



The economy of Mayotte in 2011 New deterioration of the economic activity

2011 was characterised by the anchoring of Mayotte's status as a *departement* (French county) as it became the 101st French *Departement* on 31st March. It also saw several social conflicts, the most significant of which was the movement against the high cost of living that started on 27th September. For 44 days, the Mayotte economic activity came to a standstill due to demonstrations, roadblocks at all the crucial spots on the island, forced closing of schools, businesses, banks, companies and certain administrations. The social movement resulted in several hundred thousand work hours lost, businesses closing down, partial unemployment and massive layoffs. The financial difficulties of local authorities also worsened during 2011 leading to general deterioration of the general business climate and the corporate financial situation.

Within this context, the economic activity which already had been subdued in 2010 worsened in 2011. Even though overall, price increases were constrained and household consumption remained steady, the labour situation deteriorated, foreign trade decreased and the future looks grim for businesses.

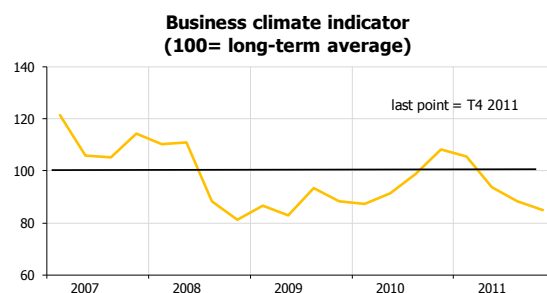
At the sectorial level, the situation was difficult overall. Only the tourism industry experienced growth. The agricultural sector did not prove to be competitive and the situation of the industrial sector was mixed. The situation of the construction sector was of particular concern and that of the market services and trade sector deteriorated.

Nevertheless, on the financial front the latest data available does not reveal for the moment any signs of decline: the assets held by customers continued to increase and the growth of credits outstanding improved, demonstrating that the local banking system continues to support the *departement's* economic activity.

A DIFFICULT YEAR

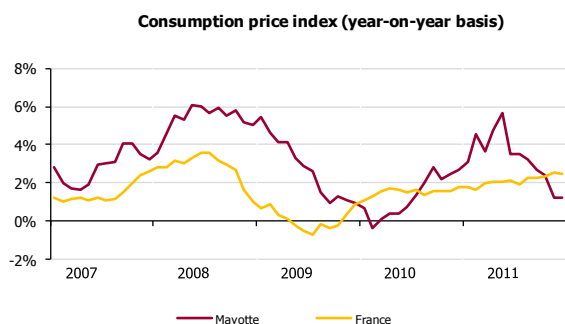
Unfavourable activity

Whereas there had been noted improvement in the activity at the start of 2011, the business climate indicator (BCI) began to deteriorate during the second quarter and significantly worsened during the fourth quarter in connection with the social crisis. It was almost at its 2008 level and is currently well below its long-term average, a sign of the difficult economic times.



Source: IEDOM economic survey

Significantly slowed price increases



Source: INSEE
Base 100 : 2006

The increase in prices started early 2010 continued until the third quarter of 2011 before the trend reversed in the fourth quarter. Prices rose 1.2% on a year-on-year basis as at 31 December 2011, a significant turnaround with respect to 2010 (+2.6%).

The prices of foodstuffs decreased 0.6% further to the crisis recovery agreement (decrease in prices for 11 products) signed by the major retailers and the inter-union association under the aegis of the public authorities. By contrast, the prices of energy and Tobacco respectively rose 6% and 11% in relation to the increase in the worldwide prices of raw material and oil and the taxes on these products. The price of household services recorded a growth (+3.8%) higher than that of 2010.

Downturn in employment

In a depressed economic environment, the labour market was not favourable. Between February and November 2011 there was an increase in the number of jobseekers (DEFM A) of 35%, that is 3,100 more unemployed persons to stand at 11,923. Labour demand registered at the Pôle Emploi decreased 36% between November 2010 and November 2011.

Increased household consumption

Despite the social crisis, household consumption rose overall in 2011.

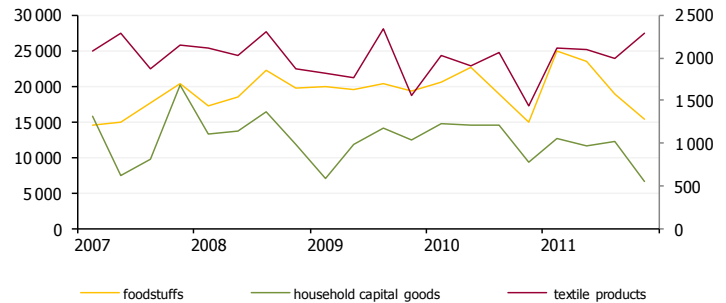
It was particularly strong in the first quarter: imports of foodstuffs, household capital goods and textile products respectively increased 55%, 33% and 42%. However, the downturn in foodstuff imports which begun in the second quarter (-5.5%) worsened during the third and fourth quarters (-20 % and -19 %).

The imports of the foodstuffs and textile products during 2011 respectively increased 8% and 15% whereas the imports of household capital goods fell 19 %.

There was an upturn of 22% in registration of new private cars compared with 2010.

Consumer credits outstanding remained stable (+0.4 % on 31 December 2011).

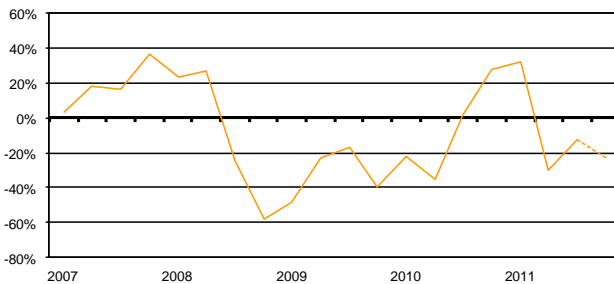
Imports of household consumer goods



Source: Regional customs department, S.A - thousands of Euros

Negative prospects for businesses

Investment forecasts



Source: IEDOM economic survey

Corporate investment was poorly-oriented. Imports of professional capital goods fell 6% after a decline of 15.3% in 2010.

Already weakened by increasingly long payment deadlines and cash flow difficulties, the corporate situation got significantly worse under the effects of the social crisis. Accordingly, a large number of companies were forced to downsize or even go out of business.

Vulnerability indicators turned red: +8.6% of the number of payment incidents on effects, +20.6% of the number of people restricted access to certain banking facilities.

Outstandings on capital goods increased 5% whereas they had followed an upward trend of 4.6% in 2010. With uncertainty regarding the future both for public procurement as well as social climate, investment was generally frozen.

Downturn in foreign trade

The deteriorating economic climate was partly conveyed through a decline in the overall demand for imported products. After a fall of 1% in 2010, imports fell 4.5% in 2011 thereby breaking the positive trend recorded since 2005.

There was a downturn of 32% in exports however, these exports were marginal and essentially related to goods re-exports (mainly personal goods of people leaving the territory).

Imports (S.A, except hydrocarbons and currency)



Source: Regional Customs department
*apart from exceptional imports of transport equipment

DIFFICULTIES IN MOST SECTORS

Agricultural sector still uncompetitive

The agricultural sector is still not yet fully developed, even though there have been efforts made in producing and selling fruits and vegetables: the Coconi horticultural business incubator gained strength; a cooperative of agricultural producers opened a fruits and vegetables sales point in Mamoudzou.

Exports of ylang essential oils fell 72% in volume (down from 4.1 tons to 1.1 tons between January and December 2011), however they rose in value. Aquaculture, which had a good growth potentially declined: fish exports, which rose during the first two quarters significantly decreased during the third quarter before breaking the trend during the last quarter. Almost all poultry and poultry products were imported. The imports of poultry species fell by 10% with a significant downturn of 77% during the fourth quarter in relation with the disturbances reported on the Longoni port during the social crisis.

Mixed situation for the industrial sector

The business flow for the agri-food industry deteriorated. However, imports and exports of agri-food products increased respectively by 4.6% and 29.1% (in S.A.). With regard to the industrial business itself, after suffering significant decline during the first half of the year, the second half of the year saw a remarkably more favourable trend.

Increased concern in the construction sector

The situation worsened even further after a subdued 2010. The low number of public or private projects, empty order logs, very long payment deadlines in relation with the financial situation of local authorities and the social crisis of the fourth quarter were some of the many factors which had a negative effect on the cash resources of companies. Some businesses had to down-size or even close down. In addition to work site contracts or temporary contracts there was an increase in the number of people under fixed-term work contracts who were made redundant: several hundred jobs declared to the Caisse d'assurance chômage de Mayotte (CACM – Unemployment insurance fund) against less than 100 in 2010.

The large-scale projects scheduled for 2011 (including the new air terminal) have still not been started. Cement imports declined 14.5% over the year.

Trade and services deteriorating

There was a significant deterioration of the trade activity in 2011. It was especially affected by the social crisis (forced closing of stores). Therefore, there are no investment forecasts for the upcoming months, moreover, after the layoffs and under the effect of minimum wage increase of 4.5% on 1 January 2010, no recruitment will be considered.

Business leaders in the market services sector reported decline in business activity throughout the year. Pressure on cash-flow worsened in the last quarter resulting in down-sizing.

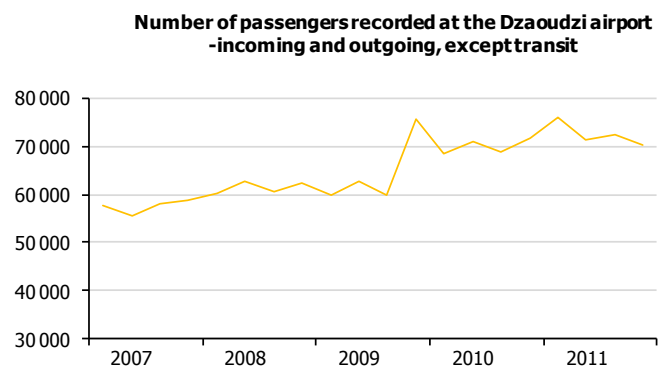
Tourism on the rise

The efforts made by the partners in the sector to attract tourists to Mayotte have started to pay off. The number of passengers (excluding transit) recorded at Dzaoudzi increased 3.4% in 2011 reached 289,653. However, following the social crisis, Mayotte had been strongly advised against and accordingly the rate of growth is lower than in 2010 (9.2 %).

In 2011, calls for projects were launched for development of four new PADD (Sustainable development and planning plan) sites with the highest potential of tourist development for Mayotte.

Furthermore, an aid in renovating tourist hotels located in overseas *départments* was adopted and should make it possible to renovate hotels on the island and promote local tourism. Roughly twenty guest houses for tourists of a total of 52 received the Ylang label. This label inherent to Mayotte aims to promote the quality of small hotel structures which are members of the Mayotte tourism committee.

Finally, in line with the "Iles Vanilles" concept, the association of the relevant islands announced the creation of an annual carnival for which the first edition is scheduled in Seychelles in March 2012.



Source: Mayotte Civil Aviation Department Data: S.A.

STEADY BANKING ACTIVITY

Gradual rise of customer assets

On 31 December 2011, the overall outstanding financial assets held in Mayotte reached 392.4 million Euros, up by 6.3% over a year (after +7% in 2010 and +5% in 2009). This trend was especially significant for households (+6.8% over the year, that is +12.9 million Euros), as well as for other agents (essentially local authorities), for which the amount of assets increased 10.8% (+6.2 million Euros), after decreasing 24 % in 2010.

Rise of credit outstanding with deteriorated exposure

The gross overall outstandings on credits granted by the locally installed credit institutions (ECIL) stood at 593.7 million Euros on 31 December 2011 (+6.1% on a year-on-year basis after +4.4% in 2010 and +4% in 2009). The low growth rate of healthy credits outstanding (+4.8%, 557.1 million Euros) reflects deterioration in the portfolio quality. With an increase of 1.2 points (+0.5 points in 2010), the rate of doubtful debts (6.2%) deteriorated. Healthy corporate credits outstanding decreased 1% due to a downturn in investment credits (-5.9%, that is -10 million Euros). Given the environment of subdued economic growth in Mayotte, credit institutions maintained their support to economic activity: operating credits rose 35% in 2011 (after falling 2.8% in 2010). Healthy outstanding credit to households stagnated: +2.8% in 2011 (+7.2% in 2010). Home loans – a traditionally dynamic market which represented more than half of the loans to households, only recorded a growth rate of 5% (+16.6% in 2010).

Amount in million Euros	dec. 2007	dec. 2008	dec. 2009	dec. 2010	dec. 2011**	2011/2010
Financial assets of non-financial customers						
Financial assets held by companies	84,8	87,1	89,0	122,2	126,5	3,5%
Financial assets held by households	140,0	166,1	180,2	189,2	202,1	6,8%
Financial assets held by other agents	82,7	75,2	75,8	57,6	63,8	10,8%
Total financial assets	307,4	328,4	345,0	369,0	392,4	6,3%
Overnight deposits	159,0	157,8	172,0	166,3	174,8	5,1%
Liquid or short-term investments	109,0	114,3	104,3	144,3	153,9	6,6%
Long-term savings	39,3	56,4	68,7	58,5	63,7	8,9%
Loans granted by the locally established credit institutions (ECIL)*						
Companies	195,5	247,3	237,5	237,1	234,7	-1,0%
Households	165,9	202,5	209,4	224,4	230,6	2,8%
Local Authorities	63,9	41,8	58,6	64,4	84,7	31,7%
Other agents and CCB not broken down	4,9	5,9	6,2	5,8	7,1	21,8%
Total healthy outstanding claims	430,1	497,6	511,7	531,8	557,1	4,8%
Gross doubtful debts	15,6	17,9	24,3	27,9	36,5	31,0%
Net doubtful debts	9,1	10,5	13,3	15,8	21,0	32,5%
Total gross outstandings	445,7	515,5	535,9	559,6	593,7	6,1%
Rate of gross doubtful debts	3,5%	3,5%	4,5%	5,0%	6,2%	+1,2 point

Source: IEDOM

* In 2010, a methodological evolution led to modifying the parameter of ECILs and the outstanding claims presented were consequently corrected.

** Temporary data financial information is currently being collected

OUTLOOK FOR 2012

It seems very unlikely that there will be a real short-term recovery. Overall, the economic activity should remain unfavourable during the first half of the year. Most sectors are forecasting deterioration of their cash resources whereas investment, when considered, essentially concerns renewing equipment and upgrading to comply with standards dictated by Mayotte's newfound status as a *département*. In these conditions, only a boost in public procurement, main driver of Mayotte's growth can give businesses an idea of the future and allow them to consider expanding their business activity. Within this context of social pressure and financial difficulties of local authorities, the government has set up an employment safeguard and economic recovery plan for a total amount of 53.4 million intended to finance operations part of the 2008-2013 project contracts. In this framework, the state will finance all or certain products which should initially have been co-financed with the *département* which may reassure professionals in the sector on compliance with payment deadlines. Rapid implementation of the recovery plan (first quarter 2012) and the launch of already scheduled projects (new terminal, building of social housing, building of the new detention centre, creation of an undergraduate university unit) should boost the construction sector. Moreover, the decrease in the price of a ton of sand as part of the agreement signed on Tuesday 20 December 2011 between the prefect, the inter-union association and the large retailers should also boost a recovery of private constructions.

Consumption should remain steady in particular through increase of minimum wage on 1 January 2012 and payment of the RSA (Earned income supplement) as from the month of March.

In line with the solutions considered after the crisis in Guadeloupe and Martinique in 2009, a Co.Rail (Contrat de Reprise de l'Activité à l'Initiative Locale – Local Initiative Business Recovery Contract) was also activated for a total amount of €1.2M. This allows the State to take all exceptional measures to help businesses to cope with their cash flow difficulties through measures intended to facilitate access to short-term banking credit or medium-term recovery investment. Finally, in addition to the recovery plan, a set of urgent measures was communicated by the prefect: spreading of social expenses and tax-debts (CSSM, CACM, DSF, TG, etc.) in the scope of the CODEFI, possibility of resorting to temporary lay-offs, etc.

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