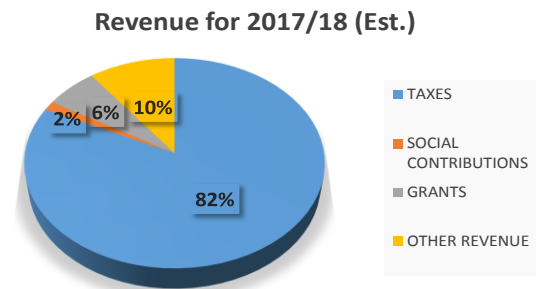


Key Figures	2014	2015	2016	2017F
GDP/GVA growth rate	3.6%	3.2%	3.9%	4.1%
Budget Deficit (% of GDP)	3.2%	3.5%	3.5%	3.2%
Net public sector debt	54.2%	54.2%	55.6%	57.5%
Unemployment rate	7.8%	7.9%	7.3%	N/A
Inflation rate (Headline)	3.2%	1.3%	2.2%	3.0%
Total Revenue (Rsbn)	79.7	88.3	94.7	112.2
Total Expenditure (Rsbn)	92.2	106.2	110.6	127.7



The budget speech entitled ‘Rising to the challenge of our ambitions’, was delivered by the Honourable Prime Minister, Minister of Home Affairs, External Communications and National Development Unit, Minister of Finance and Economic Development, Pravind Jugnauth this Thursday 8<sup>th</sup> June 2017. During last year’s speech, the aim was to stimulate economic growth where the 3% to 3.5% annual GDP growth rate was becoming the ‘new normal’. The growth rate is estimated at 3.9% in 2016/2017 and is expecting the growth rate to reach 4.1% in 2017/2018. The government’s ambition is to be a high income country by 2023, with an increase of 40% in income per capita to reach USD 13,600.

The major focus of the budget is modernising the infrastructure of the country through the funding from India (grants & line of credit) which amounts to USD 983m (Rs 35.2bn). The Metro Express project will receive the Lion’s share of the funds with an estimated project cost of USD 535m. This should help to reduce the road traffic congestion problem which is a huge cost to the Mauritian economy. Along the same line, some Rs 4.9bn will be invested to expand our transport network over the next 3 years. Other main projects funded under Indian financial assistance include social housing projects and a new administrative city project for an amount of USD 100m each. Water and Energy projects were granted USD 55m and USD 10m respectively.

Consistent with the previous two budgets presented by this Government, the SME sector was again in the spotlight with several measures to accompany and help them grow. For instance, Rs 100m will be provided over the next 3 years for the implementation of the 10-year Master Plan for the SME sector and an SME e-platform will be set up to increase visibility of SME products. Innovation was again at the heart of the budget as it is considered to be crucial to global competitiveness and moving up the value chain. Emphasis was laid on Research and Development which is the base for innovation. The Mauritius Research Council will be transformed into the Mauritius Research and Innovation Council and will manage a National Innovation and Research Fund to finance research in public and private institutions. Government is injecting Rs 50m in another Research Fund to be managed by the Tertiary Education Commission.

Social objectives were also accentuated with particular highlights on reducing inequality, combatting poverty, eradicating drug trafficking, promoting sports and leisure as well as nurturing our creative industry. In order to reduce the income inequality, Government is introducing a negative income tax system to provide financial support of up to Rs 1,000 per month to low-income employees earnings less than Rs 10,000 per month. On the counter side, a solidarity levy will be introduced on high income earners whereby individuals having an annual chargeable income plus dividends in excess of Rs 3.5m will be required to pay 5% of the excess. Regarding excise duty, the usual culprits were again in the limelight with an increase of 5% for beer and other alcoholic products and 10% for tobacco products.

SECTOR REVIEW					
Sector		Financial and insurance activities			
Industry performance review	Parameter	Year 2014	Year 2015	Year 2016	Year 2017F
	Gross value added to GDP (MUR Million)	41,322	43,599	46,614	50,428
	Sector growth rate (%)	+5.5	+5.3	+5.7	+5.5

Several measures have been put forward to address the numerous challenges of the industry, alongside with measures to tapping in opportunities that are arising. The main aim is “to maintain Mauritius as an International Financial Centre of repute” by broadening and deepening the product and service offering of the sector.

### 1. Global Business Sector

- To enhance the quality of product offerings, a blueprint is to be elaborated by relevant authorities which will focus on the vision of the sector over the next 10 years, taking into consideration the forthcoming international requirements with respect to taxation without affecting the attractiveness of our jurisdiction.
- Government reiterated the trend of encouraging Global Business Companies to create more substance in Mauritius. Last year, GBC 2 Companies were allowed to invest in listed securities; this year, GBC 1 companies must fulfil at least two (instead of one) of the additional criteria that was established by the FSC to demonstrate substance. (Kindly find these six criteria in Annex 1).

### 2. Islamic Finance

- The Companies Act 2001 is being amended to allow for Islamic financial Institutions and Islamic Banks to adopt accounting standards issued by Accounting and Auditing Organisation for Islamic Financial Institution.

### 3. Banking Sector

- The Banking Act will be amended to increase the minimum capital requirement of banks from MUR 200 Million to MUR 400 Million. Existing banks will be given two years to adjust their capital to the new level. The Banking Act will also be amended to allow for licensing and the regulation of the issue of commercial papers.

### 4. The Stock Exchange of Mauritius

- The Stock Exchange of Mauritius (SEM) will engage with Euroclear to transform the local debt market and set up an international capital market which would attract Government and corporates from Africa and other regions to issue multi-currency bonds in Mauritius.
- The Securities Act will be amended to position Mauritius as a Capital Raising platform.

Listed Companies	Impact	Comments
<b>BANKS</b>		
MCB Group Limited	✓	Major infrastructural and metro express projects shall spur loan growth
SBM Holdings Ltd	✓	
ABC Banking	✗	Increase of the minimum capital requirement from Rs200 million to Rs 400 million may be a disadvantage for small players

SECTOR REVIEW					
Sector		Tourism			
Industry performance review	Parameter	Year 2014	Year 2015	Year 2016	Year 2017F
	Gross value added to GDP (MUR Million)	24,495	27,070	30,066	31,271
	Sector growth rate (%)	+6.3	+7.2	+11.4	+4.7

### Policies to build on the regained growth momentum of the tourism industry

To further strengthen the dynamism of the industry, the following measures have been put in place:

- Diversification of our markets in Europe: Open air access to Netherlands, Germany, Benelux countries, Scandinavian countries and Eastern Europe through the coming of KLM Royal Dutch airline in Mauritius this year.
- To further add on the success of the Asia-Africa air corridor and to meet increasing demand, Air Mauritius will operate an additional weekly flight to Singapore. Moreover, to attract Asian tourists, hotels will be allowed to host gaming machines within their premises, with access being restricted to non-residents and foreigners only and against payment of appropriate license fee and betting tax.
- The Mauritius Tourism Promotion Authority will promote the twin destinations offer of Kenya & Mauritius through the ‘Bush & Beach’ tourism package.
- Construction of a second passenger terminal for expanding capacity at the airport to accommodate for the rapid growth in passenger and aircraft movement traffic.
- A non-citizen with a minimum investment of USD 500,000 in the acquisition of a unit under the Invest Hotel Scheme will be eligible to a residence permit as long as he retains the ownership.



Listed Companies	Impact	Comments
<b>HOTELS &amp; Tourism</b>		
New Mauritius Hotels	✔	New flights to boost tourist arrivals & consolidation of Asia Africa corridor Hotels allowed to offer gambling facilities Expanding capacity at the airport for the construction of a 2nd passenger terminal MTPA will promote the twin destinations offer of Bush & Beach Tourism of Kenya and Mauritius To attract more Asian tourists when hotels will be allowed to host gaming machines within premises A non-citizen with a minimum investment of USD 500,000 in the acquisition of a unit under the Invest Hotel Scheme will be eligible to a residence permit as long as he retains the ownership.
Lux Island Resorts	✔	
Sun Resorts	✔	
Constance Hotels Services	✔	
Morning Light	✔	
Southern Cross Tourist	✔	
Tropical Paradise	✔	
Air Mauritius	✔	Increased competition from new airlines eg KLM To benefit from Asia-Africa air corridor with an additional weekly flight to Singapore

SECTOR REVIEW					
Sector	Manufacturing				
Industry performance review	Parameter	Year 2014	Year 2015	Year 2016	Year 2017F
	Gross value added to GDP (MUR Million)	53,274	53,503	53,706	55,561
	Sector growth rate (%)	+1.8	0.0	-0.1	+1.1

## Manufacturing

Government’s aim to transform the manufacturing sector into the development of high-end, precision driven and technology-enabled industries. The manufacturing sector is an important contributor to the country’s GDP which has however been on a declining trend 15.30% in 2014, 14.70% in 2015 and 13.90% in 2016. It is therefore imperative for the Government to redress the situation. Measures announced to accompany the manufacturing sector are as follows:

- **Speed to Market Scheme**- for the textile and apparel exports on the European markets with a 40% refund on air freight cost.
- **New freight rebate Scheme**- Freight rebate Scheme for export to Africa by sea
- **National Export Strategy**- covering seven priority sectors of the economy namely agro-processed foods, fisheries and aquaculture, jewellery, medical devices, cultural tourism, software development and financial services.
- **Positioning Mauritius as a renowned regional and international sourcing destination**, including accelerating the development of Mauritius into a petroleum and bunkering hub in the region, and promoting the setting up of oil terminals and jetties.
- **Cigarettes and alcoholic drinks**- Usual culprits’ cigarettes will experience an increase of 10% in excise duty and an increase of 5% for beer and alcoholic drinks.

## Agro and Food industry

Much focus was put on the agricultural food sector which plays a pivotal role in the development of Mauritius and help in meeting the food consumption requirements of the population with an overall self-sufficiency of approx. 23%. Today, this sector represents about 3.5% of the national economy, with sugar cane cultivation and sugar production as the prime activities.

Measures announced to boost the sugarcane industry are:

- **Smarter land use**- A provision of Rs50 million for productive use of abandoned land which were used cane cultivation (approx. 500 hectares) for fiscal year 2017/18
- **Encouraging productivity**- Government working on a scheme to encourage use of biomass such as cane trash and woodchips by Independent Power Producers ( IPPs)
- **Additional Facilities**- Waiving of registration duty on leases of agricultural lands up to 10 hectares, Vehicle replacement facility by providing VAT refund on replacement of lorries
- **Diversification of agricultural offerings**- Macadamia plantations for new export niche, revival of tea plantation
- **Moving up the value chain ladder** – manufacturing and exporting of value-added agricultural products through the processing of maize, vanilla, cocoa, coconut and medicinal plants
- **Facilitate access to finance**- Maubank , DBM and other commercial banks to finance food crops planters through the SME Scheme
- **Subsidies and waiving of customs duty**- subsidy on the price of concentrate feeds to Rs10 million through the Livestock Feed Promotion Scheme and removing customs duty on all animal feed, except for poultry and pets.

In our opinion, the above-mentioned measures shall be positive for our sugar growing industries as Mills will get more sugar to refine from small planters as more land will be devoted for cultivation. Livestock feed companies shall also benefit from the subsidies announced by the Government thereby reducing their operating costs.

## SMEs

The SME sector is a revenue generating as well as employment generating industry which contributed to 55% of total employment in 2016. The SME sector is expected to be further developed into a vibrant sector that can easily and rapidly adapt to market changes. In order to achieve this vision, Government has announced 11 measures to further boost the SME Sector. The main measures are listed as follows:

- **Expanding economic space-** facilitating access to local market, export markets and identified niche markets;
- **SME master plan-** Government earmarked Rs 100 million over the next three years for the implementation of the 10-Year Master Plan for the SME Sector.
- **Accessibility and visibility-** setting up of four new SME fairs will be built at Goodlands, Bel Air, Chemin Grenier to market their products as well as the setting up of an SME e-platform
- **Export Financing Facility & Loan at concessionary rates-** will be introduced and extended to assist manufacturing enterprises in the SME and cooperative sectors.
- **Government backed loans-** Government will continue to guarantee the loans made to SMEs under the two financing schemes which are operated by commercial banks.

Listed Companies	Impact	Comments
ENL Land	✓	A provision of Rs50 million for productive use of abandoned land Encouraged use of biomass such as cane trash and woodchips by Independent Power Producers (IPPs) The registration duty payable on leases of agricultural lands of up to 10 hectares will be waived An initial contribution of Rs50m will be contributed by national arts fund fo finance activities for persomaing as wel as fine arts
Alteo	✓	
Terra	✓	
Caudan	✓	
Phoenix Beverages	✗	Shall be negatively impacted by increase of 5% in beer and alcoholic drinks
Phoenix Investments	✗	Shall be negatively impacted by increase of 5% in beer and alcoholic drinks
Terra and Eudcos	✗	Negatively impacted by increase in 5% in alcoholic drinks
Ciel textile	✓	Benefit from 40% refund on air freight cost

SECTOR REVIEW					
Sector	ICT				
Industry performance review	Parameter	Year 2014	Year 2015	Year 2016	Year 2017F
	Gross value added to GDP (MUR Million)	19,363	20,397	21,251	22,274
	Sector growth rate (%)	+6.6	+7.0	+5.3	+5.7

The ICT sector is expected to create more jobs by tapping the regional market for growth. This will be supported by enhanced infrastructure by providing the right ecosystem for this sector to grow above 10% in the years ahead.

- Encourage companies in the ICT sector to use Mauritius as a platform by amending the Data Protection Act to comply with new EU data protection regulation
- Build capacity in the new technologies: robotics, Big Data and Internet of Things
- Offering a ‘Mauritius ICT plug and play platform’ to attract digital nomads & entrepreneurs
- Creation of Mauricloud for issuance and verification of documents and certificates online
- New policy to encourage firms to allow their employees to work from home. This measure may positively impact on national productivity

## Ocean Economy & Port Development

The minister of Finance has announced key measures to set up the basis of ocean economy as new pillar of our economy. The ocean economy will move up the value chain by developing higher value-added products. This strategy shall ensure that marine and sea-bed resources are exploited in a sustainable manner. Below are some key measures announced in the Budget speech 2017-18:

- Extension of the validity of the fishing rights permit from one year to five years for all Mauritian vessels which process their catch locally
- Upgrading and equipping Maison des Pecheurs with the objective of transforming fish catch into value-added products
- Ease of accessing grants for fishermen to acquire refrigeration vehicles
- Promotion of coral farming by fishermen and SMEs to develop ornamentals coral products for tourists, aquarium market and high-end jewellery
- Catering for marina development
- Setting up of a new Maritime Training Institute which will focus on jobs ships cruise
- Investment of Rs3bn this year and Rs1.6bn next year to make the port a regional maritime hub
- Extension of Mauritius Container Terminal fully operational by October 2017 to handle 750,000 TEU’s (Twenty-foot Equivalent Unit)
- Finalisation of the Port Master Plan to create quay leisure crafts and fishing boats at Vieux Grand Port
- Mauritius Ports Authority (MPA) will proceed with the construction of a second breakwater and invest about Rs500m in a new Passenger Building at Les Salines to accommodate cruise and inter-island passenger traffic
- Riche Terre Business and Industrial Park will attract Rs4.4bn of investments over the next three years

Listed Companies	Impact	Comments
<b>LOGISTICS and PORT</b>		
Rogers	✔	Benefit from port development
IBL	✔	
MFD Group	✔	

SECTOR REVIEW					
Sector	Construction				
Industry performance review	Parameter	Year 2014	Year 2015	Year 2016	Year 2017F
	Gross value added to GDP (MUR Million)	16,631	16,018	16,018	17,568
	Sector growth rate (%)	-8.5	-4.9	0.0	+7.0

The sector stagnated in 2016 after two successive years of contraction. Statistics Mauritius expect a growth rate of 7% for 2017 which should come mostly from the public sector investment programme. The Government received financing of Rs 35.2bn from India and USD 50m from China. These funds have been mostly allocated to construction projects which mainly includes:

- The Metro Express Project will cost USD 535m fully funded with the financial support from the Government of India. Work on the site will start in September.
- Expansion of the transport for Rs 4.9bn in various projects over the next 3 years
- Social Housing projects for USD 100m
- The Cote D’or City at Highlands which will include a state-of-the-art sports complex and will host the Jeux des Iles de L’Ocean Indien 2019. Work are due to start in October 2017. The first phase will also include two administrative towers for government office amounting to Rs 3.6bn.
- Upgrading of the Ebene Cybercity into a mixed-use town model.
- Works have started at 4 Smart City Projects namely Mon Tresor Smart City, Mauritius Jinfei Economic Trade and Cooperation Zone, Moka Smart City and Medine Smart City. Altogether an amount of Rs 2.6bn will be invested by the end of 2017. Time-limit imposed on a Mauritian citizen who purchases a serviced plot of land under the Smart City Scheme for completing construction of his residence will be extended from 5 years to 10 years.
- Investment of Rs 3.0bn in the port area this year and Rs 1.6bn in the coming financial year
- Expanding capacity at the airport with the construction of a second passenger terminal and refurbishment of the Old Passenger Terminal.
- Investment of USD 65m in utilities (Energy and Water). Investment of Rs 3.8bn in wastewater management over the next 3 years.
- Upgrading infrastructure facilities and enhancing amenities at several public beaches

Listed Companies	Impact	Comments
<b>CONSTRUCTION</b>		
Gamma Civic	✔	Should benefit from the major infrastructure and smart city projects
United Basalt Products	✔	

## Gambling

- In order to track offences related to money laundering, the government will ban cash betting transactions above Rs 2,000 and will introduce an account based betting together with a player card program/system.

Listed Companies	Impact	Comments
<b>LEISURE</b>		
ASL	✔	The tote system is ahead of the curve with the bet by telephone system and will be able to accept bets above Rs 2,000

## Annex 1

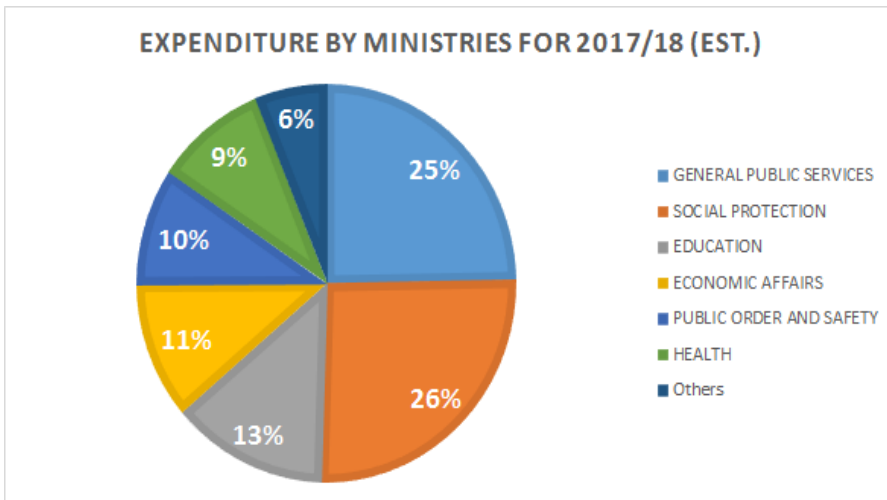
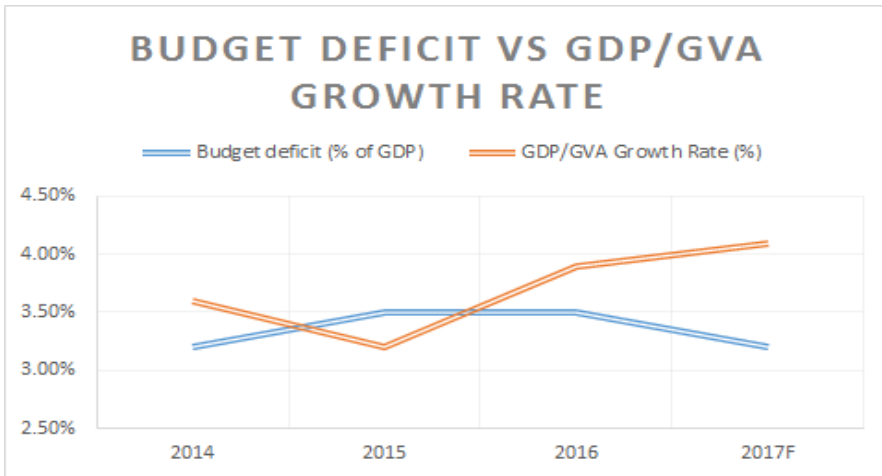
Since **1st of January 2015**, when determining whether a GBC1 is managed and controlled from Mauritius, the FSC considered (in addition to existing substance requirements) whether the GBC1 meets at least one of the following criteria ("**additional criteria**"):

- it has or shall have office premises in Mauritius; or
- it employs or shall employ on a full time basis at administrative/technical level, at least one person who shall be resident in Mauritius ; or
- its constitution contains a clause whereby all disputes arising out of the constitution shall be resolved by way of arbitration in Mauritius; or
- it holds or is expected to hold within the next 12 months, assets (excluding cash held in bank account or shares/interests in another corporation holding a Global Business Licence) which are worth at least USD 100,000 in Mauritius; or
- its shares are listed on a securities exchange licensed by the FSC; or
- it has or is expected to have a yearly expenditure in Mauritius which can be reasonably expected from any similar corporation which is controlled and managed from Mauritius. The onus is on the GBC1 to satisfy the FSC that its level of expenditure in Mauritius is reasonable. Reasonableness of expenditure would be judged in the light of circumstances of each case and the factors to be considered to decide whether the level of expenditure of a GBC1 is reasonable include the type of activity, its average turnover, the country(ies) in which it is conducting business, and the value of its net assets and the industry average to name but a few.

*The budget speech is making the guidelines more stringent on the substance requirement given that the GBC1 will now have to meet at least two of the above-mentioned criteria instead of just one.*



**Annex 2**



To access the full budget speech, click on the following link:

[http://budget.mof.govmu.org/budget2017-18/2017\\_18budgetspeech.pdf](http://budget.mof.govmu.org/budget2017-18/2017_18budgetspeech.pdf)

Research Desk

Email: [securities.research@swanforlife.com](mailto:securities.research@swanforlife.com)

Swan Securities Ltd

Swan Centre  
10, Intendance Street,  
Port-Louis, Mauritius

T: (230) 208 7010  
F: (230) 212 9867



swanforlife.com

BRN C06007932

This document may not be reproduced, copied, distributed for any purpose without the prior consent of Swan Securities Ltd. The information and opinions contained in this document have been completed or arrived at by Swan Securities Ltd from sources believed to be reliable and in good faith, but no representation or warranty express or implied is made as to their accuracy, completeness or correctness. The information contained in this document is published for the assistance of recipients but is not to be relied upon as being authoritative or taken as substitution for the exercise of judgments by any recipient. Swan Securities Ltd accepts no liability whatsoever for any direct or consequential loss arising from any use of this document and its contents.