

COVID-19 Impact and New Opportunities for Businesses

The COVID-19 pandemic has impacted the global economy, but severely affected small island economies, like Mauritius. Mr Paul Baker provides an analysis of the implications on businesses. With the new normal, the Mauritian industry will have to re-adapt and re-invent themselves to benefit from new opportunities, and use digital channels for reaching markets.



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Mauritius pre-pandemic situation already highlighted the need for major restructuring and innovation to achieve growth. According to Statistics Mauritius, Mauritius's Gross Domestic Product (GDP) grew by just 3.0% in 2019. The overall Manufacturing sector, weighed down by the weak performance of the Textile industry (-5.9% reduction in output), stagnated, with minimal growth of 0.5%. Tourism experienced a similar trend, with the sector contracting by 0.1% due to the fewer-than-expected tourist arrivals. Export Oriented Enterprises continued with their decline, experiencing a 5.6% reduction in output, which followed a 4.5% contraction experienced in 2018.

COVID-19 exacerbated existing challenges, cutting off access to vital markets, affecting logistics and transport costs, and impacting on production and productivity as a lockdown stopped workers accessing production sites. The ripples of the collapse in domestic demand had devastating effects on the economy: between the 2nd Quarter of 2019 and 2020, Mauritius' output contracted by 32.9%, with Tourism and Manufacturing being the most damaged sectors. The country is not expected to recover quickly, with Statistics Mauritius forecasting a 13%

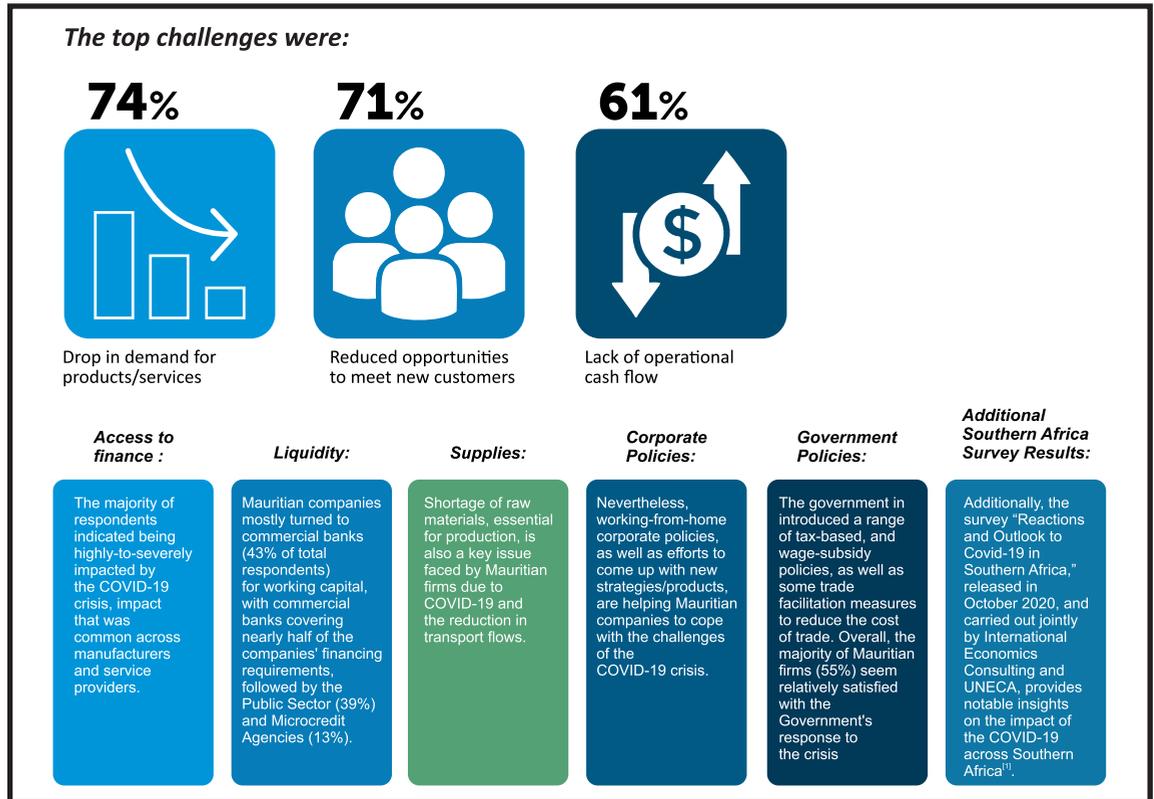
GDP contraction in 2020, close to the World Economic Outlook October forecast of -14.2%. (See Figure 1)

An ECA-IEC survey on businesses reveals that companies are experiencing (1) a drop in demand, (2) reduced opportunities to meet new customers and (3) limited operational cash flow (Box 1). That drop in demand is reflected in the companies' operational capacity, with Mauritian companies working, on average, at 50% of normal capacity. This will also have a significant impact on the companies' revenue, with Mauritian companies foreseeing a contraction of their revenues by 31-40% in 2020, with those dealing with services to be relatively more affected (41-50%) than those focusing on goods (21-30%). Such demand drop is also reflected by the increased level of unemployment, with Mauritius recording a 10.3% unemployment rate by July 2020, 3% higher than in the first quarter of 2020, which represents the destruction of over 20,000 jobs.

However, opportunities are emerging amidst the growing adversity. While the challenges have been widely acknowledged, the disruptions to supply chains are quite evident, and despite the drop in business performance, a degree of hope can be mined from the results. Close to 40% of the firms surveyed see new business opportunities amidst this unprecedented downturn, and 25% of them are collaborating, or planning to collaborate, with a public or private organisation to develop innovative/technology-based solutions in response to recovering from the crisis.

The government's response to the pandemic, including through large infrastructure investment and a wide array of financial measures and assistance to businesses, leads the Government to be optimistic about a recovery of the economy next year, suggesting growth would be between 7.5% and 9% in 2021.^[3]

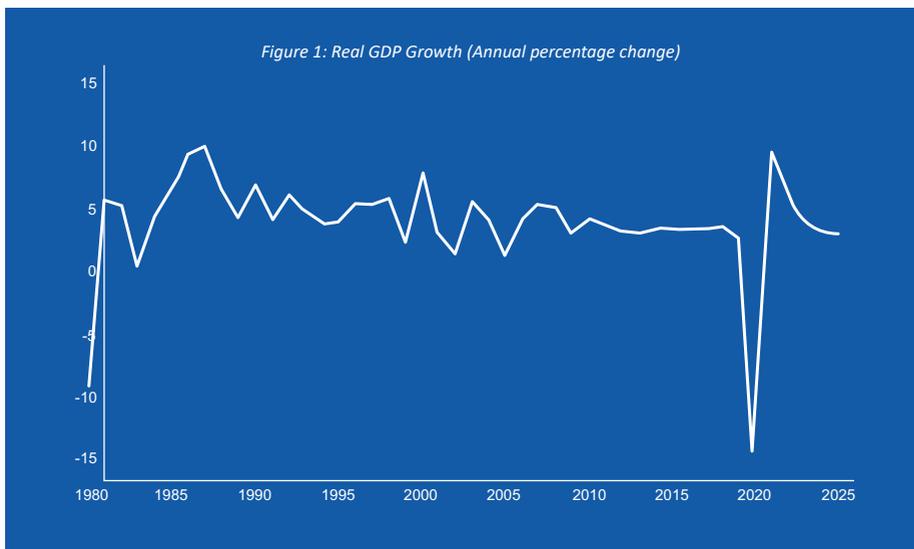
International Economics Consulting Ltd, conducted in partnership with the United Nations Economic Commission for Africa (ECA), a survey on the impact of COVID-19 on the Mauritian economy at two different time intervals - April and June. The results revealed that:



The continued adoption of Information and Communications Technologies (ICT) is key to adapt and survive to the new reality. African businesses are seizing the opportunities around the digital economy, shifting to new technologies and online selling, increasing their focus on innovation.

Yet, as highlighted in the article, “despite all the hype around the digital economy, the fact is that we are still at a very early stage of full-fledged economic digitalisation [...] the right strategy and sufficient skill sets will be the steering elements to drive the digital agenda forward”.^[2]

However, the adoption of ICT is just one step in the right direction. Businesses have to transform themselves to ensure that they are able to cope and survive this pandemic. To do so, a “fit-for-purpose” operating model should be considered, with an internal structure able to respond to the constantly changing needs of the market and varying operating environment. Additionally, increased responsiveness and efficiency should be aimed for, ensuring faster speed to market and faster responsiveness to customer expectations.



Source: IMF World Economic Outlook (October)

Further Insights:

More information on the impact can be obtained from the Mauritius Research Platform on COVID-19, developed by International Economics Consulting in partnership with the World Bank Group and United Nations Mauritius: <https://www.covid19platform.tradeeconomics.com>.

International Economics Consulting is an independent management consultancy firm, with an extensive working experience across Africa and Asia-Pacific, which builds creative solutions to help governments and private companies formulate strategic decisions concerning trade and investment.

Sources:

- [1] UNECA-IEC “Reactions and Outlook to Covid-19 in Southern Africa.” October 2020.
- [2] Paul Baker. “Beyond the Hype” 4 November 2020.
- [3] EDB “The Government scales up its efforts to support the economy and mitigate the adverse impacts of the COVID-19 pandemic” Press Conference. 23 October 2020



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