

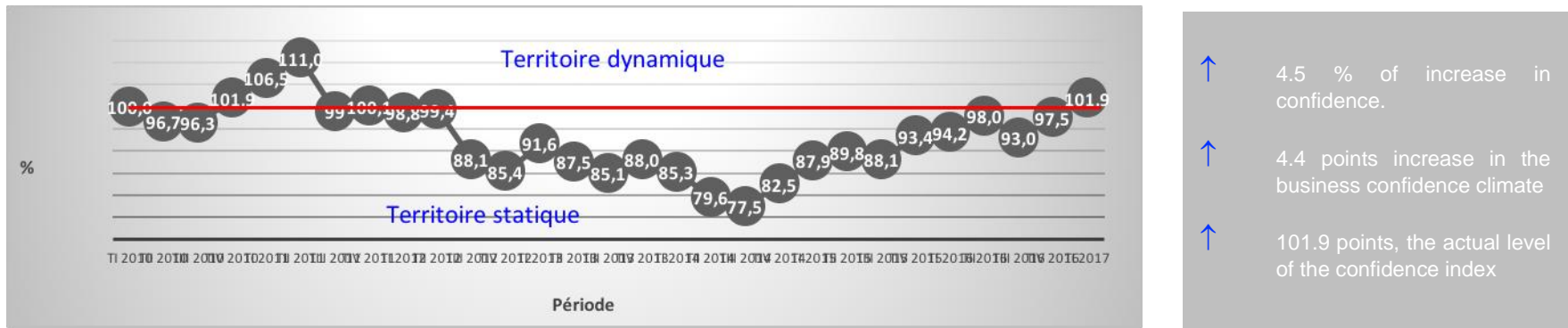


MCCI BUSINESS CONFIDENCE INDICATOR

28th Edition
1st Quarter 2017

I. BUSINESS CONFIDENCE INDICATOR IN Q1 2017

Figure 1 : L'indicateur synthétique de confiance pour l'ensemble des entreprises



- ↑ 4.5 % of increase in confidence.
- ↑ 4.4 points increase in the business confidence climate
- ↑ 101.9 points, the actual level of the confidence index

Increase in confidence

On the basis of the quarterly economic survey conducted between 6 and 26 April this year, we notice a marked improvement in the level of business confidence for the first quarter of 2017.

The index that summarizes it has increased by 4.4 points (4.5 percent) between January and March 2017 and now stands at 101.9 points. This improvement in the index comes after a favorable fourth quarter.

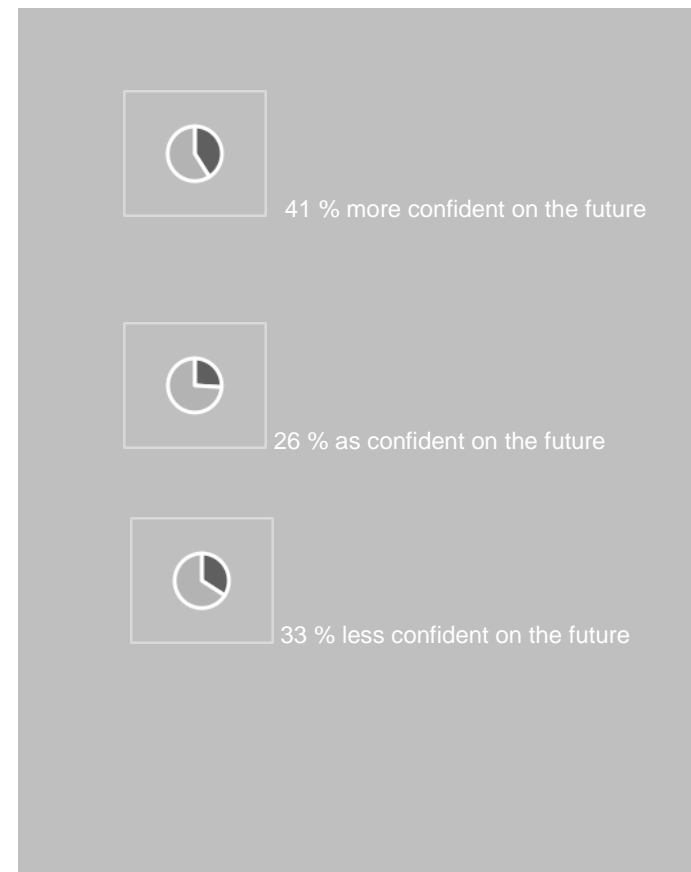
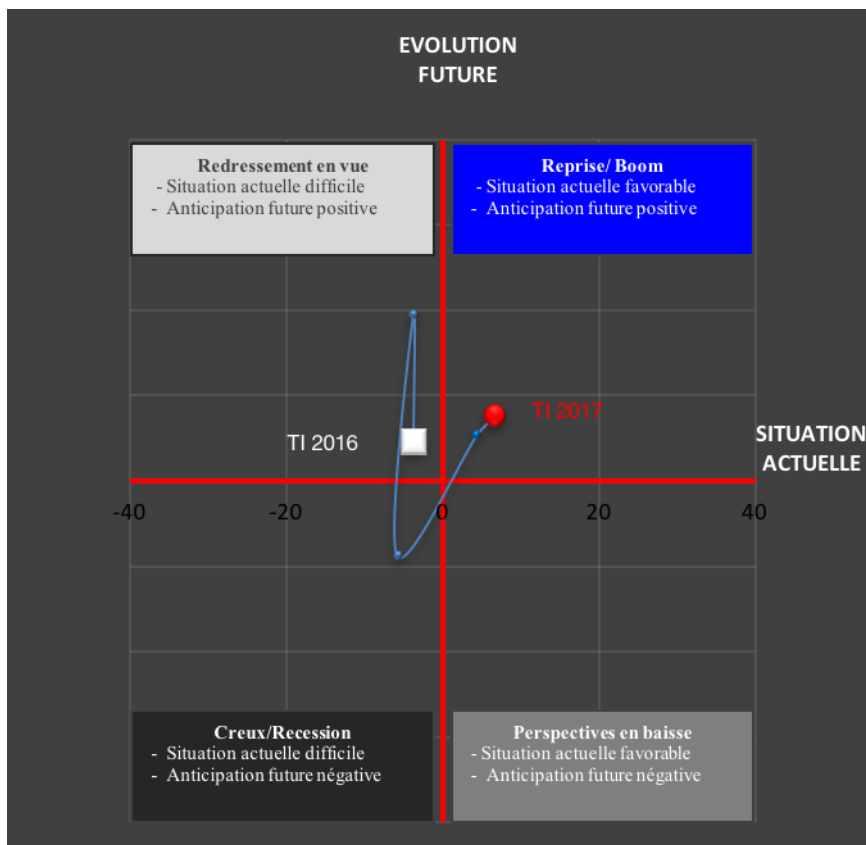
The highlight of the first quarter of 2017 is the confidence index rising in dynamic territory, after twenty quarters in an unfavorable zone.

Indeed, for the first time since September 2012, the index has been above the long-term average.

It suggests a reversal of the economic situation and should allow a significant improvement in economic performance if this dynamic continues over the coming quarters.

II. THE ECONOMIC BAROMETER IN Q1 2017

Figure 2 : MCCI Economic Barometer



Future prospects are favourable

The economic barometer, based on the CESifo methodology, allows us to see the evolution of two components of the business confidence indicator, that is, the arithmetic mean of the assessments of entrepreneurs of the current situation and future economic expectations over the next three months. The correlation of the two components can be illustrated in a four-quadrant diagram, defining the four phases of the business cycle: Recovery, Boom, Recession and Downswing.

Thus, based on forecasts of entrepreneurs in the medium term we can analyze the present and have a useful overview of the evolution of the Mauritian economy.

According to the last tendency survey, the business confidence indicator has improved over the first quarter of 2017. This rise is explained, on the one hand, by an improvement in entrepreneur's estimates of the economic situation between January and March 2016, and on the other hand, by positive estimates of future prospects. On the first component - entrepreneurs evaluations on business tendency, based on sales figures of the first quarter, the balance of opinions is positive at 6.7 percent. About 33 percent

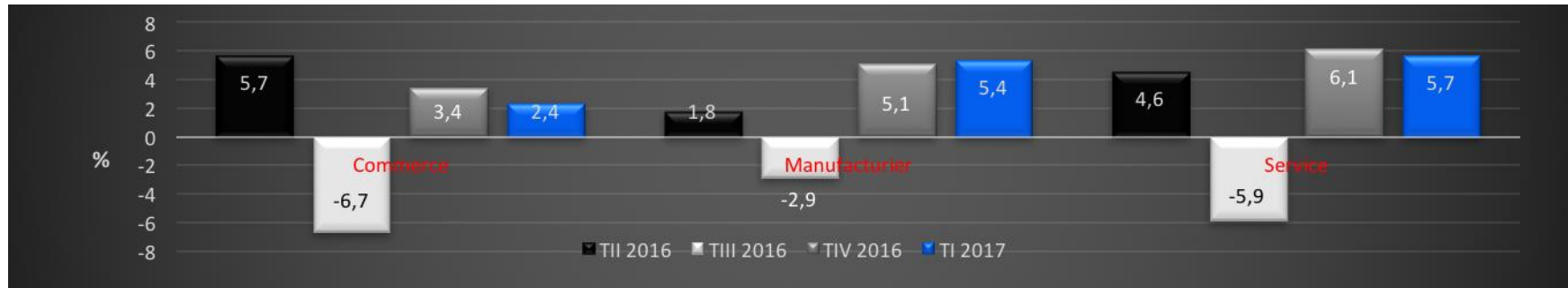
reported improved sales in the last quarter, 41 percent, sales stabilized, and 26 percent lower sales.

On the second component, estimates of future perspectives, the balance of expectations of entrepreneurs is positive at 7.6 percent. A majority of entrepreneurs are quite confident for 2017. More than 40 percent believe in an improvement in business over the next 12 months, 26 percent to stabilize sales and 33 percent to deteriorate.

The correlation between these two elements shows that the confidence index is in the first quarter of 2017 in the Barometer's " Expansion" quadrant, a marked improvement from the first quarter of 2016. Moreover, the forecast on the future is positive.

III. SECTORAL ANALYSIS OF THE CONFIDENCE IN Q1 2017

Figure 3 : Evolution of sectoral confidence of entrepreneurs



In Q1 2017, increase in sectoral confidence indices

At the sectoral level, we notice a general increase in confidence indices in the first quarter of 2017, as in the last quarter of 2016. The services sector recorded the largest increase in the sectoral indicator, at 5.7 percent, following the 6.1 percent increase in TIV 2016. This increase is largely based on a positive anticipation of entrepreneurs on the future. The balance of future anticipations is positive at 5.8 points. The other variables used in estimating the indicator are also favorable.

For the manufacturing sector, the index rose by 5.4 % in Q1 2017 after the 5.1% increase in Q4 2016. All the variables used in the

indicator for this sector are favorable. The operators have noticed an increase in sales and anticipate an improvement in sales in the second quarter of 2017 compared to the second quarter of 2016.

For the trade sector, we see a slight increase in the confidence indicator at a rate of 2.4 percent. Retailers saw a stagnation of their sales during the first quarter of 2017 compared to the first quarter 2016 but anticipate a recovery in Q2 2017.

IV. WORLD ECONOMIC CLIMATE IN Q1 2017

Figure 5 : Evolution of the World Economic Climate



Source : CESifo World Economic Survey

The global economic climate continues to improve in the first quarter of 2017

The global economic study carried out by the German institute CESifo evaluates global economic trends by using cyclical surveys on the one hand, international organizations and national institutions on the other.

It is a dynamic tool that provides a rapid assessment of the overall economic situation and reveals cyclical changes earlier than conventional statistics.

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The qualitative questions in the global economic study have three possible categories: "Good (+)" for a positive evaluation, "Satisfactory (=)" for a neutral evaluation, and "Bad (-)" for a negative evaluation.

The individual responses are combined for each country without weighting and thus for the "T" time for each qualitative question and for each country, the respective percentages of (+), (=) and (-) are calculated.

The balance is the difference between positive and negative ratings and varies between -100 points and +100 points.

The mid-range is at 0 points and is reached if the share of positive and negative responses is equal.

According to the latest survey carried out by the CesIFO Institute, the global economic climate continued to improve during the first quarter of 2017.

The global economy continued to recover and economic sentiment was positive in 2017 for the first time since the end of 2015.

Indeed, the indicator rose to +2.6 equilibrium points in Q1 2017 compared to -1.2 points in Q4 2016.

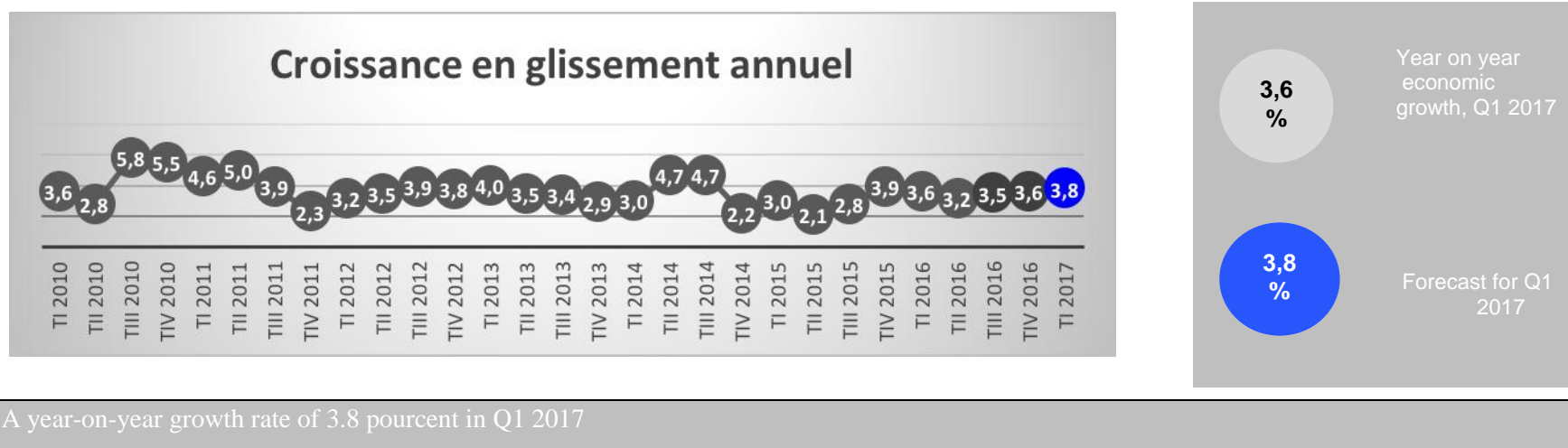
According to experts at the institute, evaluations of respondents on the overall economic situation and future expectations improved significantly during the first quarter, especially for advanced economies.

If this dynamic continues over the coming months, this would confirm a significant recovery in the global economy.

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V. ECONOMIC GROWTH IN Q1 2017 COMPARED TO Q1 2016

Figure 3 : Year-on-year Growth outlook in Q1 2017



According to our estimates based on the business climate index, for the 4th quarter of 2016, we had a year-on-year increase of 3.6% in GDP, which was higher than the 3.5% In the third quarter of 2016.

This pace is expected to improve in the first quarter of 2017, with GDP growth of 3.8% compared to the corresponding quarter of 2016.

As a reminder, this rate was 3.6% in the first quarter of 2016.

Taking into account the economic developments during the first three months of this year and assuming that this trend continues over the next few quarters, we believe that the economic growth could reach 3.8 per cent by 2017, all other things being equal.

ANNEX – METHODOLOGY

The «MCCI Business Confidence Indicator» is a composite indicator of business climate in Mauritius summarizing, in a single variable, the simultaneous changes of several variables and thus allows the transcription of the state of mind and morale of business leaders. The higher it is the more confident are the businesspersons about the economic outlook, and vice-versa.

The objective is to collect information on the current economic situation and its evolution in order to have a holistic view of the business world.

The methodology used to construct this index of the business climate is one recommended by the OECD¹, namely:

- Preparation of a questionnaire with qualitative and trimodal questions,
- Using harmonized processing techniques,
- Construct a sample representing 20 percent of the members of our organization,

- Conduct a business survey on the sample in a maximum period of three weeks,
- Assign weights to responses according to the size of the enterprises

To follow the evolution of the indicator, this study should be performed repetitively on the same sample. In our case, we have opted for a quarterly survey

¹ OECD : *Business Tendency Surveys – A Handbook*, 2003