



# THE MCCI BUSINESS CONFIDENCE INDICATOR

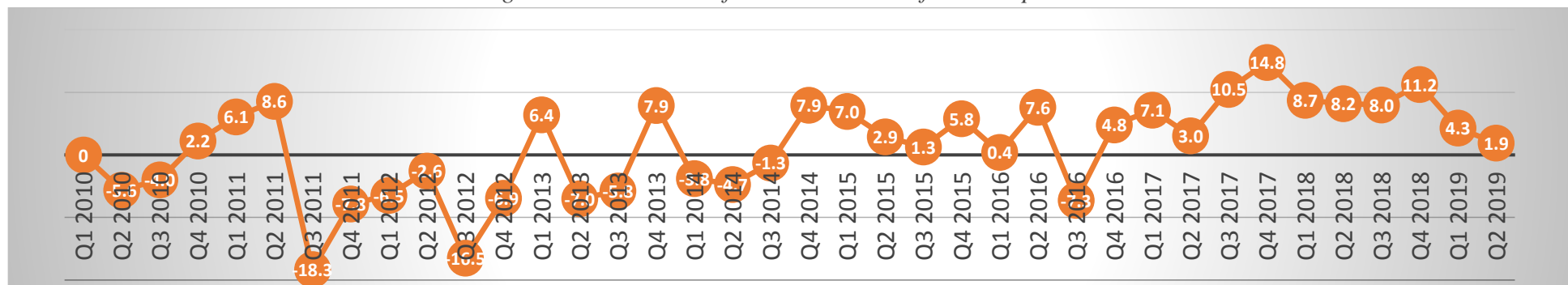
*37<sup>th</sup> Edition – Second  
Quarter 2019*

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## I. Business Confidence Indicator in Q2 2019

Figure 1: Business Confidence Indicator of all enterprise



### In Q2 2019, the business confidence indicator increases modestly

Based on quarterly business survey conducted between the 1<sup>st</sup> and 26<sup>th</sup> of July 2019 with a sample of economic operators' representative of the sectors of the Mauritian economy, we observe that the business confidence indicator improved modestly.

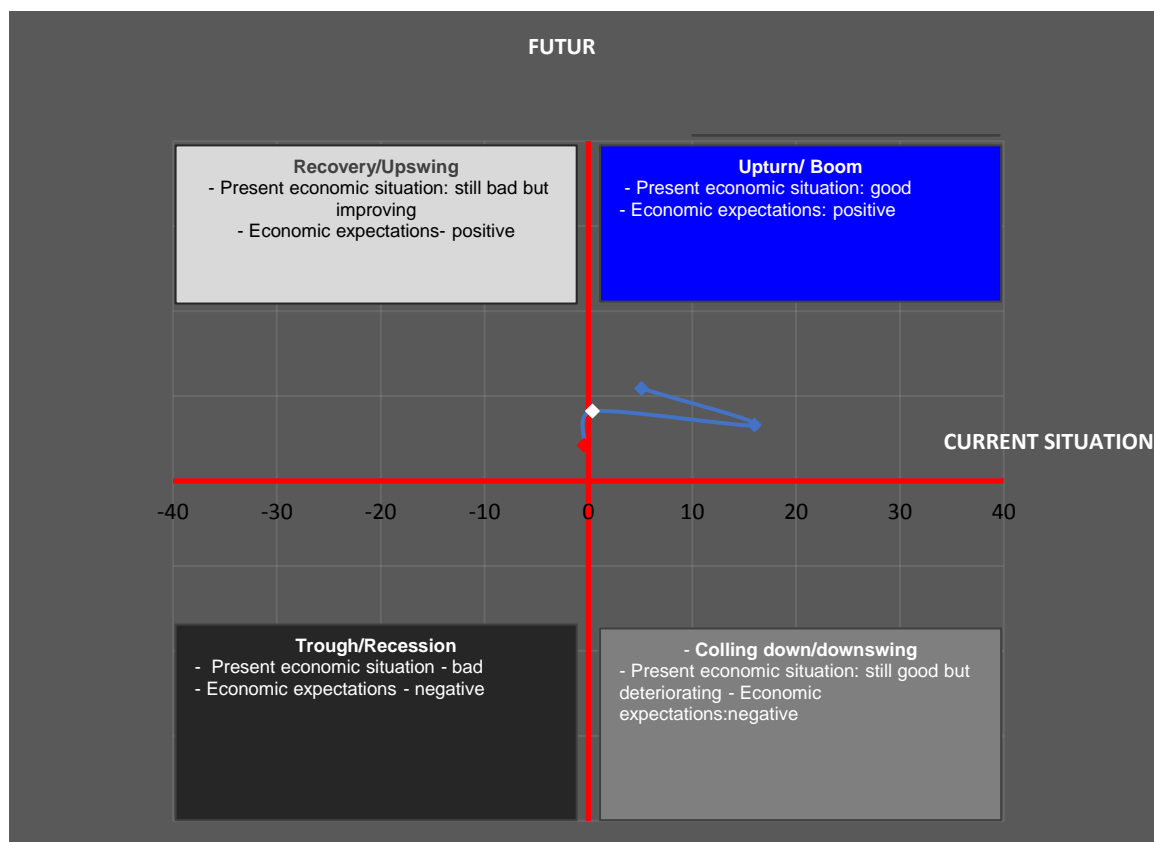
The synthetic indicator increased by 1.9 balance points in the second quarter of 2019. In the same quarter last year, we observed an increase of 8.2 balance points.

We notice that the business confidence indicator remains positive since the fourth quarter of 2016, indicating a medium-run virtuous cycle. The increase in business confidence is however at a more modest rate than in previous quarters.

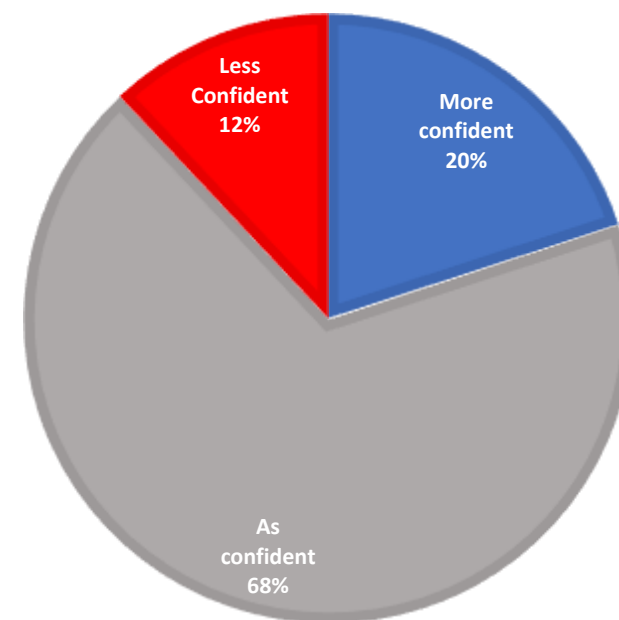
Based on the trend observed in the second quarter of 2019, we observe a continued improvement in business confidence.

## II. The Economic Barometer in Q2 2019

Figure 2: MCCI Economic Barometer



## Economic Expectations for the Third Quarter of 2019



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 analyse 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 entered the ‘Upswing’ quadrant in the second quarter of 2019.** The assessment of the current situation by operators, for the second quarter of 2019, was slightly negative. The decrease in the evaluation of entrepreneurs on the economic situation between the months of April and June 2019 has been enhanced by a higher expectation on the economic outlook for the months of July to September of 2019. This means that the

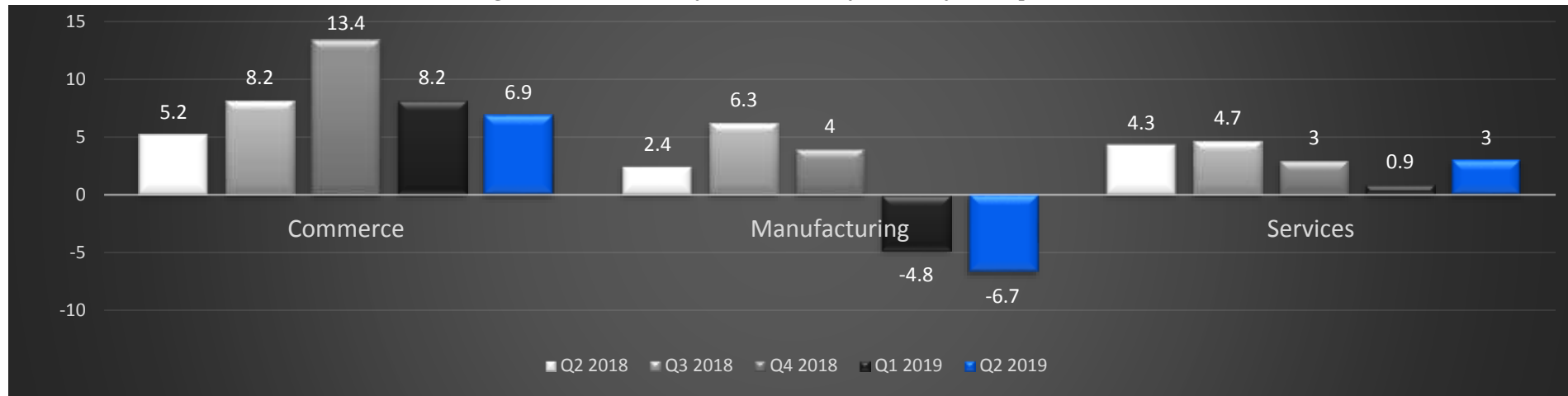
economy should gradually strengthen over the second half of the year. On the first component - entrepreneurs’ assessment of business tendency based on turnover figures - the balance of opinion over the first quarter is close to the axis – at a slight negative of 0.4 balance points. **17 percent have observed an improvement in turnover figures over the first quarter of 2019, 65 percent a stagnation in turnover figures whilst 18 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 6.6 points. **24 percent predict business improvement over the next three months, 64 percent a stabilization of sales whilst 12 percent show a deterioration of expected sales figures.**

The correlation between the two elements show that the confidence indicator is in the quadrant “Upswing” of the barometer. **The current situation decreased slightly in the second quarter of 2019, whilst the tendency on the future prospects for the third quarter of 2019 has improved.**

### III. Sectoral Analysis of the Confidence Level in Q2 2019

Figure 3: Evolution of Sectoral Confidence of Entrepreneurs



#### In Q2 2019, sectoral business confidence remains driven by the Commerce Sector

On a sectoral level, we notice an increase in confidence indicators in the second quarter of 2019 for the Commerce and Services Sectors, whilst the Manufacturing sector continued to show a negative indicator level.

The commerce sector has continued to grow exponentially and records the largest increase in the sectoral indicator, at 6.9 percent in the second quarter of 2019, higher than the 5.2 percent in 2018. This confirms the upward tendency in household expenditure as a result of continued increases in the

purchasing power of households and a low inflation rate forecasted for 2019. Operators uphold that sales have increased as compared to Q2 2018, with a sustained increase in sales of Fast-Moving Consumer Goods (FMCGs) combined with medium term investments in electrical appliances and vehicles, mainly due to conducive interest rate levels and higher purchasing power of households. In the commerce sector, entrepreneurs' expectations for the future remain fairly positive, with continued improvement forecasted in turnover figures over the third quarter of the

year. Household expenditure is expected to continue to grow, with increased consumption expenditure associated to improvements in the purchasing power of individuals, a fairly modest interest rate and a low inflation rate. Nonetheless, we are of the view that the Mauritian economy still remains below its potential growth, indicating outstanding bottlenecks preventing a dynamic and sustained boost in local demand and consumption.

For the industry sector, the confidence indicator decreased by 6.7 balance points in the second quarter of 2019, as compared to an increase of 2.4 balance point observed in the corresponding quarter of 2018. The turnover of operators in the second quarter of 2019 has continued to decrease slightly as compared to the same quarter of 2018, whilst expectations for the third quarter of 2019 figures have decreased.

The industrial sector remains largely affected by the continued slowing down of economic dynamism in the country's main export markets, as well as uncertainties and potential market disruptions linked to the global trading environment. Manufacturing activities are particularly faced with fierce competition at exports whilst the domestically oriented industries face higher pressures from imported goods. Indeed, in the second quarter of 2019, we anticipate manufacturing production to have decreased slightly, mostly reflected through companies at export. This will be compensated

through an expected rebound in the third quarter of the year, driven by manufacturing products targeted to the local market and a slight increase at exports.

With a slowing down of global trade growth and increased competitiveness of our main competitors, the manufacturing sector is anticipated to continue to be affected by the headwinds of the global economy. It is imperative for the industry sector to move towards higher value-added activities based on skills and R&D and innovation.

For the services sector, the confidence index increased by 3.0 basis points. Enterprises in the service industry continue to be affected by a number of varying factors in second quarter of 2019, on the back of international uncertainties and challenges to the economic landscape.

On tourism arrivals, after a decrease in tourist arrivals in the first quarter of the year, there has been a modest pick-up of 2.5 percent in the months April to June 2019. Indeed, a number of our major tourist markets – including France, Reunion Island and the United Kingdom, which showed declines in tourist arrivals in the first quarter of the year have shown a pick-up in arrivals. Nonetheless, there has been a decrease of more than 6,000 tourists from China over the second quarter of the year, reflected by lower average

expenditure per tourist – Chinese tourists being one of the higher expenditure per tourist. Surprisingly, over the second quarter of 2019, there has been a noteworthy decline in Indian tourists by more than 6,000 tourists. Our initial analysis shows that there has been a shift in Indian tourist arrivals from the second quarter of 2019 due to short-term effects linked to the General Elections held between April and May 2019. We however expect a pick-up in tourist arrivals from India in the third quarter of the year. On the whole, initial projections of operators for July and August 2019 are fairly positive with the impact of Summer Holidays in Europe as well as ad-hoc MICE tourism arrivals from the region linked with the Indian Ocean Island Games.

On the financial services sector, there has been a modest increase of approximately 4 percent in the number of global business licences over the first six months of the year, with a higher number of new GBCs in the second quarter of 2019. The sector continues to be faced with on-going

challenges linked to the adjustment phase of companies following the phasing out of the grand-fathering agreement on the Indian DTAA. There is furthermore a need to continuously engage in a strong marketing and communications on the substance of the sector and its role in the economic development in order to avoid any misperceptions related to the financial services sector.

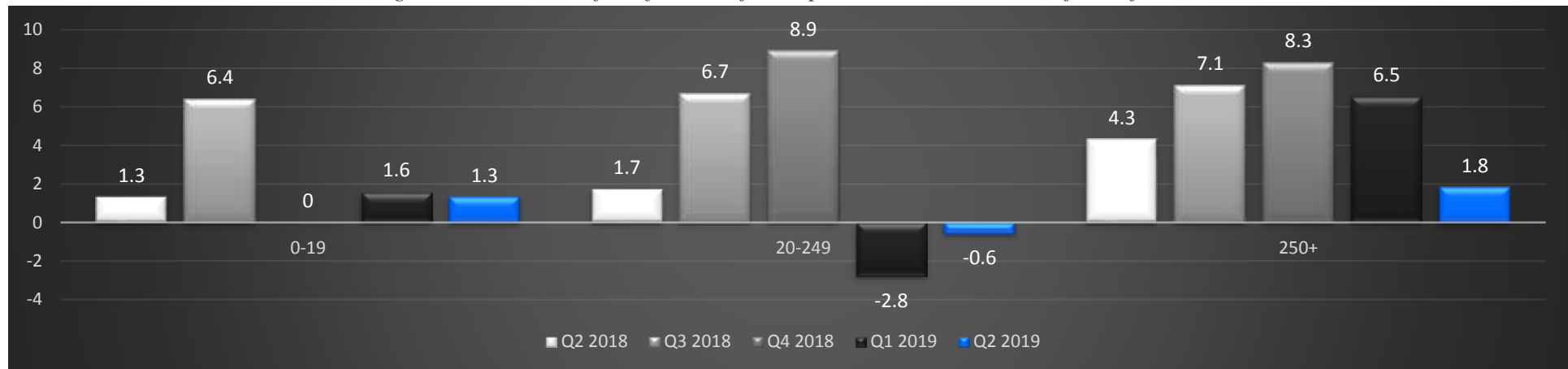
Despite challenges both domestically and at international level, **the services sector shall remain a key driver of growth for the country's economic development in 2019, driven by continued growth in the ICT sector, as well as an expected pick-up in growth in the Tourism and financial services sectors in the upcoming quarters of 2019.**

On stock levels, companies have shown an excess stock level, due to slightly lower than expected sales level in the second quarter of 2019.



## IV. Business Confidence based on Size of Companies

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



### In Q2 2019, enterprises with larger sized and smaller sized workforce lead business confidence

An analysis based on the size of the workforce shows that the evolutions of the indices summarizing the level of confidence of the entrepreneurs continued to increase for the smaller and large sized companies whilst we noticed a decline in medium-sized companies' confidence levels. **Whilst there is a slight improvement in the larger sized companies, and a slightly more robust increase in business confidence of smaller enterprises, we notice a continued waning of conditions in the turnover levels of medium sized enterprises in the second quarter of 2019.**

For the first category, companies with less than 20 employees, we notice a slight improvement in the balance of opinions, at 1.3 balance points. Entrepreneurs' assessment of the current economic situation in the second quarter of 2019 was slightly negative, on the back of challenges and increased competition, whilst the future tendency for the third quarter of 2019 point to a slight improvement in growth figures, reflecting a prudence strategy based on the expected impact of the implementation of budgetary measures targeted at SMEs.

For companies with 20 to 249 employees, we notice a slight weakening of 0.6 percent in the second quarter of 2019. Entrepreneurs in this middle category assessed the current economic situation adversely, as compared to the 1.7 balance points achieved in the corresponding quarter of 2018. Medium-sized companies experienced a decline in their turnover levels for the second quarter of 2019, but expect a slight increase in their performance levels in the third quarter of 2019. A number of support programmes to the Mid-Market companies have been announced in the Budget 2019/2020 including a revision to the Leasing Mechanisation and Modernisation Scheme (LEMS) and the implementation of a corporate guarantee scheme. Such measures thus have a potential towards the development of the middle-sized enterprises, which are faced with challenges to their development mainly due to challenges in the global economy.

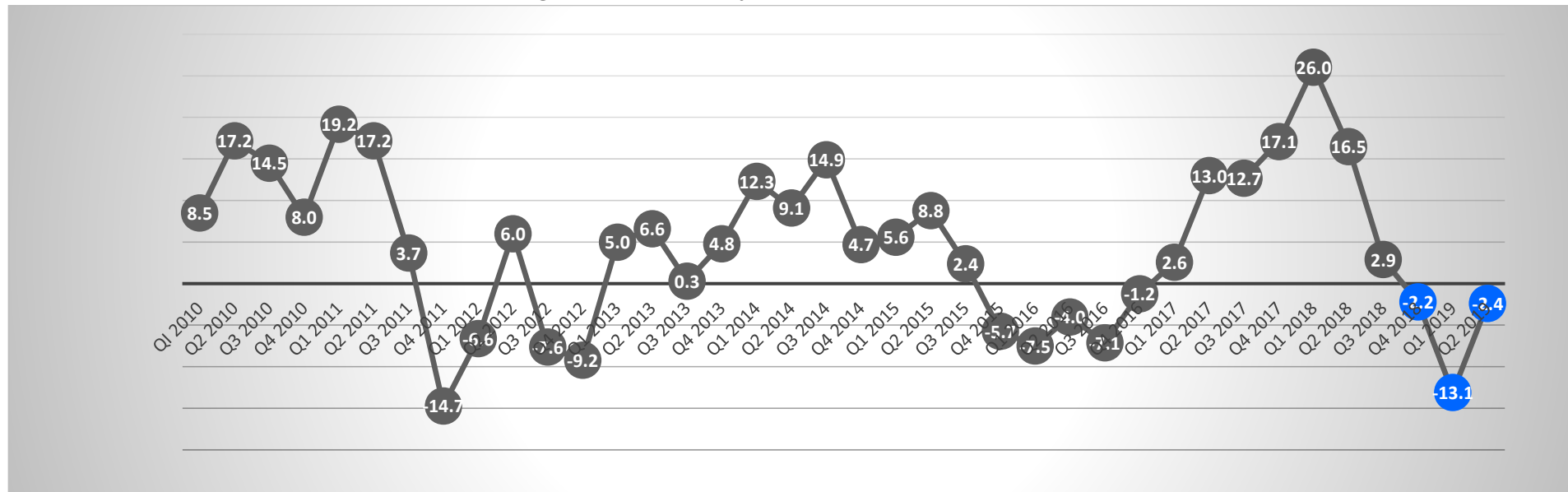
For larger-sized companies, we notice a continued improvement of 1.8 balance points in the second quarter of 2019, slightly lower than the 4.3 percent shown in the corresponding quarter of 2018. Large-sized companies experienced a **slight increase in their turnover levels for the second quarter of 2019, and expect a similarly modest improvement in their performance levels in the third quarter of 2019.**

Based on the above, we therefore notice that **larger sized companies have been the engine of business confidence whilst there is a stagnation in the development of medium sized enterprises which have been particularly hit by the challenges to the world economic landscape and downside risks to the local economy.** In times of slow economic dynamism, medium sized enterprises are more vulnerable. There remains today a pulling effect of orders from smaller and medium enterprises to larger enterprises, with higher capacities to withstand fluctuations in orders, cash flow issues and challenges to access to finance. The current situation is reflective of challenges faced by medium-sized and larger enterprises in sustaining profitability and employment in times of challenging and unpredictable global economic environment.

**It remains crucial to adopt structural support mechanisms to enable a comprehensive mainstreaming of the expansion of medium sized companies' expansion in the economic eco-system of the country. These mechanisms should complement sectoral strategic plans in order to strengthen the Small and Medium-sized companies in terms of competitiveness, productivity and innovation.**

## V. Global Economic Climate

Figure 5: Evolution of the World Economic Climate



Source: CESifo World Economic Survey

### The global economic climate slightly negative

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 focus 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.

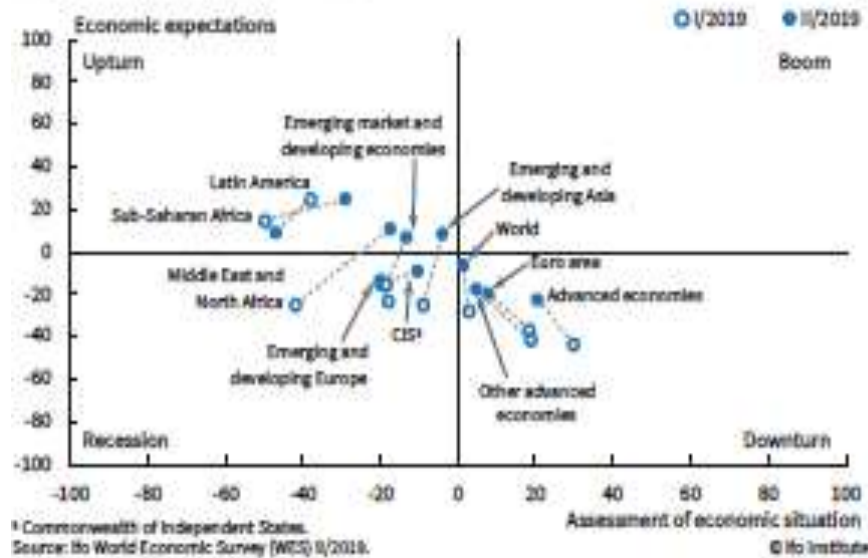
The mid-range is at 0 points and is reached if the share of the positive and negative answers is equal.

**According to the latest survey conducted by the CESifo Institute, the global economic climate remained negative in the second quarter of 2019, despite a large improvement from the first quarter of 2019.** After the dynamic upturn in the world economy since the start of 2017, growth in the world economy is slowing down more and more, falling from its highest level of 26.0 balance points in the first quarter of 2018, to -13.1 points one year later. In the second quarter of 2019, business confidence was less negative than in the first quarter of 2019. It is the third consecutive quarter

where business confidence in the world economic indicator is negative. Assessments of the current economic situation deteriorated slightly whilst the economic expectations have brightened considerably. Whilst remaining in the downturn segment, the world economic indicator has improved sharply and is now very close to the boom quadrant.

**Globally, the economic climate continued at a meagre pace in advanced economies whilst we notice a slight improvement in emerging economies. According to CES-Ifo experts, the negative worldwide economic expectations are particularly reflected in continued low private consumption, investment and world trade. During the second quarter of the year, the expectations in terms of interest rates is no longer towards an increase and an increasing number of economic experts point towards a possible decrease in interest rates in the U.S. and major advanced economies.**

**Ifo Business Cycle Clock for Selected Aggregates**  
Change from I/2019 to II/2019; balances



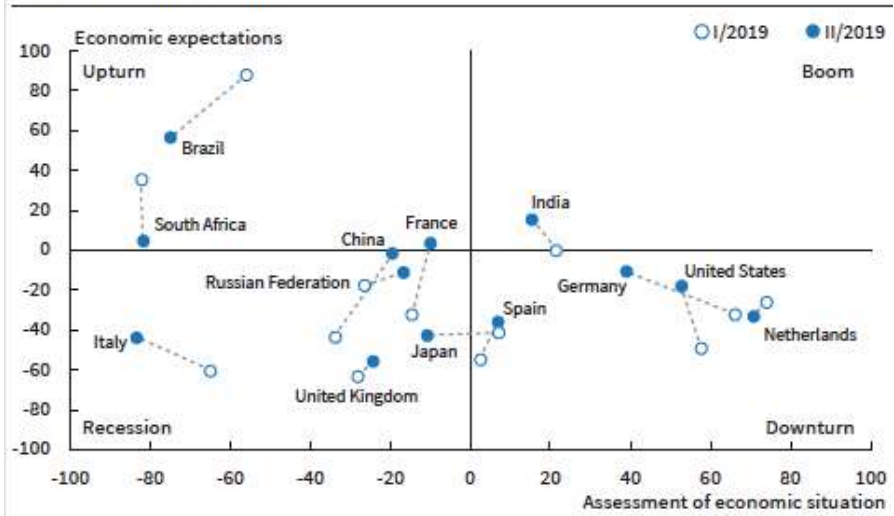
In advanced economies as a group, the current economic climate continued to diminish but remains positive, whilst expectations for the upcoming six months of July to December 2019 remained pessimistic, despite a more optimistic outlook for the US and the Euro area, with anticipated accommodative policies adopted by Governments.

The global economy remains largely affected by the rising effects of an unprecedented level of trade tensions between the two largest economies, a continued slowing down of economic growth in the euro area, continued labour mismatches, and widening income gap in a number of economies as well as persistent uncertainties linked to the outcome of the Brexit negotiations, with a cut-off date for any Brexit deal expected in the upcoming three months.

In emerging and developing economies, economic conditions recovered slightly with economic expectations for the second half of the year reaching positive territory, whilst the assessment of the present economic situation remained weakened at about negative 13.4 points on the balance scale with continued slowdown in trade expectations and a weakening global economic landscape.

**ifo Business Cycle Clock for Selected Countries**

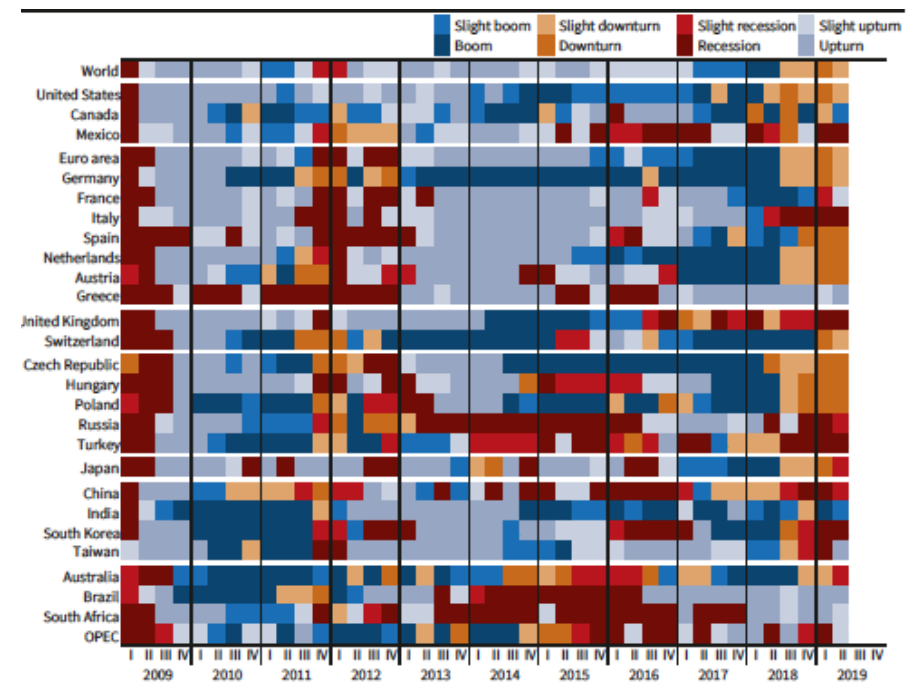
Change from I/2019 to II/2019; balances



Source: ifo World Economic Survey (WES) II/2019.

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At the country level, amongst the main advanced economies, we notice that no country remains in the boom quadrant. This trend, which started in the first quarter of the year 2019, was last seen in the 2008-2009 timeframe and points to uncertainties and a slowdown in world economic growth prospects. Indeed, in most advanced economies, the current economic situation in the second quarter of 2019 was downgraded whilst there is a slight pick-up expected in the second half of the year.



Amongst the **advanced economies**, Japan has been the most affected with a negative assessment of the current economic situation and a continued pessimistic outlook observed by experts. Indeed, according to WES experts, current investment performance fell to a three-year low, driven by subdued global demand, which is central to Japan’s manufacturing sector. The situation is accentuated by persistently low economic growth at 0.8 percent, driven by a lack of innovation in the economy.

In **Canada**, the economic situation for the second quarter of 2019 was appraised as less positive whilst economic expectations improved slightly. Similar to other key economies around the world, WES analysts no longer expect that short or long-term interest rates will increase soon. The economy is correspondingly showing a conducive level of access to capital with only 5 percent of experts pointing to capital shortage as a problem hindering the economy. Nonetheless, the economy is affected by higher levels of trade barriers to export – 80 percentage of panellists viewing trade restrictions as a major hindrance to the development of the Canadian economy.

Amongst the emerging economies, the BRICS markets continued to show a marginal improvement, driven by sharp improvements seen in **India**, the only country amongst the BRICS countries to be found in the ‘boom’ quadrant of the Business cycle. With no expected increases in interest rates in the second half of the year, India is estimated to be amongst the fastest growing economies worldwide with a GDP Growth rate of 7.1 percent for 2019. Brazil on the other hand suffered a setback, with the economic climate turning negative; inadequate infrastructure and high levels of corruption were unanimously cited by WES experts as important economic obstacles to growth in Brazil. Russia is facing similar economic problems and is further affected by insufficient demand.

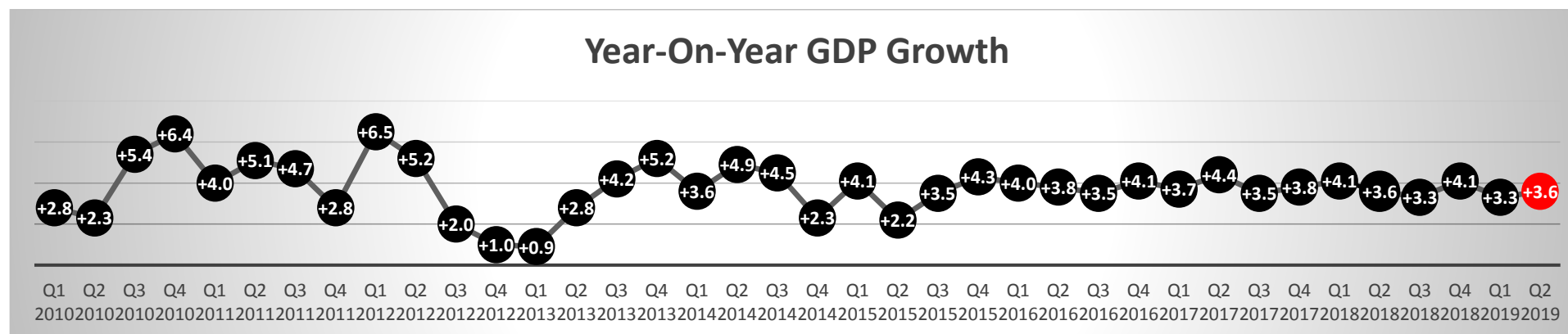
In **China**, experts believe that the economic momentum in private consumption, investment and exports should recover slightly over the course of the year. This follows a bottoming out of growth in the first quarters of 2019. These forecasts do not account for the worsening of trade ties between the U.S.A and China, with the unexpected announcements in July 2019 of further tariff hikes on all Chinese products. In fact, assessment of the present situation for the second quarter 2019 and the forecasts for the upcoming six months remains negative. Chinese growth prospects remain affected by the ‘trade war’ with the United States.

In the **United Kingdom**, the uncertainty surrounding Brexit remains one of the most important disruptive factors, hindering the economy’s growth, with increasing indications of a no-deal Brexit in the upcoming months. This uncertainty leads experts to expect a further slowdown in trade. It is now increasingly unlikely that the parties involved agree on a deal by the 31<sup>th</sup> of October 2019 with the UK Prime Minister indicating that if no deal is reached, the U.K would leave the European Union under the WTO agreements.

**The global general trend points towards a continued downturn in the medium-term, with uncertainties clouding economic policies, which impact the domestic economy.**

## VI. Economic Growth in Q2 2019 compared to Q2 2018

Figure 6: Year-on-year growth outlook in Q2 2019 based on Business Confidence



### A Year-on-Year GDP Growth of 3.6 percent in Q2 2019, Economic growth estimated at 3.9 percent for the year 2019

According to Statistics Mauritius official data, for the first quarter of 2019, we had a year-on-year increase in GDP of 3.3%, which is lower than the 4.1 percent achieved in the corresponding first quarter of 2018. This is in line with our predictions on the first quarter of 2019, which points to a slower growth as compared to 2017.

Based on our econometric model, and trend analysis of business tendency over the second quarter of 2019, **we estimate a year-on-year growth rate**

**of 3.6 percent for the second quarter of 2019, similar to the 2018 figures.**

Our initial estimates, based on preliminary expectations of operators, and our econometric modelling, show that economic growth in 2019 should be of 3.9 percent. This figure is based on expected macro-economic trends locally and globally and the effects of a slowdown in the global economic prospects, compensated by a pick-up in global demand in the second half of the year.



## 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.

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 – the balance of opinions - provides a qualitative indicator 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 increase in the second quarter of 2019. **The balance of opinions remained in the positive territory at 1.9 balance points, but lower than the 8.2 percent achieved in the corresponding second quarter of 2019.**

The Mauritian economy is intrinsically linked to the global economy. **According to the CesIFO institute, the global economic climate weakened in the second quarter of 2019. The indicator is in the negative territory at -2.4 balance points in the second quarter of 2019, its fourth successive deterioration.**

**This analysis is in harmony with the latest forecasts by international institutions.** The IMF confirms in its latest publication that global economic activity is weaker than anticipated, with subdued investment and demand for consumer durables as global trade remains sluggish.

This institution **favours a macro-economic scenario where global growth rate, as measured by GDP, should increase by 3.2 percent in 2019.** It has thus further reduced its global growth forecasts for 2019 by 0.5 percentage points below its October 2018 projections. Intensified US-China trade and technology tensions as well as uncertainty on Brexit have affected the global growth forecast. Despite certain upside surprises in headline GDP for some countries, data point to subdued global final demand combined with a slowdown in global manufacturing activity reflecting weak business spending and consumer purchase of durable goods, such as cars. These

developments suggest that firms and households continue to hold back on long-range spending amid elevated policy uncertainty.

Growth in the world economy is thus expected to remain sluggish, with threats to the global technology supply chains, Brexit-related uncertainties and rising geopolitical tensions roiling energy prices. Risks to the forecast remain on the downside. Indeed, the IMF points to possible further trade and technology tensions which will inevitably dent sentiment and slow investment. This is combined with a protracted increase in risk aversion and mounting disinflationary pressures that may increase debt service difficulties.

The global economy shall further be affected by the effects of a potential “no-deal” withdrawal of the United Kingdom from the European Union and **the effects of trade tensions between Japan and Korea, and a yet unanticipated announcement, at the end of July 2019, of further hikes in tariffs worth USD 300 BN by the United States with respect to Chinese products.** It is now clear that **economic growth and expansion has decelerated significantly with a combination of subdued demand and uncertainties leading to weaker than expected activity in major economies.**

According to the IMF, the main policy priority is for countries to take **actions to reduce trade and technology tensions and expeditiously resolve uncertainty around trade agreements.** Countries need to further Conduct accommodative monetary policy in order to combat subdued final demand and muted inflation. Fiscal policy should focus on smoothing demand and protecting the vulnerable whilst ensuring that growth potential is bolstered through structural reforms. At the same time, economies need to ensure that they keep a sustainable public finance over the medium term.

In Mauritius, **in the second quarter of 2019, business confidence growth remained positive.** Larger sized enterprises are showing a sustained high increase in confidence levels whilst medium-sized companies have been most affected by the global landscape. **Business confidence remains largely driven by the Commerce Sector, with continued growth in household expenditure levels,** whilst the manufacturing sector showed a negative growth for the second consecutive quarter, on the back of uncertainties and slowdown in the world economy, weather disruptions and the challenges linked to increased competition on the global market.

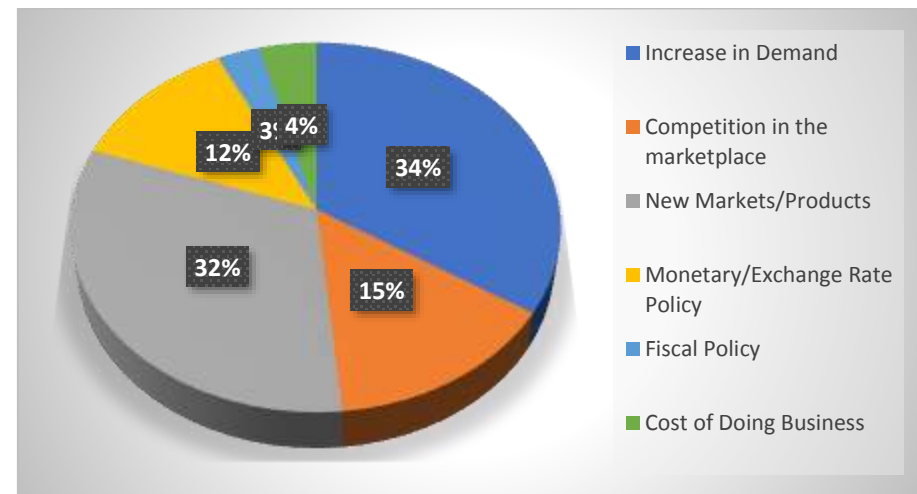
Demand remains one of the key engines of growth in the Mauritian economy, with **more than 34 percent of entrepreneurs indicating that an increase in demand has been one of the most significant factors**

**affecting their businesses.** Indeed, enhanced purchasing power policies continues to have a positive effect on consumption expenditure, with household consumption expenditure expected to grow by 3.3 percent in 2019 – similar to 2018 and its highest figure since 2008. Entrepreneurs particularly in the consumer goods segments have indicated an increase in demand. Nonetheless, the percentage of entrepreneurs indicating an increase in demand as the most significant factor affecting their businesses has decreased, on the back of a slowdown in global demand linked to global trade tensions and an expected slowdown in global economic growth.

It is further noted that approximately 32 percent of entrepreneurs **have indicated that their strategies for diversification of products and the tapping into new markets have contributed positively to their business performance during the first quarter of 2019 whilst 14 percent of enterprises believe that a favourable competition in the marketplace has positively affected their business performance.** Indeed, business leaders are today focusing on new market strategies in order to withstand the effects of a global economic slowdown and maintain competitiveness. A number of manufacturing companies are engaging themselves in strategies to tap into the regional market, with the African region showing exponential potential – a large consumer base and a number of countries with rising

purchasing power shall enable Mauritian companies to export and diversify their economic activities towards such markets.

*Figure 7: Main factors affecting business confidence in the 2<sup>st</sup> Qtr. 2019 (Positive)*

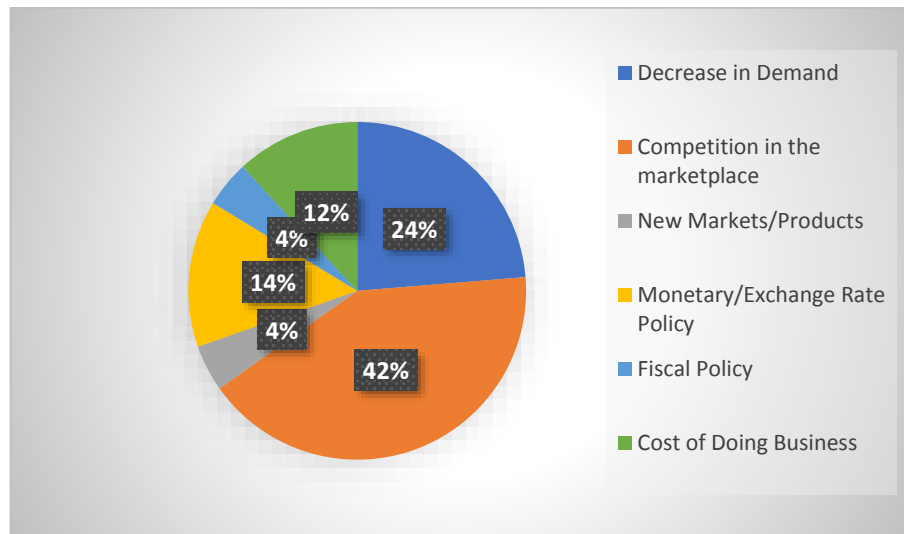


Nonetheless, **some 23 percent of entrepreneurs have indicated a decrease in the demand for their products, mostly accompanied by higher levels of competition in the marketplace.** Indeed, with a highly liberalised economy, and faced by global competitiveness both on the domestic and external markets, entrepreneurs, at 42 percent point to an increase in competition as one of the constraining factors affecting their

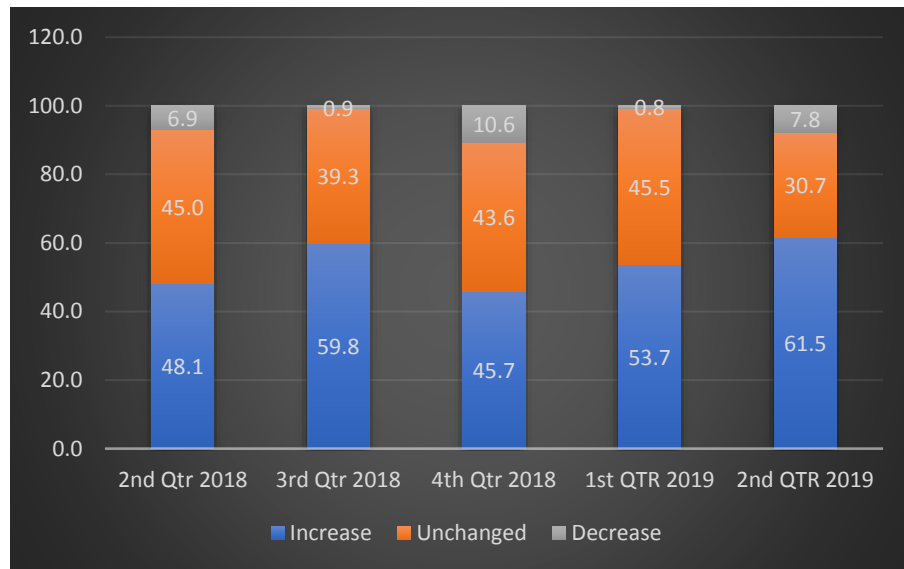
businesses. Heightened competition is a trend which has been observed over the last few quarters and reflect a global economic environment which is more volatile. Moreover, we notice that the cost of doing business is now constitutently showing itself amongst the main factors affecting business performances, with more than 12 percent of companies pointing to the latter as one of the negative factors affecting performance in enterprises. Some 14 percent of respondents, mainly in the commerce sector, pointed to an unfavourable monetary and exchange rate policy as a factor affecting their business performance.

An increasing number of medium-sized and larger companies, through a diversification strategy, are increasing their investments. Private investment remains positive with 61 percent of entrepreneurs indicating that they would increase their investment expenditure in the next twelve months, both locally and abroad. This is in contrast to some 30 percent of entrepreneurs anticipating a stagnation in investment expenditure and the remainder of companies pointing to a decrease in investment. Recent measures to boost productive investment such as the LEMS Schemes as well as the 0.15 percent decrease in the Key Repo Rate (KRR) on Friday 9<sup>th</sup> of August 2019 shall act as signalling effects towards pro-investment decisions by enterprises.

*Figure 8: Main factors affecting business confidence in 2<sup>nd</sup> Qtr 2019 (Negative)*



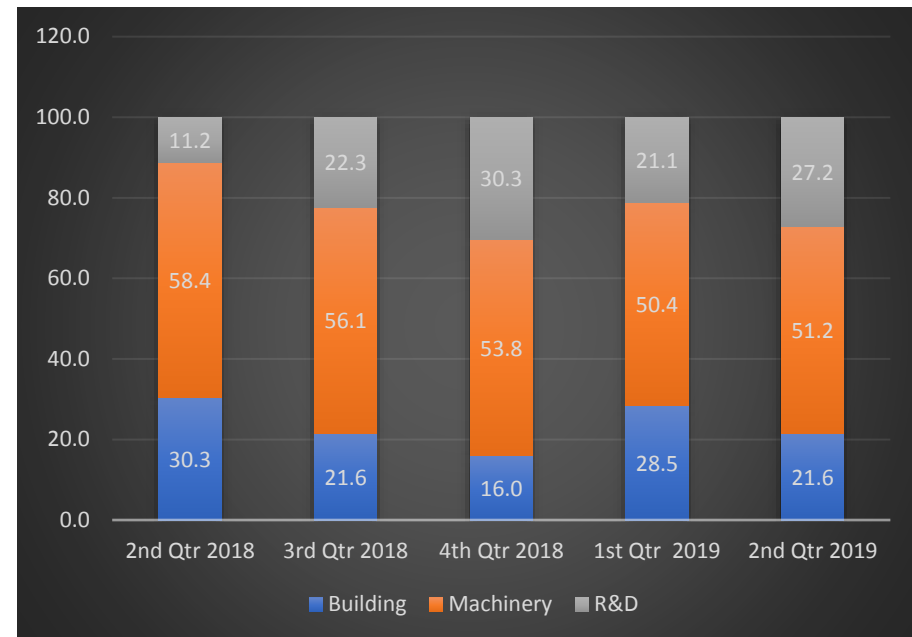
**Figure 9: Evolution of investment expectations by enterprises (%)**



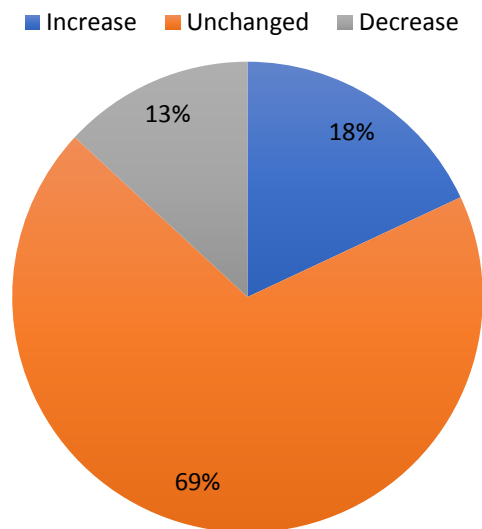
Investment remains predominantly in Plant & Machinery, indicating that entrepreneurs are investing in renewing their production lines. Indeed, more than 51 percent of entrepreneurs have indicated that their investment shall be in Plant & Machinery, whilst 22 percent indicated investments predominantly in Buildings. The remainder of companies are principally investing in R&D expenditure. The ratio of investment decisions remains primarily focused on Plant & Machinery with the remainder being spread through investments in Buildings and R&D expenditure. There has so far

not been major shift towards more R&D expenditure in enterprises. The operationalisation of the double deduction on R&D expenditure and the Innovation Box Regime, accompanied by the new Industrial Property Bill, has a clear potential for productive enterprise development and a gradual shift towards more R&D investment by enterprises.

**Figure 10: Evolution of investment by type (%)**

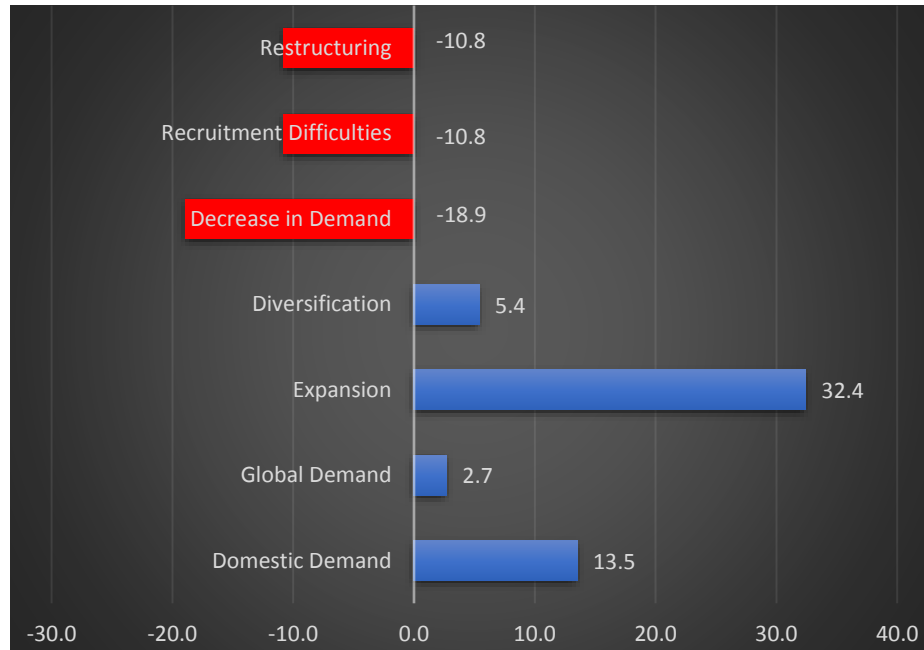


**Employment is expected to continue to improve, albeit modestly, with 24 percent of entrepreneurs indicating an increase in employment over the next 3 months.** The majority of enterprises are expecting to maintain their employment levels whilst **some 7 percent of companies are engaged in a restructuring and downsizing exercise and thus decreasing their employment levels.**



More than 16 percent of companies maintain to an increase in global and local demand as the main reason for their employment policies, a figure which is half of the percentage achieved in the first quarter of 2019.

Conversely, some 38 percent of companies are either in an expansion or diversification phase, a rising trend observed since mid-2018. On the downside, some 10 percent of enterprises are in a restructuring phase in order to maximise the use of their workforce and mitigate the cost of production. A number of companies (some 15 percent) are either experiencing recruitment difficulties or faced with labour market rigidities. The streamlining of procedures for employment of both Mauritian and foreign workers, **addressing the skills mismatch through targeted training and education, and the targeted opening up of the economy to foreign talents, remains primordial for the development of the economy.**



Based on the business climate results, we estimate that the economic growth in the second quarter of 2019 was of 3.6 percent. **Our econometric projection for the full year 2019 is that growth should be of approximately 3.9 percent** driven by a slight pick-up in demand in the second half of the year.

The economic barometer entered in the “upswing” quadrant, thus showing a slightly negative assessment in the current assessment of entrepreneurs whilst we anticipate a positive expectation over the future.

There are a number of downside risks linked to the uncertainties and the slowing down in the global economy, disruptions in economic activity linked to weather disruptions. These risks are combined with possible effects linked to an election year in Mauritius, with the electoral cycle completed within the upcoming six months.

On the back of a slowing down of economic activity in the global economic outlook, growth in the Mauritian economy shall remain demand-driven, whilst exports of goods and services, is expected to pick up slightly in the second half of the year. This is particularly the case for the tourism sector, which has grown modestly over the first six months of the year

**The MCCI thus urges for continued accommodative policies to boost demand in the local economy and measures to address a number of structural issues to the economy, targeted towards a sustainable, inclusive and innovation-driven model of economic development.**

## VIII. ANNEX – METHODOLOGY

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.

Following international practice, the MCCI uses the “balances” approach (OECD 2003). In order to determine the indicator, individual replies of companies are combined as a geometric mean of the balance of the current economic situation and the balance of the economic expectations for the next three months. The economic climate ranges between -100 and +100 points. The mid-range lies at 0 points and is reached if the share of positive and negative answers is equal.

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 indicator of the business climate is one recommended by the OECD<sup>1</sup>, 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
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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

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<sup>1</sup> OECD : *Business Tendency Surveys – A Handbook*, 2003



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