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Economic brief
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AGENCE DE MAYOTTE

Mayotte : Economic overview

STRUCTURAL CHARACTERISTICS

Chef-lieu	Mamoudzou
Area	375 km²
Geographic location	Indian Ocean; Paris 8,500 km away, Réunion 1,500 km away, Madagascar 250 km away
Languages spoken	French, Shimaoré, Shibushi and Comorian languages
Currency	Euro
Status	Overseas Department and Region; Outermost Region since 1 January 2014
Human Development Index ranking (2010)	107
National representation	2 Members of Parliament, 2 Senators and 1 representative on the Economic, Social and Environmental Council
State representation	Prefect

PORTRAIT

Historical background

Located at the northern entrance to the Mozambique Channel, the island of Mayotte has for centuries been a hub for maritime trade between Europe and the Indian Ocean.

According to the most recent archaeological and linguistic research, the first settlements date back to the 8th century. These populations were of both Bantu origin, arriving from the East African coast, and Austronesian (or Proto-Malagasy) origin, coming from Indonesia. In the 9th century, the arrival of Arab-Persian traders in the Comoros archipelago led to major changes in social organisation: the tribal and matrilineal system inherited from African origins gave way to an organisation based on the sultanate and the principles of Islam.
Initially regarded primarily as a port of call, Mayotte only began to attract French interest following France's loss of influence over Île de France (now Mauritius) in 1814. The history of French Mayotte began in the 19th century, when the last Sultan of Mayotte ceded the island to Commander Passot on 25 April 1841. Official possession of Mayotte by France took place in June 1843 with the ratification of the Treaty of Cession of Mayotte, at which point the island became a French colony. From 1880 to 1912, France established a protectorate over the other islands of the Comoros archipelago, which became an Overseas Territory (TOM) in 1946.

Institutional framework

Unlike the other islands of the Comoros archipelago, which sought independence as early as the 1950s, Mayotte has repeatedly affirmed its attachment to France. In the 1974 self-determination referendum that led to the independence of the Comoros (achieved in 1975), 65.0% of Mayotte's population voted against separation from mainland France. This choice was confirmed in the 1976 referendum, in which 99.4% of voters supported the island's continued membership of the French Republic as an Overseas Territory.

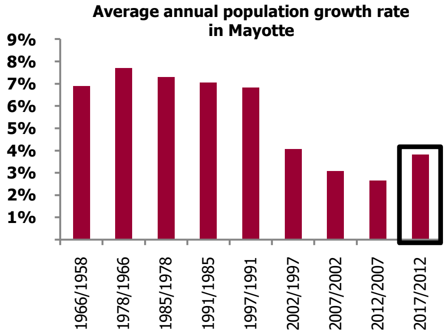
In 2001, Mayotte became a departmental collectivity and, on 29 March 2009, 95.2% of voters supported the transformation of Mayotte into an Overseas Department and Region (DROM). On 31 March 2011, the Departmental Collectivity of Mayotte became France's 101st department (the 5th overseas department), now exercising most of the powers devolved to DROMs.

In addition to the revision of civil status records and the reform of the justice system, this institutional change has been accompanied by the gradual alignment of the minimum wage (SMIG) and social benefits with mainland levels, tax reform, and the creation of the Mahoran Economic, Social and Cultural Development Fund (FMDESC), replacing the former Mahoran Development Fund (FMD).

Furthermore, as planned at the conclusion of the departmentalisation process, France requested that the European Union grant Mayotte – previously classified as an Overseas Country and Territory (OCT) – the status of an Outermost Region (OR). The European Council, meeting on 11 July 2012 in the presence of the 27 Heads of Government of the Member States, approved this request, enabling the island to become an OR as of 1 January 2014. This status provides for the principle of applicability of all EU law and allows access to EU structural funds.

A DEMOGRAPHIC TRANSITION FAR FROM COMPLETE

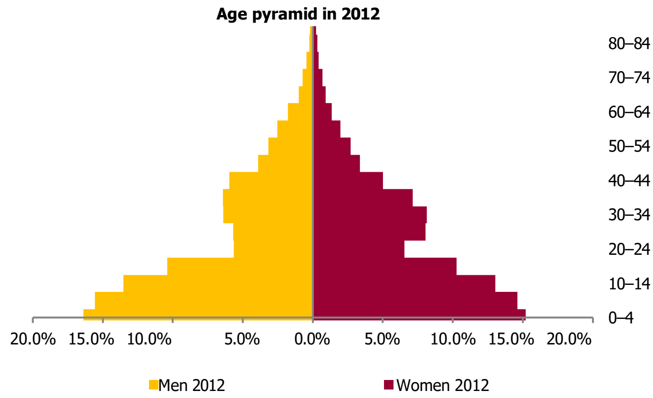
Mayotte is experiencing rapid demographic growth and a marked rejuvenation of its population. The number of inhabitants has increased by a factor of 3.8 since 1985, reaching 256,518 as at 1 September 2017. The median age fell from 20 years in 2007 to 17.5 years in 2012, and six out of ten Mahorans are under the age of 25[1]. This population rejuvenation is explained by a sharply rising birth rate (+4.6 points between 2012 and 2017), driven by a number of births increasing by an average of 8.1% per year over the past five years. Between 2012 and 2017, demographic growth accelerated to an average of 3.8% per year, breaking with the slowdown observed in previous years[2], despite a mortality rate that remains high[3]. Population density (684 inhabitants per km^2 in 2017) has become the highest in the region and the highest among French departments outside the Île-de-France region. Based on the 2012 census, the share of the population of foreign nationality stands at 39.8%, of whom 39.0% were born on French territory.



Source: Insee, IEDOM calculations

Demographic indicators	Mayotte	France*
Population (2017; millions for France)	256,518[1]	67.2
Share of population under 20 (%) – 2012	54.5[2]	24.5
Share of population aged 20–59 (%) – 2012	41.4[2]	50.2
Share of population aged 60 and over (%) – 2012	4.2[2]	25.3
Population density (inhabitants per km^2, 2017)	684[1]	118.0
Average annual population growth rate (%; 2012–2017)	3.8[1]	0.4
Birth rate (per 1,000 inhabitants, 2017)	38.0[4]	11.5
Mortality rate (per 1,000 inhabitants, 2016)	2.9[3]	9.0
Infant mortality rate (per 1,000 births, 2016)	10.0[3]	3.9
Total fertility rate[6]	5.1[5]	1.9
Life expectancy at birth – women (years, 2016)	77.0[3]	85.3
Life expectancy at birth – men (years, 2016)	74.0[3]	79.5

* «Demographic balance 2017», Insee
(1) » « 256,500 inhabitants in Mayotte in 2017 », Insee
(2) » *« Mayotte, the youngest department in France », Insee*
(3) » *« Excess mortality among children and people aged 60 and over »*, Insee
Ratio between the number of registered births and the effective population; IEDOM calculations
(5)' « Total fertility rate in 2016 », Insee
(6) Average number of children a woman would have over her lifetime if age-specific fertility rates observed in the reference year remained unchanged



Source: Population census 2012, Insee

OVERVIEW OF THE ECONOMY

Main economic indicators	Mayotte	France*
GDP (current euros, billions, 2014)	2.0[1]	2,291.7[5]
GDP growth rate (%, constant euros, 2014–2013)	10.5[1]	2.2[5]
GDP per capita (current euros, 2014)	8,980[1]	32,420[6]
Import dependency rate (%, 2014)[2]	23.9	23.4
Central government expenditure in the territory (% of GDP, 2014)[3]	23.9	–
Unemployment rate (%, ILO definition, 2017)	25.9[4]	8.9[7]

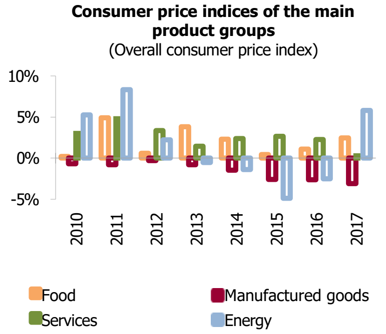
* In 2017
(1)' Gross domestic product 2014', Insee
(2) Ratio between the value of imports and GDP; Customs, Insee, IEDOM calculations
(3) Regional Public Finance Directorate (DRFIP)
(4)' Mayotte Labour Force Survey 2017', Insee
(5) » National accounts 2017', Insee
(6) » National accounts – Base 2014', Insee
(7) » Unemployment (ILO definition) and labour market indicators – Q4 2017', Insee

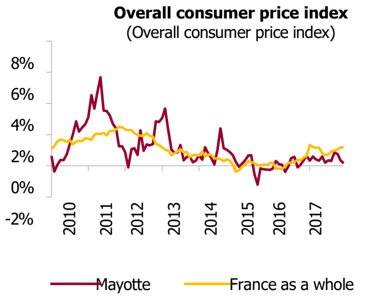
Mayotte's economy is characterised by the predominance of the public sector. Growth relies on two main drivers: final consumption (by general government and households) and public procurement, which directly or indirectly contributes to a large share of investment. Between 2005 and 2014, growth was particularly strong, with gross domestic product (GDP) increasing by an average of 8.6% per year, well above the national level (+2.2%). With growth of 10.5% between 2013 and 2014, GDP growth accelerated further. Final consumption by general government accounts for 60.1% of GDP, compared with 52.0% for household consumption.

However, in 2014, the contribution of household consumption to growth exceeded that of general government, standing at 40.0% and 35.0% respectively. In 2014 (the latest year available), Mayotte's GDP is estimated at EUR 2,008 million. Despite this strong increase, the gap in living standards between Mayotte and mainland France remains significant: in 2014, GDP per capita (EUR 8,980) was 3.6 times lower than in mainland France (EUR 32,420).

Inflation stable in recent years

Since 2014, inflation has remained stable in Mayotte. The increase in the consumer price index (CPI) has stayed below 1.0% (+0.4%), converging towards the national level (+0.4%). Similarly, price developments across the main consumption groups have remained stable: prices for services and food products continue to rise (respectively +1.9% and +1.6%), the decline in prices for manufactured goods (-2.5%) has become more pronounced, while energy prices – largely dependent on global market trends – have remained volatile (-0.8%) between 2014 and 2017.





Source: Insee

[1] Based on data from the 2012 population census, data for the 2017 census are not yet available.

[2] The average annual population growth rate has declined over the past thirty years, falling from an additional 6.9% inhabitants per year between 1978 and 1966 to 2.7% between 2012 and 2007.

[3] Although the mortality rate is three times lower than in mainland France given the young population of Mayotte, it would be 1.5 times higher if the population had the same age structure as that of mainland France. As a result, the probability of death in Mayotte is higher than in mainland France.

A labor market marked by a transition to a service economy

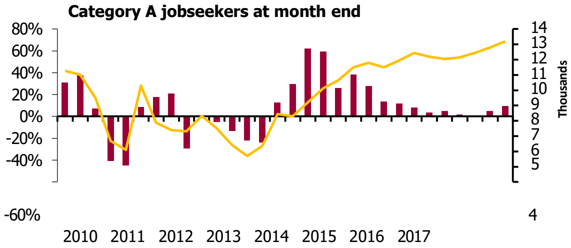
Employment in Mayotte reflects the island's transition towards a service-based economy. The tertiary sector, where employment has grown more rapidly than in the secondary sector, is the leading employer on the island (81.9% of employees in the formal sector work in services). The primary sector lost 1,587 jobs between 2007 and 2012 (-79.3%)[4], most likely linked to the growing share of informal employment in this sector. Employment in the secondary sector and in trade has increased, although informality remains significant (around 40.0% of total employment is linked to informal activity). The unemployment rate as defined by the International Labour Organization (ILO), calculated by Insee, declined in 2017 after having risen sharply in previous years. It stood at 25.9% of the labour force (-1.2 percentage points, compared with increases of +3.9 points in 2015 and +3.5 points in 2016). However, according to Insee, this decline should be interpreted with caution, as it is considered 'artificial', partly linked to the gradual formalisation of job search. Indeed, as shown by the steady increase in the number of registered jobseekers (+9.4% in 2017), a growing number of Mahorans are registering with Pôle emploi and undertaking job search procedures. As a result, the 'halo' around unemployment[5] – particularly large in Mayotte – has gradually diminished, falling from 28,000 people in 2014 to 21,900 in 2017.

Employment by sector in 2015 (1)	Formal employment (FTE*)	Unformal employment (number)	Total
Agriculture	415[2]	–	**415**
Industry	1,760	1,150	**2,910**
Construction	2,840	1,170	**4,010**
Trade	2,900	2,500	**5,400**
Market services	3,920	1,820	**5,740**
Non-market services	15,903[2]	–	**15,903**
Total	**27,738**	**6,640**	**34,378**

(1) « Survey of Mahoran enterprises in 2015 », Insee. Scope: market sector, excluding financial companies and agriculture; companies headquartered outside the territory are also excluded.
(2) 2012, latest year available. Population census 2012, Insee.

* FTE: Full-time equivalent.

Category A jobseekers at month end



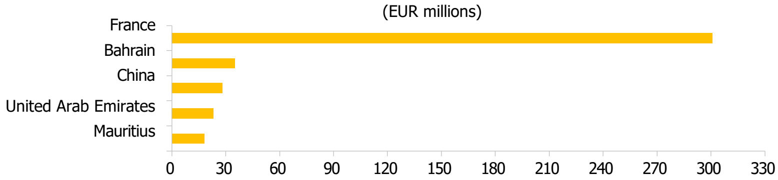
Source: Pôle emploi, seasonally adjusted by IEDOM

A structurally deficit trade balance

Trade flows are characterised by a very strong predominance of imports. The structural trade deficit has widened year after year. This trend can be explained by the continuous rise in imports linked to demographic growth, the increase in living standards – reflected in higher household equipment rates – and the low level of exports. Exports, whose evolution is irregular, essentially consist of re-exports and covered only 2.1% of imports in 2017. Mainland France is the leading trading partner for both imports (54.0%) and exports (36.8%).

Main suppliers in 2017

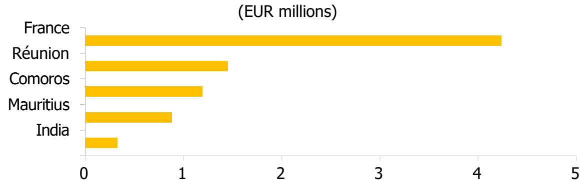
(EUR millions)



Source: Regional Customs Directorate, IEDOM calculations

Main customers in 2017

(EUR millions)



Source: Regional Customs Directorate, IEDOM calculations

Imports by value (EUR thousands)	2017
Other industrial products	182,721
Capital goods	86,584
Transport equipment	72,668
Agricultural, fishery and aquaculture products	7,874
Publishing and communication products	4,435
Agri-food industry products	137,514
Refined petroleum products and coke	64,912
Other	402
Total	**557,110**

Source: Regional Customs Directorate, IEDOM calculations

Exports by value (EUR thousands)	2017
Other industrial products	5,571
Capital goods	1,937
Transport equipment	1,467
Agricultural, fishery and aquaculture products	78
Agri-food industry products	1,885
Natural hydrocarbons	562
Other	23
Total	**11,523**

Source: Regional Customs Directorate, IEDOM calculations

MAIN SECTORS OF ACTIVITY

Main sectoral indicators	2017	2017/2007 (1)
Cement imports (tonnes)	90,569	0.5%
Number of applications for planning permission (2)	1,930	-0.2% (3)
Passenger traffic at Dzaoudzi Airport	367,501	4.8%
Cruise passenger traffic	3,300	-8.3%
Number of establishments (hotel stock) (4)	59	5.1%
Number of beds (4)	958	2.8%

(1) Average annual growth rate (CAGR)
(2) Includes applications for building permits, prior declarations and planning certificates for all municipalities, with the exception of Mamoudzou. The latter has processed its own applications since 2007. In 2017, 217 applications for building permits were filed with the municipality of Mamoudzou.
(3) CAGR 2017/2010
(4) 2013 data; CAGR 2013/2003

Sources: Tourism Committee; Regional Customs Directorate; Mayotte Airport; Directorate for the Environment, Planning and Housing; Mayotte Channel Gateway; Municipality of Mamoudzou

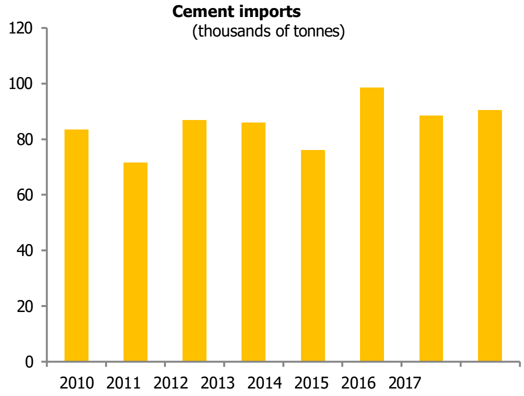
Mayotte's economy is largely structured around very small units (nine out of ten active businesses have fewer than five employees), which operate mainly in the trade and market services sectors (70.0% of all businesses in 2015)[6]. Industrial activity therefore plays only a minor role. However, industry, together with retail trade and the construction sector, generates nearly 60.0% of total value added. The distribution of value added is unevenly concentrated: 1.0% of businesses account for 40.0% of total value added.

[4] Latest year available.

[5] The ILO has provided a strict definition of unemployment, which does not take into account the fact that some individuals wish to work but are classified as 'inactive', either because they are not immediately available for work (within two weeks) or because they are not actively seeking employment. These individuals form what Insee refers to as a 'halo' around unemployment.

[6] Source: « Survey of Mahoran enterprises in 2015 », Insee. Scope: market sector, excluding financial companies and agriculture; companies whose head offices are located outside the territory are also excluded.

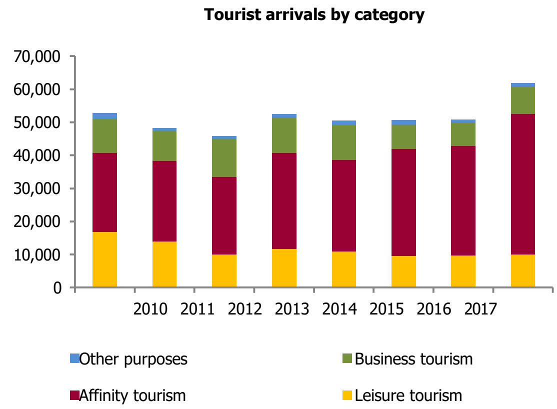
The construction sector: a strategic sector facing difficulties



Source: Regional Customs Directorate

The construction sector has been one of the main drivers of Mayotte's economy over the past ten years, with activity supported by both public procurement (significant infrastructure needs) and private demand (demographic growth and rising incomes). In 2015, the Chamber of Trades and Crafts (CMA) estimated that construction companies accounted for 46.7% of the number of active businesses registered with the chamber. Over the past ten years, construction activity has fluctuated, affected by the slowdown in housing construction and delays (or even the absence) in the launch of major projects. The main factors behind this situation include slow execution of public procurement and a general lengthening of payment times, particularly by local authorities. In 2017, the situation remained uncertain, with public procurement slow to recover, thereby undermining business leaders' visibility over their order books. However, activity could rebound rapidly with the resumption of school construction policies, combined with rising demand for social housing, which is already financed by the Caisse des Dépôts et Consignations (CDC).

Tourism: a potential yet to be realised



Source: « Tourism Flows Survey 2017 », Insee

In 2015, the tourism sector accounted for nearly 7.1% of active businesses in Mayotte, but represented only 5.3% of salaried employment and 2.8% of job offers registered with Pôle emploi. Despite the island's natural and cultural tourism potential, the sector remains modest. It suffers from both the limited quality and quantity of accommodation infrastructure and a lack of skilled labour. The high cost of air transport and the still recent promotion of the destination also act as constraining factors. However, the strong growth in passenger numbers – linked to the introduction of a direct Paris – Mayotte flight – highlights growth levers on which the sector could build to generate value added and employment. In addition, after a sharp decline starting in 2009, cruise passenger traffic has increased since 2016, reaching 3,300 passengers in 2017 (+81.4% compared with 2016). A total of 61,800 tourists arrived in the territory in 2017, corresponding to an average annual growth rate of 4.3% between 2007 and 2017. According to Insee, affinity tourism remained the main reason for travel in 2017 (68.9% of total tourism), followed by leisure tourism (16.2%) and business tourism (13.3%).

FINANCING OF THE ECONOMY

Seven banking institutions are established locally: three commercial banks (Banque Française Commerciale Océan Indien, Caisse Provence-Alpes-Corse [CEPAC, who replace BR] and La Banque Postale), two mutual banks (BRED-BP and CRCAMR), and two finance companies (Bpifrance Financement and AFD). Other institutions also operate directly from Réunion or mainland France without having a local presence.

In 2017, financing activity confirmed its strong momentum, recording growth of 11.4% in outstanding loans (compared with +7.5% in 2016). This increase was driven in particular by the rebound in business lending, which rose by 16.9% over the period. Indeed, unlike the sluggishness observed in 2016 (+1.0%), business financing benefited from the strong recovery in investment loans (+14.3% compared with -8.9% in 2016), as well as from still very robust demand for mortgage loans (+28.6% after +31.7% in 2016). Lastly, operating loans continued their positive trend, increasing by 9.1% over the year after a rise of 29.9% in 2016. At the same time, household demand remained strong, growing by 12.5% after +14.0% in 2016. Consumer credit and housing loans increased by 18.3% and 6.9% respectively, thereby confirming the driving role of Mahoran households in financing the economy.

Finally, the doubtful loan ratio of locally established credit institutions declined by 0.7 percentage points to 3.1%, reaching its lowest level in five years.

Main financial indicators	2007	2017	Financial aggregates (EUR millions)	2007	2017
Number of bank branches	26	37	Total financial assets held[1]	307.4	625.6
Number of ATMs and cash dispensers	46	69	of which businesses	84.8	239.9
Number of current accounts in credit	49,438	75,088	of which households	139.9	321.8
Number of regulated savings accounts	34,812	97,605	Sound outstanding loans of economic agents[1]	500.1	1021.4
Number of term deposit accounts	281	155	of which businesses	227.4	416.7
Total number of accounts	84,532	172,849	of which households	170.6	408.5
Banking penetration rate	45.3%	67.4%	of which local authorities	84.3	156.7
Number of over-indebtedness cases	0	16	Doubtful loan ratio[1,2]	3.3%	8.8%

Source: IEDOM
[1] With all credit institutions (locally established or not)
[2] Doubtful loans/total outstanding loans

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