

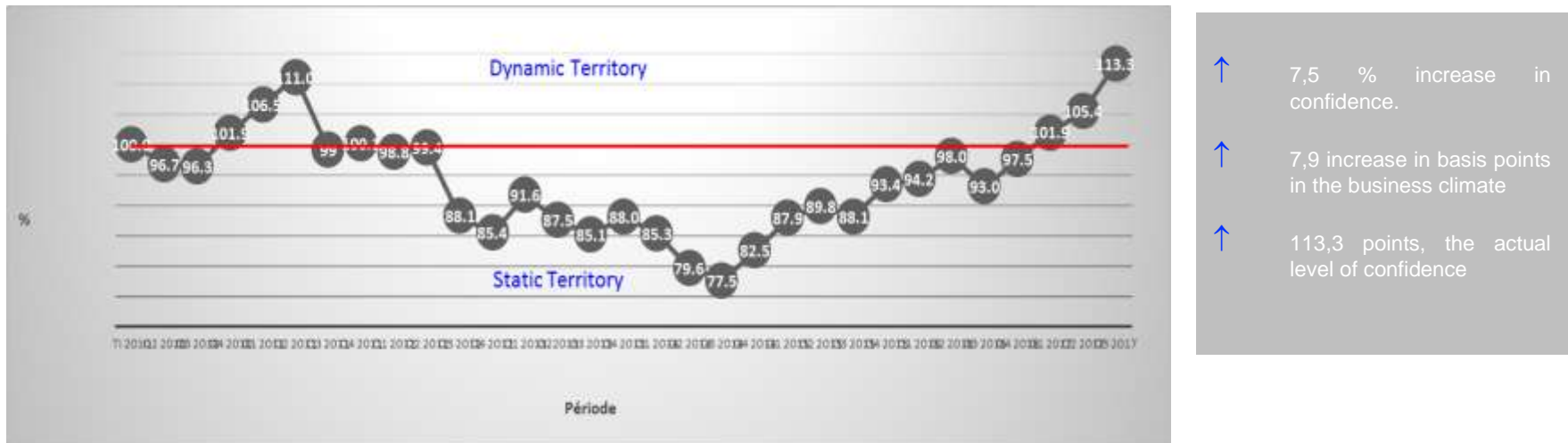


MCCI BUSINESS CONFIDENCE INDICATOR

30th Edition
3rd Quarter 2017

I. BUSINESS CONFIDENCE INDICATOR IN Q3 2017

Figure 1 : Business Confidence Indicator of all enterprises



Increase in business confidence

Based on the quarterly business survey conducted between the 2nd and 20th of October this year, we observe a strong improvement in the level of entrepreneurs' confidence for the third quarter of 2017.

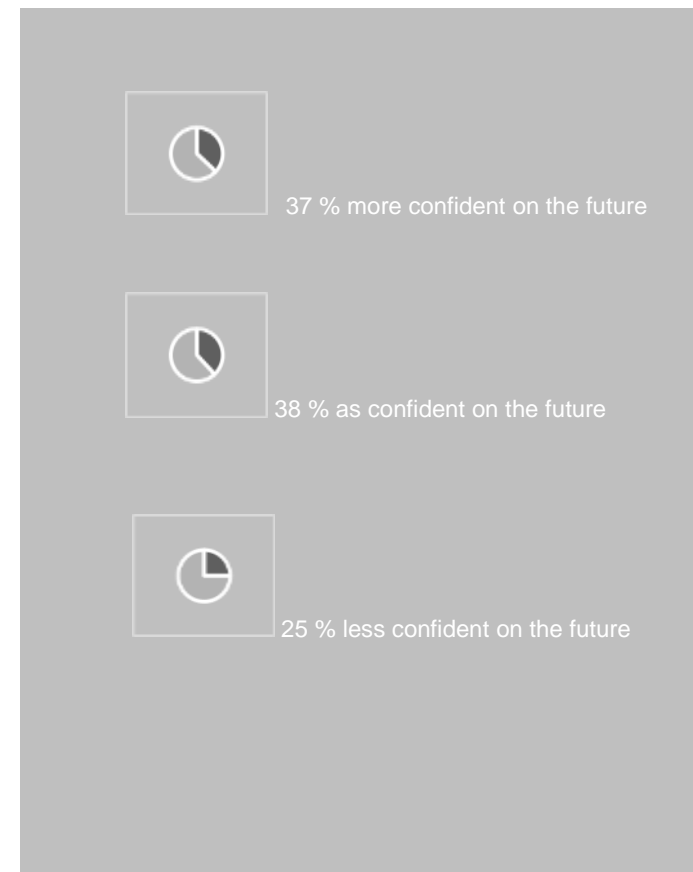
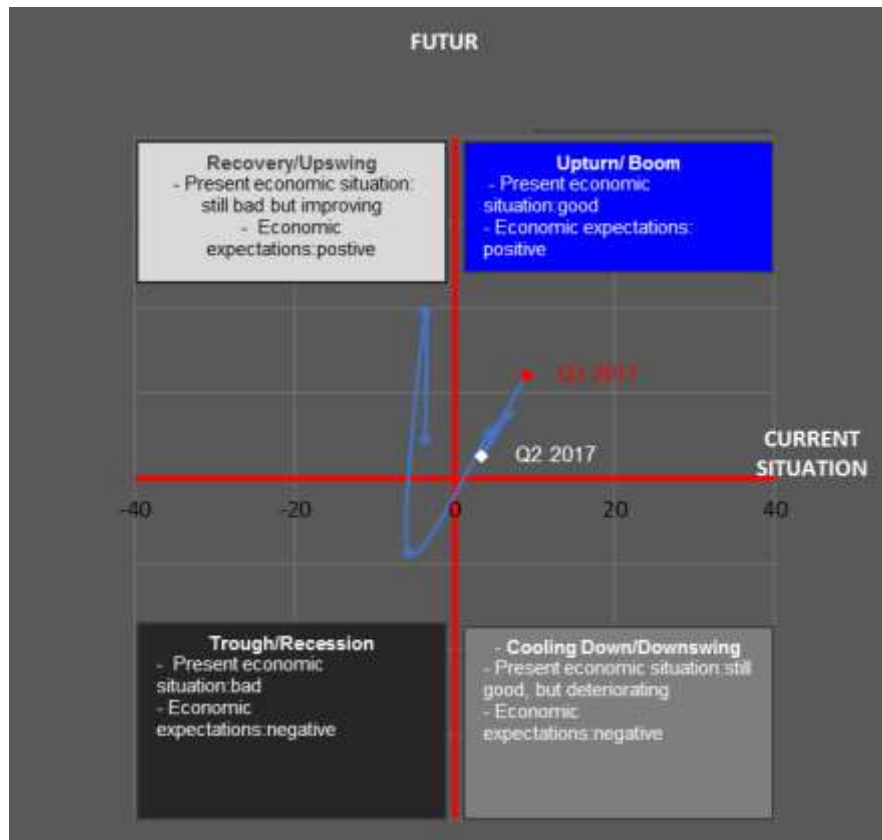
The synthetic index increased by 7.9 points (7.5 percent) between July and September 2017 and now stands at 113.3 points.

We notice that for the first time since the launch of this economic tool, in June 2010, we have had four consecutive increases in the confidence index, which is at its highest level ever attained.

These successive increases indicate a positive optimism of entrepreneurs, who consider that globally the economic situation is improving since the last quarter of last year.

II. THE ECONOMIC BAROMETER IN Q3 2017

Figure 2 : MCCI Economic Barometer



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 latest tendency survey, the business confidence indicator has significantly improved during the 3rd quarter of 2017.

This increase is, on one hand, due to the improvement in the evaluation of entrepreneurs on the economic situation between the months of July and September 2017, and on the other hand, positive expectations on the economic outlook. On the first component on entrepreneurs' assessment of business

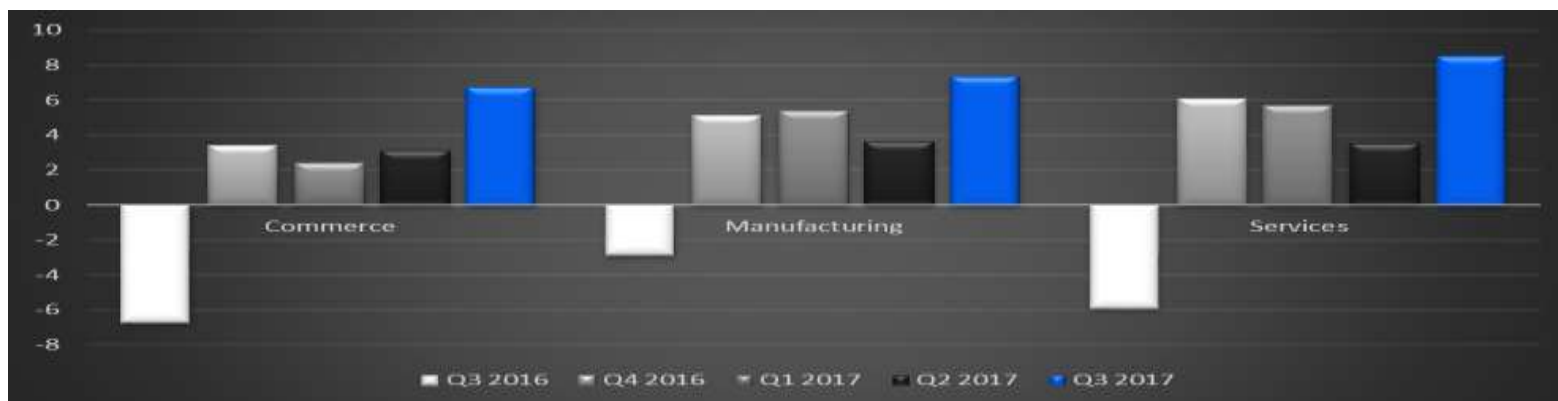
tendency based on turnover figures, the balance of opinion over the first quarter is positive at 8.9 percent. About the first component mentioned above, entrepreneurs' assessments of business developments, compared to sales figures, in the third quarter the balance of opinion is positive at 8.9 percent. **32 percent have observed an improvement in turnover figures over the third quarter, 45 percent a stagnation in turnover figures and 23 percent have noticed a decrease in their sales figures.**

On the second component, estimates of future prospects, the balance of expectations of entrepreneurs is positive at 12.1 percent. **37 percent predict business improvement over the next three months, 38 percent a stabilization of sales and 25 percent a deterioration.**

The correlation between the two elements show that the confidence index remains in the third quarter of 2017 in the quadrant "Upturn/Boom" of the barometer, and a marked increase over the 2nd quarter of 2017. Tendency on the future prospects is very positive.

III.SECTORAL ANALYSIS OF THE CONFIDENCE LEVEL IN Q3 2017

Figure 7 : Evolution of sectoral confidence of entrepreneurs



In Q3 2017, general increase in the sectoral confidence indices

On a sectoral level, we notice a general increase in confidence indicators in the third quarter of 2017. Similar to the global index, we notice four consecutive increases in all sectoral indices since the fourth quarter of 2016.

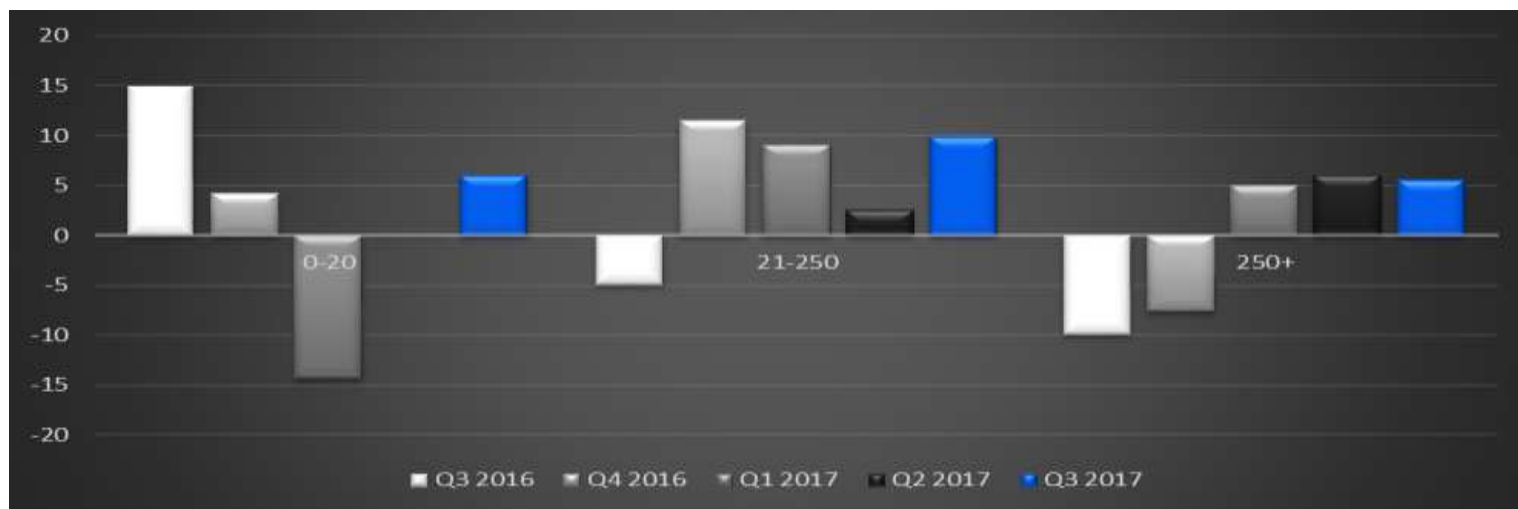
The services sector recorded the largest increase in the sectoral indicator, at 8.5 percent. All variables used in estimating the indicator for this sector are favorable. Operators uphold that sales have increased as compared to Q3 2016 and their expectations for the future are very positive.

For the commerce and industry sectors, the confidence indexes increased by 6.7 percent and 7.3 percent respectively.

These are the highest increases over one year. For these two sectors of activity, entrepreneurs have, on the overall, noticed an improvement in their sales figures in Q3 2017 compared to Q3 2016 and anticipate an improvement in their turnover in the last quarter of 2017 mainly due to end of year celebrations. In addition, they have adopted a more efficient inventory management.

IV. BUSINESS CONFIDENCE BASED ON SIZE OF WORKFORCE

Figure 4 : Evolution of the confidence of entrepreneurs based on size of the workforce



In Q3 2017, favourable environment irrespective of the size of the workforce

An analysis based on the size of the workforce shows that the evolutions of the indices summarizing the level of confidence of the entrepreneurs are homogeneous.

Similar to the second quarter of 2017, the synthetic business climate indicators improved for all business categories.

For the first category, companies with less than 20 employees, we notice an increase of 6.1 percent. Entrepreneurs assessed

the current economic situation much more positively than in the third quarter of 2016.

For the other two categories, we notice across the board improvements. An increase of 9.9 percent for companies with 20 to 249 employees and 5.6 percent for companies with 250 employees or more. For both categories, all the determinant factors of the index are favourable.

V. GLOBAL ECONOMIC CLIMATE IN Q3 2017

Figure 5 Evolution of the World Economic Climate



Source : CESifo World Economic Survey

The global economic environment continues to improve in the third quarter of 2017

The global economic report conducted by the German institute, CESifo, assesses global economic trends based on short-term surveys with international organizations and national institutions around the world.

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

The methodology and evaluation technique focuses on qualitative information, namely assessments of a country's overall economic situation and expectations of key economic indicators.

Qualitative questions in the global economic study have three possible categories: "Positive (+)" for a positive rating, "Same (=)" for a neutral rating, and "Negative (-)" for a negative rating.

The individual responses are combined for each country without weightage 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 ranges from -100 points to +100 points.

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

According to the latest survey conducted by the CESifo Institute, the global economic climate continued to improve in the third quarter of 2017.

After the turn-around at the beginning of the year, the global economy continued to recover and economic sentiment remains positive in the third quarter of 2017.

As a reminder, the level of confidence was in negative zone throughout 2016.

The confidence indicator rose to +12.7 equilibrium points in Q3 2017, close to the level reached in Q2 2017, +13.0 points, and significantly higher compared to Q1 2017 (+2.6 points)

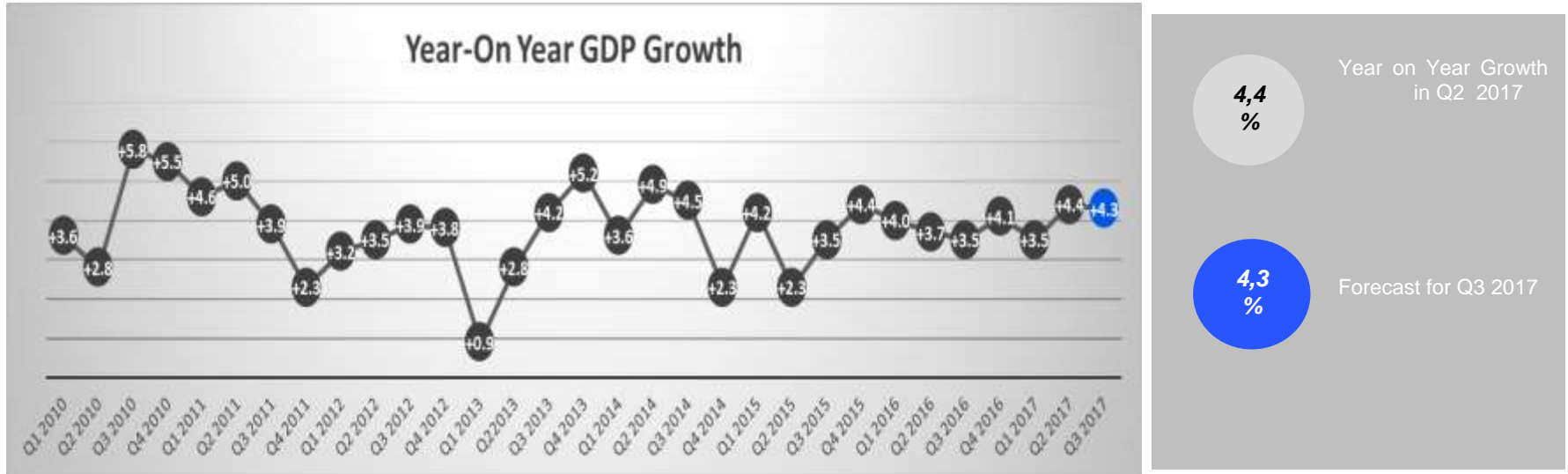
According to experts from this institute, during the third quarter, respondents' assessments of the overall economic situation are very positive and future expectations continued to improve.

As a reminder, the level of confidence was in the negative zone throughout 2016.

The global economy is expected to continue to recover in the second half of 2017.

VI. ECONOMIC GROWTH IN Q3 2017 COMPARED TO Q3 2016

Figure 3 : Year-on-year Growth outlook in Q3 2017



A Year-On-Year Growth of 4.3 percent in Q3 2017

According to Statistics Mauritius official data, for the second quarter of 2017, we had a year-on-year increase in GDP of 4.4%, which is a higher rate of 3.5% than the rate achieved in the first quarter of 2017. As a reminder, this rate was 3.5% in the third quarter of 2016.

In the second quarter of 2017, we project an increase in GDP compared to the corresponding quarter of 2016 of 4.3 percent.

Taking into account economic developments in the first nine months of this year and assuming that this dynamic continues in the next quarter, we estimate that the GDP growth rate should be 4.0 percent for 2017, all things being equal.

VII. TREND ANALYSIS

The business confidence indicator, based on the OECD methodology, is designed to signal the turning points of economic cycles, showing the fluctuations of economic activity relative to its potential long-term level.

This tool is based on companies' assessment of production, orders and inventories, as well as the current situation and their short-term expectations. The gap between the positive and negative responses of entrepreneurs' opinions and expectations provides a qualitative index of economic conditions.

Thus, the confidence indicator shows short-term economic fluctuations qualitatively rather than quantitatively.

The latest quarterly business survey shows that business confidence continued to rise in the third quarter of 2017. The confidence index rose 7.5 percent to above the long-term average of 113.3 points, its highest level since 2010.

The same analysis is shown at the global level. Since the beginning of the year, according to the CesIFO institute, the

global economic climate has improved. There has been an upturn in the economy and the global economy has continued to recover.

This is confirmed by international institutions.

The IMF recalls in its latest publication that the cyclical recovery of the global economy that began in mid-2016 continues to strengthen. Growth is accelerating in Europe, Japan, China and the United States, and economic conditions remain favorable worldwide.

This institution improved its growth forecasts this October. It favours a macro-economic scenario where the global growth rate, as measured by GDP, should increase to 3.6 percent in 2017, up 0.1 percentage points from the July 2017 forecast.

This figure is largely higher than the growth rate of 3.2 percent observed in 2016.

In Mauritius the turnaround took place in the last quarter of 2016. Over the last 12 months, the evolution of the index has been positive irrespective of the sector of activity.

The moderate business cycle phase that started at the end of 2011 closed in 2016. This is evidenced by the evolution of investment, especially private investment.

After a period of contraction between 2012 and 2015, we had a recovery of investment, both global and private, in 2016 with positive growth rates of 3.7 percent and 6.1 percent

respectively. This positive trend is expected to continue in 2017.

Thus, taking into account the evolution of the various variables mentioned above, the econometric model of the MCCI projects that the economy of Mauritius should experience in 2017 a GDP growth rate of 4.0 percent adjusted for the price effect, up from 4.8 percent in 2016.

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