Economic Indicators

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1. Economic Review and Prospects


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INTRODUCTION

The year 1989 started with a generalized feeling that this particular year would mark a turning point in the further economic development of the country. By the close of the year, this foreboding became a reality.

Already at the end of 1988, warning signals of impending difficulties were being transmitted from different sectors of the economy. The EPZ sector, which had been the propeller of the fast growth of the economy over the past five years, started showing signs of strain both internally and externally. The tight labour situation coupled with increasing pressure on wages locally aggravated the negative repercussions of an international environment, characterised by rising import prices, renewed protectionist tendencies and increased industrial competition. Moreover, the favourable climatic conditions enjoyed by Mauritian agriculture for the past few years, suddenly changed with the passage of two cyclones early in 1989. The sugar crop was badly affected as was the rest of the agricultural sector. On the social front, too, employment creation halted while prices soared.

On the brighter side, the tourism sector continued to expand at the rate of 10% annually. The development of the tertiary sector, through the provision of services, maintained a steady pace and is becoming an important contributor to overall GDP. The sustained growth of the economy will depend on how the various problems besetting the economy are tackled. Particular attention will have to be given to timely measures to control the inflationary tendency, to raise productivity per worker and to step up the economic diversification programme. Wage increases will have to be kept within reasonable limits.

OUTPUT

The overall GDP growth rate recorded in 1989 was only 3.9% after real increases of 8.9%, 8.4% and 6.1% in 1986, 1987 and 1988 respectively. Such a deceleration in the pace of economic growth is primarily explained by the low performance of two main sectors, namely sugar and EPZ. The two cyclones which visited the country in early 1989 caused a shortfall in the sugar crop of as much as 10% over the previous year. The EPZ sector recorded a real growth rate of merely 4%, in stark contrast to the substantial pace of 20% - 35% of only a few years ago. However, the tourism-related “hotels and restaurants” sector, as well as the “financial and business services” sector, kept a consistently high pace, each growing by 10% in 1989.

Thus, Gross Domestic Product at factor cost reached a figure of Rs 26,250 m in 1989 while per capita income hit the Rs 30,000 mark, thereby confirming the position of Mauritius amongst the upper-middle income group of countries.

EXPENDITURE

Since its annual real growth rate turned positive in 1983, the formation of capital in the country has been consistently high, culminating in 1988 with a 41% increase, 58% of which was due to the acquisition of two aircraft by the national carrier. This tempo is mainly attributable to the heavy infrastructural investment in the public sector as well as private-sector investment
in such sectors as tourism and the EPZ. The urgent need for mechanisation both in industry and agriculture as a consequence of labour shortages, favoured investment in machinery and equipment. Another phenomenon explaining this investment surge is the high demand for residential property following substantial salary increases and an excess of liquidity in the economy. However, the year 1989 saw a considerable slowing down of the rate of growth of GDFCF with a more modest but still comfortable 8.5%, exclusive of the aircraft acquired in 1988.

The annual rate of growth of aggregate domestic consumption expenditure, which was contained below that of output for several years, suddenly shot up in those two years, namely 1987 and 1988, when large salary increases fuelled the spending spree of both the Government and household sectors. Though this growth was considerably reduced in 1989, it is still high, representing an increasing proportion of GDP at market prices estimated at 79%. The household sector is by far the larger consumer of goods and services, accounting for 83% of the Rs 24,750 m of total expenditure effected in 1989. As a consequence, the combined savings rate of the public and private sectors has been consistently falling from a high 28.5% in 1986 to an estimated 21% in 1989, with a concomitant reversal in the savings-investment gap.

**Table 1**

*Selected Economic Indicators, 1986-1989*

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<tr>
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<tbody>
<tr>
<td>GDP at market prices</td>
<td>Rs.m</td>
<td>19,700</td>
<td>23,576</td>
<td>27,764</td>
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<tr>
<td>Aggregate consumption</td>
<td>Rs.m</td>
<td>14,076</td>
<td>17,117</td>
<td>20,685</td>
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<tr>
<td>Expenditure</td>
<td>%</td>
<td>71.4</td>
<td>72.6</td>
<td>74.5</td>
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<tr>
<td>Consumption-Output Ratio</td>
<td>%</td>
<td>19.8</td>
<td>21.6</td>
<td><em>28.8</em></td>
</tr>
<tr>
<td>Gross Domestic Savings</td>
<td>Rs. m</td>
<td>5,624</td>
<td>6,459</td>
<td>7,079</td>
</tr>
<tr>
<td>Domestic Savings Rate</td>
<td>%</td>
<td>28.5</td>
<td>27.4</td>
<td>25.5</td>
</tr>
<tr>
<td>Gross Domestic Fixed</td>
<td>Rs. m</td>
<td>3,890</td>
<td>5,090</td>
<td><em>7,990</em></td>
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<tr>
<td>Capital Formation</td>
<td>%</td>
<td>19.8</td>
<td>21.6</td>
<td><em>28.8</em></td>
</tr>
<tr>
<td>Investment-Output Ratio</td>
<td>%</td>
<td>19.8</td>
<td>21.6</td>
<td><em>28.8</em></td>
</tr>
<tr>
<td>Savings-Investment Gap</td>
<td>Rs. m</td>
<td>+1,734</td>
<td>+1,369</td>
<td><em>-911</em></td>
</tr>
</tbody>
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* includes the purchase of two aircraft valued at Rs.1,775 m.
MAIN ECONOMIC SECTORS

1. Agriculture

The occurrence of two cyclones in 1989 greatly affected the agricultural sector, with considerable repercussions particularly on the sugar crop. The first cyclone, in January, caused widespread damage to the growing canes whilst the second cyclone, which hit the country in April, brought an excess of rainfall, which contributed to the substantial loss of the sucrose content. Consequently, with an extraction rate of only 10.45%, compared to 11.5% in 1988 and a ten-year (1979-88) average of 11.15%, the 5,436,122 tonnes of canes crushed produced only 568,301 tonnes of sugar.

However, the 1989 crop yielded a higher producer price than the 1988 crop. The factors which have contributed to the rise in the producer price are:

i. a rise in the Monetary Compensatory Amount (MCA);
ii. the reduction in the export tax on sugar as provided for in the Sugar Industry Efficiency Act (SIEA); and
iii. a lower world production leading to higher prices on the world market.

Export proceeds from sugar were thus higher in 1989 than in 1988 in spite of the shortfall in production as more favourable prices compensated for the lower volume exported.

Production in the non-sugar agricultural sector showed varying trends as different products reacted to different local and foreign conditions. In 1989, the tea sector continued on its decline as low world- market prices, labour shortages and rising costs of production prompted small holders to neglect their tea plantations.

The production of poultry meat, on the other hand, maintained its upward trend in response to rising incomes and increasing demand. The increase noted in 1989 in the availability of cattle meat was not due to the slaughtering of local cattle - which, in fact, decreased by 40% - but rather to the importation of live cattle from Madagascar. Goat and sheep meat marked a significant decrease of as much as 27% whilst production of pig meat remained unchanged at 660 tonnes. The fishing industry maintained a stable output of about 15,800 tonnes as higher catches of tuna for the canning industry compensated for the shortfall from the banks. Hence, overall production of fish from the high seas remained constant at 13,400 tonnes Catches from the lagoon stood at 2,450 tonnes, compared to 2,430 in 1988.
2. **MANUFACTURING**

The worst hit sector in 1989 has undoubtedly been the Export Processing Zone. The 30% or so annual growth rate of only a few years ago has slowed down to a disquieting 4% in 1989. The factors which had started to affect the EPZ adversely in 1988 - namely labour shortages, stagnating or even declining productivity, loss in competitiveness - intensified in 1989 and resulted in a very poor performance.

Employment in the EPZ, which stood at 89,080 workers at December 1988 fell slightly to 88,650 workers at the end of 1989. The concentration in the textile and garment sector stayed almost unchanged at 90%. The knitwear sub-sector, which has suffered as a consequence of two consecutive mild winters in Europe, accounted for the loss of nearly 2,000 jobs with the closing down of 9 firms in 1989. Of the total number of 107 closures recorded in 1989, 80 enterprises were in the textile sector.

There were 79 new firms which were set up, out of which 35 were in the non-textile and garment sector. This may be interpreted as an encouraging sign of industrial diversification, which has been intensively promoted by Government, through such novel measures as the provision of anticipatory training in promising sectors such as leather and footwear, jewellery and fashion design among others.

The export performance of the EPZ was very modest and well below expectations. In 1989, EPZ exports totalled only Rs 9,100 m, a mere 11% increase in value terms over 1988. In volume terms, the growth of EPZ exports is estimated at only 4%. In itself, this figure is rather worrying, particularly, when compared with EPZ imports which are estimated to have increased by 25% in rupee terms and by 7% at constant 1988 prices. Consequently, the ratio of net export earnings to total exports in the EPZ sector which had been hovering around the 23% mark for some years and had, of late, steadily increased to 27% and 28% in 1987 and 1988 respectively, suddenly dropped to 17%.

Urgent investigation of this phenomenal fall is required to shed light on any shortcomings which may have become apparent and which may seriously affect the long-term image of the EPZ sector.

The performance of the rest of the manufacturing sector, excluding sugar milling and the EPZ, has been less disappointing as the import-substituting industries maintained a high development pace. The food-processing industries, especially those linked to dairy products and poultry, grew in real terms by around 10% while the construction-related industries, such as block-making and stone-crushing, matched the boom in the construction sector. Overall, the non-sugar and non-EPZ manufacturing sector marked a 7% real increase in 1989.

3. **TOURISM**

The tourism sector has maintained its performance, growing on average by over 10% annually since 1981. Tourist arrivals have since then more than doubled while gross earnings from tourism have increased seven-fold. The year 1989 has been another good one for the tourism industry, with the arrival of 265,300 tourists bringing in gross earnings of Rs 2,830 m. The hotel industry has benefited largely from this situation with a satisfactory overall average occupancy rate of 64% while the large hotels achieved an occupancy rate of 78%.
However, it is worth noting that both room-and bed-occupancy rates have fallen in 1989 from their 1988 levels. This situation may further deteriorate if the rate at which the number of new rooms becomes available outpaces that in the number of tourist arrivals. Based on already approved hotel construction projects, it is estimated that a total of some 5,800 rooms will be available by 1991. Projecting the past trend of 10% per annum increase in tourist arrivals, the room occupancy rate will then fall to 53% by 1991. If the room occupancy rate were to be maintained at its 1989 level of 64%, total tourist arrivals would have to rise to 385,000 in 1991, implying an annual growth rate of over 20% for each of the years 1990 and 1991.

Neither scenario is particularly comforting for those who are keen on keeping Mauritius a select and exclusive beach resort on the world tourism map. The recent decision by Government not to allow any new hotel project start-ups until 1991 is a first step towards better management of this sector.

### Sectoral Growth Rates, 1983-1989

![Graph showing sectoral growth rates](Graph)

4. **Financing, Insurance and Business Services**

Even though the contribution of the financial and business services sector to overall GDP has remained at around 5%, this sector's expansion has been on the rise in the 1980's. The real annual growth rate of 3.2% in 1981 has consistently increased to around 10% in each of the last three years. This performance is mainly attributable to the substantial profits generated by the banking sector and the insurance companies. Moreover, the emergence of the local financial scene of such institutions as the Port Louis Stock Exchange, offshore banking units and leasing companies contributed to the further development of the tertiary sector. As more expertise and trained manpower become available, the services sector may well take the fourth place in the list of productive sectors and slowly emerge as a strong element the transition of Mauritius to a higher stage of growth.

**Inflation**

The sudden rise in the level of prices, which was noted in 1988, further intensified in 1989 with a double digit inflation figure of 12.6% after a stretch of five to six years of low inflation rates. Figure 1 below shows the evolution in the inflation rate in the 1980's since the peak of 42% registered in 1980.
As world prices continued to rise, its imported effect on the local economy was strongly felt, even more so through the continued depreciation of the Mauritian rupee vis-à-vis most leading currencies. Domestically, the prices of fresh fruits and vegetables soared as a result of the passage of the two cyclones in 1989. As much as 50% of the CPI increase noted in 1989 was due to price increases of food products, with the item "powdered milk" alone accounting for an increase in the index of nearly 9% following three successive price revisions in a single year.

The most prominent price increases registered in 1989 were those of public utilities such as TV licence fees and taxi fares as well as textile goods and household durable goods.

**EMPLOYMENT AND UNEMPLOYMENT**

Employment creation in the economy halted in 1989, with only 2,000 net additions, after having known large increases of as much as 23,000 new jobs in 1986 and a five-year average of 15,000 new jobs annually from 1983 to 1988. This was due for the most part to the considerable deceleration of the EPZ sector in 1989. Of the 1,500 new jobs created in the manufacturing sector from September 1988 to September 1989, the rise is mostly accounted for by the non-EPZ sector, which showed more vitality than the up-to-then thriving EPZ sector.

The proportion of male to female employment in total employment remained constant at 65:35 in 1989, implying that most females who were interested in joining the labour force have already done so and are gainfully employed. The unemployment rate, based on the live register of the Ministry for Employment, is estimated at 4% for 1989 compared to 5% in 1988. The "'adopted rate'"(1) of unemployment in both years hovered around 3%, which is below the level of frictional unemployment.

**BALANCE OF PAYMENTS**

Since 1985, developments in the external sector have been marked by a strengthening of the balance of payments position and an appreciable build-up of the foreign exchange reserves

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of the country. From Rs 258 m in 1985, the overall surplus in the balance of payments increased to Rs 2,466 m in 1988, while the foreign exchange reserves which stood at Rs 882 m in 1985 shot up to Rs 6,428 m in 1988. However, with a slowdown in the growth of exports and an increase in the level of imports during the two previous years, the overall surplus in the balance of payments contracted slightly between 1987 and 1988 and latest indications tend to suggest that this trend persisted in 1989.

After registering deficits in 1987 and 1988, the balance of trade deteriorated further in 1989 as a result of still higher imports compared to exports. Whereas exports increased marginally by about 1% in volume terms, imports climbed by 4% in 1989. The deteriorating terms of trade further widened the gap between exports and imports. While the export price index registered a 11% increase, the import price index shot up by 22% in 1989. The terms of trade based on 1988 = 100 plummeted by 9 percentage points to reach 91 in 1989. The result was a record deficit of Rs 4,700 m on the trade balance in 1989.

Total exports, which had been growing at a yearly average rate of 25% between 1985 and 1988, went up by a growth rate of only 12% in value terms in 1989, and, as over the past years, they are largely dominated by sugar and EPZ products. Although the volume of sugar exports fell slightly as a result of lower output in 1989, the value of sugar exports increased by nearly 11% over 1988, mainly on account of the higher price of sugar on the world market. EPZ exports grew by 10% only, in terms of value, compared to an increase of 25% in 1988, while net earnings from this sector as a percentage of total EPZ exports declined from 28% in 1988 to about 17% in 1989. Exports of tea and molasses witnessed only marginal changes whereas the item "other exports", which comprises food items, cut flowers, furniture, machinery and equipment and which had shot up by 46% in value terms in 1988, stagnated at about the same level in 1989. In spite of efforts aimed at market diversification, exports from Mauritius are still heavily dependent on Europe and the USA, which together absorbed some 90% of the total exports of the country in 1989.

The favourable economic situation which prevailed in the country in 1986-1987 was followed by a phenomenal rise in imports. In nominal terms, imports grew by 25% on average between 1987 and 1989. This upsurge in imports can be accounted for mainly by the growing needs of the EPZ sector, in terms of machinery, equipment and raw materials. In 1989, the share of EPZ imports in total imports reached 37% while it stood at only 34% in 1988. All the major components of imports pointed towards a rise. Thus, in value terms, imports of food items, other consumer goods and intermediate goods increased by an average of 25% each as compared to 1988, while petroleum goods recorded an increase of nearly 50%, primarily as a result of a 35% increase in the price of petroleum products coupled with a volume growth of 11% in 1989.

There has been a marked improvement in the services account since 1987. From a deficit of Rs 604 m registered in 1985, the services account recorded surpluses of the order of Rs 164 m and Rs 83 m respectively in 1987 and 1988. Net current transfers showed an increase of more than 50% between 1987 and 1988. The services account together with the net current transfers had a favourable impact on the current account by partly compensating for the huge deficit incurred in the merchandise account. However, owing to the sizeable deficit in the trade balance, the current account deteriorated in 1988 and 1989. The net inflow in the capital account nearly doubled in 1988 as a result of increasing direct investment and other private long-term loans, especially to finance the purchase of the two aircraft. In 1989 as well, the capital account is estimated to have recorded a surplus.
PUBLIC FINANCE

The policy of fiscal prudence, which aimed at reducing the budget deficit to a level that could be financed without adversely affecting growth prospects in the productive sectors of the economy, improved the financial position of the country over the past few years. The budget deficit, which stood at 7% of GDP in FY83 declined to 2.6% of GDP in FY 88 (2). Such a performance was the result of rising government revenues which grew at an annual average rate of 24% over the period 1986-1989, while the growth rate of total expenditure was only 18%.

The fiscal current account balance, which is the difference between current revenue and current expenditure and which showed a substantial deficit in FY83, recorded a surplus of Rs 1,727 m in FY87. However, as a result of the salary revisions in the public service, the fiscal current account registered a reduced surplus of Rs 989 m in FY88 and, during the current fiscal year, the surplus is estimated to be of the order of Rs 940 m.

Total revenue rose by more than 13% between FY87 and FY88 basically on account of the substantial increase in total tax revenue which moved from Rs 5,500 m in FY87 to Rs 6,600 m in FY88 and which is estimated to bring in some Rs 7,400 m in FY89. Improvements in the efficiency of the tax system in terms of tightening up of tax administration and combating fraud and fiscal evasion contributed largely to the increase in the overall tax revenue over the past few years.

The major item in tax revenue remains import duties which amounted to Rs 3,100 m in FY88, representing nearly a third of total Government revenue. As a result of a change in the rates of excise duties, the revenue collected under this item during FY88 went up by 63% over the previous fiscal year. Although income tax rates were reduced, taxes on income, profits and capital gains rose from Rs 690 m to Rs 953 m between FY87 and FY88, while they are estimated to increase to Rs 1,271 m during the current financial year.

The share of total expenditure in GDP declined from 37% in FY83 to 34% in FY88. However, current expenditure as a percentage of total outlays increased by nearly 4% from Rs 5,813 m in FY87 to Rs 7,700 m in FY88 primarily because of the higher wage bill and subsidies and other current transfers. In fact, the wage bill rose from Rs 1,808 m in FY87 to Rs 3,277 m in FY88, that is, by 81% and is estimated to reach Rs 3,805 m in the current financial year. Subsidies and other current transfers increased by 36% during the same period.

Capital expenditure, which rose by 20% in FY87 registered an increase of only 13% over the previous year in FY88. This was the result of lesser expenses incurred on major projects such as Airport Development, First Highway Project and the Phoenix-Nouvelle France Road which neared completion. However, as a share of GDP, capital expenditure remained at the same level of 8% during FY88, while it is estimated to decline by 1% in the current fiscal year.

To finance the overall budget deficit, Government had recourse to borrowing mainly from local sources as opposed to foreign loans with a view to further improve the external debt profile of the country. Local loans, contracted to finance the budget deficit, amounted to Rs 1,490 m in FY88 while net external financing indicated an outflow of Rs 495 m due mainly to prepayments and repayments of foreign loans of the order of Rs 1,130 m.

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(2) FY 88 stands for financial year 1988/1989
As a result of the good export performance of the country over the past few years and the prudent debt management policy of Government, the external debt service ratio declined from a peak of 26.8% in FY84 to 10.8% in FY87. However, because of the prepayments of loans effected recently, the external debt service ratio is estimated to have moved up to 13.6% in FY88. As a share of GDP, total outstanding external debt fell significantly from about 50% in FY85 to 33% in FY87.

**MONETARY POLICY**

Since 1986, the Mauritian economy has had to cope with a new and disturbing phenomenon on the monetary front - an upsurge in liquidity. The successive surpluses recorded on the balance of payments over the period 1986-1989, coupled with the lagged effect of the upward revision in wages and salaries in the second half of 1988, compelled Government to intervene in the market to mop up the excess liquidity in the system.

Accordingly, over the period 1987-1989, several measures were taken to protect the financial stability of the country and to dampen the re-emergence of inflationary pressures in the economy. The liquid assets ratio was revised from 20% to 23%, various issues of saving bonds were effected and there was a limit on the expansion of bank credit to the non-priority sectors to 18% as compared to 25% previously, while overall expansion of bank credit to the private sector was limited to 20%.

These measures have helped, to a certain extent, in mitigating the adverse effects which uncontrolled monetary expansion could have had on the economy. It is estimated that the saving bonds scheme alone absorbed some Rs 660 m of potential purchasing power in 1987 and 1988. However, despite this encouraging result, monetary expansion continued its upward course and continued to be a major preoccupation for policy-makers in 1988 and 1989. Money supply, which reached Rs 3,241 m in 1987, increased by 14.6% in 1988 and is estimated to have increased by 18% in 1989.

As over the period 1986-1988, in 1989 the external sector contributed to a large extent to the high rate of monetary expansion. The years 1988 and 1989 witnessed respectively a 42% and 26% increase in the net foreign assets of the country. Net domestic credit, which went up by 17% in 1988, is estimated to have grown at a lower pace in 1987. However, credit to the private sector continued on its upward trend.

The past two years have been crucial in terms of policy decisions in the monetary field. Interest rates have been completely liberalised and legislation pertaining to establishment of various institutions designed to change substantially the financial network of the country was passed. As a result, the country already has a leasing company, the Port Louis Stock Exchange is operational and offshore banking facilities are already being provided by some banks.

**PROSPECTS**

At the turn of the new decade, the euphoria of the last few years is missing. This change of mood is principally due to the recent performance of the EPZ sector which has slowed down drastically and does not allow overt optimism in the short-term unless a drastic reversal of the situation is noted.

Based on the actual situation in the EPZ, which has been characterised by a general fall in performance, preliminary forecasts for EPZ exports in 1990 do not cross the Rs 10,000 m mark.
To make matters worse, the high level of absenteeism which is being continually registered and the increasing upward pressure on real wages and fringe benefits are fast undermining the international competitiveness of the Mauritian EPZ. The growth of this sector is not expected to be above that registered in 1989, namely a modest 4% per annum.

Still, 1990 is expected to be a good year for the Mauritian economy, principally through the performance of the sugar and tourism sectors. A conservative first estimate of the present crop predicts a sugar output of around 670,000 tonnes. With world sugar prices on the rise, this 18% increase in production will substantially re-invigorate the balance of trade. Additional support to the balance of payments will be achieved if tourism maintains its upward trend both in terms of arrivals, estimated at 290,000 and earnings, at Rs 3,600 m.

The financial and business services sector is fast expanding and may register another substantial increase in value-added in 1990. The Port Louis Stock Exchange, which has so far been operating a single market, namely the "official List", will intensify its activities with the opening of the "over the counter" market, where shares of unlisted companies will be traded. Moreover, 4 offshore Mauritius licences have already been granted by the Bank of Mauritius and business has already started. Another 2 licences are due for delivery soon. Further development of offshore businesses as well as other professional services will eventually establish Mauritius as a thriving financial and business centre.

With the performance of the agricultural, tourism and services sectors compensating for the shortfall of the EPZ, GDP growth in 1990 will be about 5.7%.

On the expenditure side, investment will remain high in 1990, growing in real terms by another 6% due to a number of ongoing infrastructure projects such as the Second Highway Project and the Nouvelle France - Plaisance Through Road. As far as investment in buildings is concerned, 1990 will see the completion of the Jawaharlal Nehru Hospital, the continuation of the National Pension Fund (NPF) building as well as several private projects in the commercial and tourism sectors. The share of the public sector’s investment in total GDCF which used to hover around 35% and which was trimmed down to 25% in the last two years (exclusive of the aircraft purchased), is expected to rise to 30% in 1990 with the intensification of Government’s investment efforts in various smaller social and community projects.

Aggregate domestic demand which peaked in 1987, will show a much slower rate of increase, estimated at 3%, in 1990, as a result of the high level of domestic prices. However, due to the inflationary situation prevailing, total consumption expenditure as a percentage of GDP will remain at a high 80%, thereby further depressing the savings rate to around 20%. Should the savings rate continue on this downward trend, the availability of local resources for productive investment will soon be lacking. Foreign borrowing will then put a serious burden on the balance of payments.

The balance of payments situation is expected to continue to indicate a surplus in 1990 though the current account will be negative. With a deficit estimated at nearly Rs 4,850 m on the balance of trade, the positive services account, resulting from increased tourism earnings as well substantial net current transfers may not be sufficient to forestall the deterioration recorded on the current account since 1988. Still, the positive capital account should more than make up for this shortfall, so that on the whole, 1990 will again record a positive overall balance of payments though at a lower level than the previous two years.
CONCLUSION

The low rate of overall economic growth recorded in 1989 pinpoints, if needs be, the crucial role that the sugar and EPZ sectors occupy in the economy. If sugar output in 1989 had been maintained at its 1988 level and if the EPZ sector had recorded the same real growth rate in 1989 as in 1988, then the rate of growth of the Gross Domestic Product would have been around 6% in 1989, following the trend of the past five years.

It is expected that the economy will perform better in 1990 with a substantial improvement of the agricultural sector and the continued acceleration of the tourism and business services sectors. However, the EPZ sector still faces numerous difficulties which may further dampen its vitality, if left unattended. Considering the position that this sector has come to occupy in the country in terms of output, foreign exchange earnings and labour stability, the urgency of the day is to ensure rapid healing of its ills.

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