02.07.2019

PQ B/501

PARLIAMENTARY QUESTION

The Honourable First Member for Port Louis South and Port Louis Central **(Mr Uteem)**

To ask the Honourable Prime Minister, Minister of Home Affairs, External Communications and National Development Unit, Minister of Finance and Economic Development-

Whether, in regard to Gross Domestic Saving, he will, for each of the years 2014, 2015, 2016, 2017 and 2018, state the rate thereof, indicating if a study has been carried out to ascertain the reasons therefor and the impact thereof on economic growth?

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REPLY

Madam Speaker,

I wish to inform the House that the ratio of Gross Domestic Saving to GDP was 10.6 percent in 2014, 10.4 percent in 2015, 11 percent in 2016, 10 percent in 2017 and 9 percent in 2018. For 2019, Statistics Mauritius is forecasting a higher Gross Domestic Saving to GDP ratio of 9.5 percent.

At the request of the Ministry of Finance and Economic Development, the IMF has, in the context of the 2019 Article IV Consultation, carried out a study on private savings, which is the main contributor to national savings in Mauritius. During that exercise, the IMF has had extensive discussions with the Ministry as well as with the Bank of Mauritius. The main findings of the IMF study are as follows:

The two main determinants of private savings in Mauritius are interest rate on deposits and economic growth.

Private savings in Mauritius do not appear to respond strongly to demographic trends. According to the IMF, a rapidly rising old-age dependency ratio requires a higher level of savings. That is why in the 2019-2020 Budget Speech, I announced the issuance by Government of two Silver Bonds with an annual interest rate of 5.5 percent for the elderly to improve the return on their savings and also for encouraging savings towards retirement.

Given the economic and demographic characteristics of Mauritius, the private saving rate is about 3 percent of GDP lower than potential.

There have been several other studies on the determinants of the saving rate by independent researchers, in particular, at the University of Mauritius showing that real interest rate and the level of income are determinants of the level of savings in Mauritius, but income has a stronger influence.

Madam Speaker,

As regards the impact of savings on the GDP growth rate, to the extent that a low savings ratio reflects a high consumption ratio, it will be positive since higher consumption expenditure will stimulate economic growth at least in the short term.

In the long term, low saving rate can have a negative impact on growth if there is not enough domestic savings to finance investment. However, this is not the case in Mauritius because in spite of low domestic savings there is enough liquidity in the banking system to finance investment. In fact, for several years there has been excess liquidity in the banking system.

PKJ