for cash flows and added pressure on fiscal adjustment measures.

### C. Summary of the Exercise

30. In summary, the old fiscal presentation supports the analysis of the overall fiscal balance through the description of financing transactions, and of corresponding revenues and expenditures. Occasionally, it includes some supplementary lines to fully explain these transactions. However, it does not directly address questions of liquidity or fiscal sustainability. In contrast, the *GFSM 2001* framework provides direct information on the liquidity constraints of the government through variables such as the stock of cash and the associated changes in that stock. Also, resource flows recorded in the government operations table show information similar to the old presentation, especially when the available information is recorded on a cash basis. However, the government operations table also clearly links the government's net use of financial resources in the economy with the corresponding transactions. These transactions can be grouped into two categories: (1) those that affect net worth, such as revenue or expense; and (2) those that do not affect net worth, such as a portfolio choice among assets or a purely financial transaction, e.g. using cash to pay off a liability. Moreover, the balance sheet emphasizes the impact of transactions on the net worth of the government (with useful information on its net financial worth). The data inform policymakers about the sustainability of their fiscal operations and financial choices. In addition, policymakers would be interested in having a monthly cash statement, quarterly operations tables, and annual balance sheets to study the impacts of fiscal policy.

31. This exercise has demonstrated the usefulness of the new presentation and has highlighted some important gaps in the fiscal information, specifically the data on the consumption of fixed capital and the lack of estimates for "Other Economic Flows." To measure the latter, market-valued data of assets and liabilities and estimates of cyclone damage to government assets would be useful.

#### **D. Suggestions for Further Work**

32. This exercise was based on a preliminary reformatting of data recorded by the IMF's African Department for the 2002 Article IV consultation staff report. Compilers of fiscal statistics would need to pursue these efforts to verify and refine these preliminary estimates. The list of suggested further steps below is not exhaustive; however, the analytical value of the *GFSM 2001* presentation may justify the resources required to continue this work:

- Recheck the mapping of transactions to the *GFSM 2001* classification structures in the cash statement and government operations table.
- Build this mapping structure directly into the chart of accounts by adding *GFSM 2001* codes in a separate column.
- Broaden the coverage of the exercise to include extrabudgetary funds, social security funds, local governments, and nonfinancial public corporations, and then consolidate this information.<sup>13</sup>
- Refine the estimates in the balance sheet (to reflect market values and accrual recording), beginning with liabilities, then working on financial assets, and finally reviewing estimates of nonfinancial assets. Statistical work on the monetary statistics, balance of payments, international investment position, and national accounts should be useful in these exercises.
- Develop estimates of the consumption of fixed capital drawing on information in the national accounts and other countries' experiences.
- Develop estimates of other economic flows (both valuation changes and other changes in the volume of assets and liabilities). This will require the consistent application of market valuation of assets and liabilities. Recording other economic flows also allows a clear identification of the economic impact of large, unique events, such as cyclones.

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<sup>13</sup>Some public sector units covering the extrabudgetary funds, local governments, and nonfinancial public corporations already produce accounts on an accrual basis.



### III. PRIVATE SAVINGS IN 2000/01 <sup>14</sup>

33. National accounts estimates for 2000/01 (July–June) indicate that the external current account balance improved by about 3½ percent of GDP over the previous year while public savings declined by roughly the same amount. These figures, together with the decline in total investment of about 1 percent of GDP, imply a remarkable jump in private savings of almost 6 percent of GDP (see table below).

Savings and Investment (In percent of GDP, unless otherwise indicated)				
	1997/98	1998/99	1999/00	2000/01 Prov.
Gross domestic investment	27.5	25.4	25.8	24.9
Public	6.2	6.2	6.5	6.8
Private (including public enterprises)	21.3	19.2	19.3	18.0
Of which : increase in stocks	2.7	0.5	0.1	1.5
Gross national savings	24.7	23.9	24.2	26.7
Government	-1.0	-0.6	0.0	-3.4
Private (including public enterprises)	25.7	24.5	24.3	30.1
External current account balance (including transfers)	-2.8	-1.5	-1.6	1.8
Real GDP (annual percentage growth) <sup>1</sup>	6.0	5.3	2.6	7.2
Real sugar output (annual percentage growth) <sup>1</sup>	5.0	2.5	-43.9	52.5

Sources: Mauritian authorities; and IMF staff estimates.

<sup>1</sup> Sugar crops and milling included in fiscal year harvested; otherwise, averages of calendar-year data.

34. The fact that private savings are calculated as a residual raises the question of whether the jump is consistent with economic developments or instead reflects discrepancies in the measurement of national accounts. There are at least two important economic developments that would have boosted private savings in 2000/01:

- First, the private sector benefited in 2000/01 from a reduction in excise and international trade taxes on the order of 2 percent of GDP. The smaller government revenue collection was, of course, reflected in the deterioration of government savings. To the extent that the private sector believed that the reduction in taxes would have to be reversed because the larger deficit was unsustainable, it may have saved the bulk of it, as suggested on Ricardian equivalence grounds.<sup>15</sup>

<sup>14</sup> Prepared by Gamal El-Masry.

<sup>15</sup> For more on the Ricardian Equivalence Theorem, see Paul Evans, "Is Ricardian Equivalence a Good Approximation?" *Economic Inquiry*, Vol. 29, (October 1991), pp. 626-44; and Gerald P. O'Driscoll, Jr., "The Ricardian Nonequivalency Theorem," *Journal of Political Economy*, Vol. 85 (February 1977), pp. 207-10.

- Second, profits in the whole sugar sector, including small and large planters, as well as milling factories, improved substantially in 2000/01, with sugar output increasing by 53 percent after a contraction of 44 percent in the previous year due to a severe drought. In addition, the upsurge in sugar production had a positive impact on operating profits of sugar factories that also generate electricity from bagasse (a sugar by-product). This is because more of free bagasse—and less of expensive imported coal—was used to drive turbines, resulting in significant cost savings and higher operating profits from power generation (see also Section IV).

35. A number of data deficiencies may also explain the apparent sharp rise in private savings:

- **Trade data**, as reported by the Central Statistics Office (CSO) and the Bank of Mauritius (BOM), can differ by up to 1½ percent of GDP, with discrepancies arising from different coverage of trade flows in the Freeport area. It is not evident which of the two estimates of trade is more reliable, partly because the wider coverage by the CSO (which covers the Freeport area) may in fact include some double accounting. If the current account surplus in 2000/01 is overstated, so too would be (the residually calculated) private savings.
- In deriving GDP data for fiscal years (FYs, July to June) from the calendar-year data compiled by the CSO, **the sugar sector is treated differently** from other sectors of the economy because of its extreme seasonality. While the crop year runs from November to October, the crop is harvested and milled almost entirely between July and December. Thus, for example, sugar production for calendar-year 1999 is fully reflected in GDP data for FY 1999/2000. By contrast GDP data for all other production sectors for FY 1999/2000 are calculated as the arithmetic average of the calendar-year data for 1999 and 2000. Whereas this special treatment of the sugar sector attempts to accommodate its pronounced seasonality, it does introduce a level of distortion that becomes more evident when GDP data from the production and expenditure sides are reconciled. This distortion is all the more prominent, when there are large swings in sugar production, as was the case between 1998 and 2000. Thus, the poor sugar crop in 1999 would have negatively affected the expenditure data (and, hence, private sector savings) in both 1998/99 and 1999/2000, but only the production data for 1999/2000.
- When the production and expenditure data of the national accounts are reconciled, the residual (or statistical error) is put into the “**increase in stocks**” category.<sup>16</sup> There was, in fact, a significant increase in stocks in FY 2000/01, compared with the preceding two years, which is consistent with the previous point.

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<sup>16</sup> The increase in stocks is added to private fixed capital formation to compute private investment.

36. The BOM and CSO are working to reconcile their differing trade data. It is hoped that, with ongoing IMF technical assistance, the problem of the inconsistent treatment in the national accounts of the sugar sector will be addressed when the CSO begins compiling and reporting quarterly national accounts data in 2003. This exercise would allow the CSO to directly and more accurately compute national accounts data on a fiscal-year basis by simply aggregating data for the relevant quarters.

#### IV. RESTRUCTURING THE MAURITIAN SUGAR SECTOR <sup>17</sup>

##### A. Preferential Agreements

37. The Mauritian sugar sector has benefited from a variety of preferential agreements for the past half century. In the early 1950s, the United Kingdom signed the Commonwealth Sugar Agreement (CSA) with six sugar-producing colonies, including Mauritius, ensuring access to the British market for guaranteed quantities at preferential prices. Soon after the United Kingdom joined the European Economic Community (EEC), a group of African, Caribbean, and Pacific (ACP) countries concluded a successor agreement with the EEC, known as the Sugar Protocol. Under the Sugar Protocol, which was annexed to the First Lomé Convention as a special subject matter, the EEC undertook "... for an indefinite period to purchase and import, at guaranteed prices, specific quantities of cane sugar ... within the price range obtained in the Community." Mauritius's annual quota under the Sugar Protocol was the largest of any single country—500,000 metric tons—significantly larger than its share of 386,000 tons under the CSA.

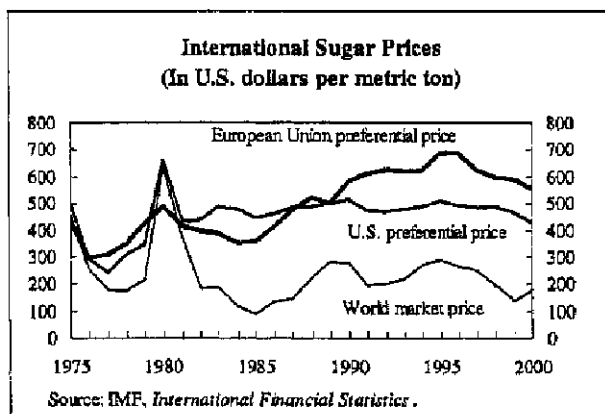
38. In 1995, the European Union (EU) signed the Special Preferential Sugar Agreement (SPSA) with 16 ACP states, including Mauritius. Under the SPSA, the EU agreed to import for an initial period of six years variable quantities of raw cane sugar in addition to the amounts specified in the Sugar Protocol. The preferential price accorded under the SPSA was set at 85 percent of the prevailing guaranteed price under the Sugar Protocol. Mauritius's allocation under the SPSA during 1995-2001 was about 65,000 tons per year,<sup>18</sup> well above the average quantities that Mauritius was able to deliver to the EU (Statistical Appendix Table 8).

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<sup>17</sup> Prepared by Gamal El-Masry.

<sup>18</sup> Mauritius also exports small quantities of sugar (10,000-20,000 tons annually) to the United States at preferential prices.

39. Mauritius has profited enormously from the preferential access of its sugar exports to the EU market because the sugar price under the Sugar Protocol, which is based on the price obtained by EU producers under the EU Common Agricultural Policy, has been above the world market price by 100-200 percent. It is estimated that, during 1975-2000, as a direct result of the Sugar Protocol (and to a lesser degree the SPSA), the cumulative benefit to Mauritius from quasi transfers from European consumers amounted to about US\$3.5 billion. On an annual basis, this represented an average of 6.1 percent of Mauritius's GDP.



40. The privileged status that Mauritius has enjoyed for its sugar over the past half-century is now threatened. In February 2001, the EU decided to grant immediately duty-free and quota-free access for imports of most products (except arms and ammunition) from 48 least-developed countries under what has since become known as the Everything But Arms (EBA) initiative. Although the EBA initiative provides transitional arrangements for banana, rice, and sugar, even these will be eliminated gradually by 2006-09. The first sugar agreement that was affected by this new initiative was the SPSA, which expired in mid-2001. The SPSA was subsequently renewed for another five years. However, Mauritius's quota was drastically lowered to 38,000 tons for the 2001/02 crop year, and it is scheduled to be gradually eliminated over the following five years.<sup>19</sup> Mauritius's preferential access under the Sugar Protocol is also likely to be lowered in the medium term as the EU's Common Agricultural Policy is further liberalized—and the guaranteed sugar price within the EU considerably reduced—consistent with commitments that the EU has undertaken vis-à-vis the World Trade Organization.

### B. The Sugar Sector Strategic Plan

41. The consequences of the erosion of preferential access to the European sugar market will be profound for the Mauritian economy. The sugar industry will have to significantly cut average production costs, currently estimated at more than 25 percent above world market prices, and modernize and centralize its milling operations. In the longer term, Mauritius will need to adapt its economy to the changing, more liberalized, nature of the international sugar market and lessen its dependence on sugar by reallocating human and capital resources to new areas of activity to sustain economic and employment growth. In this vein, the government, in close consultation with representatives of the sugar industry and labor unions, developed a new Sugar Sector Strategic Plan, which was put into effect in 2001 through the

<sup>19</sup> The new agreed initial quota of 38,000 tons corresponded to Mauritius's average sugar deliveries under the SPSA during 1995-2001.

passage of the Sugar Industry Efficiency Act (2001). The main objectives of the strategic plan are to do the following:

- ensure sufficient production of sugar to meet all of Mauritius's international export commitments;
- reduce production costs from the current level of US\$0.18 per pound to US\$0.12 per pound by 2008;
- lower the number of sugar factories from 14 to no more than 8 by 2005;
- increase the generation of electricity in sugar factories—using partly bagasse (a sugar by-product)—from the current share of 27 percent of electricity production to 40 percent in the medium term (Statistical Appendix Table 13);
- allow the conversion of agricultural land for use in high-growth industries, such as tourism and information technology; and
- reduce excess labor in plantations and sugar factories through the Voluntary Retirement Scheme.

42. In order to attain the above objectives, a number of amendments were passed to labor, pension, tax, and land-use laws that loosened the stringent protections regarding employment and land use by the sugar industry, and provided tax exemptions for the conversion of land from agricultural to other private use.

### C. The Voluntary Retirement Scheme

43. A key element of the strategic plan is the Voluntary Retirement Scheme (VRS), which allows planters and milling factories to offer a generous separation package to encourage early retirement on a voluntary basis. The VRS is primarily aimed at female agricultural workers aged 50 years or more and at male agricultural and factory workers aged 55 years or more. For all other workers, the employer may also choose to offer the VRS.

44. Those workers who choose to take early retirement under the VRS receive cash compensation equivalent to two months' salary for every year of service. In addition, each worker is given a plot of land on which to build a private dwelling. The employer is responsible for all the necessary infrastructure, including subdividing the plots, building roads, and providing access to water, electricity, and sewerage. In order to facilitate the building of a private house on the acquired land, the retired worker is eligible for a concessional loan from the Mauritius Housing Company and a government-sponsored grant from the National Housing Development Company. Children of retired workers are also eligible for various government scholarships for secondary and tertiary education. Finally, all cash and land compensation that accrues to the retiring worker is exempt from income tax.

45. In order to allow sugar employers to recoup part of the costs of the VRS, the government has allowed them to sell some of their land after it has been rezoned from agricultural to other use. Specifically, under a new "1:3" scheme, the employer is allowed to convert 600 arpents of agricultural land to other use, while surrendering 200 arpents to the

government in lieu of land conversion tax.<sup>20</sup> In addition, the conversion of agricultural land for use in the tourism, information technology, and biotechnology sectors will be allowed and will be exempted from the land conversion tax (Statistical Appendix Table 41). The sugar employer also benefits from a reduced rate on the land transfer tax and is exempted from paying capital gains tax or income tax on the realized profits from the sale of land. Finally, a concessional credit line of up to MUR 2 billion is being provided by the Bank of Mauritius to finance the VRS.<sup>21</sup>

#### **D. Implementation of the Sugar Sector Strategic Plan**

46. The implementation of the Sugar Sector Strategic Plan has proceeded very smoothly, and the experience with the VRS, has been particularly positive. During the first year of its implementation (as of end-March 2002), about 7,500 workers took early retirement under the VRS out of a total of some 28,000 employed in the sugar sector in December 2001. About MUR 2.8 billion has been paid out in compensation, including the value of about 230 hectares of land that were transferred from sugar employers to retiring workers (equivalent to about 300 square meters per retiree). Concurrently, the sugar industry is pursuing its centralization program with the shutting down of two more factories and the transfer of the processing of the sugar cane to more modern and efficient milling plants.

### **V. MONEY DEMAND IN MAURITIUS<sup>22</sup>**

#### **A. Introduction**

47. Over the past 25 years, Mauritius has undergone rapid growth and development and has evolved from a low-income country to a middle-income country.<sup>23</sup> The monetary system has both been instrumental in, and has benefited from, this rapid pace of growth. Nominal GDP has grown by an average of 15 percent over the same period, while inflation declined from an average of 17 percent in the late 1970s to 6 percent in the late 1990s (see table below). Broad money growth has averaged 17 percent, outstripping the growth in narrow money (11 percent) by a wide margin. In the 1970s, the real interest rate on time deposits was often negative, a trend that reversed itself in the 1980s and 1990s, thereby contributing to the growth in time deposits and broad money. This growth in broad money led to a decline in the income velocity of money from 2.3 in the early 1980s to 1.3 in the late 1990s.<sup>24</sup>

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<sup>20</sup> One arpent = 1.043 acres, or 0.4221 hectare.

<sup>21</sup> See Box 4 in the staff report for the 2002 Article IV consultation with Mauritius (4/23/02).

<sup>22</sup> Prepared by Padamja Khandelwal.

<sup>23</sup> See Subramanian and Roy (2001) for a discussion of Mauritius's development policies.

<sup>24</sup> The steepest decline in velocity was in the late 1980s as real interest rates turned positive and real GDP growth rates exceeded 10 percent annually.

Trends in Broad Money, Nominal GDP, Inflation, and Interest Rates, 1976–2000

	Broad Money (M2)	GDP	CPI	GDP/M2	LIBOR 1/	DEPO 2/	Treasury Bill Rate
	(Annual percent change)				(In percent per annum)		
1976-80	14.7	20.7	17.4	2.2	9.3	7.8	7.7
1981-85	16.7	13.9	9.1	2.3	11.7	10.3	10.2
1986-90	24.8	18.8	7.5	1.7	7.9	10.8	10.6
1991-95	17.2	12.0	7.1	1.4	4.7	10.1	9.7
1996-2000	11.9	11.4	6.3	1.3	5.7	10.0	11.1

1/ London interbank offered rate.

2/ Average interest rate on time deposits of maturity from six months to one year.

48. The monetary system has also undergone institutional change: Mauritius moved from a system of fixed exchange rates to a managed float in 1983, thereby imparting flexibility to domestic monetary policy and interest rates; in addition, exchange controls were abolished in 1994, enabling the free flow of capital. During the late 1980s and the early 1990s, the monetary authorities moved gradually from administered interest rates and credit ceilings to market-based, indirect methods of implementing monetary policy (Fry and Roi, 1995). The Bank of Mauritius (BOM) currently targets reserve money to achieve an informal inflation target. The BOM is considering moving to a formal inflation-targeting framework, which will require, among other things, a better understanding of the monetary policy transmission mechanism.<sup>25</sup> In this study, we attempt to contribute to this understanding by modeling the demand for real money balances in Mauritius.

### B. Modeling Issues and Data

49. Empirical studies of the demand for money have converged to a specification in which real money balances are a function of a scale variable (as measured by real income, wealth, or expenditure), the “own” rate of return of money, and the opportunity cost of money (Ericsson, 1998). The opportunity cost of holding money is usually proxied by either the domestic inflation rate or rates of return on alternative assets, either domestic or foreign. The own rate of return on money is typically measured by the interest rate offered on time deposits.

50. It is not clear whether treasury bills should be viewed as an alternative investment avenue for domestic investors in Mauritius, given that individuals and nonfinancial corporations were allowed to purchase treasury bills for the first time in 1998. However, after Mauritius moved to a managed floating exchange rate system, the volume in the treasury bill market expanded rapidly as the government made increasing recourse to this instrument to meet its funding needs, and the BOM sold treasury bills, even in excess of government needs,

<sup>25</sup> Blejer and others (2000) discuss prerequisites for the adoption of a formal inflation-targeting framework for monetary policy.

to control overall liquidity.<sup>26</sup> Therefore, treasury bills were an important investment for financial corporations after 1983, and the yield on these bills influenced interest rates on alternative investments, such as corporate debentures, and can be viewed as a proxy for the opportunity cost of money. Similarly, the London interbank market became an alternative investment for Mauritian investors after exchange controls were lifted in 1994.

51. We examine the hypothesis that there exists a stable relationship among the logarithm of real broad money ( $m-p$ ), the logarithm of real gross domestic output ( $y$ ), and various rates of return. The rate of return proxies we use are the following: domestic inflation ( $INF$ ), the average interest rate offered on time deposits with maturities of six months to one year ( $DEPO$ ), the weighted-average yield of treasury bills ( $TBILL$ ), the annualized three-month London interbank offered rate ( $LIBOR$ ), and the depreciation rate of the Mauritian rupee against a trade-weighted basket of currencies ( $DEPR$ ).<sup>27</sup>

52. Following the literature (for instance, Sacerdoti and Xiao, 2001 and Nachega, 2001), the demand for real money balances is specified as follows (with lower-case symbols indicating logarithms):

$(m-p)_t = a_0 + a_1 y_t + a_2 INF_t + a_3 DEPO_t + a_4 TBILL_t \cdot D1 + a_5 LIBOR_t \cdot D2 + a_6 DEPR_t + \varepsilon_t$ ,  
where  $\varepsilon_t$  is the error term. We have also included two interactive dummy variables,  $D1$  and  $D2$ , to test for major institutional changes: the dummy variable  $D1$  takes a value of 1 after 1983, when Mauritius moved to a managed float exchange rate system, and 0 otherwise; the dummy variable  $D2$  takes a value of 1 after 1994, when exchange controls were removed, and 0 otherwise.

53. The empirical analysis is based on quarterly data from 1976: Q1 to 2001: Q2. Money is defined as the sum of demand and time deposits. As GDP is available only at an annual frequency, quarterly GDP data are obtained through geometric interpolation. Average interest rates on time deposits and the yield on treasury bills are taken from the BOM's annual report, and currency depreciation is compiled from the IMF's Information Notice System. All other data are taken from the IMF's *International Financial Statistics* database.

### C. Cointegration Analysis

54. We use cointegration analysis to examine the long-run demand for money (see Johansen and Juselius, 1990; and Johansen, 1992). The empirical investigation begins with an analysis of the time series properties of the variables of interest in the demand for money function, namely,  $m-p$ ,  $y$ ,  $INF$ ,  $DEPO$ ,  $TBILL$ ,  $LIBOR$ , and  $DEPR$ . The augmented Dickey-

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<sup>26</sup> No open market operations were conducted by the BOM until 1999. It controlled the monetary base mainly through the reserve requirement, the discount window, and the amount of the treasury bills that it offered on the primary market.

<sup>27</sup> For a resident investor, the remuneration on a foreign deposit is the foreign nominal interest rate plus the rate of depreciation of domestic currency.



Fuller (ADF) test indicates that, with the exception of *DEPR*, all of the variables are  $I(1)$ , that is, they are nonstationary (results are reported in the table below).<sup>28</sup> *DEPR* is stationary, implying that it can be excluded from the long-run cointegration analysis but included in the error-correction model to capture the short-run dynamics of the demand for money.

Unit Root Test Results

	Lags Included	ADF <i>t</i> -Values on Levels	Lags Included	ADF <i>t</i> -Values on First Differences	
<i>m-p</i>	4	-2.619	3	-3.706	*
<i>y</i>	5	-2.402	4	-4.031	**
<i>INF</i>	5	-3.306	4	-4.848	**
<i>TBILL</i>	1	-3.235	0	-8.406	**
<i>LIBOR</i>	2	-1.854	1	-9.109	**
<i>DEPR</i>	2	-7.044	1	-7.576	**
<i>DEPO</i>	4	-2.244	3	-6.226	**

Notes: The ADF is the augmented Dickey-Fuller test. The null hypothesis is that the series contains a unit root in levels or in first differences; a constant and time trend are included in each test. For each series, we start with five lags and sequentially remove the insignificant ones.

55. Results from Johansen's (1988 and 1991) maximum likelihood procedure for cointegrated vectors in a vector autoregression (VAR) are reported in the table below. The VAR model consists of four lags and a constant term.<sup>29</sup> The results of the Johansen cointegration procedure strongly reject the null hypothesis of no cointegrating vector ( $r = 0$ ); at the same time, they fail to reject the null hypothesis of no more than one cointegrating vector, thereby implying that there is exactly one cointegrating relationship. The estimated cointegrating relationship, which is reported below, may be written as  $(m-p)_t = 2.2 + 2.11y_t - 0.009INF_t + 0.07DEPO_t - 0.02TBILL_t + D1 - 0.03LIBOR_t + D2 + \varepsilon_t$ , where  $\varepsilon_t$  is the error term and the constant is calculated so that the errors sum to zero. This equation has the properties of a money demand function in that real money demand is positively related to output and the own rate of return on money, and negatively related to inflation, the treasury bill rate after 1983, and *LIBOR* after 1994. The coefficients of all the variables entering the cointegrating equation except inflation are significantly different from zero at the 99 percent confidence level; the coefficient of inflation is significantly different from zero at the 90 percent confidence level.

<sup>28</sup> Throughout this paper, \*\* indicates rejection of the null hypothesis at the 99 percent confidence level and \* indicates rejection of the null hypothesis at the 95 percent confidence level.

<sup>29</sup> The number of lags was chosen to ensure that the residuals are serially uncorrelated and non-heteroscedastic.

Johansen Cointegration Analysis of Broad Money Demand

Eigenvalues	0.42	0.28	0.15	0.09	0.08	0.00
Hypotheses	$r = 0$	$r \leq 1$	$r \leq 2$	$r \leq 3$	$r \leq 4$	$r \leq 5$
$\lambda_{\text{trace}}$	117.4**	65.2	33.8	17.8	8.5	0.07
5 percent critical value	94.2	68.5	47.2	29.7	15.4	3.8
$\lambda_{\text{max}}$	52.1**	31.4	16.0	9.3	8.4	0.07
5 percent critical value	39.4	33.5	27.1	21.0	14.1	3.8
Cointegrating vector	$m-p$ 1.00	$y$ -2.11	$INF$ 0.009	$DEPO$ -0.07	$TBILL \cdot D1$ 0.02	$LIBOR \cdot D2$ 0.03
Adjustment Coefficients	$m-p$ -0.10	$y$ 0.01	$INF$ -0.76	$DEPO$ 1.45	$TBILL \cdot D1$ -0.87	$LIBOR \cdot D2$ -1.22
Significance tests for coefficients	$m-p$	$y$	$INF$	$DEPO$	$TBILL \cdot D1$	$LIBOR \cdot D2$
$\chi^2(1)$	18.30**	18.97**	3.21	11.79**	8.75**	9.57**
Probability	0.00	0.00	0.07	0.00	0.00	0.00
Weak exogeneity tests	$m-p$	$y$	$INF$	$DEPO$	$TBILL \cdot D1$	$LIBOR \cdot D2$
$\chi^2(1)$	3.506	0.344	0.033	9.385**	0.520	5.637*
Probability	0.061	0.557	0.85	0.002	0.471	0.018

Notes: The VAR includes four lags on each variable and a constant term. The system-based test statistics for significance and weak exogeneity tests are evaluated under the assumption that  $r=1$ , and hence are asymptotically distributed as  $\chi^2(1)$  if significance or weak exogeneity of the specified variable is valid. The estimated VAR is stable since all roots have moduli that are less than one.

56. The coefficient on  $y$  implies an income elasticity of 2.11; this, in turn, suggests that on average, in Mauritius, the increase in real money demand associated with a given increase in real output was twice the size of the increase in real output. This elasticity is an indicator of the rapidity with which financial deepening occurred in Mauritius over the sample period—a result of increasing confidence in the domestic financial system owing to successful development policies, high growth rates in output, declining inflation, and positive real interest rates maintained over an extended period of time.

57. Although the null hypothesis of weak exogeneity cannot statistically be rejected at the 95 percent confidence level for real money balances, it should be noted that the  $p$ -value is

quite low, so that it is plausible to assume that the variable is not weakly exogenous. In addition, the hypothesis of weak exogeneity is strongly rejected for interest rates on time deposits and *LIBOR*, while it fails to be rejected for real output, the treasury bill rate, and inflation. This suggests that if a shock were to cause the system to deviate from its long-run equilibrium, real money and time deposit interest rates would adjust over time to restore long-run equilibrium.<sup>30</sup>

#### D. Single-Equation Error-Correction Model For Money

58. We now estimate a single-equation error-correction model (ECM) for money demand and employ a general-to-specific modeling strategy to arrive at an empirically parsimonious specification. The general model is estimated with a constant, four lags of each variable in first differences, four lags of currency depreciation, and the error correction term from the long-run money demand equation, defined as

$$ecm = [(m-p) - 2.2 - 2.11y + 0.009INF - 0.07DEPO + 0.02TBILL \cdot D1 + 0.03LIBOR \cdot D2].$$

F-Statistics and Schwarz Criteria for Sequential Reduction of the General Error-Correction Model to a Parsimonious Model

Null Hypothesis			Maintained Hypothesis			
Model	K	SC	Model 1	Model 2	Model 3	Model 4
1	30	-2.80				
2	25	-2.94	1.38 (0.24)			
3	19	-3.14	1.21 (0.30)	1.03 (0.41)		
4	13	-3.37	1.06 (0.41)	0.90 (0.54)	0.77 (0.59)	
5	6	-3.63	1.02 (0.46)	0.89 (0.59)	0.83 (0.63)	0.90 (0.51)

Notes: The first three columns report the model number, the number of unrestricted parameters, *k*, and the Schwarz criterion (SC). The two entries within a given block of numbers in the last four columns are the *F*-statistic for testing the null hypothesis against the maintained hypothesis and the tail probability of the *F*-statistic (in parentheses).

Model 1 is the general model, containing four lags of the first differences of each variable in the cointegration analysis, four lags of *DEPR*, the error-correction term from money demand, and a constant term. Model 2 is Model 1, excluding the fourth lag of each variable except the treasury bill rate,  $\Delta(TBILL \cdot DI)_{t-4}$ , and real money balances,  $\Delta(m-p)_{t-4}$ . Model 3 is Model 2, excluding the third lag of each variable except real output,  $\Delta y_{t-3}$ . Model 4 is Model 3, excluding the second lag of each variable except currency depreciation,  $DEPR_{t-2}$ . Model 5 is Model 4, excluding the first lag of each variable.

<sup>30</sup> The result that weak exogeneity is rejected for *LIBOR* is puzzling. A similar result has been obtained in the case of Uganda (Nachega, 2001).

The general model is then reduced by removing the longest lag of each variable with low *t*-values, and using *F*-tests and the Schwarz criterion to check the validity of the reduced model. The *F*-statistics generated in the simplification process are reported above. None of the *F*-statistics comparing the initial, intermediate, and final models are significant, and the Schwarz criteria become more and more negative with each simplification. Hence, our parsimonious model 5 seems statistically valid.

59. Parameter estimates and results for the preferred parsimonious specification are reported in the table below. The coefficient on the error-correction term from the long-run money demand equation, which is significantly different from zero at the 99 percent confidence level, implies that approximately one-seventh of any deviation from long-run monetary equilibrium is adjusted by a movement in real money balances within one quarter, that is, the half-life of such a shock is roughly five quarters.

60. The sign of the coefficients of lagged changes in output,  $\Delta y_{t-3}$ , is positive and significant as expected, implying that the elasticity of real money balances with respect to increases in real output is almost 75 percent in the short run. The sign of lagged currency depreciation,  $DEPR_{t-2}$ , is negative as expected, and implies that a 1 percent currency depreciation would lead to a 1.2 percent decrease in the demand for real money balances.<sup>31</sup> Likewise, the sign of the coefficient of lagged changes in treasury bill rates,  $\Delta(TBILL \cdot DI)_{t-4}$ , is negative as expected, and a 1 percent increase in the treasury bill rate would lead to a 2.3 percent decrease in the demand for real money balances.<sup>32</sup> The estimated coefficient on lagged changes in real money balances is broadly consistent with the coefficient on the error-correction term, implying that over 40 percent of the increase in real money balances continues to persist after four quarters.

Parsimonious Error-Correction Model

Explanatory Variable	Coefficient	Standard Error	<i>t</i> -Value
$ecm_{t-1}$	-0.132	0.032	-4.146**
$\Delta(m-p)_{t-4}$	0.439	0.071	6.170**
$\Delta y_{t-3}$	0.746	0.278	2.687**
$DEPR_{t-2}$	-0.004	0.001	5.509**
$\Delta(TBILL \cdot DI)_{t-4}$	-0.008	0.003	-2.585**
Constant	0.013	0.006	2.176*
$R^2$	0.477		
S.E. of the regression	0.035		
Durbin-Watson	1.786		
<i>F</i> -statistic	18.497**		

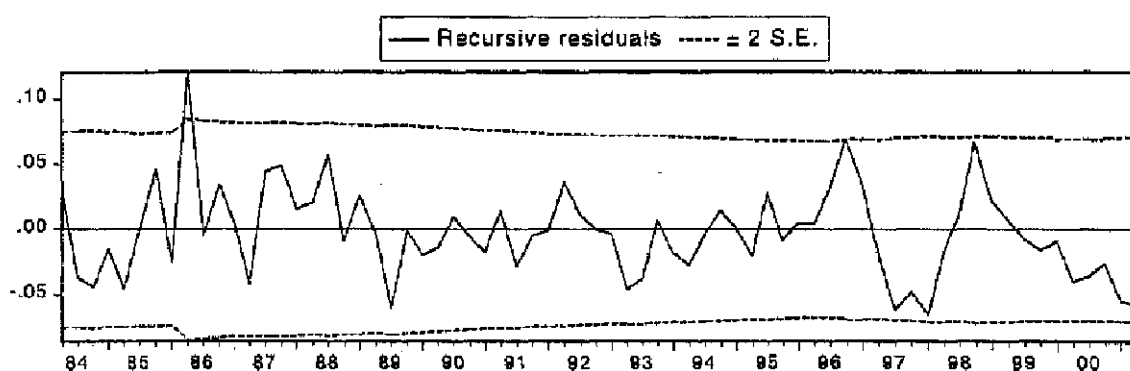
Notes: Dependent variable is  $\Delta(m-p)_t$ .

<sup>31</sup> This is obtained by multiplying the estimated coefficient by the average of real money over the sample period.

<sup>32</sup> See footnote above.

61. Misspecification and diagnostic tests of the restricted model, including tests for normality of the residuals, autoregressive conditional heteroscedasticity, and heteroscedastic errors, do not indicate specification problems.<sup>33</sup> Recursive estimates from 1983 to 2001 suggest the model is stable. The one-step residuals lie within  $\pm 2$  standard errors except at one point, in 1986, when there was a sharp drop in inflation (see figure below).

Figure 1. Stability Tests of the Parsimonious Money Demand Equation



### E. Conclusion

62. The analysis in this study indicates that there exists a stable money demand relationship in Mauritius among real demand, real output, domestic and foreign interest rates, and domestic inflation. Estimates are provided about the long-run response of money demand to changes in real output, domestic treasury bill and time deposit interest rates, inflation, and foreign interest rates, in Mauritius. Over the long run, money demand is found to be positively related to output and time deposit interest rates, and negatively related to inflation, treasury bill interest rates, and foreign interest rates. In the short run, about 13 percent of the disequilibrium in the money market is absorbed, in making the adjustment of real money balances fairly slow. Currency depreciation and increases in the treasury bill rate have a strong negative impact on real money demand.

63. The behavior of money demand—and in particular, the error-correction mechanism—is a key building block in the modeling of inflation. The introduction of a formal inflation-targeting framework would require strengthening the analysis of the linkages between, on the one side, money supply, exchange rates, and interest rates, and, on the other side, inflation and economic activity, in order to generate a reliable inflation forecast. The IMF staff is

<sup>33</sup> Tests for error autocorrelation from lags 2 through 5 are significant, which might indicate a problem in the restricted model. However, specification tests for the general model do not reveal a problem with error autocorrelation, and coefficient estimates are fairly stable across the different specifications.

carrying on its work in this area, in the context of the ongoing dialogue with the authorities on further improving the conduct of monetary policy.

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Table 1. Mauritius: GDP Real Growth Rates by Industrial Origin, 1997-2001

(Annual change in percent)

	1997	1998	1999	2000 Rev. Est.	2001 Prov.
Agriculture, forestry, hunting, and fishing	3.5	-1.5	-25.8	28.1	8.1
Sugarcane growing	5.0	2.5	-43.9	52.5	14.2
Other agriculture	1.4	-7.1	3.1	9.4	2.0
Mining and quarrying	3.0	3.0	3.0	3.0	3.0
Manufacturing	5.9	6.2	2.0	7.6	6.3
Sugar milling	10.0	2.5	-45.0	52.5	14.2
Export processing zone	6.0	6.9	6.0	6.0	6.0
Other manufacturing	5.2	5.9	5.1	7.0	6.0
Electricity, gas, and water	10.0	11.7	2.5	21.4	13.0
Construction	-0.9	6.0	8.5	7.5	3.5
Wholesale and retail trade and other retail services	5.0	4.6	5.1	3.2	3.7
Wholesale and retail trade	5.0	4.5	5.0	3.0	3.5
Other retail services	5.0	8.0	7.7	8.0	8.0
Hotels and restaurants	10.2	6.0	4.0	13.5	3.5
Transport, storage, and communications	9.0	11.7	7.4	10.0	9.2
Financial intermediation	8.2	8.3	10.3	14.7	15.1
Insurance	8.5	6.5	6.0	5.5	5.5
Banking and other (including offshore)	8.0	9.2	12.2	18.5	18.5
Real estate, renting, and business activities	5.3	5.6	6.2	6.6	6.9
Ownership of dwellings	2.8	3.2	3.2	3.1	3.1
Other	8.7	8.5	9.7	10.3	10.8
Public administration, defense, and social security	3.4	3.6	3.6	6.0	4.5
Education	6.0	6.0	6.4	6.4	7.4
Health and social work	4.0	6.0	7.8	3.5	4.0
Other services	8.0	6.5	7.0	5.0	6.0
Imputed bank service charges	8.0	9.2	12.2	18.5	18.5
GDP at factor cost	5.7	5.8	2.2	8.6	6.3
Net indirect taxes	7.2	7.9	6.0	3.9	0.7
GDP at market prices	5.8	6.1	2.7	8.0	5.6

Source: Central Statistics Office, *National Accounts of Mauritius*.

Table 2. Mauritius: GDP at Current Prices by Industrial Origin, 1997-2001

(In millions of Mauritian rupees)

	1997	1998	1999	2000 Rev. Est.	2001 Prov.
Agriculture, forestry, hunting, and fishing	7,217	7,888	5,613	6,870	7,505
Sugarcane growing	4,178	4,842	2,433	3,468	3,970
Other agriculture	3,038	3,046	3,180	3,402	3,535
Mining and quarrying	118	125	134	142	150
Manufacturing	18,339	21,044	22,432	24,640	27,190
Sugar milling	1,247	1,475	546	779	890
Export processing zone	9,188	10,510	11,697	12,523	13,800
Other manufacturing	7,905	9,059	10,189	11,338	12,500
Electricity, gas, and water	1,516	1,485	1,334	1,721	2,185
Construction	4,520	4,982	5,620	6,225	6,640
Wholesale and retail trade and other retail services	10,331	11,330	12,312	12,940	13,950
Wholesale and retail trade	9,982	10,925	11,842	12,400	13,350
Other retail services	349	405	470	540	600
Hotels and restaurants	4,011	4,861	5,630	5,879	6,720
Transport, storage, and communications	8,927	10,241	11,619	13,307	15,395
Financial intermediation	5,209	6,536	7,607	9,360	11,500
Insurance	1,790	2,030	2,220	2,460	2,750
Banking and other (including offshore)	3,419	4,506	5,387	6,900	8,750
Real estate, renting, and business activities	6,854	7,507	8,431	9,385	10,505
Ownership of dwellings	3,779	4,060	4,358	4,672	5,010
Other	3,076	3,447	4,073	4,713	5,495
Public administration, defense, and social security	5,255	5,792	6,402	6,965	7,440
Education	3,286	3,790	4,300	4,709	5,210
Health and social work	2,104	2,378	2,765	2,946	3,150
Other services	2,859	3,318	3,723	4,134	4,660
Imputed bank service charges	-2,605	-3,496	-4,668	-5,559	-6,400
GDP at factor cost	77,942	87,781	93,254	103,664	115,800
Sugar	5,426	6,317	2,979	4,247	4,860
Nonsugar	72,516	81,464	90,275	99,417	110,940
Net indirect taxes	10,416	12,109	14,116	14,814	15,665
GDP at market prices	88,358	99,890	107,370	118,478	131,465

Source: Central Statistics Office, *National Accounts of Mauritius*.



Table 3. Mauritius: Real Growth Rates of Expenditure on GDP, 1997-2001

(Annual change in percent)

	1997	1998	1999	2000 Rev. Est.	2001 Prov.
Consumption	4.6	5.7	4.2	3.9	4.3
Private	4.8	6.2	3.9	3.5	3.9
Government	3.8	3.5	5.6	6.2	6.0
Gross fixed capital formation	11.6	-6.7	22.1	-8.2	4.1
Private 1/	32.5	-9.1	25.3	-11.5	-2.5
Government	-25.4	0.9	13.0	2.3	22.1
Exports	3.5	8.3	1.4	4.0	6.9
Goods excluding Freeport activities, f.o.b.	-0.1	4.0	-3.7	0.1	9.4
Freeport activities, f.o.b.	123.6	90.3	-18.0	35.5	5.6
Nonfactor services	5.3	8.8	13.9	6.3	3.6
Imports	9.7	7.3	4.7	-2.2	4.9
Goods excluding Freeport activities, f.o.b.	6.8	2.8	9.3	-7.5	2.8
Freeport activities, f.o.b.	191.9	54.5	-21.4	35.7	7.5
Nonfactor services	10.0	14.8	-3.1	8.8	9.8
GDP at market prices	5.8	6.1	2.7	8.0	5.6

Source: Central Statistics Office, *National Accounts of Mauritius*.

1/ Includes purchases of ships and/or aircraft in 1997, 1999, and 2001.

Table 4. Mauritius: Expenditure on GDP at Current Prices, 1997-2001

(In millions of Mauritian rupees)

	1997	1998	1999	2000 Rev. Est.	2001 Prov.
Consumption	66,564	75,084	82,903	89,447	98,255
Private	55,056	62,436	68,711	73,938	81,455
Government	11,508	12,648	14,192	15,509	16,800
Gross fixed capital formation	23,481	23,082	29,676	28,069	30,280
Private 1/	17,840	17,083	22,540	20,552	20,770
Government	5,641	5,999	7,136	7,517	9,510
Increase in stocks	2,617	2,556	-1,447	1,634	2,045
Net exports	-4,304	-832	-3,762	-672	885
Exports	54,194	65,711	69,099	73,841	82,400
Goods, f.o.b.	35,377	43,711	43,140	45,707	51,800
Nonfactor services	18,817	22,000	25,959	28,134	30,600
Imports	58,498	66,543	72,861	74,513	81,515
Goods, f.o.b.	44,678	49,316	55,498	54,483	58,415
Nonfactor services	13,820	17,227	17,363	20,030	23,100
GDP at market prices	88,358	99,890	107,370	118,478	131,465
Memorandum items:					
Domestic savings	21,794	24,806	24,467	29,031	33,210
Domestic investment	26,098	25,638	28,229	29,703	32,325
Resource gap	4,304	832	3,762	672	-885

Source: Central Statistics Office, *National Accounts of Mauritius*.

1/ Includes purchases of ships and/or aircraft in 1997, 1999, and 2001.

Table 5. Mauritius: Real Growth Rates of Gross Domestic Fixed Capital Formation, 1997-2001

(Annual change in percent)

	1997	1998	1999	2000 Rev. Est.	2001 Prov.
By type of capital goods	-11.6	-6.7	22.1	-8.2	4.1
Residential building	9.0	5.0	3.3	7.3	0.5
Nonresidential building	9.0	0.4	25.9	11.2	3.9
Other construction and works	-12.4	11.3	-4.8	6.0	7.3
Transport equipment					
Passenger cars	-20.2	7.8	-2.7	-2.5	-2.1
Other equipment 1/	-291.4	-69.2	191.0	-65.1	108.5
Machinery and other equipment	5.4	11.0	17.9	-8.1	-9.1
By industrial sector	-11.6	-6.7	22.1	-8.2	4.1
Agriculture, forestry, hunting, and fishing	3.5	10.9	4.1	-22.2	-8.8
Manufacturing	1.3	24.0	5.6	0.0	-5.7
<i>Of which: export processing zone</i>	28.6	8.2	13.0	-5.8	-9.3
Electricity, gas and water	-28.0	42.9	11.7	-28.8	-4.9
Construction	10.1	1.8	-4.2	8.0	-10.6
Wholesale and retail trade	-7.4	2.0	9.7	13.7	3.3
Restaurants and hotels	-1.8	17.2	64.1	-0.2	-18.3
Transport, storage, and communications 1/	95.7	-46.1	86.0	-39.9	32.9
Financial intermediation	-35.5	33.5	-6.9	-16.0	5.0
Real estate, renting, and business activities	-7.4	8.0	4.4	8.4	-2.4
Ownership of dwellings	9.0	5.0	3.3	7.3	0.5
Other	15.2	39.6	12.9	15.9	-21.9
Public administration, defense, and compulsory social security	20.0	-38.1	36.6	-3.7	7.1
Education	17.8	-33.3	-16.6	9.7	144.0
Health and social work	34.1	-4.6	-28.3	45.8	-4.7
Other services	11.1	3.9	-31.9	147.4	-5.9

Source: Central Statistics Office, *National Accounts of Mauritius*.

1/ Includes purchases of ships and/or aircraft in 1997, 1999, and 2001.

Table 6. Mauritius: Composition of Gross Domestic Fixed Capital Formation  
at Current Prices, 1997-2001

	1997	1998	1999	2000 Rev. Est.	2001 Prov.
(In millions of Mauritian rupees)					
By type of capital goods	23,481	23,082	29,676	28,069	30,280
Residential building	4,650	5,080	5,460	6,035	6,250
Nonresidential building	3,705	3,870	5,065	5,802	6,210
Other construction and works	2,661	3,080	3,050	3,330	3,680
Transport equipment	5,470	2,665	5,437	2,792	4,540
Passenger cars	1,155	1,255	1,310	1,316	1,340
Other equipment 1/	4,315	1,370	4,107	1,476	3,200
Machinery and other equipment	6,994	8,387	10,683	10,110	9,600
By industrial sector	23,481	23,082	29,676	28,069	30,280
Agriculture, forestry, hunting and fishing	678	790	864	692	655
Manufacturing	2,894	3,832	4,332	4,464	4,390
Of which: export processing zone	1,245	1,445	1,735	1,702	1,610
Electricity, gas and water	1,450	2,202	2,616	1,918	1,890
Construction	490	533	545	606	565
Wholesale and retail trade	1,572	1,681	1,932	2,163	2,420
Restaurants and hotels	1,338	1,646	2,837	2,915	2,460
Transport, storage, and communications 1/	6,575	3,745	7,321	4,533	6,265
Financial intermediation	445	635	629	544	595
Real estate, renting, and business activities	5,089	5,723	6,219	6,941	6,985
Ownership of dwellings	4,650	5,080	5,460	6,035	6,250
Other	439	643	759	906	735
Public administration, defense, and compulsory social security	1,391	901	1,288	1,278	1,415
Education	713	499	440	497	1,255
Health and social work	303	307	235	353	350
Other services	543	588	418	1,065	1,035
(In percent of total)					
By type of capital goods	100.0	100.0	100.0	100.0	100.0
Residential building	19.8	22.0	18.4	21.5	20.6
Nonresidential building	15.8	16.8	17.1	20.7	20.5
Other construction and works	11.3	13.3	10.3	11.9	12.2
Transport equipment	23.3	11.5	18.3	9.9	15.0
Passenger cars	4.9	5.6	4.4	4.7	4.4
Other equipment 1/	18.4	5.9	13.8	5.3	10.6
Machinery and other equipment	29.8	36.3	36.0	36.0	31.7
By industrial sector	100.0	100.0	100.0	100.0	100.0
Agriculture, forestry, hunting and fishing	2.9	3.4	2.9	2.5	2.2
Manufacturing	12.3	16.6	14.6	15.9	14.5
Of which: export processing zone	5.3	6.3	5.9	6.1	5.3
Electricity, gas and water	6.2	9.5	8.8	6.8	6.2
Construction	2.1	2.3	1.8	2.2	1.9
Wholesale and retail trade	6.7	7.3	6.5	8.1	8.0
Restaurants and hotels	5.7	7.1	9.6	10.4	8.1
Transport, storage, and communications 1/	28.0	16.2	24.7	16.1	20.7
Financial intermediation	1.9	2.8	2.1	1.9	2.0
Real estate, renting, and business activities	21.7	24.8	21.0	24.7	23.1
Ownership of dwellings	19.8	22.0	18.4	21.5	20.6
Other	1.9	2.8	2.6	3.2	2.4
Public administration, defense, and compulsory social security	5.9	3.9	4.3	4.6	4.7
Education	3.0	2.2	1.5	1.8	4.1
Health and social work	1.3	1.3	0.8	1.3	1.2
Other services	2.3	2.5	1.4	3.8	3.4

Source: Central Statistics Office, *National Accounts of Mauritius*.

1/ Includes purchases of ships and/or aircraft in 1997, 1999, and 2001.

Table 7. Mauritius: Sugar Cultivation, Yields, and Output, 1997-2001

(Area in thousands of arpents; yields in metric tons per arpent harvested;  
and production, accruals, and consumption in thousands of metric tons) 1/

	1997	1998	1999	2000 Rev. Est.	2001 Prov.
Area under cultivation	185.6	184.8	187.1	182.3	...
Miller-planters 2/	102.2	96.9	86.6	91.9	...
Planters	83.4	87.9	100.5	90.4	...
Area harvested 3/	172.4	175.3	171.7	173.1	...
Miller-planters 2/	91.9	88.4	78.7	85.0	...
Planters	80.5	86.9	93.0	88.1	...
Percent harvested	92.9	94.9	91.8	95.0	...
Miller-planters 2/	89.9	91.2	90.9	92.5	...
Planters	96.5	98.9	92.5	97.5	...
Cane yield	33.6	33.0	22.6	29.5	...
Miller-planters 2/	36.5	36.4	28.0	33.9	...
Planters	30.1	29.0	18.1	25.3	...
Cane production	5,787.0	5,781.0	3,882.0	5,109.0	...
Miller-planters 2/	3,354.0	3,221.0	2,203.0	2,878.0	...
Planters	2,433.0	2,560.0	1,679.0	2,231.0	...
Commercial sugar recovered (percent of cane)	10.73	10.88	9.62	11.14	...
Sugar yield	3.60	3.59	2.17	3.29	...
Sugar production	621.0	629.0	373.4	569.3	645.0
White	5.0	4.0	2.4	3.1	5.0
Raw	616.0	625.0	371.0	566.2	640.0
Sugar accruals 4/	621.0	629.0	373.0	569.3	...
Planters	194.0	195.0	...	...	...
Miller-planters 5/	280.0	284.0	...	...	...
Millers	147.0	150.0	90.0	...	...
Molasses production	165.8	168.5	124.7	144.0	...
Memorandum items:					
Sugar production by fiscal year 5/ 6/	590.0	620.0	619.1	373.3	570.0
Of which: local consumption 5/ 7/	3.0	4.0	4.0	4.0	4.0

Sources: Mauritius Chamber of Agriculture; Central Statistics Office; and IMF staff estimates.

1/ One arpent = 1.043 acres, or 0.4221 hectare.

2/ Mills and estates, including legally separate companies under same ownership.

3/ Difference from area cultivated is attributable mainly to replanting and rotational/fallow periods.

4/ Reflects millers' 26 percent share of sugar produced as compensation for milling, as adjusted for mill efficiency.

5/ Fiscal-year data relate to 12-month period ending in June of current year.

6/ Total crop from harvest beginning approximately one month before the start of the fiscal year indicated, less the output in June immediately before the indicated fiscal year, plus the June output of the next crop, most of which is produced in the next fiscal year.

7/ During 1996/97, 38,000 tons of sugar were imported for local consumption. Imports for the 1997/98 period are estimated at 33,000 tons.

Table 8. Mauritius: Sugar Exports, 1996/97-2000/01 1/

	1996/97	1997/98	1998/99	1999/00 Rev. Est.	2000/01 Prov.
(In thousands of metric tons)					
Volume shipped	586.4	606.0	628.5	378.5	565.0
European Union	511.5	511.8	524.8	368.8	540.0
United States	24.5	22.9	18.5	6.0	5.0
World market	5.2	5.4	4.5	3.7	6.0
Special Preferential Sugar Agreement 2/	45.2	65.9	80.7	0.0	14.0
(Mauritian rupees per metric ton)					
Unit value	13,665	13,348	14,691	14,267	12,844
European Union	14,082	13,875	15,166	14,284	12,900
United States	10,163	10,480	12,703	16,167	17,600
World market	7,885	8,704	9,111	9,459	9,667
Special Preferential Sugar Agreement 2/	11,504	10,637	12,367	0	10,357
(In millions of Mauritian rupees)					
Value, f.o.b.	8,013	8,089	9,233	5,400	7,257
European Union	7,203	7,101	7,959	5,268	6,966
United States	249	240	235	97	88
World market	41	47	41	35	58
Special Preferential Sugar Agreement 2/	520	701	998	0	145
(U.S. dollars per metric ton)					
Unit value	715.5	590.8	591.9	559.2	465.5
European Union	737.4	614.1	611.1	559.9	467.6
United States	532.2	463.8	511.8	633.7	637.9
World market	412.8	385.2	367.1	370.8	350.4
Special Preferential Sugar Agreement 2/	602.4	470.8	498.3	...	375.4
(In millions of U.S. dollars)					
Value, f.o.b.	419.6	358.0	372.0	211.7	263.0
European Union	377.2	314.3	320.7	206.5	252.5
United States	13.0	10.6	9.5	3.8	3.2
World market	2.1	2.1	1.7	1.4	2.1
Special Preferential Sugar Agreement 2/	27.2	31.0	40.2	...	5.3
(Mauritian rupees per U.S. dollars)					
Conversion factor	19.098	22.595	24.819	25.512	27.591

Sources: Mauritius Sugar Syndicate (MSS); and Bank of Mauritius.

1/ Fiscal year from July to June. Data differ somewhat from those presented by the MSS on a crop-year basis, which refer to disposal of a given year's crop (from June when harvest starts to the following June).

2/ The Special Preferential Sugar Agreement was signed on June 1, 1995 between Atlantic, Caribbean, and Pacific (ACP) sugar-supplying countries and the European Union to compensate for the European cane refiners' deficit for a period of six years, to 2001. It provides Mauritius with the right to export a variable tonnage of approximately 80,000 tons of sugar.

Table 9. Mauritius: Ex-Syndicate Sugar Prices, 1996/97-2000/01 1/

(Mauritian rupees per ton)

	1996/97	1997/98	1998/99	1999/00 Rev. Est.	2000/01 Prov.
Average sugar prices (ex-millers)	12,319	11,907	13,250	12,374	11,400
Average price, after taxes and crop insurance premiums	11,124	10,846	12,064	12,374	11,400
Memorandum items:					
Average insurance premiums	1,195	1,061	1,166	1,797	...
Bagasse proceeds 2/	59	64	66	120	...

Source: Mauritius Sugar Syndicate.

1/ Marketing years.

2/ Paid to planters but not to millers.

Table 10. Mauritius: Revenue and Expenditure of Sugar Estates with Factories, 1/ 1997-2001 2/

(In millions of Mauritian rupees, unless otherwise indicated)

	1997	1998	1999	2000 Rev. Est.	2001 Prov.
Production and prices	(Production in thousands of metric tons; and prices in Mauritian rupees per metric ton)				
Sugar output (at 98.5 polarization)					
National total	621	629	374	571	646
Estates with factories	427	431	266	397	446
Sugar price, ex-syndicate 3/	11,944	13,254	12,460	11,575	12,740
Molasses output					
National total	167	169	127	144	174
Estates with factories	99	99	79	85	106
Molasses price	597	230	145	436	800
	(In millions of Mauritian rupees)				
Revenue	5,550	6,234	4,991	5,168	6,101
Sugar 3/	5,096	5,709	3,291	4,595	5,682
Molasses	59	23	12	37	85
Electricity, white sugar, and by-products	195	266	186	367	252
Crop insurance compensation	200	236	1,502	169	82
Operating expenditure	5,035	5,384	4,974	5,368	5,772
Wages and salaries	2,639	2,853	2,622	3,125	3,333
Agricultural workers	1,383	1,484	1,367	1,625	1,733
Nonagricultural workers	744	799	690	875	933
Administrative staff	512	571	565	625	667
Supplies and other charges	1,958	2,048	1,914	1,848	1,995
Supplies	864	922	759	831	899
Interest	254	246	371	222	239
Other charges	840	881	784	795	858
Crop insurance premium and levy	438	483	438	395	444
Operating surplus/deficit (-)	515	850	17	-200	329
Depreciation per accounts (-)	-449	-488	-492	-538	-568
Profit/loss (-) on sugar	66	362	-475	-738	-239
Net nonsugar income 4/	587	934	1,104	1,028	1,031
Receipts	948	1,300	1,329	1,345	1,375
Payments (-)	-361	-366	-225	-317	-344
Overall profit/loss (-)	653	1,296	629	290	792



Table 10. Mauritius: Revenue and Expenditure of Sugar Estates with Factories, 1/  
1997-2001 2/ (concluded)

(In millions of Mauritian rupees, unless otherwise indicated)

	1997	1998	1999	2000 Rev. Est.	2001 Prov.
	(In millions of Mauritian rupees)				
Transfer to modernization and agricultural diversification reserve 5/	-3	-175	...	...	...
Special levy 6/	0	0	...	...	...
Memorandum items:					
Income taxes	47	0	...	...	...
Depreciation 7/	709	712	...	...	...
Excess over accounts	260	252	...	...	...
Additions to fixed assets 8/	1,038	...	...	...	...

Sources: Mauritius Chamber of Agriculture; Mauritius Sugar Authority; and IMF staff estimates.

1/ Based on companies' audited accounts, in which accounting practices vary somewhat, supplemented by questionnaire returns.

2/ Accounting-year basis. Mainly calendar years, except Illovo and Mon Tresor (April-March) and St. Antoine (July-June). Revenues include receipts (partly estimated) from current year's crop through following June 30.

3/ Less Mauritius Sugar Syndicate marketing expenses and cesses; before export taxes and insurance premiums. Reflects actual final price, whereas company accounts are closed using an estimate.

4/ Income on other crops and nonagricultural activities.

5/ Producers are requested to credit an aggregate amount of MUR 175 million to a modernization and agricultural diversification reserve for each of the years 1994-2003. Transfers from this reserve are allowed on approved investments.

6/ The Finance Act of 1996 placed a special levy on the 1996 sugar companies' accounts. The Finance Act of 1997 replaced this by a special contribution.

7/ At estimated "full-replacement value" (estimated current cost of completely new factory of average capacity times the number of factories operating over life of 24 years).

8/ Excluding power station at the Flacq United Estates, Ltd. (FUEL) sugar mill.

Table 11. Mauritius: Nonsugar Agricultural Production, 1997-2001

(In thousands of metric tons, unless otherwise indicated)

	1997	1998	1999	2000 Rev. Est.	2001 Prov.
<b>Tea</b>					
Area harvested (in thousands of arpents) 1/	1.8	1.6	1.6	1.6	1.6
Production	10.7	8.8	8.5	7.6	8.9
Green leaf processed	8.9	7.3	7.0	6.3	7.4
Manufactured tea	1.8	1.5	1.5	1.3	1.5
Green leaf yields (tons per hectare)	11.8	10.8	10.6	9.5	11.3
<b>Food crops</b>					
Area harvested (in thousands of arpents) 1/	16.4	16.6	14.3	17.4	18.9
Production	101.3	91.6	85.7	114.5	133.5
Potatoes	18.2	15.1	15.7	14.5	18.8
Irish	17.6	14.6	15.3	13.8	18.3
Sweet	0.5	0.5	0.4	0.7	0.5
Tomatoes	12.2	10.7	8.0	9.7	11.7
Eggplant (brinjal)	2.1	2.2	1.7	2.2	2.7
Bananas	9.6	9.3	7.6	8.5	10.1
Pinsapples	1.6	1.5	1.0	3.4	6.0
Groundnuts	0.9	0.6	0.3	0.4	0.3
Maize 2/	0.2	0.3	0.2	0.6	0.4
Manioc	0.2	0.2	0.1	0.2	0.2
Ginger	0.3	0.4	0.1	0.5	0.9
Other 3/	56.1	51.3	51.0	74.5	82.4

Sources: Mauritius Chamber of Agriculture; and Ministry of Agriculture, Food Technology, and Natural Resources.

1/ One arpent = 1.043 acres, or 0.4221 hectare.

2/ Includes maize that is sent to drying stations; does not include fodder.

3/ Includes beans and peas, eddoes (arouille), creepers (cucumber and squash), and mixed vegetables (beets, cabbage, carrots, cauliflower, chillies, garlic, onions, and lettuce).

Table 12. Mauritius: Export Processing Zone (EPZ) Activity, 1997-2001

	1997	1998	1999	2000 Rev. Est.	2001 Prov.
	(Numbers)				
Total firms 1/	480	495	512	523	522
Textiles	269	275	285	287	287
Other	211	220	227	236	235
Total employees 1/	83,391	90,116	91,374	89,869	90,894
Textiles	73,364	79,640	80,960	79,311	80,162
Other	10,027	10,476	10,414	10,558	10,732
	(In millions of Mauritian rupees)				
EPZ investments	1,245	1,445	1,755	1,702	1,610
Plant and machinery	1,200	1,355	1,635	1,557	1,410
Buildings	45	90	120	145	200
EPZ value added					
Current factor cost	9,086	10,510	11,697	12,523	13,740
Factor cost at constant 1992 prices	6,594	7,050	7,474	7,922	8,437

Source: Central Statistics Office, *Digest of Industrial Statistics*.

1/ As at December.

Table 13. Mauritius: Electricity Production and Consumption, 1997-2001

	1997	1998	1999	2000 Rev. Est.	2001 Prov.
(In megawatts)					
Plant effective capacity	370.0	396.7	425.7	497.9	513.9
(In percent of total)					
Hydroelectric effective capacity	14.7	13.7	12.8	10.9	10.9
<i>Of which: purchases 1/</i>	0.1	0.1	0.1	0.1	0.1
Thermal effective capacity	85.3	86.3	87.2	89.1	89.1
<i>Of which: purchases 1/</i>	14.3	22.7	21.2	27.2	27.2
(In millions of kilowatt-hours)					
Energy generated	1,251.8	1,364.8	1,422.6	1,564.9	1,657.1
Hydroelectric	92.4	104.2	29.6	95.3	70.4
Thermal	1,159.3	1,260.6	1,393.0	1,469.6	1,586.6
Energy purchased from sugar and other factories	148.3	256.0	343.8	601.2	710.2
Energy sold	1,075.1	1,176.4	1,229.3	1,358.5	1,450.0
(Annual growth in percent, unless otherwise indicated)					
Energy generated	22.5	9.0	4.2	10.0	5.9
Energy purchased from sugar and other factories	15.0	72.6	34.3	74.9	18.1
Energy sold	9.1	9.4	4.5	10.5	6.7
Consumers at year's end (numbers)	284,576	293,887	304,029	313,963	321,000
<i>Of which: domestic (percent of total)</i>	89.1	89.1	89.2	89.1	89.6
Annual percentage increase of consumers	3.0	3.3	3.5	3.3	2.2
Average selling prices (Mauritian cents per kilowatt-hour)	220.0	214.0	211.0	230.0	276.0
(In millions of Mauritian rupees, unless otherwise indicated)					
Central Electricity Board indicators					
Revenue	2,414.3	2,564.1	2,659.0	3,185.7	4,156.0
Current expenditure	2,418.4	3,533.2	2,839.5	3,469.6	40,040.0
Persons employed (number)	1,828	1,816	1,854	1,836	1,807

Sources: Central Statistics Office; and Central Electricity Board (CEB).

1/ From sugar mills and other factories generating electricity.

Table 14. Mauritius: Building Permits Issued, 1996-2000 1/

	1996	1997	1998	1999	2000 Rev. Est.
<b>Permits issued</b>	(Numbers)				
Total	8,337	7,608	8,771	8,817	8,867
By building type					
Residential	7,802	7,097	8,302	8,280	8,331
New buildings	4,689	4,011	4,667	4,657	4,538
Additions	3,113	3,086	3,635	3,623	3,793
Nonresidential	535	511	469	537	536
By location					
Urban	4,365	4,071	4,516	4,437	3,856
Rural	3,972	3,537	4,255	4,380	5,011
<b>Floor area</b>	(Thousands of square meters)				
Total	1,447	1,217	1,480	1,546	1,510
By building type					
Residential	1,108	997	1,204	1,244	1,170
New buildings	804	714	839	865	785
Additions	304	283	365	379	385
Nonresidential	339	220	276	302	340
By location					
Urban	812	671	716	731	592
Rural	635	546	764	815	918

Source: Central Statistics Office.

1/ Includes new buildings and additions for which permits have been issued by municipalities and the central government.

Table 15. Mauritius: Tourist Arrivals, Capacity, and Earnings, 1997-2001

	1997	1998	1999	2000	2001 Prov.
<b>Arrivals by country of residence</b>					
	(Persons)				
Africa	158,493	156,864	150,366	157,150	161,977
Kenya	1,230	1,684	1,655	1,801	1,734
Madagascar	10,143	9,213	7,880	7,057	6,674
Reunion (France)	82,628	83,966	83,749	86,945	91,140
Seychelles	8,995	8,529	7,893	9,229	10,687
South Africa	51,249	49,676	46,583	48,683	47,882
Zimbabwe	4,248	3,796	2,606	3,435	3,860
Europe	294,710	320,057	341,862	396,251	392,517
Belgium	8,162	8,365	9,586	10,998	10,398
France	145,173	162,775	175,431	198,423	197,595
Germany	43,993	43,826	45,206	52,869	50,866
Italy	35,255	36,614	36,675	39,000	37,343
Switzerland	16,105	16,178	16,281	20,473	18,427
United Kingdom	46,022	52,299	58,683	74,488	77,888
Other	82,485	80,851	85,536	103,052	105,824
Australia	9,460	8,913	8,076	8,771	8,790
India	13,220	12,629	13,583	17,241	18,890
Japan	3,140	2,505	2,324	2,389	1,589
Singapore	3,404	3,515	3,661	4,104	3,431
United States	2,879	3,158	3,345	3,704	3,923
Other	50,382	50,131	54,547	66,843	69,201
All countries	536,125	558,195	578,085	656,453	660,318
<b>Tourism capacity, activity, and earnings</b>					
	(Numbers, unless otherwise indicated)				
Hotels	87	90	92	95	95
Rooms	6,809	7,267	8,255	8,657	8,640
Beds	14,126	14,995	16,947	17,776	17,718
Nights spent (thousands)	5,451	5,568	5,729	6,413	6,520
Average stay (nights)	10	10	10	10	10
Gross earnings					
In millions of Mauritian rupees	10,070	11,890	13,568	14,234	18,166
In millions of U.S. dollars	478	496	543	542	624
Average earnings per tourist					
In Mauritian rupees	18,783	21,301	23,644	21,683	27,511
In U.S. dollars	892	888	939	826	944

Source: Central Statistics Office.

Table 16. Mauritius: Estimated Labor Force and Employment, 1997-2001 1/

	1997	1998	1999	2000 Rev. Est.	2001 Prov.
(In thousands of persons)					
Population aged 12+ years 2/	898	911	925.9	937.6	951.2
Female	454	461	469.1	475.7	482.8
Male	445	450	456.8	461.9	468.4
Labor force	499.4	509.4	519.5	528.6	538.5
Female	166.0	171.9	177.1	181.4	186.4
Mauritian	161.1	165.6	168.6	171.8	175.7
Foreign	4.9	6.3	8.5	9.6	10.7
Male	333.4	337.5	342.4	347.2	352.1
Mauritian	329.7	333.8	338.0	342.2	346.3
Foreign	3.7	3.7	4.4	5.0	5.8
Employment 3/	467.2	475.0	480.5	483.6	490.3
Large establishments 4/	287.8	294.7	297.4	297.7	300.5
Of which: foreign	8.6	10.0	12.9	14.6	16.5
Female	103.5	108.3	109.7	110.5	112.5
Male	184.3	186.4	187.7	187.2	188.0
Other firms and self	179.4	180.3	183.1	185.9	189.8
Female	48.8	49.6	52.2	54.4	56.2
Male	130.6	130.7	130.9	131.5	133.6
Employment in large establishments					
by economic activity 4/ 5/	286.1	292.8	297.7	297.0	301.2
Agriculture, forestry, and fishing	...	...	34.3	32.7	31.3
Of which: sugar	...	...	25.9	24.8	23.5
Mining and quarrying	...	...	0.2	0.2	0.2
Manufacturing	...	...	115.6	115.0	117.0
Of which: sugar	...	...	3.9	3.4	3.2
Of which: EPZ 6/	...	...	88.9	88.2	90.8
Electricity, gas, and water	...	...	3.1	3.0	3.0
Construction	...	...	13.6	13.5	13.3
Wholesale and retail trade	...	...	16.4	16.5	16.5
Hotels and restaurants	...	...	13.0	14.5	16.3
Transport, storage, and	...	...	16.4	16.1	16.6
communications	...	...	6.6	6.7	7.1
Financial intermediation	...	...	...	...	...
Real estate, renting, and	...	...	8.3	8.9	8.9
business activities	...	...	34.8	34.9	35.7
Public administration and defense	...	...	17.9	17.8	18.3
Education	...	...	11.4	11.3	11.0
Health and social work	...	...	6.2	6.0	6.2
Other community, social, and	...	...	...	...	...
personal service	...	...	...	...	...
Unemployment	32.2	34.4	39.0	45.0	48.2
Female	13.7	14.0	15.2	16.5	17.7
Male	18.5	20.4	23.8	28.5	30.5

Table 16. Mauritius: Estimated Labor Force and Employment, 1997-2001 1/ (concluded)

	1997	1998	1999	2000 Rev. Est.	2001 Prov.
	(In percent)				
Labor force participation rate	54.6	54.8	54.7	54.8	54.9
Female	35.5	36.0	35.9	36.1	36.4
Male	74.2	74.2	74.0	74.1	73.9
Unemployment rate	6.6	6.9	7.7	8.8	9.2
Female	8.5	8.5	9.0	9.6	10.1
Male	5.6	6.1	7.0	8.3	8.8
Employment growth rate	1.0	1.7	1.2	0.6	1.4
Female	2.8	3.7	2.5	1.9	2.3
Male	0.2	0.7	0.5	0.0	0.9

Source: Central Statistics Office, *Survey of Employment and Earnings and Digest of Labour Statistics*.

1/ Data are for the islands of Mauritius and Rodrigues. 2000 and 2001 figures for unemployment and for employment outside large establishments are provisional and are based on the 2000 Population Census. For 1997-1999 these figures are based on the 1995 Labor Force Sample Survey.

2/ Excludes foreigners.

3/ Average of March and September survey results.

4/ Covers large establishments, i.e., nonagricultural establishments with ten or more employees, all government, sugar plantations of ten hectares or more, tea plantations of two hectares or more, all flue-cured tobacco, and other agricultural units with ten or more employees; excludes self-employed, piece-rate employees working at home, and unpaid family workers. Includes foreign workers. Because of variations in response rates and coverage, some short-term fluctuations are not significant.

5/ At March of each year.

6/ Excludes nonmanufacturing EPZ establishments.

7/ Based on Mauritian labor force.



Table 17. Mauritius: Average Earnings by Sector — Monthly Paid Employees, 1997-2001 1/

(Mauritian rupees per employee per month)

	1997	1998	1999 March	2000	2001
Agriculture, forestry, and fishing	...	...	6,146	6,818	7,910
<i>Of which: sugar</i>	...	...	5,625	6,224	7,116
Mining and quarrying	...	...	10,905	11,427	12,822
Manufacturing	...	...	7,105	7,703	8,127
<i>Of which: export processing zone (EPZ)</i>	...	...	6,423	6,944	7,194
Electricity, gas, and water	...	...	12,157	13,569	15,696
Construction	...	...	8,884	10,232	10,278
Wholesale and retail trade	...	...	9,098	9,787	11,035
Hotels and restaurants	...	...	7,099	7,437	7,819
Transport, storage, and communications	...	...	10,508	12,021	12,508
Financial intermediation	...	...	13,515	14,814	16,538
Real estate, renting, and business activities	...	...	9,937	11,321	12,301
Public administration and defense	...	...	9,608	10,208	10,684
Education	...	...	10,608	11,256	11,235
Health and social work	...	...	10,137	11,290	12,396
Other community, social, and personal service	...	...	8,287	8,364	8,683
Total, large establishments	7,572	8,080	8,777	9,579	10,236
<i>Of which: EPZ</i>	5,787	6,395	6,428	6,955	7,242
Memorandum items:					
Daily paid employees 2/	4,316	4,628	4,810	5,174	5,460
<i>Of which: EPZ 2/</i>	3,562	3,770	3,926	4,134	4,498

Source: Central Statistics Office, *Survey of Employment and Earnings*.

1/ Covers large establishments. Data are based on the 2000 Population Census. Employees paid monthly account for approximately two-thirds of such employment and four-fifths of earnings reported. Some short-term fluctuations are not significant due to varying response rates.

2/ Daily earnings converted to a monthly basis by assuming 26 working days in a month.

Table 18. Mauritius: Labor Costs and Productivity, 1996-2000 1/.

(Indices, 1982=100)

	1996	1997	1998	1999 Rev. Est.	2000 Prov.
Labor cost (1)	638.8	697.1	785.2	859.9	929.2
Real output (2)	217.0	229.3	242.6	248.0	269.3
Employment (3) 2/	163.7	167.4	170.9	173.1	175.0
Consumer price index (4)	259.1	276.2	295.0	315.3	328.6
Unit labor cost (5) = (1)/(2)	294.4	304.0	323.6	346.7	345.0
Average real wage 3/ (6) = (1)/[(3)*(4)]	150.6	150.8	155.7	157.5	161.5
Labor productivity (7) = (2)/(3)	132.5	137.0	141.9	143.2	153.8

Source: Central Statistics Office, *Digest of Productivity and Competitiveness Statistics*.

1/ Total economy.

2/ Number of persons.

3/ Covers the overall compensation of employees, including wages, salaries, overtime, bonuses, and contributions to pension funds.

Table 19. Mauritius: Cost Structure and Prices of Petroleum Products, 1996/97-2000/01 1/

(In percent of the sales price, unless otherwise specified)

	1996/97	1997/98	1998/99	1999/00	2000/01
<b>Premium gasoline</b>					
Import cost, c.i.f.	31.3	27.6	25.1	49.4	37.0
Distribution costs and overheads	2.1	1.9	1.9	3.6	5.6
Taxes	67.4	58.7	55.2	109.5	63.0
Profits (loss -)	-0.8	11.8	-5.7	-62.5	-5.7
STC sales price (Mauritian rupees per liter)	10.6	11.8	16.6	10.5	16.6
Retail price (Mauritian rupees per liter)	14.15 2/	14.15 2/	14.15 2/	12.80 3/	19.50 4/
Imports for inland trade (in metric tons)	88,899	87,024	93,754	90,101	86,936
<b>Diesel</b>					
Import cost, c.i.f.	68.5	53.0	43.4	85.7	65.8
Distribution costs and overheads	4.1	3.9	3.6	5.6	9.1
Taxes	46.0	34.9	32.4	64.5	25.9
Profits (loss -)	-18.6	8.2	20.6	-55.8	-0.8
STC sales price (Mauritian rupees per liter)	5.4	6.0	5.8	5.0	9.3
Retail price (Mauritian rupees per liter)	7.65 2/	7.65 2/	7.65 2/	6.65 3/	11.40 4/
Imports for inland trade (in metric tons)	155,025	139,393	166,377	178,503	196,940
<b>Kerosene</b>					
Import cost, c.i.f.	92.2	68.1	62.1	135.8	93.4
Distribution costs and overheads	0.5	0.7	0.4	5.2	12.0
Taxes	0.0	0.0	0.0	0.0	0.0
Profits (loss -)	7.3	31.3	37.4	-41.0	-5.4
STC sales price (Mauritian rupees per liter)	4.2	4.6	4.6	3.5	7.7
Retail price (Mauritian rupees per liter)	5.65 2/	5.65 2/	5.65 2/	4.55 3/	8.75 4/
Imports for inland trade (in metric tons)	88,195	56,728	54,119	29,186	13,159
<b>Fuel oil</b>					
Import cost, c.i.f.	68.6	60.2	55.4	103.4	118.3
Distribution costs and overheads	0.9	0.8	0.5	1.1	12.2
Taxes	48.8	37.5	42.9	74.3	78.0
Profits (loss -)	-18.3	1.4	1.2	-78.7	-108.4
STC sales price (Mauritian rupees per liter)	3.3	3.7	3.7	3.7	3.7
Imports for inland trade (in metric tons)	123,949	125,410	119,042	121,185	95,244

Source: State Trading Corporation.

1/ Fiscal year from July to June. Cost structure relates to that of the State Trading Corporation (STC).

2/ Effective December 21, 1996. From early June 1996 to December 21, 1996 the retail price per liter was MUR 11.30 for premium gasoline, MUR 6.10 for diesel, and MUR 4.50 for kerosene.

3/ Effective June 15, 1999.

4/ Effective September 30, 2000.

5/ Effective September 31, 2001.

Table 20. Mauritius: Consumer Price Indices by Major Commodity Groups, January 1999-December 2001

(July 1996-June 1997=100)

	Weight	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.	Year (Avg.)
<b>1999</b>														
Food and nonalcoholic beverages	36.4	115.6	115.9	115.8	116.7	117.1	117.6	117.0	117.8	117.8	117.5	118.2	118.6	117.1
Alcoholic beverages and tobacco	8.7	129.2	131.7	131.7	132.6	133.1	132.0	132.5	133.0	133.0	133.1	133.1	133.2	144.0
Clothing and footwear	7.9	110.4	110.5	110.6	110.8	110.9	110.9	112.6	113.9	113.3	113.4	113.4	113.9	112.0
Fuel and light	4.4	100.3	100.3	100.3	100.3	100.3	99.8	99.8	100.4	101.0	101.0	101.0	101.0	100.5
Housing and household operations	13.2	108.4	108.4	109.4	109.5	109.5	109.4	111.2	111.3	111.5	111.5	111.4	111.4	110.2
Medical care and health expenses	3.8	115.9	114.4	114.6	114.4	114.7	115.1	119.2	119.2	119.5	120.6	120.8	120.8	117.3
Transport and communications	14.2	113.8	113.2	113.3	113.3	113.2	111.1	111.1	111.8	112.8	113.2	113.9	117.5	113.2
Recreation, entertainment, education, and cultural services	6.0	122.5	122.6	122.7	122.7	122.8	122.8	122.9	122.9	123.0	122.8	122.8	122.9	122.8
Miscellaneous goods and services	5.4	110.8	111.1	112.0	113.8	114.1	115.5	115.5	116.0	115.8	115.8	116.2	116.3	114.4
<b>Total</b>	<b>100.0</b>	<b>114.6</b>	<b>114.9</b>	<b>115.1</b>	<b>115.6</b>	<b>115.8</b>	<b>117.4</b>	<b>117.7</b>	<b>118.3</b>	<b>118.5</b>	<b>118.5</b>	<b>118.9</b>	<b>119.6</b>	<b>117.1</b>
Average for fiscal year ended June 30							113.7							
<b>2000</b>														
Food and nonalcoholic beverages	36.4	118.6	117.7	118.2	117.7	118.2	118.1	118.1	118.4	118.9	119.4	119.8	120.7	118.6
Alcoholic beverages and tobacco	8.7	153.3	153.3	154.6	154.5	154.7	154.3	155.9	159.1	159.2	159.2	159.2	159.2	156.4
Clothing and footwear	7.9	114.2	114.3	114.3	114.6	114.5	114.8	114.8	115.1	115.5	115.5	115.6	115.6	114.9
Fuel and light	4.4	101.0	101.0	101.0	101.0	101.0	101.0	101.0	101.0	101.0	101.0	101.0	101.0	106.3
Housing and household operations	13.2	112.6	119.2	119.6	119.6	119.7	119.1	120.0	120.0	120.0	118.9	118.9	119.2	118.9
Medical care and health expenses	3.8	122.5	123.5	123.8	123.9	122.5	122.4	123.2	122.9	122.7	123.5	123.6	123.6	123.2
Transport and communications	14.2	117.7	117.5	117.4	117.3	116.9	117.3	117.3	117.3	117.3	129.0	129.3	129.7	120.3
Recreation, entertainment, education, and cultural services	6.0	124.3	124.4	124.6	124.6	125.1	125.0	124.9	124.8	124.7	124.7	124.6	124.6	124.7
Miscellaneous goods and services	5.4	117.0	118.5	119.3	119.7	120.0	120.0	121.1	121.1	121.6	121.9	122.0	122.1	120.4
<b>Total</b>	<b>100.0</b>	<b>120.0</b>	<b>120.6</b>	<b>121.0</b>	<b>120.9</b>	<b>121.0</b>	<b>120.9</b>	<b>121.3</b>	<b>121.7</b>	<b>121.9</b>	<b>124.6</b>	<b>124.8</b>	<b>125.2</b>	<b>122.0</b>
Average for fiscal year ended June 30							119.7							
<b>2001</b>														
Food and nonalcoholic beverages	36.4	120.9	121.3	120.8	121.2	121.6	123.4	124.0	124.4	124.6	125.2	126.3	127.3	123.4
Alcoholic beverages and tobacco	8.7	160.3	161.3	161.7	161.7	161.9	166.6	173.0	173.4	173.6	174.0	174.0	176.0	168.1
Clothing and footwear	7.9	115.6	115.7	115.7	115.7	115.7	113.8	116.8	116.8	116.8	116.9	117.1	117.4	116.3
Fuel and light	4.4	121.9	121.9	121.9	121.9	121.9	121.9	121.9	121.9	121.9	121.9	123.8	125.5	122.4
Housing and household operations	13.2	119.3	120.8	121.1	121.1	121.3	121.5	123.0	123.1	123.2	123.6	123.8	124.1	122.2
Medical care and health expenses	3.8	124.6	124.7	125.0	125.4	126.2	127.0	127.4	127.6	127.9	129.4	129.6	130.2	127.1
Transport and communications	14.2	130.7	130.6	130.1	130.5	130.6	130.1	135.2	135.5	135.6	136.1	136.2	136.3	133.1
Recreation, entertainment, education, and cultural services	6.0	129.3	131.6	132.0	132.1	132.5	132.5	132.6	132.6	132.8	132.8	132.8	132.8	132.2
Miscellaneous goods and services	5.4	123.0	123.1	122.8	122.5	122.4	122.1	123.2	123.5	124.1	124.1	124.4	124.6	123.3
<b>Total</b>	<b>100.0</b>	<b>125.9</b>	<b>126.5</b>	<b>126.3</b>	<b>126.5</b>	<b>126.8</b>	<b>127.8</b>	<b>129.7</b>	<b>129.9</b>	<b>130.1</b>	<b>130.5</b>	<b>131.1</b>	<b>131.8</b>	<b>128.6</b>
Average for fiscal year ended June 30							124.9							

Source: Central Statistics Office.

Table 21. Mauritius: Summary of Government Finances, 1996/97-2000/01 1/

	1996/97	1997/98	1998/99	1999/00	2000/01 Rev. Est.
(In millions of Mauritian rupees)					
Total revenue and grants	16,474	18,501	21,329	23,500	22,707
Tax revenue	14,001	15,686	17,900	20,373	20,189
Nontax revenue	2,410	2,599	3,294	2,966	2,318
External grants	63	217	135	161	199
Total expenditure and net lending	22,634	22,125	24,851	27,810	29,846
Current expenditure	17,632	19,264	21,847	23,379	26,786
Wages and salaries	5,897	6,508	7,457	7,763	8,181
Other goods and services	2,132	1,920	2,180	2,354	2,735
Interest payments	2,875	3,303	3,626	3,856	5,527
External interest	473	512	501	453	401
Domestic interest	2,402	2,992	3,125	3,403	5,125
Current transfers and subsidies	6,729	7,333	8,584	9,406	10,342
Capital expenditure and net lending 2/	5,001	2,761	2,129	3,548	2,325
Expenditure by the Privatization Fund	0	100	875	883	735
Overall balance after grants	-6,160	-3,623	-3,522	-4,310	-7,139
Financing	6,160	3,623	3,522	4,310	7,139
External (net)	198	-275	-1,170	-510	-3,584
Disbursements	916	531	464	410	349
Amortization	-718	-805	-1,634	-920	-3,932
Domestic	5,204	4,005	4,150	4,712	3,623
Banking system (net)	988	1,631	-1,371	2,579	-958
Nonbank	4,216	2,374	5,721	2,133	4,581
Sale of equity in state-owned enterprises and residual 3/	758	-107	543	108	7,100
(Annual change in percent)					
Total revenue and grants	28.4	12.3	15.3	10.2	-3.4
Total expenditure and net lending	24.6	-2.2	12.3	11.9	7.3
(In percent of GDP)					
Total revenue and grants	19.7	19.6	20.1	20.9	18.2
Of which: tax revenue	16.7	16.7	16.9	18.1	16.2
Total expenditure and net lending	27.0	23.5	23.4	24.8	23.9
Current expenditure	21.1	20.5	20.6	20.8	21.5
Capital expenditure and net lending 2/	6.0	2.9	2.0	3.2	1.9
Overall balance after grants	-7.4	-3.8	-3.3	-3.8	-5.7
Overall balance, excluding exceptional factors 4/	-5.3	-3.7	-4.6	-4.3	-7.1
External financing	0.2	-0.3	-1.1	-0.5	-2.9
Domestic financing	6.2	4.3	3.9	4.2	2.9
Of which: banking system	1.2	1.7	-1.5	2.3	-0.8
Sale of equity in state-owned enterprises and residual 3/	0.9	-0.1	0.5	0.1	5.7

Sources: Ministry of Finance, and Bank of Mauritius.

1/ Budgetary central government, *Government Finance Statistics* basis; fiscal year from July to June.

2/ From 1996/97 to 1997/98, net lending includes the on-lending of the proceeds from an international floating rate note (FRN) issue of US\$150 million. In 1998/99, it includes the repayment of the FRN on-lending equivalent to 0.8 percent of GDP.

3/ Includes proceeds from the sale of government equity in state-owned enterprises equivalent to 0.9 percent of GDP in 1996/97, and 5.7 percent of GDP in 2000/01.

4/ Exceptional factors include the on-lending of the proceeds from the FRN equivalent to 2.2 percent of GDP in 1996/97; and to 0.1 percent of GDP in 1997/98. They also include the repayment of the FRN on-lending equivalent to 0.8 percent of GDP in 1998/99, and 1.4 percent of GDP in 2000/01, as well as the proceeds from the sale of fixed assets equivalent to 0.5 percent of GDP in 1998/99 and 0.4 percent of GDP in 1999/2000.

Table 22. Mauritius: Revenue and Grants, Budgetary Central Government, 1996/97-2000/01 1/

(In millions of Mauritian rupees)

	1996/97	1997/98	1998/99	1999/00 Rev. Est.	2000/01 Prov.
<b>Tax revenue</b>	14,001	15,686	17,900	20,373	20,189
<b>Taxes on net income and profits</b>	2,287	2,409	2,700	2,881	3,039
Individuals	1,220	1,238	1,363	1,540	1,518
Corporate	1,067	1,171	1,337	1,341	1,521
<b>Taxes on property</b>	976	1,102	1,289	1,206	1,324
Land and real estate	190	182	213	218	279
Financial transactions	787	919	996	988	1,045
Registration fees	776	908	982	960	1,017
Incorporation and lodging fees	9	10	10	19	20
Mortgages	1	1	5	9	8
<b>Taxes on domestic goods and services</b>	5,157	6,007	8,005	9,339	9,466
Selective excises	1,276	1,529	1,776	2,160	2,107
Alcoholic beverages	645	682	769	946	927
Tobacco	617	832	1,006	1,213	1,178
Other	14	16	1	1	1
Taxes on services	1,062	1,326	1,136	1,099	957
Gambling and lottery profits	548	705	765	892	859
Tourism	513	620	371	206	98
Taxes on use of goods	377	428	435	476	477
Business licenses	107	135	141	143	126
Motor vehicles	270	292	314	334	351
Sales tax on goods/value-added tax	2,442	2,724	4,639	5,604	5,925
<b>Taxes on international trade</b>	5,570	6,157	5,973	6,935	6,349
Import duties	5,570	6,157	5,973	6,935	6,349
Customs duties	5,568	6,156	5,972	6,924	6,349
Stamp duties	2	2	1	11	0
Export duties	0	0	0	0	0
Other tax revenue (stamp duty)	11	12	13	12	11
<b>Nontax revenue</b>	2,411	2,599	3,294	2,966	2,318
<b>Property income</b>	1,954	2,074	2,246	1,862	1,660
Bank of Mauritius	1,200	800	825	800	800
Interest and royalties	518	537	585	448	351
Dividends	181	441	592	543	426
Operating surpluses	14	252	194	5	12
Rent and other	41	44	50	66	71
<b>Other nontax revenue</b>	457	525	548	604	658
Fees, charges, and sales	318	369	385	409	450
Fines and forfeits	44	54	46	65	76
Government pension fund	92	101	114	120	123
Miscellaneous	4	1	4	10	8
<b>Total revenue</b>	16,412	18,285	21,194	23,339	22,507
<b>Foreign grants</b>	63	217	135	161	199
<b>Total revenue and grants</b>	16,475	18,501	21,329	23,500	22,707

Source: Ministry of Finance.

1/ Fiscal year from July to June.

Table 23. Mauritius: Functional Classification of Expenditure and Net Lending,  
Consolidated Central Government, 1996/97-2000/01 1/

(In millions of Mauritian rupees)

	1996/97	1997/98	1998/99	1999/00 Rev. Est.	2000/01 Prov.
Total expenditure	20,351	21,873	25,556	27,643	31,420
Public administration and security	3,953	4,115	4,608	4,767	5,363
General public services	2,032	2,250	2,384	2,524	2,917
Defense	224	189	216	239	253
Public order and safety	1,697	1,666	2,008	2,004	2,193
Social services	10,268	11,097	12,860	13,951	15,494
Education	3,378	3,507	3,866	3,987	4,357
Health and sanitation	1,567	1,768	2,132	2,256	2,547
Social security and welfare	3,787	4,237	5,140	5,563	6,160
Housing and community amenities 2/	1,208	1,251	1,298	1,704	2,023
Recreational, cultural, and religious	328	334	424	441	408
Economic services	2,561	2,492	3,649	4,192	4,175
Fuel and energy	9	11	23	25	23
Agriculture, forestry, and fishing	902	1,052	1,389	1,260	1,329
Mining, manufacturing, and construction	161	140	155	174	198
Transport and communications	596	366	1,051	1,102	1,855
Other economic services	893	923	1,031	1,631	770
Other purposes	3,569	4,169	4,439	4,733	6,388
Public debt interest	2,875	3,503	3,626	3,856	5,527
Transfers to local governments	694	666	813	877	861
Other	0	0	0	0	0
Lending minus repayments 3/	2,284	252	-705	167	-1,574
Total expenditure and net lending	22,634	22,125	24,851	27,810	29,846

Sources: Ministry of Finance; and Central Statistics Office.

1/ Budgetary central government, *Government Finance Statistics* basis; fiscal year from July to June.

2/ Includes water supply.

3/ From 1996/97 to 1997/98, net lending includes the on-lending of the proceeds from an international floating rate note (FRN) issue of US\$150 million. In 1998/99, it includes the repayment of the FRN on-lending equivalent to 0.8 percent of GDP.

Table 24. Mauritius: Transfers and Subsidies by Budgetary Central Government,  
1996/97-2000/01 1/

(In millions of Mauritian rupees)

	1996/97	1997/98	1998/99	1999/00	2000/01
Subsidies and other current transfers	6,729	7,333	8,585	9,406	10,342
Local governments	622	666	741	762	790
Education	1,409	1,521	1,887	1,966	2,143
Secondary schools	747	851	1,004	1,047	1,116
University of Mauritius	330	360	430	194	208
Education Institute	0	0	0	80	78
Gandhi Institute	0	0	0	103	110
College of the Air	0	0	0	47	55
Block grant	115	127	148	137	142
Examination Syndicate	48	54	69	69	74
Other	169	129	236	290	361
Public service pensions	1,066	1,192	1,362	1,595	1,724
National Pension Fund	2,235	2,508	2,932	3,177	3,507
Rice and wheat flour 2/	454	371	369	443	339
Domestic crops	78	55	99	53	64
Unemployment fund	0	0	0	0	1
Outdoor relief	21	26	41	0	0
Development Works Corporation (DWC) 3/	0	103	90	122	115
Other current transfers	844	891	1,063	1,287	1,660
Capital transfers	593	773	1,009	1,398	1,737
Local governments	72	1	1	0	0
Public financial institutions	120	72	222	191	225
Nonfinancial public enterprises	377	680	777	1,199	1,501
Aviation, PTT, 4/ and sewerage	46	257	344	687	851
Other	331	423	433	512	650
International organizations	15	13	2	2	8
Other	9	7	7	7	3
Total subsidies and transfers	7,322	8,106	9,593	10,804	12,080

Source: Ministry of Finance.

1/ Fiscal year from July to June.

2/ The 1996/97 amount includes the liquidation of MUR 97 million in balances remaining from past subsidies.

3/ Includes mainly wages and salaries for government employees transferred to the DWC.

4/ PTT is the postal and telecommunications enterprise.



Table 25. Mauritius: Income and Expenditure of the National Pension Fund,  
1996/97-2000/01 1/

(In millions of Mauritian rupees)

	1996/97	1997/98	1998/99	1999/00	2000/01 Rev. Est.
Income	4,137	5,245	5,457	6,117	6,887
Government grant	2,243	2,514	2,941	3,267	3,606
Contributions from employers and employees	774	846	893	984	1,004
Investment income	1,024	1,045	1,405	1,718	2,071
Other income	96	840	218	148	206
Expenditure	2,506	2,821	3,271	3,662	4,107
Noncontributory (basic) pensions	2,234	2,506	2,929	3,262	3,598
Food aid allowance	9	8	11	6	16
Contributory and industrial injury pensions	174	211	242	280	342
Administration and other costs	89	96	89	114	151
Excess of income over expenditure	1,631	2,424	2,186	2,455	2,780
Balance in fund at end of year 2/	11,834	14,258	16,444	18,899	21,679

Source: National Pension Fund.

1/ Fiscal year from July to June.

2/ Change in balance at end of year may differ from excess of income over expenditure owing to valuation adjustments.

Table 26. Mauritius: State Trading Corporation —  
Ration Rice and Flour Transactions, 1996/97-2000/01 1/

	1996/97	1997/98	1998/99	1999/00	2000/01 Rev. Est.
(In millions of Mauritian rupees)					
Sales revenue	546.4	516.9	527.9	544.5	534.0
Ration rice	222.5	189.2	187.2	194.8	187.0
Flour	323.9	327.7	340.7	349.7	347.0
Total cost	995.7	849.6	874.8	872.5	875.1
Ration rice	407.2	324.3	339.6	368.6	348.5
Flour	588.5	525.3	535.2	503.9	526.6
Purchasing cost	910.9	759.2	828.4	787.6	803.5
Ration rice	362.5	272.3	309.8	320.3	305.3
Flour	548.4	486.9	518.6	467.3	498.2
Other charges	84.8	90.4	46.4	84.9	71.6
Ration rice	44.7	52.0	29.8	48.3	43.2
Flour	40.1	38.4	16.6	36.6	28.4
Balance (deficit = -)	-449.3	-332.7	-346.9	-328.0	-341.1
Ration rice	-184.7	-135.1	-152.5	-173.8	-161.5
Flour	-264.6	-197.6	-194.5	-154.2	-179.6
Financing	449.3	332.7	346.9	328.0	341.1
Budgetary transfers	432.4	350.0	346.9	328.1	320.6
Other financing 2/	16.9	-17.3	0.0	-0.1	20.5
Memorandum items:	(In metric tons)				
Sales volume					
Ration rice	52,343	42,589	40,854	43,778	42,242
Flour	78,715	79,716	83,029	85,279	84,670
	(In Mauritian rupees per metric ton)				
Rice unit values					
Fixed price, initial	4,420.0	4,420.0	4,420.0	4,420.0	4,420.0
Fixed price, final	4,420.0	4,420.0	4,420.0	4,420.0	4,420.0
Revenue	4,250.8	4,442.5	4,581.7	4,449.0	4,426.9
Cost	7,779.5	7,614.6	8,313.5	8,419.5	8,250.1
Subsidy	3,528.6	3,172.2	3,731.8	3,970.5	3,823.2
Flour unit values					
Fixed price, initial	4,100.0	4,100.0	4,100.0	4,100.0	4,100.0
Fixed price, final	4,100.0	4,100.0	4,100.0	4,100.0	4,100.0
Revenue	4,114.8	4,110.8	4,103.3	4,100.5	4,098.3
Cost	7,476.3	6,589.6	6,445.6	5,908.6	6,219.4
Subsidy	3,361.5	2,478.8	2,342.3	1,808.1	2,121.2
	(Annual change in percent)				
Sales volume					
Ration rice	16.0	-18.6	-4.1	7.2	-3.5
Flour	3.1	1.3	4.2	2.7	-0.7
	(In percent)				
Revenue/total cost ratio	54.9	60.8	60.3	62.4	61.0
Ration rice revenue/cost	54.6	58.3	55.1	52.8	53.7
Flour revenue/cost	55.0	62.4	63.7	69.4	65.9

Source: State Trading Corporation.

1/ Fiscal year from July to June. Ration rice is a variety of rice.

2/ Residual, reflects extrabudgetary financing (overdrafts and acceptances, net of deposits) and timing discrepancies.

Table 27. Mauritius: Financing of Central Government Deficit,  
1996/97-2000/01 1/

(In millions of Mauritian rupees)

	1996/97	1997/98	1998/99	1999/00	2000/01 Rev. Est.
External financing (net)	198	-274	-1,170	-509	-3,584
Eurocurrency (net)	0	0	0	0	0
Other external (net)	198	-274	-1,170	-509	-3,584
Disbursements by purpose	916	531	464	411	348
Nonproject loans	0	0	0	0	0
Project loans	916	531	464	411	348
Mixed project and suppliers' credits	50	0	0	5	34
Electric power	382	2	3	13	46
Water and irrigation	40	100	80	74	182
Other agriculture	28	25	18	0	0
Roads, highways, and bridges	0	21	0	0	0
Telecommunications	0	0	0	0	0
Housing projects	8	31	69	0	0
Urban development	0	0	0	0	0
Education	183	100	94	0	0
Environment	177	183	95	295	67
Other projects	47	68	105	25	20
Disbursements by source	916	531	464	411	368
Bilateral lenders	358	227	180	61	184
Multilateral agencies	558	304	284	350	184
Miscellaneous	0	0	0	0	0
Repayments (-)	-718	-805	-1,634	-920	-3,932
Eurocurrency	0	0	0	0	0
Other loans 2/	-718	-805	-1,634	-920	-3,932
Domestic financing (net)	5,204	4,005	4,150	4,712	3,623
Banking system	988	1,631	-1,571	2,579	-958
Bank of Mauritius	-957	1,669	1,893	-1,496	-651
Commercial banks	1,945	-38	-3,464	4,075	-307
Nonbank	4,216	2,374	5,721	2,133	4,581
Short-term instruments	3,467	858	6,286	2,771	5,067
Long-term instruments	749	1,516	-565	-638	-486
Residual 3/	758	-107	543	108	7,100
Total financing	6,160	3,623	3,522	4,310	7,139

Sources: Ministry of Finance; Bank of Mauritius; and IMF staff estimates.

1/ Fiscal year from July to June.

2/ Includes the partial repayment of US\$33 million of the floating rate note in 1998/99.

3/ Reflects differences of coverage and valuation, as well as timing; includes proceeds from the sale of government equity in state-owned enterprises equivalent to 0.9 percent of GDP in 1996/97 and 5.7 percent of GDP in 2000/01.

Table 28. Mauritius: Government Domestic Nonbank Debt Outstanding by Holder,  
1996/97-2000/01 1/

(In millions of Mauritian rupees; end of period)

	1996/97	1997/98	1998/99	1999/00	2000/01 Rev. Est.
<b>National Pension Fund</b>	4,508	5,896	8,385	8,535	12,820
Short term	693	1,421	4,156	4,418	6,937
Long term	3,814	4,474	4,219	4,117	5,883
<b>Post Office Savings Bank</b>	198	180	173	160	236
Short term	0	14	36	24	112
Long term	198	166	137	137	124
<b>State Insurance Corporation of Mauritius (SICOM)</b>	1,338	1,282	1,355	2,081	3,620
Short term	716	231	629	1,391	2,272
Long term	622	1,051	726	690	1,348
<b>Insurance companies</b>	810	904	940	679	1,489
Short term	615	626	695	494	1,298
Long term	195	278	245	185	191
<b>Sugar Insurance Fund Board (SIFB) 2/</b>	101	131	400	385	874
Short term	101	131	400	385	874
Long term	0	0	0	0	0
<b>National Savings Fund (NSF) 3/</b>	358	621	969	989	2,092
Short term	358	494	842	862	1,738
Long term	0	127	127	127	354
<b>Employees' Welfare Fund (EWF) 3/</b>	192	127	379	372	516
Short term	192	104	356	349	493
Long term	0	23	23	23	23
<b>Other public enterprises</b>	617	131	62	125	142
Short term	617	131	62	135	142
Long term	0	0	0	0	0
<b>Independence and Republic bonds 4/</b>	2,375	2,375	2,375	2,079	0
Short term	0	0	0	0	0
Long term	2,375	2,375	2,375	2,079	0
<b>Consolidated Sinking Fund (CSF) 5/</b>	1,214	1,441	2,018	2,074	323
Short term	0	0	500	780	0
Long term	1,214	1,441	1,518	1,375	323
<b>Others</b>	718	1,716	3,468	5,177	5,125
Short term	670	1,668	3,420	5,129	5,077
Long term	48	48	48	48	48
<b>Total</b>	12,428	14,802	20,523	22,656	27,237
Short term	3,961	4,819	11,106	13,876	18,943
Long term	8,467	9,983	9,417	8,780	8,294
<b>Memorandum items:</b>					
Changes during year (total)	4,216	2,374	5,721	2,133	-4,581
Short term	3,467	858	6,286	2,771	5,067
Long term	749	1,516	-565	-638	-486

Sources: Ministry of Finance; and IMF staff estimates.

1/ Includes tax (treasury bills and tax reserve certificates (short term) and government stocks, treasury certificates, and anonymous bearer bonds (long term). Fiscal year from July to June.

2/ The SIFB collects premiums from planters and insures sugar crops against natural disasters, such as cyclones and drought.

3/ The NSF and the EWF make deductions from salaries and accumulate funds to contribute to government employees.

4/ Only individuals and nonbank institutions, including the African Development Bank and petroleum companies, subscribe to the Independence and Republic bonds.

5/ Fund for payment of government debt.

Table 29. Mauritius: External Debt of Central Government — Disbursements,  
1996/97-2000/01 1/

(In millions of Mauritian rupees)

	1996/97	1997/98	1998/99	1999/00	2000/01 Rev. Est.
All bilateral lenders	357.5	226.9	179.7	60.6	184.3
Governments	123.2	221.9	176.9	34.5	46.3
People's Republic of China	8.0	50.6	2.4	0.0	0.0
Flacq hospital	0.2	0.0	0.0	0.0	0.0
Housing	7.8	30.8	2.4	0.0	0.0
Recreation center	0.0	19.8	0.0	0.0	0.0
France	54.9	69.4	107.0	18.0	3.4
Small-scale irrigation project	0.0	0.0	0.0	0.0	0.0
Goodlands district water supply	35.1	51.6	49.8	0.0	0.0
Hotel catering school	17.7	9.3	0.0	0.0	0.0
Lycee Polytechnique, Rose Hill	0.4	7.0	30.0	0.0	0.0
Northern Plain irrigation project	1.7	1.4	22.2	15.5	0.8
Grand Baie sewerage project	0.0	0.0	5.0	2.5	2.6
India (lines of credit for development projects and supplies)	37.0	0.5	0.0	5.1	32.1
Japan	23.3	101.6	67.5	11.4	10.8
Telecommunications	0.0	0.0	0.0	0.0	0.0
La Butte drainage and soil consolidation project	23.3	101.6	67.5	11.4	10.8
Other bilateral agencies	234.3	4.9	2.8	26.1	138.0
<i>Of which</i> : Kuwait Fund	234.3	4.9	2.8	26.1	49.1
Water project	2.9	2.5	0.0	13.6	39.9
Fort George power station	231.4	2.4	2.8	12.5	9.2

Table 29. Mauritius: External Debt of Central Government — Disbursements,  
1995/97-2000/2001 1/ (concluded)

(In millions of Mauritian rupees)

	1996/97	1997/98	1998/99	1999/00	2000/01 Rev. Est.
Multilateral agencies	558.4	303.8	284.2	349.9	161.8
Arab Bank for Economic Development in Africa	9.9	0.0	66.8	177.9	89.1
Industrial credit	9.9	0.0	0.0	0.0	0.0
Housing rehabilitation	0.0	0.0	66.8	133.4	0.0
Water works	0.0	0.0	0.0	44.5	23.7
Midlands dam	0.0	0.0	0.0	0.0	65.4
African Development Bank/Fund	23.1	34.0	0.0	0.0	0.0
Bridge project	0.0	0.0	0.0	0.0	0.0
Rose Belle rehabilitation	15.0	12.7	0.0	0.0	0.0
Third highway project	8.1	21.3	0.0	0.0	0.0
Education project	0.0	0.0	0.0	0.0	0.0
Mauritius and Rodrigues sewerage	0.0	0.0	0.0	0.0	0.0
European Development Fund	14.5	44.8	8.7	118.2	0.0
Prime Minister's rock removal scheme	0.0	0.0	0.0	0.0	0.0
Agricultural and industrial credits	3.2	0.0	0.0	0.0	0.0
Water projects	0.0	44.4	8.3	0.0	0.0
Regional meteorological project	11.3	0.5	0.4	0.5	0.0
Baci da Tombeau sewerage project	0.0	0.0	0.0	117.7	0.0
International Bank for Reconstruction and Development	274.2	169.2	202.7	53.8	72.7
Environmental program	67.9	24.6	5.3	0.0	0.0
Debt and liquidity management improvement project	0.0	0.0	0.0	0.0	0.3
Agricultural management services	13.2	12.4	18.0	0.0	0.0
Sugar (bagasse) energy development project	0.0	0.0	0.0	0.0	0.0
Third education project	113.3	50.8	46.0	0.0	0.0
Vocational training	19.5	10.4	1.4	0.0	0.0
Technology development project	35.9	27.0	23.3	9.8	0.0
Higher- and technical education project	24.5	22.1	16.5	0.0	0.0
Freesport project	0.0	21.2	30.8	14.4	19.3
Sewerage and sanitation	0.0	0.8	11.4	29.6	53.1
Nordic Investment Bank/Development Fund	236.7	55.9	6.0	0.0	0.0
Environmental program	85.7	55.9	6.0	0.0	0.0
Fort George power station	150.9	0.0	0.0	0.0	0.0
Miscellaneous sources (international floating rate note)	0.0	0.0	0.0	0.0	2.2
<b>Total disbursements</b>	<b>915.9</b>	<b>530.7</b>	<b>463.9</b>	<b>410.5</b>	<b>348.3</b>

Source: Ministry of Finance.

1/ Fiscal year from July to June.

Table 30. Mauritius: Consolidated Monetary Survey, June 1997-December 2001

	1997	1998	1999	2000		2001	
		June		June	Dec.	June	Dec.
(In millions of Mauritian rupees)							
Net foreign assets	21,433	21,359	22,556	25,204	33,535	31,748	35,754
Monetary authorities	17,365	15,109	15,784	17,950	25,347	23,077	25,763
Commercial banks	4,068	6,249	6,772	7,254	8,188	8,671	9,992
Domestic credit	53,225	68,280	77,541	88,128	85,972	92,821	98,689
Claims on government (net)	15,864	17,495	15,924	18,503	13,586	17,544	19,515
Monetary authorities	914	2,583	4,476	2,980	-1,225	2,329	1,453
Commercial banks	14,950	14,912	11,448	15,522	14,810	15,215	18,062
Claims on private sector 1/	37,361	50,785	61,618	69,626	72,387	75,277	79,175
Broad money (M2)	60,343	70,836	80,172	88,910	94,871	97,720	105,241
Money (M1)	8,873	10,150	10,905	11,065	13,297	12,711	15,452
Quasi money	51,471	60,686	69,267	77,846	81,574	85,009	89,789
Money market instruments	215	0	0	0	0	0	0
Other items (net)	14,100	18,802	19,925	24,421	24,636	26,849	29,202
(Annual change in millions of Mauritian rupees)							
Net foreign assets	2,153	-75	1,197	2,648	7,489	6,544	2,220
Monetary authorities	1,633	-2,256	674	2,166	6,422	5,128	416
Commercial banks	520	2,181	523	482	1,068	1,417	1,804
Domestic credit	6,156	15,055	9,262	10,587	3,971	4,693	12,717
Claims on government (net)	988	1,631	-1,571	2,579	-4,129	-959	5,929
Claims on private sector 1/	5,168	13,424	10,832	8,008	8,100	5,651	6,788
Broad money (M2)	4,893	10,493	9,335	8,739	8,018	8,809	10,370
Money (M1)	640	1,278	755	160	1,295	1,646	2,155
Quasi money	4,253	9,216	8,581	8,579	6,722	7,163	8,215
(Annual change in percent)							
Domestic credit	13.1	28.3	13.6	13.7	4.8	5.3	14.8
Claims on government (net)	6.6	10.3	-9.0	16.2	-23.3	-5.2	43.6
Claims on private sector 1/	16.1	35.9	21.3	13.0	12.6	8.1	9.4
Broad money (M2)	8.8	17.4	13.2	10.9	9.2	9.9	10.9
Money (M1)	7.8	14.4	7.4	1.5	10.8	14.9	16.2
Quasi money	9.0	17.9	14.1	12.4	9.0	9.2	10.1
(Annual change in percent of beginning-of-period broad money)							
Net foreign assets	3.9	-0.1	1.7	3.3	8.6	7.4	2.3
Domestic credit	11.1	24.9	13.1	13.2	4.6	5.3	13.4
Claims on government (net)	1.8	2.7	-2.2	3.2	-4.8	-1.1	6.2
Claims on private sector 1/	9.3	22.2	15.3	10.0	9.3	6.4	7.2
Broad money (M2)	8.8	17.4	13.2	10.9	9.2	9.9	10.9

Sources: Bank of Mauritius; and IMF staff estimates.

1/ Including claims on public enterprises.

Table 31. Mauritius: Summary Accounts of the Bank of Mauritius, June 1997-December 2001

(In millions of Mauritian rupees; end of period)

	1997	1998	1999	2000		2001	
		June		June	Dec.	June	Dec.
Net foreign assets	17,151	14,871	15,296	17,445	24,821	22,550	25,210
Foreign assets	17,168	14,897	15,314	17,455	24,840	22,561	25,220
Foreign liabilities	-16	-26	-19	-11	-19	-11	-10
Claims on government (net)	810	2,451	4,576	3,079	-1,128	2,427	1,548
Treasury bills	0	745	1,320	1,852	1,441	1,350	994
Government securities	429	161	3	47	46	984	1,178
Advances	326	1,458	3,162	1,089	671	0	0
Other 1/	134	134	134	134	134	134	134
Government deposits	-79	-47	-42	-43	-3,421	-42	-758
Claims on commercial banks	250	250	250	623	250	253	660
Reserve money	11,208	8,580	10,344	9,765	11,764	11,342	12,990
Currency outside banks	4,307	4,651	4,876	5,172	6,648	5,735	7,329
Currency with banks	1,168	1,384	2,000	1,557	2,506	1,727	3,063
Bankers' deposits	4,243	2,536	3,448	3,024	2,524	3,790	2,450
Of which: non-interest-bearing deposits	0	0	0	0	0	0	0
Banks' holdings of Bank of Mauritius bills	1,487	0	0	0	0	0	0
Private sector demand deposits	4	9	21	12	86	90	148
Money market instruments	215	0	0	0	0	0	0
Other items (net)	6,789	8,992	9,777	11,382	12,180	13,888	14,428
Memorandum items:							
Reserve position with the Fund	214	238	488	505	526	527	553
Claims on government (net) 2/	914	2,583	4,476	2,980	-1,225	2,329	1,453

Source: Bank of Mauritius.

1/ Use of SDRs (as shown in the accounts of the Bank of Mauritius) and Trust Fund borrowing.

2/ Including transactions with the Fund (based on Fund records).



Table 32. Mauritius: Summary Accounts of Commercial Banks, June 1997-December 2001

(In millions of Mauritian rupees; end of period)

	1997	1998	1999	2000		2001	
		June		June	Dec.	June	Dec.
Net foreign assets	4,068	6,249	6,772	7,254	8,188	8,671	9,992
Reserves	6,897	3,920	5,448	4,582	5,030	5,516	5,513
<i>Of which</i> : holdings of Bank of Mauritius bills	1,487	0	0	0	0	0	0
Claims on government (net)	14,950	14,912	11,448	15,522	14,810	15,215	18,062
Government securities	3,057	3,835	3,883	3,422	3,034	2,503	2,037
Treasury bills	12,495	11,368	7,959	12,706	11,967	13,063	15,121
Loans and advances	0	0	0	0	0	0	0
State Trading Corporation rice and flour credit	142	153	83	1	0	98	129
Government deposits	-743	-444	-477	-606	-191	-449	-225
Claims on private sector	37,208	49,941	60,106	67,272	70,570	74,016	77,892
Sugar industry	2,286	3,077	3,437	4,035	4,536	5,130	...
Export processing zone	5,422	5,859	5,958	6,037	6,292	6,713	...
Other industries	6,117	7,157	7,433	7,902	8,577	8,110	...
Personal, professional, and housing	7,973	10,726	12,955	13,413	13,993	14,527	...
Traders	6,636	8,490	9,815	8,990	9,285	9,778	...
Others	8,774	14,633	20,508	26,894	27,888	29,757	...
Claims on other banklike institutions	154	844	1,511	2,354	1,817	1,261	1,283
Demand deposits	4,562	5,490	5,293	5,881	6,564	6,885	7,975
Time and savings deposits	51,471	60,686	69,267	77,846	81,574	85,009	89,789
Credit from the Bank of Mauritius	250	250	250	623	250	253	660
Other items (net)	6,994	9,441	9,760	12,633	12,027	12,531	14,316

Source: Bank of Mauritius.

Table 33. Mauritius: Summary Accounts of Offshore Banks, 1997-2001

(In millions of U.S. dollars; end of period)

	1997	1998	1999	2000	2001
<b>Assets</b>	913.8	1,780.7	3,121.1	4,024.8	3,710.4
Amounts due from banks	654.2	1,249.7	2,127.1	2,256.7	2,131.7
Loans and advances	218.1	462.5	883.5	1,538.4	1,287.3
Fixed assets	0.8	1.0	1.4	1.4	1.3
Other assets	40.6	67.5	109.1	228.3	290.0
<b>Liabilities</b>	913.8	1,780.7	3,121.1	4,024.8	3,710.4
Capital/paid-up capital	32.0	98.5	140.0	156.8	119.3
Nonbank deposits	669.4	882.9	1,334.3	1,693.0	1,586.2
Deposits and balances of other banks	190.3	568.8	1,287.7	1,687.6	1,681.3
Other liabilities	22.1	230.4	359.0	487.4	323.6
<b>Contingent liabilities</b>	110.4	155.9	282.9	373.3	448.4

Source: Bank of Mauritius.

Table 34. Mauritius: Principal Interest Rates, 1997-2001

(In percent per annum)

	June 1997		June 1998		June 1999		June 2000		June 2001	
	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.
<b>Leading rates</b>										
<b>Bank of Mauritius</b>										
Bank rate	8.34	9.93	9.02	9.18	12.55	12.66	9.41	10.65	...	11.14
Rediscount facilities	9.84	11.43	...	...	...	...	...	...	...	...
Lombard rate	...	...	...	...	...	...	...	11.50	...	12.00
<b>Commercial banks</b>										
Mauritius Sugar Syndicate	11.00	13.00	11.00	13.00	12.00	13.50	9.50	12.50	10.00	11.50
Sugar industry	11.25	19.00	11.25	18.00	10.00	18.00	9.63	17.50	10.25	17.50
Other agriculture	11.50	19.50	11.50	19.50	11.25	19.50	10.00	18.50	10.50	18.75
Export processing zone	10.00	19.50	11.50	18.50	10.00	20.00	10.00	18.50	10.00	18.50
Development certificates	11.50	18.50	11.50	17.50	11.75	17.00	10.00	17.00	10.50	17.00
Small-scale industries	11.50	20.00	11.50	19.50	12.50	20.00	10.00	20.00	10.50	20.00
Transport	13.50	21.50	12.25	19.50	11.00	19.50	11.00	19.50	11.00	19.50
Hotels	14.00	18.50	12.50	18.00	12.50	18.50	11.00	18.00	10.50	17.50
Other industries and manufacturers	13.00	20.00	12.50	19.50	10.75	20.50	10.00	19.50	10.50	19.50
Statutory and parastatal bodies	15.00	18.50	13.00	16.50	12.50	16.50	11.25	15.50	11.50	16.50
Housing	13.50	20.50	11.50	19.50	12.00	20.50	10.00	20.50	10.50	20.50
Traders	10.00	21.00	14.00	21.00	10.00	20.50	10.00	20.50	10.00	20.50
Stockbrokers	17.50	19.00	16.00	17.50	11.00	18.50	13.75	16.50	14.50	16.50
Financial institutions	17.50	19.00	16.00	17.50	12.00	18.50	12.00	17.00	11.00	16.50
Personal and professional	13.50	21.75	13.50	19.50	10.00	24.00	10.00	20.50	10.50	20.50
Other customers	12.00	19.50	14.50	19.50	10.00	20.50	10.00	20.50	11.00	20.50
<b>Deposit rates</b>										
Savings	8.00	8.00	8.00	8.00	9.00	9.00	6.50	8.50	...	7.00
Seven days' notice	8.00	10.00	8.00	9.00	8.25	10.00	5.75	9.25	7.00	9.00
<b>Fixed deposits</b>										
Up to 3 months	8.00	9.50	8.00	10.00	9.00	11.50	6.50	9.87	7.00	8.75
Exceeding 3 and up to 6 months	8.13	11.25	8.00	10.00	9.00	11.25	6.50	9.75	7.13	9.30
Exceeding 6 and up to 12 months	8.25	12.50	8.25	10.00	9.00	12.00	6.88	10.75	7.25	11.40
Exceeding 12 and up to 18 months	8.25	12.50	8.37	10.00	9.50	12.00	7.50	10.00	7.38	11.00
Exceeding 18 and up to 24 months	8.25	12.00	8.50	10.00	9.38	11.50	7.50	10.50	7.50	11.00
Exceeding 24 and up to 36 months	8.25	12.00	8.25	10.00	9.63	12.00	8.00	11.00	7.63	11.25
Exceeding 36 and up to 48 months	8.25	13.00	9.00	11.00	9.63	12.00	8.00	11.25	7.75	11.50
Over 48 months	8.25	14.50	9.00	14.00	9.75	11.25	8.75	10.00	8.00	11.50
<b>Treasury bill rate 1/</b>										
3 month	8.74		9.15		12.77		8.93		9.44	
6 month	8.85		9.04		12.98		10.25		9.99	
12 month	9.02		9.02		13.10		10.55		11.65	

Source: Bank of Mauritius.

1/ Rates quoted are the monthly weighted-average yields on treasury and/or Bank of Mauritius bills auctioned.

Table 35. Mauritius: Balance of Payments, 1996/97-2000/01 1/

(in millions of Mauritian rupees)

	1996/97	1997/98	1998/99	1999/00	2000/01 Rev. Est.
Current account	349	-2,617	-1,620	-1,753	2,213
Goods	-5,419	-9,274	-9,071	-12,344	-7,701
Exports, f.o.b.	33,131	36,277	41,702	38,845	45,065
Sugar	8,013	8,089	9,226	5,446	7,373
Export processing zone (EPZ)	21,992	24,121	28,179	29,879	32,476
Other	3,126	4,067	4,297	3,520	5,216
Imports, f.o.b.	-38,550	-45,551	-50,773	-51,189	-52,766
Imports, c.i.f.	-41,878	-49,322	-54,076	-55,049	-56,720
Rice and flour	-1,163	-1,187	-1,106	-1,245	-1,167
Petroleum	-3,081	-2,833	-2,700	-4,528	-5,891
EPZ	-12,632	-15,563	-16,175	-15,836	-16,771
Other	-25,002	-29,739	-34,095	-33,440	-32,891
Of which: aircraft and ships	-800	-2,473	-2,700	0	-398
Services (net)	3,912	4,364	5,771	9,037	7,642
Transportation	-1,533	-1,899	-1,006	-1,095	-1,878
Credit	4,021	4,688	5,060	5,935	6,422
Debit	-5,554	-6,581	-6,066	-6,430	-8,300
Travel	5,892	6,956	8,127	9,605	10,691
Credit	9,408	11,026	12,764	14,344	15,527
Debit	-3,516	-4,070	-4,637	-4,739	-4,836
Other services	-447	-699	-1,350	527	-1,171
Credit	3,605	4,682	6,211	7,947	9,810
Debit	-4,052	-5,381	-7,561	-7,420	-10,981
Income	-398	-416	-589	-895	96
Credit	921	1,127	967	776	1,663
Debit	-1,319	-1,543	-1,556	-1,671	-1,567
Current transfers (net)	2,254	2,709	2,269	2,449	2,176
Capital and financial account	-850	1,667	291	-2,643	-1,381
Capital account	-11	-15	-16	-12	-40
Financial account	-839	1,682	307	-2,631	-1,341
Direct investment	87	1,012	466	323	6,164
Abroad	-41	-221	-292	-300	-129
In Mauritius	128	1,233	758	623	6,293
Portfolio investment (net)	-5	-636	714	-590	-3,296
Other investment	712	-950	-198	-198	919
Assets	228	-2,530	-2,799	1,499	492
Liabilities	484	1,580	2,601	-1,697	427
Long-term liabilities	746	1,314	552	-1,824	492
Government (net)	198	-275	-372	-510	-458
Other public sector (net)	785	1,851	1,954	-1,081	1,026
Other long-term liabilities	-237	-262	-430	-233	-76
Short-term liabilities	-262	266	2,049	127	-65
Reserve assets (increase -)	-1,633	2,256	-675	-2,166	-5,128
Net errors and omissions	501	950	1,329	4,396	-832

Sources: Bank of Mauritius; Ministry of Finance; and IMF staff estimates.

1/ Fiscal year from July to June.

Table 36. Mauritius: Principal Merchandise Trade, Price Indices, and Terms of Trade, 1997-2001

	1997	1998	1999	2000 Rev. Est.	2001 Prov.
(In millions of Mauritian rupees)					
Total exports, f.o.b.	33,018	39,329	39,160	39,072	44,418
Sugar	7,495	8,907	7,602	5,544	8,138
Export processing zone (EPZ)	23,049	26,075	29,131	30,961	32,912
Cut flowers (non-EPZ)	123	136	124	133	139
Chemicals (non-EPZ)	157	203	242	311	289
Other	1,064	2,441	606	660	996
Reexports	1,130	1,567	1,455	1,463	1,944
Total imports, c.i.f.	46,093	49,742	53,929	54,928	58,115
Food and live animals	6,091	6,826	6,761	6,948	8,235
Beverages and tobacco	262	312	527	369	364
Crude materials, except fuels	1,567	1,931	1,667	1,654	1,787
Mineral fuels, lubricants, etc.	3,471	3,145	4,046	6,450	6,504
Animal and vegetable oils and fats	484	594	569	455	473
Chemicals	3,340	3,890	3,882	4,260	4,777
Manufactured goods	14,947	17,251	17,036	17,570	17,694
Machinery and transport equipment	11,702	11,369	14,445	12,427	13,132
Miscellaneous manufactures	3,804	4,233	4,842	4,710	5,015
Other	425	191	154	85	134
(Index, 1992=100; in Mauritian rupees)					
Price indices					
Unit value of exports	140	160	158	157	160
Unit value of imports	138	146	156	161	173
Terms of trade	101	109	101	97	92
(In millions of Mauritian rupees)					
Memorandum items:					
Ships' stores and bunkers					
Exports, f.o.b.	600	722	865	1,810	1,937
Imports, c.i.f.	0	0	0	0	0

Source: Central Statistics Office.

Table 37. Mauritius: Pattern of Trade and Direction of Exports of the  
Export Processing Zone (EPZ), 1997-2001

(In millions of Mauritian rupees)

	1997	1998	1999	2000 Rev. Est.	2001 Prov. Jan.-Sep.
Total EPZ exports by commodities, f.o.b.	23,049	26,075	29,131	30,961	24,611
Clothing	18,142	21,121	23,003	24,590	18,668
Other textiles	1,310	1,062	1,829	1,914	1,798
Pearls and precious stones	476	446	624	822	707
Watches and clocks	409	508	585	498	304
Optical goods	213	206	204	178	143
Toys, games, and sporting goods	104	78	165	179	134
Jewelry, gold, and silver goods	291	327	361	443	409
Fish and fish preparations	894	939	952	945	1,260
Other	1,210	1,388	1,408	1,392	1,188
Total EPZ exports by direction of exports,	23,049	26,075	29,131	30,961	24,611
European Union (EU) countries	16,304	17,690	19,214	19,845	15,155
Belgium	599	647	833	809	503
France	5,669	6,259	6,911	7,510	5,480
Germany	1,630	1,922	1,567	1,339	1,159
Netherlands	644	784	886	602	483
Sweden	146	134	108	155	142
United Kingdom	5,341	5,488	6,289	6,622	5,345
Other	2,275	2,456	2,620	2,808	2,043
Non-EU countries	6,745	8,385	9,917	11,116	9,456
Hong Kong S.A.R.	98	87	98	124	69
United States	4,354	6,053	6,824	7,715	6,469
Other	2,293	2,245	2,995	3,277	2,918
Total EPZ imports by commodities, c.i.f.	13,880	16,179	15,735	16,399	13,062
Materials	12,442	14,693	13,891	14,700	11,963
Yarn and fabrics	7,520	8,888	8,931	9,313	7,231
Other	4,922	5,805	4,960	5,387	4,732
Machinery	1,438	1,486	1,844	1,699	1,099

Source: Central Statistics Office.

Table 38. Mauritius: Medium- and Long-Term External Debt, June 1997-December 2001 1/

(In millions of Mauritian rupees; end of period)

	1997	1998	1999		2000		2001	
	June	June	June	Dec.	June	Dec.	June	Dec. Prov.
Total	25,503	29,694	30,454	29,907	28,767	27,989	28,056	28,266
Public sector	21,295	25,748	26,938	26,440	25,483	24,687	24,848	25,632
Central government	9,666	10,751	10,037	10,006	9,891	6,795	6,816	6,984
International agencies	3,981	4,332	4,284	4,226	4,197	4,176	4,186	4,158
IMF credit	0	0	0	0	0	0	0	0
Other	3,981	4,332	4,284	4,226	4,197	4,176	4,186	4,158
Governments	2,461	2,673	2,701	2,701	2,541	2,538	2,547	2,743
Other lenders	3,224	3,746	3,052	3,079	3,153	81	83	83
Parastatal bodies	11,629	14,997	16,901	16,434	15,592	17,892	18,032	18,648
International agencies	1,267	1,629	1,953	2,007	1,899	1,940	1,996	2,002
Governments	5,393	5,869	5,846	5,377	5,159	5,234	5,019	4,936
Other lenders	4,969	7,479	9,102	9,050	8,534	10,718	11,017	11,710
Private sector	4,208	3,946	3,516	3,467	3,284	3,302	3,208	2,634

Source: Ministry of Finance.

1/ Disbursed debt outstanding with a maturity exceeding one year.

Table 39. Mauritius: External Debt-Service Payments, 1996/97-2000/01 1/

	1996/97	1997/98	1998/99	1999/00	2000/01 Rev. Est.
(In millions of Mauritian rupees)					
Government loans (1)	1,213	1,334	2,147	1,385	4,351
Principal	718	805	1,634	920	3,932
Interest and other charges	495	529	513	465	419
Parastatal bodies (2)	1,509	2,169	2,318	3,574	2,659
Principal	937	1,452	1,500	2,670	1,703
Interest and other charges	572	717	818	904	956
Total public debt (1+2)	2,722	3,503	4,465	4,959	7,010
Principal	1,655	2,257	3,134	3,590	5,635
Interest and other charges	1,067	1,246	1,331	1,369	1,375
Private sector debt (3)	670	470	505	264	505
Principal	580	422	469	256	490
Interest and other charges	90	48	36	8	15
Debt service, excluding IMF (1+2+3)	3,392	3,973	4,970	5,223	7,515
Principal	2,235	2,679	3,603	3,846	6,125
Interest and other charges	1,157	1,294	1,367	1,377	1,390
International Monetary Fund (4)	0	0	0	0	0
Principal	0	0	0	0	0
Interest and other charges	0	0	0	0	0
Total debt service (1+2+3+4)	3,392	3,973	4,970	5,223	7,515
Principal	2,235	2,679	3,603	3,846	6,125
Interest and other charges	1,157	1,294	1,367	1,377	1,390
(In percent of exports of goods and services)					
Debt-service ratios					
Total debt service (including IMF)	6.8	7.0	7.6	7.9	9.8
Principal	4.5	4.7	5.5	5.8	8.0
Interest and other charges	2.3	2.3	2.1	2.1	1.8
(In millions of Mauritian rupees)					
Memorandum item:					
Exports of goods and services	50,165	56,673	65,737	66,471	76,824

Sources: Ministry of Finance; and Bank of Mauritius.

1/ Service payments on medium- and long-term external debt; fiscal year from July to June.

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Table 40. Mauritius: Effective Exchange Rate Indices, 1990-2002

(1990=100; period averages)

	Nominal Effective Exchange Rate Index	Real Effective Exchange Rate Index	Consumer Price Index	Relative Price Index
1990	100.0	100.0	100.0	100.0
1991	96.7	98.7	107.0	102.0
1992	94.9	97.0	112.0	102.2
1993	89.6	97.6	123.8	109.0
1994	87.2	98.6	132.8	113.1
1995	83.3	96.7	140.8	116.1
1996	77.3	93.0	150.1	120.4
1997	79.0	99.2	160.3	125.5
1998	72.7	95.5	171.2	131.5
1999	70.3	97.8	183.0	139.1
2000	73.2	104.0	190.7	141.9
2001	69.3	101.5	201.0	146.5
1999 I	69.3	94.9	179.4	136.9
1999 II	71.1	98.5	182.0	138.6
1999 III	70.7	99.1	184.6	140.2
1999 IV	70.2	98.8	186.2	140.7
2000 I	71.6	101.2	188.1	141.2
2000 II	73.6	104.2	189.5	141.5
2000 III	74.2	104.6	190.1	141.0
2000 IV	73.4	105.8	195.3	144.0
2001 I	70.0	101.1	196.9	144.5
2001 II	71.1	103.1	199.0	144.9
2001 III	68.5	101.1	203.1	147.6
2001 IV	67.5	100.6	205.1	149.0
2001 January	69.7	100.5	196.2	144.2
2001 February	69.9	101.1	197.0	144.6
2001 March	70.3	101.7	197.5	144.6
2001 April	71.2	103.2	198.2	144.8
2001 May	71.0	102.9	199.2	144.9
2001 June	71.1	103.2	199.5	145.1
2001 July	70.2	103.5	202.9	147.5
2001 August	68.1	100.6	203.1	147.6
2001 September	67.2	99.2	203.3	147.7
2001 October	67.1	99.5	204.1	148.2
2001 November	67.4	100.3	204.9	148.9
2001 December	68.0	102.0	206.3	150.0
2002 January	68.7	103.6	208.2	150.7
2002 February	69.1	104.9	209.9	151.6

Source: IMF, Information Notice System.

Table 41. Mauritius: Summary of the Tax System, as of December 31, 2001

(All amounts in Mauritian rupees, unless otherwise indicated)

Tax	Nature of Tax	Deductions and Exemptions	Tax Rate												
1. Taxes on income and profits (The Income Tax Act)	Income tax for companies and individuals is payable on income derived during the preceding year. A nonresident is liable only on income derived from Mauritius.	Income accruing to charitable institutions, various sugar industry funds, local authorities, trade unions, and benevolent associations is exempted.													
1.1 Companies	Corporate tax is applicable to companies, unit trust schemes, trusts, and nonresident <i>sociétés</i> .  Chargeable income includes distributed dividends that are not subject to income tax in the hands of the recipient.  Nonresident <i>sociétés</i> are liable to income tax as if they were companies.  Resident <i>sociétés</i> are not liable to income tax, but the associates are taxable on their share of income from the <i>société</i> , whether the income is distributed or not.	For companies, capital expenditure for agricultural improvement is deductible in full. Companies are also entitled to generous capital allowances: 5-100 percent annual allowance on straight-line method. In addition, there is an investment allowance of 25 percent. Previous year's losses; expenditure on repair of premises or plant; donations to approved charitable institutions up to a certain maximum; contributions to the National Pension Fund and Employee Share Scheme; and 100 percent investment allowance on the acquisition of new plant and machinery for investments in Rodrigues are all deductible.  Additional investment allowance of 25 percent is granted on capital expenditure incurred by manufacturing companies on the acquisition of state-of-the-art technological equipment up to June 30, 2002.  The following deductions are also available in respect of:  (a) investment in start-up companies for a period of three years;	<table border="0"> <tr> <td><u>Item</u></td> <td><u>Rate</u></td> </tr> <tr> <td>General rate</td> <td>25 percent</td> </tr> <tr> <td>Incentive rate (under the Development Incentives Act, the Industrial Expansion Act 1993, etc.), as well as authorized mutual fund investment trust companies, trustees of unit trust and companies engaged in agricultural manufacturing, and tourism sectors, which do not hold an incentive certificate.</td> <td>15 percent</td> </tr> <tr> <td>Unit trusts</td> <td>15 percent</td> </tr> <tr> <td>Offshore companies (incorporated prior to July 1, 1998)</td> <td>0-25 percent (at taxpayer's option)</td> </tr> <tr> <td>Offshore companies (incorporated on or after July 1, 1998)</td> <td>15 percent</td> </tr> </table>	<u>Item</u>	<u>Rate</u>	General rate	25 percent	Incentive rate (under the Development Incentives Act, the Industrial Expansion Act 1993, etc.), as well as authorized mutual fund investment trust companies, trustees of unit trust and companies engaged in agricultural manufacturing, and tourism sectors, which do not hold an incentive certificate.	15 percent	Unit trusts	15 percent	Offshore companies (incorporated prior to July 1, 1998)	0-25 percent (at taxpayer's option)	Offshore companies (incorporated on or after July 1, 1998)	15 percent
<u>Item</u>	<u>Rate</u>														
General rate	25 percent														
Incentive rate (under the Development Incentives Act, the Industrial Expansion Act 1993, etc.), as well as authorized mutual fund investment trust companies, trustees of unit trust and companies engaged in agricultural manufacturing, and tourism sectors, which do not hold an incentive certificate.	15 percent														
Unit trusts	15 percent														
Offshore companies (incorporated prior to July 1, 1998)	0-25 percent (at taxpayer's option)														
Offshore companies (incorporated on or after July 1, 1998)	15 percent														

Table 41. Mauritius: Summary of the Tax System, as of December 31, 2001

(All amounts in Mauritian rupees, unless otherwise indicated)

Tax	Nature of Tax	Deductions and Exemptions	Tax Rate
		<p>(b) expenditure incurred by companies in the setting up of approved social infrastructure for the benefit of the community; and</p> <p>(c) contributions made by companies towards the provision of national ambulance services.</p> <p>Exemptions are granted for</p> <p>(a) royalties payable to nonresidents by offshore corporations; and</p> <p>(b) for dividends from resident companies.</p>	<p>Less: investment tax credit at 10 percent of the amount subscribed to share capital of tax incentive or Stock Exchange companies for three years (maximum credit of 300,000 per annum). The credit is limited to such an extent that the tax payable after the credit should not be less than 15 percent of the chargeable income.</p>
1.2 Individuals	<p>Income tax is payable on income derived from any source. In general, a resident domiciled in Mauritius is liable on income derived domestically or from abroad except for earned income, where only the amounts remitted to the taxpayer enter the tax base. A taxpayer having a foreign domicile but resident in Mauritius is liable to tax in Mauritius in respect of his foreign income, but will be entitled to credit for foreign tax.</p>	<p>Exempt income includes death gratuities; gains from sale of units or securities quoted on the stock exchange; the first 75,000 of bank interest; dividends paid by resident companies; and income from the first 60 tons of sugar produced (i.e., by small planters).</p> <p>Deductions from income include interest paid on mortgage or secured loans; previous year's losses; pension contributions; life insurance premiums; premiums on personal pension schemes; and investment relief, which is a deduction of 40 percent (maximum 75,000) of the amount subscribed to share capital of tax incentive or stock exchange companies.</p>	<p><u>Chargeable income</u></p> <p>First 25,000</p> <p>Remainder 25 percent</p> <p><u>Rate</u></p> <p>15 percent</p>

Table 41. Mauritius: Summary of the Tax System, as of December 31, 2001

(All amounts in Mauritian rupees, unless otherwise indicated)

Tax	Nature of Tax	Deductions and Exemptions	Tax Rate
		<p>Personal and family deductions are the following:</p> <p>for personal, 70,000; for dependent spouse, 55,000; and for children (maximum of three)</p> <p>(a) 23,000 per child under 18,</p> <p>(b) 30,000 per child attending vocational training (local),</p> <p>(c) maximum 8,000 per dependent child for education,</p> <p>(d) 50,000 per child at university (local), and</p> <p>(e) 100,000 per child at university (abroad), plus</p> <p>(f) an additional 50,000 per dependent handicapped child.</p> <p>Additional deductions include 25,000 for self; 50 percent of net medical expenses; premiums on life insurance up to 80,000; premiums on personal pension schemes; on retirement annuity and contribution to medical schemes up to 20 percent of net income; interest relief on secured loans for purchase of land for construction or for purchase, construction, or improvement of residence up to 200,000; and relief for investment in savings plan up to 50,000. Investment relief in prescribed Retirement Savings Scheme up to 50,000; 40 percent of investment in tax incentive companies or companies listed on the stock exchange up to 50,000; and donations to charitable institutions up to 20,000.</p>	

Table 41. Mauritius: Summary of the Tax System, as of December 31, 2001

(All amounts in Mauritian rupees, unless otherwise indicated)

Tax	Nature of Tax	Deductions and Exemptions	Tax Rate
<b>2. Taxes on property</b>			
2.1 Registration duty	The duty is levied upon registration or transfer of immovable property based on value of property transferred.	Under the Sugar Industry Efficiency Act 2001:	Where value of immovable property transferred does not exceed 100,000, 10 percent plus 10 percent surcharge on value of immovable property transferred is charged.
		(a) where land under cane cultivation is transferred, registration duty at 2 percent and no surcharge is payable;	Where value of immovable property transferred exceeds 100,000, 12 percent plus 10 percent surcharge on value of immovable property transferred is charged.
		(b) where land is transferred to the Sugar Investment Trust or a body controlled by it; or by the Sugar Investment Trust or a body controlled by it to a shareholder of the Sugar Investment Trust or a body controlled by it or a co-operative credit society registered under the Co-operative Societies Act registration duty at 2 percent and no surcharge is payable.	
		(c) Where land is transferred to an occupier of a former sugar estate company owned by a planter of a miller; or an employee who has voluntarily terminated his contract of employment in the context of a factory closure taking place after July 1, 1997, pursuant to section 24 of the Cane Planters and Millers Arbitration and Control Board Act, or the Voluntary Retirement Scheme pursuant to section 23 of the Act.	
		(d) Where land is converted by sale or otherwise acquired pursuant to the Act by a specific entity.	

Table 41. Mauritius: Summary of the Tax System, as of December 31, 2001

(All amounts in Mauritian rupees, unless otherwise indicated)

Tax	Nature of Tax	Deductions and Exemptions	Tax Rate
		<p>Under Act 25 of 1993 as amended by Act 18 of 1999, certain conditions are specified:</p> <p>(a) where bare land in a residential area is acquired for the construction of a building by an individual not already owner of a residential property, registration duty is reduced by 100,000;</p> <p>(b) where a right to construct a building on top on an existing building (<i>droit de surelevation</i>) together with a fraction of the ownership of the ground, is acquired by an individual not already owner of residential property, registration duty is reduced by 100,000;</p> <p>(c) where a residential lot in a building that has been subject to a duly registered and transcribed deed witnessing a "<i>règlement de copropriété</i>" in accordance with Article 664 and 664-1 to 664-94 of the Code Napoleon is acquired by an individual not already owner of a residential building, registration duty is reduced by 110,000; and</p> <p>(d) where a portion of land, whether freehold or leasehold with a residential building thereon, is acquired by an individual not already owner of a residential building, registration is reduced by 110,000.</p>	

Table 41. Mauritius: Summary of the Tax System, as of December 31, 2001

(All amounts in Mauritian rupees, unless otherwise indicated)

Tax	Nature of Tax	Deductions and Exemptions	Tax Rate																												
		Under Act 25 of 1994, where immovable property is transferred to a company holding a housing development certificate, duty is reduced by 75 percent.																													
		Where property is transferred without consideration between parties other than ascendants and descendants.	<table border="0"> <thead> <tr> <th data-bbox="1326 393 1488 414"><u>Property value</u></th> <th data-bbox="1776 393 1827 414"><u>Rate</u></th> </tr> </thead> <tbody> <tr> <td data-bbox="1326 435 1569 456">Not exceeding 15,000</td> <td data-bbox="1776 435 1892 456">10 percent</td> </tr> <tr> <td data-bbox="1326 495 1443 516">Exceeding</td> <td></td> </tr> <tr> <td data-bbox="1326 537 1684 558">15,000 but not exceeding 20,000</td> <td data-bbox="1776 537 1913 558">12½ percent</td> </tr> <tr> <td data-bbox="1326 579 1684 600">20,000 but not exceeding 50,000</td> <td data-bbox="1776 579 1892 600">15 percent</td> </tr> <tr> <td data-bbox="1326 621 1698 642">50,000 but not exceeding 150,000</td> <td data-bbox="1776 621 1892 642">18 percent</td> </tr> <tr> <td data-bbox="1326 663 1712 684">150,000 but not exceeding 250,000</td> <td data-bbox="1776 663 1892 684">21 percent</td> </tr> <tr> <td data-bbox="1326 705 1712 726">250,000 but not exceeding 500,000</td> <td data-bbox="1776 705 1892 726">24 percent</td> </tr> <tr> <td data-bbox="1326 747 1712 768">500,000 but not exceeding 700,000</td> <td data-bbox="1776 747 1892 768">27 percent</td> </tr> <tr> <td data-bbox="1326 789 1733 810">700,000 but not exceeding 1,000,000</td> <td data-bbox="1776 789 1892 810">30 percent</td> </tr> <tr> <td data-bbox="1326 831 1753 852">1,000,000 but not exceeding 2,000,000</td> <td data-bbox="1776 831 1892 852">35 percent</td> </tr> <tr> <td data-bbox="1326 873 1753 894">2,000,000 but not exceeding 5,000,000</td> <td data-bbox="1776 873 1892 894">40 percent</td> </tr> <tr> <td data-bbox="1326 915 1438 936">5,000,000</td> <td data-bbox="1776 915 1892 936">45 percent</td> </tr> <tr> <td data-bbox="1326 957 1745 1006">Plus surcharge on value of immovable property transferred</td> <td data-bbox="1776 985 1892 1006">10 percent</td> </tr> </tbody> </table>	<u>Property value</u>	<u>Rate</u>	Not exceeding 15,000	10 percent	Exceeding		15,000 but not exceeding 20,000	12½ percent	20,000 but not exceeding 50,000	15 percent	50,000 but not exceeding 150,000	18 percent	150,000 but not exceeding 250,000	21 percent	250,000 but not exceeding 500,000	24 percent	500,000 but not exceeding 700,000	27 percent	700,000 but not exceeding 1,000,000	30 percent	1,000,000 but not exceeding 2,000,000	35 percent	2,000,000 but not exceeding 5,000,000	40 percent	5,000,000	45 percent	Plus surcharge on value of immovable property transferred	10 percent
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		Under Act 25 of 1994, no tax is applied where a property is transferred (a) between ascendant and descendant or the latter's spouse or surviving spouse; (b) between the heirs of a deceased person when that property was acquired by inheritance from that person;																													

Table 41. Mauritius: Summary of the Tax System, as of December 31, 2001

(All amounts in Mauritian rupees, unless otherwise indicated)

Tax	Nature of Tax	Deductions and Exemptions	Tax Rate
2.2 Land transfer tax	This tax is payable on the transfer of immovable property based on the value of the property transferred.	<p>(c) between spouses;</p> <p>(d) to a charitable trust under the Trust Act 1989;</p> <p>(e) to a religious body under the Registration Duty Act; and</p> <p>(f) by the Sugar Industry Labor Welfare Fund to a worker who is duly certified as such in the deed of transfer.</p> <p>Under Act 19 of 1986: on certain conditions specified in the Act, transfer of a lot excised from a larger portion of land by a partnership or company registered with the Sugar Insurance Fund to a worker, total exemption of registration duty.</p> <p>Where the last transfer was affected prior to July 16, 1984, the value of 75,000 is exempted.</p> <p>Under the Sugar Industry Efficiency Act of 2001 total exemption of land transfer tax is granted.</p> <p>(a) where land under cane cultivation is transferred;</p> <p>(b) where land is transferred by a planter to a metayer;</p> <p>(c) where land is transferred to the Sugar Investment Trust or a body controlled by it; or by the Sugar Investment Trust of a body controlled by it or a co-operative credit society registered under the Co-operative Societies Act;</p>	<p><u>On value of immovable property</u></p> <p>If held five years or more 5 percent</p> <p>If held less than five years 10 percent</p>



Table 41. Mauritius: Summary of the Tax System, as of December 31, 2001

(All amounts in Mauritian rupees, unless otherwise indicated)

Tax	Nature of Tax	Deductions and Exemptions	Tax Rate
		<p>(d) where land is transferred to an occupier of a former sugar estate company owned by a planter or a miller; or an employee who has voluntarily terminated his contract of employment in the context of a factory closure taking place after July 1, 1997, pursuant to section 24 of the Cane Planters and Millers Arbitration and control Board Act, or the Voluntary Retirement Scheme pursuant to section 23 of the Act; and</p> <p>(e) where land is converted by sale or otherwise acquired pursuant to the Act by a Specified Entity.</p> <p>Under the Sugar Sector Package Deal Act 2 of 1985, as amended by Act 6 of 1990 and Act 23 of 1992, on certain conditions specified under the act, the land transfer tax is totally exempted.</p> <p>Under Act 19 of 1986, on certain conditions specified under the act, transfer of a lot excised from a larger portion of land by a partnership or company registered with the Sugar Insurance Fund to a worker is totally exempt from land transfer tax.</p> <p>Total exemption of land transfer tax is also granted where property is transferred</p> <p>(a) between ascendant and descendant or the latter's spouse or surviving spouse;</p> <p>(b) to a charitable trust under the Trust Act of 1989;</p>	

Table 41. Mauritius: Summary of the Tax System, as of December 31, 2001

(All amounts in Mauritian rupees, unless otherwise indicated)

Tax	Nature of Tax	Deductions and Exemptions	Tax Rate
		(c) to a religious body under the Registration Duty Act;	
		(d) by the Sugar Industry Labor Welfare Fund to a worker who is duly certified as such in the deed of transfer;	
		(e) by a company holding a housing development certificate under Section 34 B of the Income Tax Act;	
		(f) in respect of a right to construct a building on top of an existing building ( <i>droit de surélévation</i> ), together with a fraction of the ownership of the ground, and where certain conditions under Section 45 A (2) are fulfilled; and	
		(g) by a transferor who has acquired the property to be transferred through inheritance from his spouse, an ascendant, a descendant, a brother, or a sister.	
2.3 Morcellement fee	This fee is levied on any lot of land parceled out.	Exemptions include land under sugar cane cultivation (up to 25 acres).	For residential, commercial, or industrial purposes Per sq. meter 6.00 For agricultural purposes Per sq. meter 2.50
2.4 Land conversion tax	A tax is levied on conversion of agricultural land to other uses.	Exemptions are granted for approved housing schemes, agro-industry, and community benefit. A housing development company pays half the rate.	Depending on area converted and category of conversion Per hectare 0-3.5 million

Table 41. Mauritius: Summary of the Tax System, as of December 31, 2001

(All amounts in Mauritian rupees, unless otherwise indicated)

Tax	Nature of Tax	Deductions and Exemptions	Tax Rate	
2.5 Camping ( <i>campement</i> site) tax	This tax is levied on the use of land as a camping site.	Under the <i>Campement Site Tax (Exemption) Regulations of 1985</i> , certain conditions are specified:  (a) exemption is granted from payment of tax where the site is occupied as a sole residence or used exclusively for agricultural or grazing purposes; and  (b) part of camping site is exempted from tax where the site is crossed by a public road.	Annual tax according to zone Per sq. meter	2.00-6.00
2.6 Capital gains ( <i>morcellement</i> ) tax	This tax is imposed on the transfer of any lot in land parceled out.	The following are exempted:  (a) immovable property within 500 meters from the high-water mark of the seacoast up to 1,000 sq. meters;  (b) immovable property within the limits of a town, up to 2,000 sq. meters; and  (c) other immovable property, up to 4,000 sq. meters.  Under the <i>Sugar Industry Efficiency Act 2001</i> total exemption of capital gain tax  (a) where land under cane cultivation is transferred;  (b) where land is transferred by a planter to a metayer;	<u>Surcharge</u>  Between the selling price and the purchase price	<u>Rate</u>  20-30 percent plus 20 percent surcharge

Table 41. Mauritius: Summary of the Tax System, as of December 31, 2001

(All amounts in Mauritian rupees, unless otherwise indicated)

Tax	Nature of Tax	Deductions and Exemptions	Tax Rate
		<p>(c) where land is transferred to the Sugar Investment Trust or a body controlled by it to a shareholder of the Sugar Investment Trust or a body controlled by it or a co-operative credit society registered under the Co-operative Societies Act;</p> <p>(d) where land is transferred to an occupier of a former sugar estate company owned by a planter or a miller; or an employee who has voluntarily terminated his contract of employment in the context of a factory closure taking place after July 1, 1997, pursuant to section 24 of the Cane Planters and Millers Arbitration and Control Board Act or the Voluntary Retirement Scheme pursuant to section 23 of the Act; and</p> <p>(e) where land is converted by sale or otherwise acquired pursuant to the Act by a Specified Entity.</p> <p>Under the Sugar Sector Package Deal Act – Act 2 of 1985 as amended by Act 6 of 1990 and Act 23 of 1992— certain conditions are specified for total exemption of capital gains tax.</p> <p>Under Act 19 of 1986, certain conditions specify that the transfer of a lot excised from a larger portion of land by a partnership or company registered with the Sugar Insurance Fund Board to a worker is totally exempt from the capital gains tax.</p>	

Table 41. Mauritius: Summary of the Tax System, as of December 31, 2001

(All amounts in Mauritian rupees, unless otherwise indicated)

Tax	Nature of Tax	Deductions and Exemptions	Tax Rate
		<p>Total exemption from capital gains tax is also granted where property is transferred</p> <p>(a) between ascendant and descendant;</p> <p>(b) by the Sugar Industry Labor Welfare Fund to a worker who is duly certified as such in the deed of transfer; and</p> <p>(c) by a transferor who has acquired the property to be transferred through inheritance from his spouse, an ascendant, a descendant, a brother or a sister.</p>	
<p>2.7 Taxes on transfer of leasehold rights in state land</p>	<p>This tax is levied on the transfer of lease contracts for state land from one lessee to another.</p>	<p>Under Act 9 of 1997 (Tax on Transfer of Leasehold Rights in State Land), no tax is applied where a property is transferred</p> <p>(a) between ascendant and descendant or the latter's spouse or surviving spouse;</p> <p>(b) between the heirs of a deceased person, when that property was acquired by inheritance from that person;</p> <p>(c) to a charitable trust under the Trusts Act 1989; or</p> <p>(d) to a religious body under the Registration Duty Act.</p>	<p>General rate on the value of the leasehold rights being transferred</p> <p>20 percent</p>
<p>3. Taxes on domestic goods and services</p>			

Table 41. Mauritius: Summary of the Tax System, as of December 31, 2001

(All amounts in Mauritian rupees, unless otherwise indicated)

Tax	Nature of Tax	Deductions and Exemptions	Tax Rate				
3.1 Value-added tax (VAT)	<p>VAT was introduced in Mauritius as from September 7, 1998 in replacement of the sales tax on goods. A broadly based ad valorem tax is chargeable on the supply of goods and services in Mauritius, including the island of Rodrigues, and on the importation of goods and services into Mauritius. Exports are zero rated.</p>	<p>VAT borne on inputs is generally allowed to be set off against VAT on outputs, but there are some exceptions, like tax on motor cars, gas oil and fuel oil, and entertainment expenses. Goods and services exempted from VAT include basic foodstuffs, unprocessed agricultural products, milk, books, medicines, medical and dental services, fishing vessels and aircrafts, fertilizers, animal feed, transport of passengers and goods by sea or air, educational and training services, financial services, the sale of land, and the sale or transfer of buildings for residential purposes. Companies with annual turnover of taxable supplies below 3 million are exempt. Input VAT allowable is apportioned between taxable and exempt supplies. Since October 2000, electricity and water for household, and for agricultural irrigation are zero rated.</p>	Single rate of 12 percent.				
3.2 Excise taxes							
3.2.1 Tobacco & cigarettes	Cigarettes are taxed ad valorem.		<table border="0"> <thead> <tr> <th data-bbox="1318 972 1379 1000"><u>Item</u></th> <th data-bbox="1624 972 1686 1000"><u>Rate</u></th> </tr> </thead> <tbody> <tr> <td data-bbox="1318 1014 1441 1043">Cigarettes</td> <td data-bbox="1624 1014 1890 1071">210 percent plus 200 per 1000 cigarettes</td> </tr> </tbody> </table>	<u>Item</u>	<u>Rate</u>	Cigarettes	210 percent plus 200 per 1000 cigarettes
<u>Item</u>	<u>Rate</u>						
Cigarettes	210 percent plus 200 per 1000 cigarettes						
3.2.2 Alcohol and alcoholic beverages	Locally produced alcohol and alcoholic beverages are taxed at different rates, both on a volume basis and ad valorem. Coverage includes products blended and bottled from imported stock.	Liquor (final product) imported in bottles is not excisable. Vinegar, nonbrewed condiments, alcohol for heating, and power alcohol are duty free.					

Table 41. Mauritius: Summary of the Tax System, as of December 31, 2001

(All amounts in Mauritian rupees, unless otherwise indicated)

Tax	Nature of Tax	Deductions and Exemptions	Tax Rate	
			Item	Rate
			Alcohol compounded, spirits, and rum	
			Per volume percentage per liter	1.22
			Wine and country liquor, whichever is higher	
			Per liter	4.40
			Ad valorem	30 percent
			Other liquors admixed	
			Spirits, gin, etc.	
			Per liter	120.00
			Aperitif, liquor per liter	60.00
			Spirits (whiskies) per liter	50.00
			Beer and stout per liter	12.10
			Shandy per liter	2.40
			Alcohol for perfumes and cosmetics per liter	5.50
3.2.3 Automobiles	This tax is chargeable on any car manufactured locally, depending on engine capacity.			17-157 percent
3.3 Taxes on betting and gambling	Betting in casinos and gambling houses and on horse races, association football matches, and winnings from betting and sweepstakes is taxed.			
			Item	Rate
			Casinos and gambling houses, gross takings	Up to 50 percent
			Horse racing sweepstakes	
			Amount collected	15 percent
			Amount payable as winnings	2 percent

Table 41. Mauritius: Summary of the Tax System, as of December 31, 2001

(All amounts in Mauritian rupees, unless otherwise indicated)

Tax	Nature of Tax	Deductions and Exemptions	Tax Rate
		<b>Bookmaker</b>	<b>Fixed duty of</b>
		Per race meeting	9,000–18,000
		Amount payable on winnings	12 percent
		Amount payable on winnings	2 percent
		<b>Totalizator</b>	
		Amount collected on win and place bets	14 percent
		Amount collected on other bets	16 percent
		<b>Pool betting</b>	
		<b>Pool promoter</b>	
		Stake money collected	30 percent
		Amount payable as winnings	10 percent
		<b>Agent of foreign pool promoter</b>	
		Amount of stake money	10 percent
3.4 Incorporation fee	Includes search duty for every file; incorporation of private and public companies; registration of Commercial Partnerships; issue of certificates by the Registrar, certifying any copy or extract of any document; photocopy of documents pertaining to:		
		<u>Within due date</u>	<u>After due date</u>
	(a) small private company at time of corporation;	2,000	3,000
	(b) company holding a Category 2 Global Business license at time of corporation;	US\$65	US\$100
	(c) foreign company at time of registration;	9,000	13,000



Table 41. Mauritius: Summary of the Tax System, as of December 31, 2001

(All amounts in Mauritian rupees, unless otherwise indicated)

Tax	Nature of Tax	Deductions and Exemptions	Tax Rate
	(d) dormant company;	2,000	3,000
	(e) public company at time of incorporation;	9,000	13,000
	(f) any other company at time of incorporation; and	2,000	9,000
	(g) commercial partnerships at time of registration.	6,000	9,000
3.5 Company and Annual Registration Fees	Annual registration fees for:		
	(a) small private company;	2,000	3,000
	(b) company holding a Category 2 Global Business licence;	\$65	\$100
	(c) foreign company;	9,000	13,000
	(d) dormant company;	2,000	3,000
	(e) public company;	9,000	13,000
	(f) any other company;	2,000	9,000
	(g) commercial partnerships.	6,000	9,000



Table 41. Mauritius: Summary of the Tax System, as of December 31, 2001

(All amounts in Mauritian rupees, unless otherwise indicated)

Tax	Nature of Tax	Deductions and Exemptions	Tax Rate
4. Taxes on international trade			
4.1 Taxes on imports			
4.1.1 Customs tariff	<p>Mauritius maintains a one-column tariff schedule based on the Harmonized System (HS) Nomenclature. Since July 1994, import customs duties, which account for the bulk of customs duty revenue, vary by HS classification. An additional 10 percent of import duties are leviable on all imports from nonpreferential countries and which attract import customs duties at the rate of 55 percent or over, i.e., generally other than from the Commonwealth, the European Union, and the United States. Import customs duties are in general ad valorem on c.i.f. values.</p> <p>Goods originating from the following COMESA member states and covered by a proper certificate of origin are allowed duty free: Djibouti, Egypt, Kenya, Madagascar, Malawi, Sudan, Zambia and Zimbabwe. However, goods originating from the other COMESA member states attract duty at the rate of 10 percent of the national tariff schedule, wherever applicable.</p>	<p>Exemptions include most food items, agricultural capital goods and specialized spare parts, fertilizers, sporting goods, machinery for the textile, leather, furniture, jewelry and printing industries; most primary and crude products used as raw materials (such as sheets, sections, and profiles of plastics, rubber, or metal) essential oils, plywood and particle boards; medical and laboratory equipment; energy-saving equipment, protective masks, burglar alarm and surveillance systems, fire-fighting equipment, lifts and escalators, vending machines, generators, electric drills, automatic data processing machines and their peripheral units, etc. Imports by factories operating under the EPZ, ESZ, or Industrial Expansion Acts are exempt. For non-EPZ firms, duty drawbacks are permitted on raw materials and intermediate goods used to produce goods for export.</p>	<p>Import customs duties consist of nine tax rates: 0, 5, 10, 15, 20, 30, 40, 55, and 80 percent, respectively.</p>

Table 41. Mauritius: Summary of the Tax System, as of December 31, 2001

(All amounts in Mauritian rupees, unless otherwise indicated)

Tax	Nature of Tax	Deductions and Exemptions	Tax Rate
4.1.2 Import excise duty	Excise is levied on alcoholic beverages, spirits, tobacco products, petroleum products, motor cars, and furniture, and payable on customs clearance.	Exemptions are granted for returning residents and manufacturers of motor cars; exemptions or concessions are also granted for taxis, tour operators, and civil servants, as well as vegetable growers and religious bodies.	On c.i.f. value 15-400 percent
5. Other taxes			
5.1 Stamp duty	Documents presented for registration with the Registrar-General or deposited with the Conservator of Mortgages for transcription, inscription, or erasure of inscription are taxed.		15 per sheet.
6. Environment protection fee	Tax is levied on the monthly turnover of hotels and boarding houses.  Tax is also levied on monthly turnover of enterprises engaged in stone crushing and in the manufacture or processing of aggregates, concrete, blocks, precast units, coral sand, rocksand, and basalt sand.		On monthly turnover 0.75 percent

Source: Ministry of Finance.