

Dear Members,

Our country has lived through a period of momentous change. This year's general election rendered a decisive vote of public confidence in the new Government and the tone has now been set for a new direction. The official State of Economy has also been published, revealing certain alarming facts regarding the country's macroeconomic fundamentals, and setting out the need to build a strategy towards reinvigorating our economy's attractiveness and competitiveness. In this regard, the Government and the business community converge on several perspectives, particularly on the constraints and challenges to our competitiveness and the impact assessment of regulations, as well as the opportunities which result from addressing these constraints, both of which Business Mauritius has been pursuing for some time.

This State of the Economy report has also led to a cautionary note from Moody's, who has highlighted the "weaker fiscal position" of Mauritius as well as the imperative to execute proposed reforms effectively, in order to restore fiscal stability and maintain economic confidence. A few weeks earlier, the World Bank's *Business Ready Report* also stated some glaring issues on business-related indicators for Mauritius, particularly the service delivery for utilities and for dispute resolution. According to the report, Mauritius would need to improve on all three vertical axes, namely regulatory framework, public services and operational efficiency, laying particular emphasis on the first two. The other report made public in the last weeks, the Ibrahim Index of African Governance, pointed out increasing deterioration of governance in Mauritius. While the country remains the leader in "Foundations for Economic Opportunity", its most deteriorated indicators are on protection against discrimination and digital freedom, as well as public perception among others.

For the business community, 2024 has been particularly challenging in costs of doing business, not the least with regard to the consecutive increases in labour costs. A new preponed minimum wage and a higher than CPI salary compensation became applicable in January 2024, followed by wage relativity adjustments in the third quarter. Now, businesses are faced with the 14th month as well as an additional salary compensation for 2025. This represents an average increase of 40 per cent in labour costs over a single year – a burden that no business model can reasonably sustain.

With the recommendations of the State of the Economy regarding productivity-linked wages and impact assessment of regulations, we hope to engage in meaningful discussions with Government around capacity to pay of enterprises as a critical factor in wage increases, productivity as an important parameter in wage determination as well as ensuring the consideration of unit labour costs with each increase.

Prior to the impact of the new wage increases, our Economic Commission at Business Mauritius had indicated positive outcomes for four out of the five pillar sectors, with perhaps export-oriented manufacturing being the only sector in a contraction phase. Despite certain

macroeconomic challenges, this momentum at the sectoral level can allow for far-reaching reforms that would bring Mauritius back to its leadership position in Africa, in business readiness and good governance.

Going forward, *Business Mauritius* will continue to prioritise building meaningful discussions with Government on our priority subjects in economic collaboration, social capital, and sustainability and inclusive growth. We believe that our collective efforts can contribute to a renewed economic vitality and a sustainable future. We will also engage in building robust bridges between the business community and civil society for a shared prosperity.

In parallel, we hope to continuously improve our service to members, with greater emphasis on networking opportunities, shared services and our existing spectrum of support services as well as through ventures like MoSanté and SuperFund. *Please click on the link below to access our newsletter for a highlight of key activities during 2024.*

This challenging year has more than ever highlighted the importance of Business Mauritius as an apex body of the business community. This is in no small part due to the dedicated team at Business Mauritius who have given their utmost in navigating the challenges and defining opportunities during what have sometimes been turbulent times. Our thanks also go to you, our members, as well as to our Council and to our local and international partners.

With the year now coming to a close, let us take this opportunity in our personal names and on behalf of our Council and the Business Mauritius team to extend our warmest wishes for the festive season and for the New Year.

Anil Currimjee

President

Kevin Ramkaloan

CEO